KHB

KIAN HO BEARINGS LTD

建 和 轴 承 有 限 公 司

Spiralling Beyond

annual report 2010

Corporate Structure

Kian Ho Bearings Ltd
SINGAPORE

SOUTHEAST ASIA

SINGAPORE
- Kian Ho Bearings Ltd
  100%

MALAYSIA
- Kian Ho Bearings (M) Sdn Bhd
  100%
- KWP Engineering & Industrial Supply Sdn.Bhd.
  60%

INDONESIA
- PT. Kian Ho Indonesia
  80%

VIETNAM
- Kian Ho (Vietnam) Co., Ltd
  100%

THAILAND
- Kian Ho (Thailand) Co., Ltd
  80%
- Kian Ho Bearings (Thailand) Co., Ltd
  49%

GREATER CHINA

CHINA
- Acker Machinery (Shanghai) Co., Ltd.
  100%
- Kian Ho Shanghai Co., Ltd
  100%
- Chengdu Excel Bearings Co., Ltd
  100%
- Excel (Hangzhou) Power Transmissions Co., Ltd
  70%

HONG KONG
- Kian Ho (H.K.) Company Limited
  100%

TAIWAN
- Ascend Bearings Co., Ltd
  60%

AUSTRALIA

- KH Bearings and Seals Australia Pty Ltd
  100%

Contents

Corporate Profile

Kian Ho Bearings Ltd ("Kian Ho") - a Mainboard-listed company in the Singapore Exchange - was founded in 1956 and is now one of the largest stockists, distributors and retailers of bearings and seals in South East Asia and the Far East, catering primarily to the wholesale and replacement markets and Original Equipment Manufacturers ("OEM").

Kian Ho is setting up a new division for distribution of power transmission belt products. This new division complements existing seals and bearings business, and enables the Group to build a new revenue stream in the years to come.

Kian Ho's strength lies in the universal application of its bearing and seal products. The Group carries more than 35,000 types of bearings and seals which are used in almost all industries and products, such as transportation, electronics, construction, oil and gas, petrochemical, manufacturing and print publishing, disk drive and marine industries.

Kian Ho currently has five branches in Singapore and five outlets in neighbouring Malaysia. She has several overseas subsidiaries and associate including Malaysia, Hong Kong, Taiwan, China, Vietnam, Indonesia, Australia and Thailand.

Kian Ho has a huge local customer network such as automotive part dealers, industrial suppliers, hardware dealers, ship chandlers and general trading companies to which it markets its products on a wholesale basis, as well as the OEM market, particularly in the industrial automation sector. Kian Ho has developed its overseas markets over the years and has customers world-wide.

Chairman's Statement

During the year, the Board initiated a dividend policy… Accordingly, an interim dividend of 0.4 cent was declared and paid during the year…the Board is pleased to recommend a one-tier tax-exempt final dividend of 0.6 cent per ordinary share. Therefore, the total interim and final dividend for the year is 1.0 cent per ordinary share.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company and the Group for the year ended 31 December 2010.

Year in Review

For the financial year 2010, Kian Ho achieved a total annual Group turnover of $101.7 million, representing an increase of 25% from $81.2 million in 2009. Pre-tax profit surged 90% to $8.1 million in 2010, from $4.2 million in 2009, mainly due to the higher turnover. As a result, the Group's net profit after tax rose 82% to $6.3 million in 2010, from $3.4 million in 2009.

During the year, the Executive Committee ("Exco"), vested with authority from the Board to approve certain levels of investments, acquisitions, and divestments of the Group, had regularly reviewed the Group's operations and set strategic directions for growth. Under the guidance of the Exco, Kian Ho has continued to expand its operations in Asia and Australia.

Dividends

During the year, the Board initiated a dividend policy whereby for each financial year, the Company aims to pay a dividend of at least 30% of annual net profit after tax, while being guided at the same time to aim for 1.0 cent in total annual dividend. Accordingly, an interim dividend of 0.4 cent was declared and paid during the year.

Subject to shareholders' approval at the forthcoming Annual General Meeting, the Board is pleased to recommend a one-tier tax-exempt final dividend of 0.6 cent per ordinary share. Therefore, the total interim and final dividend for the year is

Chairman's Statement

1.0 cent per ordinary share. The Board and management will devote our best efforts to generate better returns for our shareholders in the years to come.

Looking Ahead

For the year ahead in 2011, we expect business conditions around the world to improve gradually. However, as pockets of challenges remain, we will be vigilant in safeguarding our business in established markets, while continuing to expand into new markets. We will also strive to further strengthen our presence in major markets such as Singapore, Australia, Thailand, Malaysia, Indonesia, Vietnam and China.

In line with our mission to achieve sustainable growth in performance and shareholder value, we will continue to tap on the experience and network of our Board, key management, and major shareholders to add strength to our regional expansion efforts.

Appreciation

Mr Lien Kait Long has indicated his intention to retire at the forthcoming Annual General Meeting on 25 April 2011. The Board would like to express its gratitude and appreciation to Mr Lien for his contributions to the Company for his past services as an Independent Director.

In view of Mr Lien's intention to retire, the Board had accepted the Nominating Committee's recommendation and appointed Mr Tan Kai Seng as an Independent Director of the Company with effect from 23 March 2011, after reviewing and considering his qualification and working experience.

On behalf of the Board, I would like to thank our shareholders, suppliers, customers, business associates and bankers for their invaluable support. Our appreciation also goes to our staff who have contributed to the Group's excellent performance for the year.

Leong Horn Kee
Chairman
23 March 2011

Letter to Shareholders

In Year 2010, net profit before tax jumped 90% to **$8.1 million (2009: $4.2 million)**… and pre-tax margin rose to 7.9%, compared to 5.2% in 2009

Dear Shareholders,

Year in Review

2010 saw the Group turning in a solid performance, reflecting:
- an industry-wide recovery from the crisis year of 2009.
- the strength of our overseas expansion strategy.

Financial Highlights

S$ 'm	Full year ended 31 Dec		Change
	2010	2009	%
Turnover	101.7	81.2	▲ 25
Profit before tax	8.1	4.2	▲ 90
PBT Margin	7.9%	5.2%	▲ 2.7pts
Profit after tax	6.3	3.4	▲ 82
EPS (SGP cents)	2.59	1.45	▲ 79

Highlights of our performance:
- Net profit before tax jumped 90% to $8.1 million (2009: $4.2 million) due to higher turnover.
- Pre-tax margin rose to 7.9%, compared to 5.2% in 2009 due to effective cost management.
- 82% surge in net profit after tax to $6.3 million in 2010, from $3.4 million in 2009.
- Group turnover grew 25% to $101.7 million.

The increase in turnover was largely driven by:
- Higher business activity in the semiconductor OEM segment in Asia, especially for Singapore, Malaysia and Taiwan.
- Contribution from new operations in Vietnam, Indonesia and Australia.

Letter to Shareholders

Overall, we achieved good results in our key markets. Revenue from:
- ASEAN market jumped 40% to $30.0 million;
- Other Asian countries segment rose 26% to $39.2 million;
- Singapore market grew 27% to $18.2 million;
- Western countries segment fell 6% to $12.1 million, due to the weak EUR.

Outlook for 2011

We are optimistic about the Group's prospects for the 2011 financial year:
- Higher sales activity in Asia should continue its momentum.
- Europe markets may take a while to stabilize.

Meanwhile, we will push ahead with the implementation of our expansion strategy:
- Continue to leverage on our strong relationships with our existing distributors to secure distribution rights for our new overseas companies established in Vietnam, Indonesia, Australia and Thailand.
- Further develop our sales network and capture a greater share of the seals and bearings market in the above countries.
- Expect our overseas companies to contribute more significantly to the Group's performance in 2011.

New Division

We are currently setting up a new division for the distribution of power transmission products which:-
- complements the Group's existing seals and bearings distribution business; and
- paves the way for a new revenue stream to be built in the years to come.

Acknowledgements

I would like to acknowledge our principal suppliers, valued customers, bankers and employees, for their trust and unwavering support throughout the year. Together with them, we will continue to put our best foot forward and work towards a better and more fruitful year ahead.

Teo Teng Beng
Managing Director
23 March 2011

Board of Directors

From left to right
1. Kwek Che Yong 2. Teo Teng Beng 3. Leong Horn Kee 4. Ng Sun Ho 5. Lee Joo Hai 6. Lien Kait Long 7. Yeo Wee Kiong

1. LEONG HORN KEE

Chairman

Mr Leong was appointed as a Non-Executive Non-Independent Director since 18 July 2007 and was elected as Chairman on 10 October 2007. He is currently the Chairman and CEO of CapitalCorp Partners Pte Ltd. He 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. He was a Member of Parliament for 22 years from 1984 to 2006. He is currently Singapore's Non-resident Ambassador to Mexico (since September 2006) and a member of the Securities Industry Council (since January 2008). Mr Leong holds a Production Engineering and Management (Honours) degree from Loughborough University, UK; an Economics (Honours) degree 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 University of Western Australia.

2. KWEK CHE YONG

Executive Director/Deputy Chairman

Mr Kwek has been an Executive Non-Independent Director of the Company since its date of incorporation in November 1973. He was the Chairman of the Company for approximately 30 years before stepping down in October 2007 to assume the post of Deputy Chairman. He has over 40 years of experience in the business and is actively involved in formulating the Group's development and expansion strategy.

3. TEO TENG BENG

Managing Director

Mr Teo was appointed as an Executive Non-Independent Deputy Chairman in September 2000 and is currently the Managing Director. He is responsible for the daily operations of the Group. Mr Teo holds directorships in private companies operating in industries such as property development and foreign exchange management. He has substantial experience in business development in Australia, Vietnam and China. Mr Teo holds a Bachelor of Science, Bachelor of Engineering and Graduate Diploma in Industrial Engineering from the University of New South Wales.

Board of Directors

4. NG SUN HO

Non-Executive Director

Mr Ng was appointed as a Non-Executive Non-Independent Director on 18 July 2007. On 10 October 2007, he was appointed as a Member of Nominating Committee and Executive Committee respectively. He is currently the Deputy Managing Director of Tat Hong Holdings Ltd and a Non-Executive Non-Independent Director of Tutt Bryant Group Limited. He joined Tat Hong Group since 1975 and has more than 30 years of experience in heavy equipment and plant hiring business.

5. LEE JOO HAI

Independent Director

Mr Lee is an Independent Non-Executive Director and Chairman of the Audit Committee since October 1995. He was appointed as a Member of the Remuneration Committee since December 2002. Mr Lee also holds directorships in other companies and has considerable experience in accounting and auditing spanning more than 20 years. He is a Certified Public Accountant of Singapore and a member of the Institute of Chartered Accountants in England and Wales.

6. LIEN KAIT LONG

Independent Director

Mr Lien joined the Board as an Independent Non-Executive Director on 18 July 2007 and was subsequently appointed as Chairman of the Remuneration Committee on 31 December 2007. He has extensive experience in accounting and finance, corporate management and business investment. He has held a number of senior management positions as well as executive directorships in various public and private corporations in Singapore, Hong Kong and China. He currently serves as an Independent Director on the boards of several Singapore and Chinese companies listed on the Singapore Exchange. The listed companies that he has present and prior experience in are from diverse industries including manufacturing, stockist and trading, telecommunications, oil and gas service provider, offshore and marine, consumer, textile as well as food and beverage. Between March 2004 and March 2006, he was the deputy president of Shenzhen Flink Investment & Development Co., Ltd. China. Prior to that, between 2002 and 2003, Mr Lien was the finance director of PDC Corp. Ltd. Prior to that, he was an Executive Director in China Strategic Holdings Limited Hong Kong from 1998 to 2002. Between 1996 and 1998, he was the General Manager in charge of the China division of Hong Leong Corporation Limited and was responsible for overseeing the group's joint venture operations in China. He was also the Director of China Yuchai International Ltd at that time. From 1993 to 1996, he was in charge of International operations of the RGM Group, a conglomerate of diverse businesses and was also a director in charge of international operations in Asia Pacific Resources International Limited. He was the finance director of China Strategic Holdings Limited Hong Kong from 1992 to 1993. Between 1981 to 1992, he was the General Manager (Finance and Investment) of United Industrial Corporation Ltd. He was the Group Accountant cum Personal assistant to Executive Chairman of Industrial and Commercial Bank Ltd Singapore from 1974 to 1981. Mr Lien holds a Bachelor of Commerce Degree from Nanyang University, and is a Fellow member of the ICPAS and CPA Australia.

7. YEO WEE KIONG

Independent Director

Mr Yeo Wee Kiong joined the Board on 3 July 2009 as an Independent Non-Executive Director of the Company, Chairman of the Nominating Committee and a member of the Audit Committee. Mr Yeo Wee Kiong is a director in Drew & Napier LLC, a leading law corporation in Singapore, practising in the areas of corporate law, corporate finance, mergers and acquisitions, listings on stock exchanges, venture capital, banking and securities. He started his career in 1980 as a senior industry officer with the Singapore Economic Development Board (EDB) where he participated in EDB's international drive to promote high technology investments into Singapore. He was an investment banker with NM Rothschild & Sons Singapore between 1984 to 1989 in capital markets and corporate finance advisory services. He started his legal career with Drew & Napier in 1989, subsequently founding his own law firm. He was also previously a senior partner in Rajah & Tann, a leading law firm in Singapore. He rejoined Drew & Napier LLC in 2007. Mr Yeo is an independent director of three other listed companies. Mr Yeo holds a First Class Honours Degree in Mechanical Engineering as well as a Masters in Business Administration degree in addition to his legal qualifications. He graduated with an honours degree in law from the University of London and is a Barrister-at-Law with the Lincoln's Inn in England.

Our Products

Kian Ho Bearings Ltd stocks and distributes a wide range of bearings, factory automation products, seal products and belts for all your application needs.

IKO INA FAG BARDEN PRECISION BEARINGS NSK

EZO PRECISION BALL BEARINGS DAIDO METAL KURODA ASAHI Bearing Units

NTN KOYO GEP URB TIMKEN Torrington Fafnir

NOK

REPAIR KHB KITS
CYLINDER SEAL KITS

GLH

WON

optibelt
Power Transmission

MEIWA PACKING

NATIONAL OIL SEALS

Hallite

DLI

SIMRIT
CARL FREUDENBERG

SAKAGAMI
HYDRAULIC&PNEUMATIC SEALS

MPI

VALQUA

NDK

KYB
KAYABA

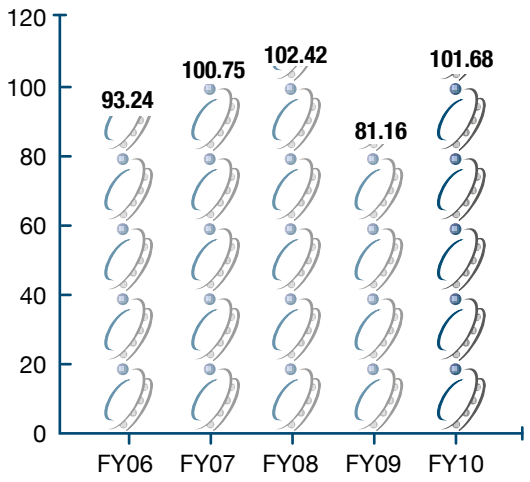
Parker-Prädifa

Financial Highlights

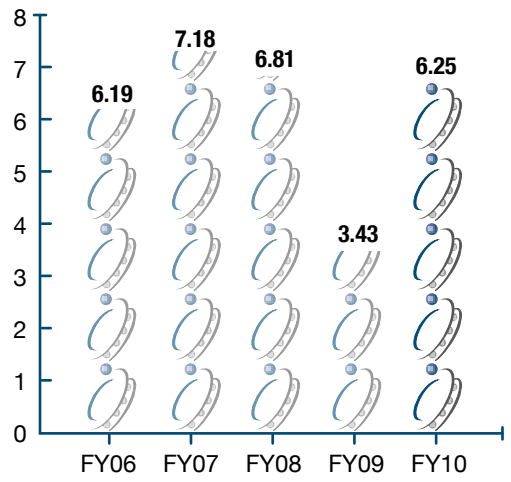
FIVE YEAR FINANCIAL SUMMARY

	2006	2007	2008	2009	2010
Turnover ($'000)	93,244	100,749	102,423	81,161	101,675
Profit after taxation before non-controlling interests ($'000)	6,189	7,176	6,805	3,429	6,252
Shareholders' equity, net of non-controlling interests ($'000)	50,443	56,340	65,002	68,647	73,005
Net tangible assets per share (cents)	21.55	24.07	27.77	29.33	31.19
Basic earnings per share (cents)	3.60	3.03	2.87	1.45	2.59
Weighted average number of ordinary shares in issue ($000)	169,043	234,060	234,060	234,060	234,060

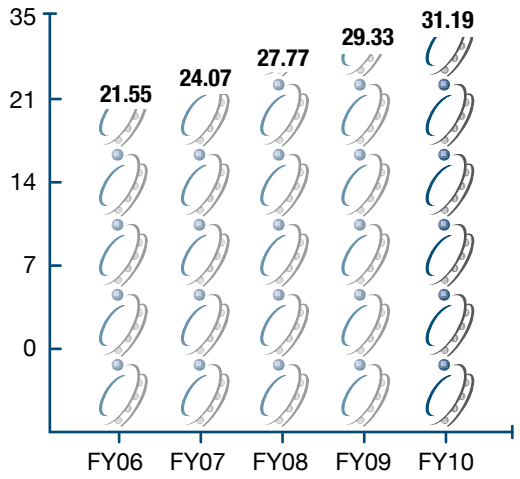
Turnover ($ million)



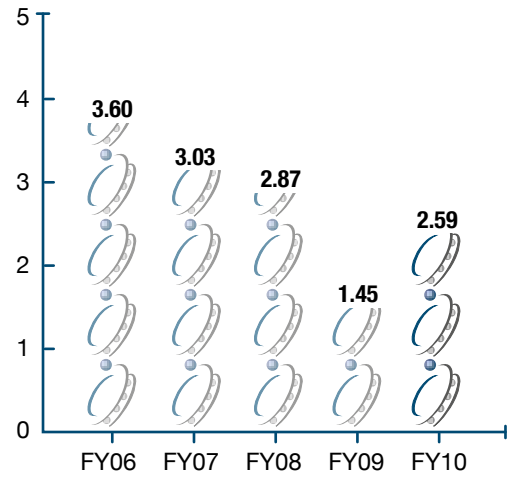
Profit After Taxation Before Non-Controlling Interests ($ million)



Net Tangible Assets Per Share (cents)



Basic Earnings Per Share (cents)



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Corporate Governance Report

Kian Ho Bearings Ltd (the "Company") strives to observe the standards of corporate conduct in line with the spirit of the Code of Corporate Governance 2005 (the "Code") so as to safeguard shareholders' interests and enhance the financial performance of the Group.

This Report describes the Company's corporate governance practices with reference to the principles of the Code. For the financial year ended 31 December 2010, the Company has adhered to the principles and guidelines of the Code as set out below.

I. BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS
Principle 1: Effective Board to lead and control the Company

The Board oversees the business affairs of the Group and works with the Management to achieve the objectives set for the Group. To ensure smooth operations and facilitate decision-making, and at the same time ensure proper controls, the Board has delegated some of its powers to its Committees and the Management. The Board Committees and the Management remain accountable to the Board.

The principal functions of the Board are:

- Providing entrepreneurial leadership.
- Approving the broad policies, strategies and financial objectives of the Company.
- Approving annual business plans, budgets, major funding proposals, investment and divestment proposals and monitoring the performance of Management.
- Overseeing the framework and processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance.
- Approving the nominations of Directors.
- Assuming responsibility for corporate governance.

The Board is supported by four Board Committees, namely, the Executive Committee ("EXCO"), the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Nominating Committee ("NC"). Each Committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

The Board conducts regular scheduled meetings. Ad hoc meetings are convened as and when circumstances require. Board proceedings are generally initiated and conducted by the Chairman.

The Company Secretary or her representative assists the Chairman of the Board and Board Committees to prepare meeting agendas, to convene Board and Board Committee meetings and prepare minutes of the proceedings.

Corporate Governance Report

DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEES' MEETINGS

A record of the Directors' attendance at meetings of the Board and Board Committees during the financial year ended 31 December 2010 is set out below:

Name of Directors	Board	Audit Committee ("AC")		Executive Committee ("EXCO")		Nominating Committee ("NC")		Remuneration Committee ("RC")	
	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
Leong Horn Kee	5 (Chairman)	No	-	Yes (Chairman)	6	No	-	Yes	2
Kwek Che Yong	5	No	-	Yes	6	No	-	No	-
Teo Teng Beng	5	No	*2	Yes	6	No	*2	No	*2
Ng Sun Ho	5	No	*2	Yes	6	Yes	2	No	-
Lee Joo Hai	5	Yes (Chairman)	2	No	-	No	-	Yes	2
Lien Kait Long	5	Yes	2	No	*5	Yes	2	Yes (Chairman)	2
Yeo Wee Kiong	5	Yes	2	No	-	Yes (Chairman)	2	No	-
No. of meetings	**5**		**2**		**6**		**2**		**2**

* Attendance by invitation.

BOARD COMPOSITION AND BALANCE
Principle 2: Strong and independent element on the Board

The Board currently consists of the following seven members, two of whom are Executive Directors, five are non-Executive Directors, of which three are independent.

Executive Directors

Kwek Che Yong (Deputy Chairman)
Teo Teng Beng (Managing Director)

Non-Executive Directors

Leong Horn Kee (Chairman)
Ng Sun Ho

Independent Directors

Lee Joo Hai
Lien Kait Long
Yeo Wee Kiong

The Directors of the Company come from different backgrounds and possess core competencies, qualifications and skills. They bring with them a wealth of experience that enhances the overall quality of the Board. Key information regarding the Directors is disclosed separately in this Annual Report.

Corporate Governance Report

The NC is of the view that the current Board size and composition is adequate taking into account the scope, nature and size of operations of the Group.

During the year, the NC conducted its annual review of the Directors' independence and was satisfied that the Company has complied with the guidelines of the Code. In its deliberation as to the independence of a Director, the NC took into account whether a Director has business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgements. In this connection, the NC confirmed that Mr Lee Joo Hai, Mr Lien Kait Long and Mr Yeo Wee Kiong remain as independent Directors of the Company.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

Principle 3: Clear division of responsibilities and balance of power and authority

To maintain effective supervision and ensure a balance of power and authority, different individuals assumed the Chairman and CEO roles. The division of responsibilities between the Chairman and CEO have been clearly established.

The Company's Chairman, Mr Leong Horn Kee, who is non-Executive, brings with him a wealth of experience, leads the Board and ensures Board members engage the Management in constructive debate on various matters including strategic issues.

The Managing Director, Mr Teo Teng Beng, who is involved in the day to day running of the business, has executive responsibilities for the Group's businesses and is accountable to the Board.

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for the appointment of Directors to the Board

The NC consists of the following three members, all of whom are non-Executive and the majority, including the Chairman, are independent:

Yeo Wee Kiong, Chairman	(Independent and non-Executive)
Ng Sun Ho	(Non-Independent and non-Executive)
Lien Kait Long	(Independent and non-Executive)

The responsibilities and principal functions of the NC, as set out in its Terms of Reference, include:

- Maintaining a formal and transparent process for the appointment of new Directors to the Board, including identifying and reviewing candidates for nomination for appointment or re-appointment to the Board of Directors and to propose their appointment or re-appointment to the Board for approval.
- To determine the criteria for identifying candidates and reviewing nominations for the appointments referred to above.
- To determine how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.
- To assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board.
- To review and determine the independence of the Directors on an annual basis.

Corporate Governance Report

It reviewed the independence of the Directors, including those with multiple directorships in other companies, the Board size and competency mix in order to ensure the effectiveness of the Board as a whole.

BOARD PERFORMANCE

Principle 5: 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 assessed the effectiveness of the Board as a whole, as well as the contribution of each Director to the effectiveness of the Board.

The NC is guided by its Terms of Reference which set out its responsibilities for assessing the Board's effectiveness as a whole and its ability to discharge its responsibilities in providing stewardship, corporate governance and monitoring Management's performance with the objective of enhancing long term value for shareholders.

The NC reviewed the Directors' mix of skills and experience that the Board requires to function competently and efficiently in achieving the Group's strategic objectives and was satisfied that the Board has a good mix of skills and expertise.

The evaluation of the Board is carried out on an annual basis. The NC, in reviewing the Board's performance, has taken note of the feedback received from the Directors and acted on their comments accordingly.

In assessing the contributions of each Director during the year, the NC took note of the individual Director's attendance at meetings of the Board, Board Committees and General Meetings; the individual Director's functional expertise; and his commitment of time to the Company. The NC also evaluated the competing time commitments faced by Directors serving on multiple boards during the year and is satisfied that the Directors have spent adequate time on the Company's affairs to fulfill their responsibilities.

ACCESS TO INFORMATION

Principle 6: Board members should be provided with complete, adequate and timely information

In order to enable the Board to function effectively and to fulfill its responsibilities, Management recognises its obligation to supply the Board and the EXCO with complete, adequate information in a timely manner. A system of communication between the Management and the Board has been established and improved over time.

Management provides the EXCO with management accounts of the Group and Company and other relevant information from time to time. The minutes of the EXCO are forwarded to the Board on a timely basis and this is deemed to be adequate and timely dissemination of financial information by the Board.

Each Director has been provided with the up-to-date contact particulars of the Company's senior management staff and the Company Secretary to facilitate access to any required information.

In furtherence of their duties, the Directors, individually or as a group, may seek independent professional advice on matters relating to the businesses of the Group, at the Company's expense.

Corporate Governance Report

II. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
Principle 7: Formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors

The RC comprises the following three Directors, all of whom are non-Executive and the majority, including the Chairman, being independent:

Lien Kait Long, Chairman	(Independent and non-Executive)
Leong Horn Kee	(Non-Independent and non-Executive)
Lee Joo Hai	(Independent and non-Executive)

The principal responsibilities of the RC, as set out in its Terms of Reference, include:

- Reviewing the remuneration framework to ensure that the programme is competitive and sufficient to attract, retain and motivate Executive/non-Executive Directors and staff of the requisite quality to run the Company successfully and recommendation to the Board for approval.
- Reviewing and recommending the remuneration for independent and non Executive Directors.
- Reviewing Executive Directors' and key executives' (as designated by the Managing Director) remuneration packages annually to determine their reasonableness and to seek appropriate independent professional advice where necessary.
- Reviewing the appropriateness and transparency of remuneration matters disclosed to shareholders.

The RC considered and approved the Managing Director's and Executive Director's remuneration packages in accordance with the existing service contracts. In addition, the RC reviewed the performance of the Group's senior executives and considered the Managing Director's recommendation for bonus and remuneration proposal for all relevant senior executives. No member of the RC was involved in deciding his own remuneration.

LEVEL AND MIX OF REMUNERATION
Principle 8: Level of remuneration of Directors to be appropriate and not excessive

The Company's remuneration packages for Executive Director(s) comprised both fixed and variable components. The variable component is performance related and is linked to the Company's performance as well as each individual Director's performance. This is designed to align Directors' interests with those of shareholders' and link rewards to corporate and individual performance.

The remuneration framework has been endorsed by the entire Board.

During the year, the RC evaluated and proposed to the Board, the non-Executive Directors' fees for the year ended 31 December 2010, of which the Board concurred and will recommend the same to the shareholders for approval at the forthcoming AGM. The RC is of the view that the remuneration of non-Executive Directors is appropriate, taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the Directors. The RC and the Board are of the view that the remuneration of the Directors is appropriate and not excessive.

Corporate Governance Report

DISCLOSURE ON REMUNERATION
Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

A summary of each non-Executive and Executive Director's remuneration for 2010 is shown below: -

Name of Directors	Status*	Breakdown of Remuneration in Percentage (%)				Total Remuneration in Compensation Bands of $250,000
		Directors' fee	Salary	Variable Bonus	Total	
Leong Horn Kee	NE, NI	100	0	0	100	< $250,000
Kwek Che Yong	Exec, NI	0	57	43	100	$250,000 to $499,999
Teo Teng Beng	Exec, NI	0	53	47	100	$500,000 to $749,999
Ng Sun Ho	NE, NI	100	0	0	100	< $250,000
Lee Joo Hai	NE, Ind	100	0	0	100	< $250,000
Lien Kait Long	NE, Ind	100	0	0	100	< $250,000
Yeo Wee Kiong	NE, Ind	100	0	0	100	< $250,000
Total Directors' Remuneration (%)		**18**	**44**	**38**	**100**	

* NE: Non-Executive / Exec: Executive / NI: Non-Independent / Ind: Independent

Remuneration of top Executives (Other than the Company's Executive Directors)

The Company advocates a performance-based remuneration system taking into account the performance of individuals, Company's performance and industry benchmarks gathered from companies in comparable industries.

The table below shows the ranges of gross remuneration received by the Group's top five Executives (excluding Executive Directors) in the Group and Company during the year: -

Name of Top 5 Executives	Position	Total Remuneration in Compensation Bands of $250,000
Teh Geok Koon	Head, Group Operations	<$250,000
Koh Hai Yang	Head, Business Development (South East Asia)	<$250,000
Loh Mun Choong	Head, Regional Business (Bearings)	<$250,000
Tiang Lay Geok	Head, Group Purchasing	<$250,000
Greg Wensor	General Manager (KH Bearings & Seals Pty Ltd)	<$250,000

Corporate Governance Report

Number of employees whose remuneration exceed $150,000 and who are related to the Deputy Chairman in remuneration bands: -

	2010	2009
Below $250,000	-	-

III. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY
Principle 10: Presentation of a balanced and understandable assessment of the Company's performance, position and prospects

The Board recognises that it is accountable to shareholders for the performance of the Group. In discharging this responsibility, the Board ensures the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, position and prospects.

The Management kept the Board and the EXCO regularly updated on the Group's business activities and financial performance by providing operations reports on a regular basis. They also highlighted key business indicators and major issues that are relevant to the Group's performance.

AUDIT COMMITTEE
Principle 11: Establishment of Audit Committee with written terms of reference

The AC consists of the following three Directors, all of whom, including the Chairman, are non-Executive and independent:

Lee Joo Hai, Chairman (Independent and non-Executive)
Lien Kait Long (Independent and non-Executive)
Yeo Wee Kiong (Independent and non-Executive)

The principal responsibilities of the AC, as set out in its Terms of Reference, include:

- Reviewing and approving the internal and external audit plans, including the scopes and results of the internal and external audits with the respective auditors.
- Reviewing the adequacy of internal control systems.
- Reviewing the effectiveness and adequacy of the internal audit function.
- Reviewing of Interested Persons Transactions.
- Compliance with regulatory and disclosure requirements.

The majority of the members of the AC have had many years of experience in senior financial management and accounting positions in different sectors. The Board is of the view that the members of the AC have sufficient expertise and experience to discharge the AC's functions.

Corporate Governance Report

The AC reviewed the half-year and full-year financial results announcements of the Company before their submission to the Board for approval prior to their release to the Singapore Exchange Securities Trading Limited ("SGX-ST").

The AC also reviewed all Interested Persons Transactions conducted and was satisfied that the transactions were at arms length and did not require any announcement to be made to the SGX-ST or the approval of shareholders.

The Company's internal and external auditors were invited to make presentations to the AC during the year. An annual assessment of the material internal and risk controls in the Company was undertaken by the internal and external auditors. The AC is satisfied with the process of identification, recommendations for improvement by the external and internal auditors and implementation by the management of such recommendations. The external auditors met separately with the AC without the presence of Management.

The AC has reviewed the nature and extent of all non-audit services performed by external auditors to establish whether their independence has in any way compromised as a result, and has confirmed that such services would not affect the independence of the external auditors.

The AC has established the whistle blowing policy where staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and for appropriate follow up actions.

Other than Kian Ho Bearings (M) Sdn. Bhd. having been audited by a member firm of Ernst & Young Global, the Board and AC are satisfied that the appointment of the other audit firms for the rest of the subsidiaries would not compromise the standard and effectiveness of the audit of the Company as they are reputable firms in their country of registration and the rest of the subsidiaries are not considered significant per the threshold of 20% or more of the Company's consolidated net tangible assets and consolidated pre-tax profits as defined in the Listing Manual.

Ernst & Young LLP, the retiring auditors, have served as external auditors of the Company for 17 years since 1994. As part of the ongoing good corporate governance initiatives, the AC has recommended the change of auditors to the Board for its recommendation to the Shareholders for approval at the Annual General Meeting to be held on 25 April 2011.

INTERNAL CONTROLS
Principle 12: Sound system of internal controls

The Board recognises the importance of maintaining a sound system of internal controls to safeguard the shareholders' investments and the company's assets. The AC has been assigned to oversee and ensure that such system has been appropriately implemented and monitored.

The AC examines the effectiveness of the Group's internal control systems. The assurance mechanisms operating are supplemented by the Company's internal auditors' annual reviews of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The external auditors also report to the AC on matters relating to internal financial controls which came to their attention during the course of their normal audit and related recommendations for improvements. The AC reviews the effectiveness of the actions taken by management on the recommendations made by the internal and external auditors in this respect.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls

Corporate Governance Report

maintained by the Management provides adequate assurance against material financial misstatements or losses.

The AC's responsibilities over the Group's internal controls are complemented by the work of the internal auditors.

INTERNAL CONTROLS
Principle 12.1: Risk management policies

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

The financial risks and management policies of the Group are laid out on pages 89 to 95 of the Annual Report.

INTERNAL AUDIT
Principle 13: Independent internal audit function

An internal audit function that is independent of the activities of external audit has been established and the Internal Auditors' ("IA") primary line of reporting is to the AC.

The AC annually reviews the adequacy of the internal audit function, its activities and organizational structure to ensure that no unjustified restrictions or limitations are imposed. The AC reviews and approves the annual IA plan to ensure that there is sufficient coverage of the Group's activities. It also oversees the implementation of the internal audit plan and ensures that the Management provides the necessary co-operation to enable the IA to perform its function. All improvements to controls recommended by the internal auditors and accepted by the AC are monitored for implementation.

The Company outsourced its internal audit function to Baker Tilly Consultancy (S) Pte Ltd during the financial year. An annual audit plan which entails the review of the effectiveness of the Company's material internal controls was developed.

The Board is of the view that the Company has in place an adequate system of internal controls.

EXECUTIVE COMMITTEE (EXCO)

The EXCO consists of the following four Directors:

Leong Horn Kee, Chairman	(Non-Independent and non-Executive)
Kwek Che Yong	(Non-Independent and Executive)
Teo Teng Beng	(Non-Independent and Executive)
Ng Sun Ho	(Non-Independent and non-Executive)

Corporate Governance Report

The principal responsibilities of the EXCO as set out in its Terms of Reference include:

- Approval of certain capital expenditures, investments, acquisitions and disposal of assets of the Company and its subsidiaries of the Group.
- Assisting the Board in undertaking and expediting specific tasks specifically delegated from time to time, including reviewing, developing and recommending the same to the Board.
- Facilitating timely review and endorsement of recommendations on the above and other business matters, subject to the delegation of authority and the final decision of the Board.

IV. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Regular, effective and fair communication with shareholders
Principle 15: Shareholders' participation at general meetings

In line with the continuous disclosure obligations of the Company, under the Listing Rules of the SGX-ST and the Singapore Companies Act, Cap. 50, the Board has established a policy to inform shareholders promptly of all major developments that may impact materially on the Company.

The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding the commercial interests of the Company.

During the year, the Company continued to communicate with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET, circulation of its Annual Report/Notice of AGM, advertisement of the Notice of AGM in a major local newspaper and the provision of opportunities for shareholders to air their views and ask questions of Directors or Management regarding the Group at the AGM.

DEALINGS IN SECURITIES

The Company has issued an internal compliance code on dealings in the Company's securities to the Directors and Executives (including employees with access to price sensitive information to the Company's shares) of the Group based on the recommendations of the Listing Manual issued by the SGX ST.

The Directors and Executives covered by this code are prohibited from dealing in the Company's securities at least one month before the announcement of the Company's full year or half year results and ending on the date of announcement of the relevant results. Notification of the 'closed window' period is sent out to the persons involved. The Directors are also required to notify the Company of any dealings in the Company's securities within two (2) business days of the transaction and to submit an annual confirmation on their compliance with the internal code.

Based on the processes in place, the Board is of the opinion that the Company has complied with the listing rules issued by the SGX-ST.

Corporate Governance Report

MATERIAL CONTRACTS

There were no material contracts (including loans) of the Company or its subsidiary companies involving the interests of the CEO, each director or controlling shareholder subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

On behalf of the Board,

Leong Horn Kee
Chairman

Teo Teng Beng
Managing Director

Singapore
8 March 2011

Directors' Report

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Kian Ho Bearings Ltd (the Company) and its subsidiaries (collectively, the Group) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2010.

Directors of the Company

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

Leong Horn Kee
Kwek Che Yong
Teo Teng Beng
Ng Sun Ho
Lee Joo Hai
Lien Kait Long
Yeo Wee Kiong

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of, nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company as stated below:

	Direct interest		Deemed interest		Held in the name of Director	Deemed interest
Name of Director	At beginning of the financial year	At end of the financial year	At beginning of the financial year	At end of the financial year	As at 21 January 2011	As at 21 January 2011
Ordinary shares of the Company						
Kwek Che Yong	–	–	27,659,700	27,659,700	–	27,659,700
Teo Teng Beng	3,975,000	4,326,000	–	–	4,326,000	–
Ng Sun Ho	–	–	72,515,000	72,515,000	–	73,192,000

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' Report

Directors' contractual benefits

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

Options

There is presently no option scheme on unissued shares of the Company or its subsidiaries.

Audit committee

The audit committee (AC) carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Company and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the co-operation given by the Company's management to the external and internal auditors;
- Reviews the half-yearly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of Directors;
- Reviews effectiveness and adequacy of the Company's material internal controls including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets with the external auditors, internal auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation and terms of engagement of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Listing Manual; and
- Review for compliance with accounting standards, listing manual and statutory / regulatory requirements.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

Directors' Report

Audit committee (cont'd)

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditors

Ernst & Young LLP will not be seeking re-election and Deloitte & Touche LLP has been nominated to be the auditors for the ensuing year. The appointment is subject to shareholders' approval at the Annual General Meeting on 25 April 2011.

On behalf of the Board of Directors,

Leong Horn Kee
Chairman

Teo Teng Beng
Managing Director

Singapore
8 March 2011

Statement by Directors

We, Leong Horn Kee and Teo Teng Beng, being two of the Directors of Kian Ho Bearings Ltd, do hereby state that, in the opinion of the Directors:

(i) the accompanying statements of financial position, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) 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,

Leong Horn Kee
Chairman

Teo Teng Beng
Managing Director

Singapore
8 March 2011

Independent Auditors' Report

To the members of Kian Ho Bearings Ltd

Report on the Financial Statements

We have audited the accompanying financial statements of Kian Ho Bearings Ltd (the Company) and its subsidiaries (collectively, the Group) which comprise the statements of financial position of the Group and the Company as at 31 December 2010, the statement of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the 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 transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report

Opinion

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

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants

Singapore
8 March 2011

Consolidated Income Statement

For the financial year ended 31 December 2010

(In Singapore dollars)

	Note	Group 2010 $'000	Group 2009 $'000
Revenue			
Turnover	4	101,675	81,161
Other income including interest income	5	316	291
Total revenue		101,991	81,452
Costs and expenses			
Changes in inventories		6,451	(11,538)
Raw materials and consumables used		(84,299)	(50,830)
Directors' fees and remuneration	26		
- Company		(1,181)	(907)
- Subsidiaries		(454)	(348)
Staff costs	5	(8,433)	(7,280)
Depreciation	9	(932)	(1,003)
Foreign exchange loss, net		(733)	(632)
Provision for trade doubtful debts, net	14	(147)	(45)
Write-back/(provision) for slow moving inventories	16	192	(542)
Gain on change in fair value of investment properties	12	658	429
Gain/(loss) on disposal of plant and equipment/plant and equipment written off, net		13	(27)
Other operating expenses	5	(4,320)	(3,586)
Finance costs	6	(749)	(897)
Share of results of an associate		–	(10)
Profit before taxation		8,057	4,236
Income tax expense	7	(1,805)	(807)
Profit net of tax		6,252	3,429
Profit attributable to:			
Owners of the parent		6,070	3,394
Non-controlling interests		182	35
		6,252	3,429
Earnings per share	8		
- Basic (cents)		2.59	1.45
- Fully diluted (cents)		2.59	1.45

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2010

(In Singapore dollars)

	Group	
	2010	2009
	$'000	$'000
Profit net of tax	6,252	3,429
Other comprehensive income:		
Revaluation of leasehold land and buildings	709	1,511
Foreign currency translation	(79)	(327)
Other comprehensive income for the year, net of tax	630	1,184
Total comprehensive income for the year	6,882	4,613
Total comprehensive income attributable to:		
Owners of the parent	6,699	4,581
Non-controlling interests	183	32
	6,882	4,613

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2010

(In Singapore dollars)

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	9	20,960	20,274	19,308	18,583
Investment in subsidiaries	10	–	–	4,778	3,984
Investment in associate	11	–	–	10	10
Investment properties	12	4,552	3,590	2,800	1,830
Other investments	13	237	237	237	237
		25,749	24,101	27,133	24,644
Current assets					
Trade debtors	14	17,712	15,581	10,652	9,626
Other debtors	15	362	269	58	16
Prepayments		238	212	34	39
Amounts due from subsidiaries	10	–	–	14,728	16,520
Amounts due from an associate	11	957	69	957	69
Inventories	16	72,713	66,070	42,099	34,903
Fixed deposits	22	448	467	–	–
Cash at banks and on hand	22	8,458	7,065	4,810	3,632
		100,888	89,733	73,338	64,805
Total assets		126,637	113,834	100,471	89,449
EQUITY AND LIABILITIES					
Current liabilities					
Interest bearing loans and borrowings	17	24,712	30,745	20,905	26,854
Trade creditors and accruals	18	12,530	8,977	8,379	5,947
Other creditors	18	622	551	349	349
Amounts due to subsidiaries	10	–	–	146	–
Amounts due to related parties	18	856	2,349	–	–
Provision for taxation		1,044	143	807	321
		39,764	42,765	30,586	33,471
Net current assets		61,124	46,968	42,752	31,334
Non-current liabilities					
Interest bearing loans and borrowings	17	10,834	331	10,750	–
Deferred tax liabilities	19	1,517	1,248	1,263	1,027
		12,351	1,579	12,013	1,027
Total liabilities		52,115	44,344	42,599	34,498
Net assets		74,522	69,490	57,872	54,951

Statements of Financial Position

As at 31 December 2010

(In Singapore dollars)

		Group		Company	
		2010	2009	2010	2009
	Note	$'000	$'000	$'000	$'000
Equity attributable to owners of the parent					
Share capital	20	31,658	31,658	31,658	31,658
Assets revaluation reserve		5,914	5,205	5,458	4,749
Foreign currency translation reserve		(1,366)	(1,286)	–	–
Revenue reserve		36,799	33,070	20,756	18,544
		73,005	68,647	57,872	54,951
Non-controlling interests		1,517	843	–	–
Total equity		74,522	69,490	57,872	54,951
Total equity and liabilities		126,637	113,834	100,471	89,449

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2010

(In Singapore dollars)

Group	Attributable to owners of the parent				Non-controlling interests	Total equity
	Share capital (Note 20)	Assets revaluation reserve [1]	Foreign currency translation reserve [2]	Revenue reserve		
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2009	31,658	3,694	(962)	30,612	868	65,870
Profit net of tax	–	–	–	3,394	35	3,429
Other comprehensive income for the year	–	1,511	(324)	–	(3)	1,184
Total comprehensive income for the year	–	1,511	(324)	3,394	32	4,613
Contributions by and distributions to owners						
Dividends paid (Note 21)	–	–	–	(936)	–	(936)
Dividends paid by a subsidiary to non-controlling shareholders	–	–	–	–	(57)	(57)
Total transactions with owners in their capacity as owners	–	–	–	(936)	(57)	(993)
Balance at 31 December 2009	31,658	5,205	(1,286)	33,070	843	69,490
Balance at 1 January 2010	31,658	5,205	(1,286)	33,070	843	69,490
Profit net of tax	–	–	–	6,070	182	6,252
Other comprehensive income for the year	–	709	(80)	–	1	630
Total comprehensive income for the year	–	709	(80)	6,070	183	6,882
Contributions by and distributions to owners						
Dividends paid (Note 21)	–	–	–	(2,341)	–	(2,341)
Dividends paid by a subsidiary to non-controlling shareholders	–	–	–	–	(37)	(37)
Capital injection by non-controlling shareholders of a subsidiary	–	–	–	–	528	528
Total transactions with owners in their capacity as owners	–	–	–	(2,341)	491	(1,850)
Balance at 31 December 2010	31,658	5,914	(1,366)	36,799	1,517	74,522

Statements of Changes in Equity

For the financial year ended 31 December 2010

(In Singapore dollars)

Company	Share capital (Note 20)	Assets revaluation reserve [1]	Revenue reserve	Total equity
	$'000	$'000	$'000	$'000
Balance at 1 January 2009	31,658	3,238	16,496	51,392
Profit net of tax	–	–	2,984	2,984
Other comprehensive income for the year	–	1,511	–	1,511
Total comprehensive income for the year	–	1,511	2,984	4,495
Contributions by and distributions to owners				
Dividends paid (Note 21)	–	–	(936)	(936)
Total transactions with owners in their capacity as owners	–	–	(936)	(936)
Balance at 31 December 2009	31,658	4,749	18,544	54,951
Balance at 1 January 2010	31,658	4,749	18,544	54,951
Profit net of tax	–	–	4,553	4,553
Other comprehensive income for the year	–	709	–	709
Total comprehensive income for the year	–	709	4,553	5,262
Contributions by and distributions to owners				
Dividends paid (Note 21)	–	–	(2,341)	(2,341)
Total transactions with owners in their capacity as owners	–	–	(2,341)	(2,341)
Balance at 31 December 2010	31,658	5,458	20,756	57,872

[1] **Assets revaluation reserve**
The assets revaluation reserve represents increases in fair value of leasehold land and buildings, net of tax and decreases to the extent that such decrease relates to an increase of the same asset previously recognised in other comprehensive income.

[2] **Foreign currency translation reserve**
The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2010

(In Singapore dollars)

	2010 $'000	2009 $'000
Operating activities		
Profit before taxation	8,057	4,236
Adjustments for:		
Depreciation of property, plant and equipment	932	1,003
Provision for trade doubtful debts, net	147	45
(Write-back)/provision for slow moving inventories	(192)	542
Gain on change in fair value of investment properties	(658)	(429)
Foreign currency adjustments	257	(208)
(Gain)/loss on disposal of plant and equipment / plant and equipment written off, net	(13)	27
Interest expense	749	897
Interest income	(12)	(11)
Dividend income from available-for-sale investment	(8)	–
Share of results of an associate	–	10
Operating cash flows before changes in working capital	9,259	6,112
Changes in working capital		
Increase in trade debtors	(2,278)	(1,944)
Increase in amount due from an associate	(888)	(69)
Increase in other debtors	(100)	(146)
(Increase)/decrease in inventories	(6,451)	11,538
Increase/(decrease) in trade creditors and accruals	3,553	(3,347)
Increase in other creditors	71	399
Cash flows from operations	3,166	12,543
Income tax paid	(746)	(1,700)
Interest paid	(749)	(897)
Interest income received	12	11
Net cash flows from operating activities	1,683	9,957
Investing activities		
Purchase of property, plant and equipment	(777)	(430)
Purchase of investment property	(400)	–
Acquisition of an associate	–	(10)
Proceeds from disposal of plant and equipment	19	–
Dividend income from available-for-sale investment	8	–
Net cash flows used in investing activities	(1,150)	(440)

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2010

(In Singapore dollars)

	2010	2009
	$'000	$'000
Financing activities		
Proceeds from long term loans from banks	12,000	–
Repayment of TLF loans	(14,000)	(2,000)
Proceeds from/(repayment of) other short term loans from banks	4,377	(915)
Proceeds from/(repayment of) trust receipts	2,073	(6,835)
Capital injection by non-controlling shareholders of a subsidiary	528	–
(Repayment of)/proceeds from loans from related parties	(1,493)	2,349
Dividends paid on ordinary shares	(2,341)	(936)
Dividends paid to non-controlling shareholders	(37)	(57)
Net cash flows from/(used in) financing activities	1,107	(8,394)
Net increase in cash and cash equivalents	1,640	1,123
Effect of exchange rate changes on cash and cash equivalents	(267)	(52)
Cash and cash equivalents at 1 January	7,065	5,994
Cash and cash equivalents at 31 December (Note 22)	8,438	7,065

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2010

1. Corporate information

Kian Ho Bearings Ltd (the Company) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at No. 5 Changi South Street 3, Singapore 486117.

The principal activities of the Company are those of stockists, distributors and retailers in bearings and seal products. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis, except for land and buildings, and investment properties that have been measured at their fair values.

The financial statements are presented in Singapore Dollars ($) and all values in the tables are rounded to the nearest thousand ($'000) except when otherwise indicated.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

2.2 Changes in accounting policies

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. 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.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.2 Changes in accounting policies (cont'd)

FRS 103 *Business Combinations (revised)*

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. 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 income statement;

- The Group elects for each acquisition of a business, to measure non-controlling interest 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 remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in income statement, 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 income statement;

- 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 income statement.

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, attribution of 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. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

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

Description	*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
Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	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.

2.4 *Significant accounting estimates and judgments*

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations which has the most significant effect on the amounts recognised in the financial statements:

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.4 Significant accounting estimates and judgements (cont'd)

Judgments made in applying accounting policies

Income taxes

The Group has exposure to income taxes in a few jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where 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. The carrying amount of the Group's tax payables and deferred tax liabilities at 31 December 2010 was $1,044,000 (2009: $143,000) and $1,517,000 (2009: $1,248,000) respectively.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Impairment of investments in subsidiaries

The Company assesses at each reporting date whether there is an indication that the investments in subsidiaries may be impaired. This requires estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiaries as at 31 December 2010 was $4,778,000 (2009: $3,984,000).

b) Useful lives of plant and equipment

The Group's property, plant and equipment include plant and machinery, motor vehicle and other assets at various locations. The cost of the above fixed assets is depreciated on a straight-line basis over their useful lives estimated to be within 3 to 10 years. The carrying amount of these plant and equipment as at 31 December 2010 was $1,138,000 (2009: $1,150,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. Based on management's estimate, a 5% difference in the expected useful lives of these assets would result in less than 1% (2009: 1%) variance in the Group's profit for the financial year.

c) Impairments of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of significant financial difficulties of the debtor and defaults or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 14 to the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.4 Significant accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

d) Valuation of investment properties

The Group's investment properties, with a carrying amount of $4,552,000 (2009: $3,590,00), were stated at their estimated fair values which are determined annually by independent professional valuers. These estimated fair values may differ from the prices at which the Group's investment properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of uncontrollable factors, such as overall market conditions. As a result, actual results of operations and realisation of these investment properties could differ from the estimates set forth in these financial statements.

e) Assessment of inventories write-down

A review is made periodically on inventories for excess inventories, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventories balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventories.

2.5 Subsidiaries, associates and principles of consolidation

a) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors. In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

b) Associates

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.5 Subsidiaries, associates and principles of consolidation (cont'd)

b) Associates (cont'd)

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

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

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

c) Principles of consolidation

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation 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.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.5 Subsidiaries, Associates and principles of consolidation (cont'd)

c) Principles of consolidation (cont'd)

Business combinations from 1 January 2010 (cont'd)

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 income statement 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.

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 income statement.

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.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in income statement on the acquisition date.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.5 Subsidiaries, Associates and principles of consolidation (cont'd)

c) Principles of consolidation (cont'd)

Business combinations before 1 January 2010 (cont'd)

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

d) Transactions with non-controlling interests

Non-controlling interest represents 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.

2.6 Foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to income statement of the Group on disposal of the foreign operation.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.6 Foreign currency (cont'd)

b) Group companies

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the reporting date and their income statement are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in income statement. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to income statement.

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.17. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost or valuation less accumulated depreciation and any accumulated impairment losses. Land and buildings are subsequently revalued on an asset-by-asset basis, to their fair values. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are made with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value at the reporting date.

When an asset is revalued, any increase in the carrying amount is credited directly to other comprehensive income and accumulated in equity under asset revaluation reserve. However, the increase is recognised in the income statement account to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the income statement. However, the decrease is debited directly to the asset revaluation reserve to the extent of any credit balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.7 *Property, plant and equipment (cont'd)*

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Freehold buildings	-	50 years
Leasehold land and buildings	-	30 to 63 years
Motor vehicles, machine handling equipment (MHE) and forklifts	-	5 to 6 years
Computer equipment	-	3 to 5 years
Renovation, signboards, furniture and fittings	-	4 to 10 years
Office equipment, air-conditioning units and electrical fittings (Office equipment)	-	5 to 10 years
Plant and machinery	-	5 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate, to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

2.8 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance leases.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.8 Investment properties (cont'd)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.9 Investments

Investments in equity shares are classified as financial assets at fair value through profit or loss or available-for-sale financial assets, as appropriate.

The accounting policies for the aforementioned categories of financial assets are stated in Note 2.11.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in income statement in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the income statement is treated as a revaluation increase.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.11 Financial assets

Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in income statement. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- cash and short term deposits
- trade and other receivables, including amounts due from subsidiaries and an associate.

c) Available-for-sale financial assets

The Group classifies its investment securities as available-for-sale financial assets.

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.11 Financial assets (cont'd)

Subsequent measurement (cont'd)

c) Available-for-sale financial assets (cont'd)

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement as a reclassification adjustment when the financial asset is derecognised.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques.

Investments in equity instruments whose fair value cannot be reliably measured are carried at cost less impairment losses.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.12 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.12 Impairment of financial assets (cont'd)

a) Financial assets carried at amortised cost (cont'd)

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 income statement.

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 Group considers 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. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

b) Financial 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 a financial asset 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.

c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.12 Impairment of financial assets (cont'd)

c) Available-for-sale financial assets (cont'd)

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in income statement, is transferred from other comprehensive income and recognised in income statement. Reversals of impairment losses in respect of equity instruments are not recognised in income statement; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed in income statement.

2.13 Inventories

Inventories, which consist of bearings and seal products for resale, are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for at purchase costs on a first-in first-out basis. Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, payables to subsidiaries and interest bearing loans and borrowings.

Initial recognition and measurement

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.15 Financial liabilities (cont'd)

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in income statement when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in income statement.

2.16 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the income statement.

2.17 Borrowings

Interest bearing loans and Transferable Loan Facility (TLF loan)

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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

Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, 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 on the amount of the obligation.

Provision are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 Employee benefits

a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes contributions to the Central Provident Fund (CPF) scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to reporting date.

2.20 Taxes

a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in the income statement except to the extent that the tax relates to items recognised outside the income statement, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.20 Taxes (cont'd)

b) Deferred tax (cont'd)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax arises from the initial recognition of goodwill or 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; and

- In respect of temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from 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; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting period.

Deferred income tax relating to items recognised outside income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.20 Taxes (cont'd)

c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.21 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(d). Contingent rents are recognised as revenue in the period in which they are earned.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.22 Revenue recognition

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. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

a) Sale of goods

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

b) Interest income

Interest income is recognised on time proportion basis using the effective interest method.

c) Dividends

Dividend income is recognised when the Group's right to receive payment is established.

d) Rental income

Rental income arising from operating leases on investment properties are accounted for on a straight-line basis over the lease terms on ongoing leases. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

2.23 Government grant

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. Where the grant is related to an income, the grant shall be recognised in income statement on a systematic basis over the periods in which the grants are intended to compensate and they are deducted in reporting the related expenses.

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 3, including the factors used to identify the reportable segments and the measurement basis of segment information.

Notes to the Financial Statements

For the financial year ended 31 December 2010

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

2.25 Related parties

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,
  (i) controls, is controlled by, or is under common control with, the Group;
  (ii) has an interest in the Group that gives it significant influence over the Group; or
  (iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3. Segment information

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

Bearings : Distributors, stockists and retailers in this area.
Seals : Distributors, stockists and retailers in this area.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The Group's operating businesses are organised and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products. The Bearings and Seals segments are diverse distributors and retailers of bearings and seals respectively. These two segments offer products that are used widely in many industries such as the semi-conductor industry, the automobile industry and the construction industry. Segment accounting policies are the same as the policies described in Note 2.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments, if any, are on an arm's length basis in a manner similar to transactions with third parties.

Notes to the Financial Statements

For the financial year ended 31 December 2010

3. Segment information (cont'd)

The following tables present revenue and profit information regarding industry segments for the years ended 31 December 2010 and 2009 and certain assets and liabilities information regarding industry segments at 31 December 2010 and 2009.

Business segments	Bearings		Seals		Total	
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue						
Sales to external customers	92,477	71,934	9,198	9,227	101,675	81,161
Segment results	7,998	4,549	796	583	8,794	5,132
Adjustments A						
Interest income					12	11
Finance costs					(749)	(897)
Share of results of an associate					–	(10)
Per consolidated income statement					8,057	4,236
Other business segment information						
Capital expenditure	707	415	70	15	777	430
Depreciation	848	902	84	101	932	1,003
Other non-cash income	(417)	(58)	(42)	(7)	(459)	(65)

Notes to the Financial Statements

For the financial year ended 31 December 2010

3. Segment information (cont'd)

Business segments	Bearings		Seals		Total	
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Segment assets	114,965	100,682	11,435	12,915	126,400	113,597
Adjustment B						
Other investments					237	237
Per consolidated statement of financial position					126,637	113,834
Segment liabilities	12,741	10,526	1,267	1,351	14,008	11,877
Adjustments C						
Interest bearing loans and borrowings					35,546	31,076
Provision for taxation					1,044	143
Deferred tax liabilities					1,517	1,248
Per consolidated statement of financial position					52,115	44,344

Adjustments A
These items are added to/(deducted from) segment profit to arrive at 'profit before taxation' presented in the consolidated income statement.

Adjustments B and C
These items are added to segment assets/liabilities to arrive at total assets/liabilities reported in the consolidated statement of financial position.

Non-cash income information presented above consists of foreign currency adjustments, gain on disposal of property, plant and equipment/plant and equipment written off, gain on change in fair value of investment properties, provision for trade doubtful debts, and write-back for slow moving inventories as presented in the consolidated statement of cash flows.

Notes to the Financial Statements

For the financial year ended 31 December 2010

3. Segment information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Non – current assets	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Singapore	18,211	14,375	22,108	20,413
Asean	29,961	21,404	1,038	964
Other Asian countries	39,214	31,041	2,270	2,372
Western countries	12,077	12,896	–	–
Others	2,212	1,445	96	115
	101,675	81,161	25,512	23,864

Non-current assets information presented above consist of property, plant and equipment, and investment properties as presented in the consolidated statement of financial position.

Information about major customers

The Group is not significantly reliant on revenue derived from any major customers or group of customers under common control during the year.

4. Turnover

Turnover represents invoiced value of goods supplied after allowances for returns and trade discounts.

5. Other income, costs and expenses

Other income, costs and expenses included the following for the years ended 31 December:

	Group	
	2010	2009
	$'000	$'000
Other income		
Interest income from bank	12	11
Rental income from investment properties	251	249
Dividend from available-for-sale investment	8	–

Notes to the Financial Statements

For the financial year ended 31 December 2010

5. Other income, costs and expenses (cont'd)

	Group	
	2010	2009
	$'000	$'000
Staff costs (excluding Directors' remuneration)		
Salaries and bonus	7,382	6,577
Job credit scheme received from government[1]	(60)	(333)
Employer's contribution to defined contribution plans	734	677
Other benefits	377	359

[1] Job credit scheme is relating to cash incentive granted by the government to Singapore companies based on the CPF, a defined contribution pension scheme the companies contributed for their employees.

	Group	
	2010	2009
	$'000	$'000
Other operating expenses		
Auditors' remuneration		
- other fees paid to auditors	10	19
Rental expense	1,100	917
Travelling expenses	443	319
Repairs and maintenance	313	275
Bank charges	295	230
Insurance	153	145

6. Finance costs

	Group	
	2010	2009
	$'000	$'000
Interest expense on:		
TLF loan	220	313
Term loans	298	387
Trust receipts	229	194
Bank overdraft	2	3
	749	897

Notes to the Financial Statements

For the financial year ended 31 December 2010

7. Income tax expense

The major components of income tax expense were:

	Group	
	2010	2009
Income statement:	$'000	$'000
Current income tax		
- Singapore	768	292
- Foreign	853	421
Foreign tax deducted at source	26	17
Under/(over) provision of current income tax in respect of prior years	34	(158)
	1,681	572
Deferred income tax (Note 19)		
- Singapore	91	225
- Foreign	33	48
Over provision of deferred tax in respect of prior years	–	(56)
Effect of reduction in tax rate	–	18
	124	235
Income tax expense recognised in the income statement	1,805	807

	Group and Company	
	2010	2009
Deferred income tax related to other comprehensive income		
Net surplus on revaluation of leasehold property	145	264
Deferred income tax recorded in other comprehensive income	145	264

Notes to the Financial Statements

For the financial year ended 31 December 2010

7. Income tax expense (cont'd)

Reconciliation of the tax expense and the product of accounting profit multiplied by the applicable income tax rate for the Group is as follows:

	Group	
	2010	2009
	$'000	$'000
Profit before taxation	8,057	4,236
Tax at the applicable tax rate of 17% (2009: 17%)	1,370	720
Effect of reduction in tax rate	–	18
Expenses not deductible in determining taxable profit	112	113
Tax effect of different applicable tax rates for foreign subsidiaries	152	68
Benefits of previously unrecognised tax losses	(4)	–
Effect of partial tax exemption	(26)	(26)
Under/(over) provision in respect of prior years	34	(158)
Over provision of deferred tax in respect of prior years	–	(56)
Deferred tax asset not recognised	141	140
Foreign tax deducted at source	26	17
Share of results of associate	–	2
Others	–	(31)
Income tax expense recognised in the income statement	1,805	807

The effective tax rate for the Group was higher than the Singapore tax rate of 17% (2009: 17%) due to higher tax rate of 25% for a Malaysian subsidiary for the year ended 31 December 2010 and certain non-deductible expenses for the Group.

8. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the year attributable to owners of the parent of $6,070,000 (2009: $3,394,000) by 234,060,000 (2009: 234,060,000) weighted average number of ordinary shares outstanding during the year.

Notes to the Financial Statements

For the financial year ended 31 December 2010

9. Property, plant and equipment

Group	Freehold Land	Freehold buildings	Leasehold land and buildings	Motor vehicles, MHE and forklifts	Computer equipment	Renovation, signboards, furniture & fittings	Office equipment	Plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost/valuation									
At 1 January 2009									
Cost	–	–	–	725	911	1,636	372	2,254	5,898
Valuation	232	122	17,753	–	–	–	–	–	18,107
	232	122	17,753	725	911	1,636	372	2,254	24,005
Revaluation surplus	–	–	1,775	–	–	–	–	–	1,775
Elimination of accumulated depreciation on revaluation	–	–	(275)	–	–	–	–	–	(275)
Additions	–	–	41	92	103	134	59	1	430
Disposals/write-off	–	–	–	(26)	–	(133)	(30)	–	(189)
Exchange adjustments	(3)	(1)	(16)	(4)	(3)	(8)	(1)	–	(36)
At 31 December 2009	229	121	19,278	787	1,011	1,629	400	2,255	25,710
Representing:									
Cost	–	–	–	787	1,011	1,629	400	2,255	6,082
Valuation	229	121	19,278	–	–	–	–	–	19,628
At 31 December 2009	229	121	19,278	787	1,011	1,629	400	2,255	25,710

Notes to the Financial Statements

For the financial year ended 31 December 2010

9. Property, plant and equipment (cont'd)

Group	Freehold Land	Freehold buildings	Leasehold land and buildings	Motor vehicles, MHE and forklifts	Computer equipment	Renovation, signboards, furniture & fittings	Office equipment	Plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost/valuation									
At 1 January 2010									
Cost	–	–	–	787	1,011	1,629	400	2,255	6,082
Valuation	229	121	19,278	–	–	–	–	–	19,628
	229	121	19,278	787	1,011	1,629	400	2,255	25,710
Revaluation surplus	–	–	854	–	–	–	–	–	854
Elimination of accumulated depreciation on revaluation	–	–	(394)	–	–	–	–	–	(394)
Additions	–	–	290	115	73	205	94	–	777
Disposal/write-off	–	–	–	(66)	–	–	–	–	(66)
Reclassification	–	–	–	76	–	(76)	–	–	–
Exchange adjustments	4	2	(14)	6	–	(5)	(4)	2	(9)
At 31 December 2010	233	123	20,014	918	1,084	1,753	490	2,257	26,872
Representing:									
Cost	–	–	–	918	1,084	1,753	490	2,257	6,502
Valuation	233	123	20,014	–	–	–	–	–	20,370
At 31 December 2010	233	123	20,014	918	1,084	1,753	490	2,257	26,872

Notes to the Financial Statements

For the financial year ended 31 December 2010

9. Property, plant and equipment (cont'd)

Group	Freehold Land	Freehold buildings	Leasehold land and buildings	Motor vehicles, MHE and forklifts	Computer equipment	Renovation, signboards, furniture & fittings	Office equipment	Plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation									
At 1 January 2009	–	39	422	468	645	1,238	118	1,954	4,884
Charge for the year	–	3	319	86	166	156	49	224	1,003
Disposal/write-off	–	–	–	(27)	–	(127)	(8)	–	(162)
Elimination of accumulated depreciation on revaluation	–	–	(275)	–	–	–	–	–	(275)
Exchange adjustments	–	(1)	(3)	(2)	(2)	(4)	(3)	1	(14)
At 31 December 2009	–	41	463	525	809	1,263	156	2,179	5,436
Accumulated depreciation									
At 1 January 2010	–	41	463	525	809	1,263	156	2,179	5,436
Charge for the year		2	436	113	122	125	58	76	932
Reclassification	–	–	–	8	–	(8)	–	–	–
Disposal/write-off	–	–	–	(60)	–	–	–	–	(60)
Elimination of accumulated depreciation on revaluation	–	–	(394)	–	–	–	–	–	(394)
Exchange adjustments	–	1	(1)	3	1	(6)	(2)	2	(2)
At 31 December 2010	–	44	504	589	932	1,374	212	2,257	5,912
Net carrying amount									
At 31 December 2010	233	79	19,510	329	152	379	278	–	20,960
At 31 December 2009	229	80	18,815	262	202	366	244	76	20,274

Notes to the Financial Statements

For the financial year ended 31 December 2010

9. Property, plant and equipment (cont'd)

Company	Leasehold land and buildings	Motor vehicles, MHE and forklifts	Computer equipment	Renovation, signboards, furniture & fittings	Office equipment	Plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost/valuation							
At 1 January 2009							
Cost	–	327	740	1,090	180	2,254	4,591
Valuation	16,841	–	–	–	–	–	16,841
	16,841	327	740	1,090	180	2,254	21,432
Revaluation surplus	1,775	–	–	–	–	–	1,775
Elimination of accumulated depreciation on revaluation	(275)	–	–	–	–	–	(275)
Additions	–	–	72	–	46	–	118
Disposal/write-off	–	(13)	–	(132)	(30)	–	(175)
At 31 December 2009	18,341	314	812	958	196	2,254	22,875
Representing:							
Cost	–	314	812	958	196	2,254	4,534
Valuation	18,341	–	–	–	–	–	18,341
At 31 December 2009	18,341	314	812	958	196	2,254	22,875

Notes to the Financial Statements

For the financial year ended 31 December 2010

9. Property, plant and equipment (cont'd)

Company	Leasehold land and buildings	Motor vehicles, MHE and forklifts	Computer equipment	Renovation, signboards, furniture & fittings	Office equipment	Plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost/valuation							
At 1 January 2010							
Cost	–	314	812	958	196	2,254	4,534
Valuation	18,341	–	–	–	–	–	18,341
	18,341	314	812	958	196	2,254	22,875
Revaluation surplus	854	–	–	–	–	–	854
Elimination of accumulated depreciation on revaluation	(394)	–	–	–	–	–	(394)
Additions	290	–	37	172	84	–	583
At 31 December 2010	19,091	314	849	1,130	280	2,254	23,918
Representing:							
Cost	–	314	849	1,130	280	2,254	4,827
Valuation	19,091	–	–	–	–	–	19,091
At 31 December 2010	19,091	314	849	1,130	280	2,254	23,918

Notes to the Financial Statements

For the financial year ended 31 December 2010

9. Property, plant and equipment (cont'd)

Company	Leasehold land and buildings	Motor vehicles, MHE and forklifts	Computer equipment	Renovation, signboards, furniture & fittings	Office equipment	Plant and machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation							
At 1 January 2009	282	257	496	893	27	1,954	3,909
Charge for the year	290	23	149	96	24	225	807
Disposal/write-off	–	(13)	–	(128)	(8)	–	(149)
Elimination of accumulated depreciation on revaluation	(275)	–	–	–	–	–	(275)
At 31 December 2009	297	267	645	861	43	2,179	4,292
Accumulated depreciation							
At 1 January 2010	297	267	645	861	43	2,179	4,292
Charge for the year	409	17	100	76	35	75	712
Elimination of accumulated depreciation on revaluation	(394)	–	–	–	–	–	(394)
At 31 December 2010	312	284	745	937	78	2,254	4,610
Net carrying amount							
At 31 December 2010	18,779	30	104	193	202	–	19,308
At 31 December 2009	18,044	47	167	97	153	75	18,583

Notes to the Financial Statements

For the financial year ended 31 December 2010

9. Property, plant and equipment (cont'd)

(a) The Group engaged an independent valuer to determine the fair value of the leasehold land and buildings. The valuation was made on the basis of direct comparison with recent transactions of comparable properties within the vicinity, elsewhere and open market value. The date of the revaluation was 31 December 2010 (2009: 31 December 2009).

The carrying amounts of leasehold land and buildings if measured using the cost model, would be as follows:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Net carrying value	12,805	12,742	12,085	12,077

(b) The Group's and Company's freehold and leasehold properties with net carrying amounts of $600,000 and Nil (2009: $18,645,000 and $18,044,000) respectively are pledged as collateral for bank facilities (Note 17).

(c) Properties owned by the Group include:

Property location	Area (sq m)	Usage	Tenure years
Held by the Company			
27A Jurong Port Road #01-42 Singapore 619101	158	JTC single storey corner terrace workshop	01.11.1982 to 31.10.2012
No. 5 Changi South Street 3 Singapore 486117	9,390	Centralised office cum warehouse	16.9.1997 to 16.9.2057
387F Woodlands Road Singapore 677951	149	Shop	19.1.1992 to 18.1.2022
Held by subsidiaries			
43, 43A, 43B, 43C Jln Glasair Taman Tasek Johor Bahru Malaysia	470	4 storey building	Freehold

Notes to the Financial Statements

For the financial year ended 31 December 2010

9. Property, plant and equipment (cont'd)

(c) Properties owned by the Group include (cont'd):

Property location	Area (sq m)	Usage	Tenure years
Held by subsidiaries			
Lot nos: 0009, 0010, 0011 Resource Complex Ground Floor 33 Jln Segambut Atas Segambut Kuala Lumpur Malaysia	588	Ground floor corner shop unit	03.10.1978 to 02.10.2044
63 Jln Lim Swee Sim Kluang, Malaysia	150	2 storey shop house	Freehold
Chengdu Jinniu District, No. 777 Jinfu Road, Block 32 Unit 11 Jin Fu Hardware Centre Chengdu, Sichuan China 610031	260	Retail cum warehouse	07.07.2006 to 06.07.2046

10. Investment in subsidiaries

	Company	
	2010	**2009**
	$'000	$'000
Unquoted shares at cost	4,778	3,984
Amounts due from subsidiaries - trade	14,728	16,520
Amounts due to subsidiary - trade	146	–

The amounts due from subsidiaries are unsecured, non-interest bearing, and repayable on demand.

Notes to the Financial Statements

For the financial year ended 31 December 2010

10. Investment in subsidiaries (cont'd)

The subsidiaries as at 31 December 2010 are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost 2010 $'000	Cost 2009 $'000	Percentage of equity held by the Group 2010 %	Percentage of equity held by the Group 2009 %
Kian Ho Bearings (M) Sdn. Bhd. [1] (Malaysia)	Dealer in bearings and seals (Malaysia)	359 (RM630)	359 (RM630)	100	100
Ascend Bearings Co., Ltd [2] (Taiwan)	Dealer in bearings and seals (Taiwan)	1,707 (NTD36,000)	913 (NTD18,000)	60	60
Acker Machinery (Shanghai) Co., Ltd [3] (China)	Dealer in bearings and seals (China)	1,666 (RMB8,418)	1,666 (RMB8,418)	100	100
Kian Ho (H.K.) Company Limited [4] (Hong Kong)	Dealer in bearings and seals (Hong Kong)	216 (HKD1,000)	216 (HKD1,000)	100	100
PT Kian Ho Indonesia [5] (Indonesia)	Dealer in bearings and seals (Indonesia)	122 (USD80)	122 (USD80)	80	80
Excel (Hangzhou) Power Transmissions Co., Ltd [7] (China)	Dormant (China)	100 (USD70)	100 (USD70)	70	70
Kian Ho (Vietnam) Co., Ltd [1] (Vietnam)	Dealer in bearings and seals (Vietnam)	145 (USD100)	145 (USD100)	100	100
KH Bearings and Seals Australia Pty Ltd [6] (Australia)	Dealer in bearings and seals (Australia)	119 (AUD100)	119 (AUD100)	100	100
Chengdu Excel Bearings Co., Ltd [7] (China)	Dormant (China)	142 (USD100)	142 (USD100)	100	100
Kian Ho Shanghai Co., Ltd [7] (China)	Dormant (China)	202 (USD140)	202 (USD140)	100	100
Kian Ho (Thailand) Co., Ltd [7] (Thailand)	Dormant (Thailand)	- [8]	-	80	-
		4,778	3,984		

Notes to the Financial Statements

For the financial year ended 31 December 2010

10. Investment in subsidiaries (cont'd)

The subsidiary held by Kian Ho Bearings (M) Sdn. Bhd. as at 31 December 2010 is as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
		2010	2009	2010	2009
		$'000	$'000	%	%
KWP Engineering & Industrial Supply Sdn. Bhd. [1] (Malaysia)	Dealer in bearings and seals (Malaysia)	13 (RM30)	13 (RM30)	60	60

[1] Audited by member firms of Ernst & Young Global.
[2] Audited by Fortune & Co., CPAs
[3] Audited by Shanghai Acumen Certified Public Accountants Co., Ltd.
[4] Audited by Maradebbie & Partners (Practising), Certified Public Accountants.
[5] Audited by Eddy Siddharta & Rekan.
[6] Audited by A.F. Wallis & Co.
[7] Unaudited as these companies are dormant.
[8] Registered capital but not yet paid up.

11. Investment in an associate

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Unquoted share at cost	10	10	10	10
Share of post-acquisition reserves	(10)	(10)	–	–
	–	–	10	10
Amounts due from an associate - trade	957	69	957	69

The Group has not recognised losses relating to Kian Ho Bearings (Thailand) Co., Ltd where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was $44,000 (2009: $12,000), of which $32,000 (2009: $12,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

Notes to the Financial Statements

For the financial year ended 31 December 2010

11. Investment in an associate (cont'd)

The associate as at 31 December 2010 are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
		2010	2009	2010	2009
		$'000	$'000	%	%
Kian Ho (Thailand) Co., Ltd [2,3] (Thailand)	Dormant (Thailand)	–	– [3]	– [#]	39
Kian Ho Bearings (Thailand) Co., Ltd (Thailand) [1]	Dealer in bearings and seals (Thailand)	10 (THB245)	10 (THB245)	49	49

[1] Audited by ANS Audit Co., Ltd.
[2] Unaudited as this company is dormant.
[3] Registered capital but not yet paid up.
[#] During the year, the Company increased its equity investment from 39% to 80%.

The summarised financial information of the associate not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2010	2009
	$'000	$'000
Assets and liabilities		
Non-current assets	45	16
Current assets	1,217	29
Total assets	1,262	45
Current liabilities	1,361	69
Total liabilities	1,361	69
Results		
Revenue	846	–
Loss net of tax	66	45

Notes to the Financial Statements

For the financial year ended 31 December 2010

12. Investment properties

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance at 1 January	3,590	3,206	1,830	1,635
Additions	400	–	400	–
Gain on change in fair value recognised in the income statement	658	429	570	195
Exchange differences	(96)	(45)	–	–
Balance at 31 December	4,552	3,590	2,800	1,830

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to $251,000 (2009: $249,000). Direct operating expenses arising on the investment properties in the year amounted to $17,000 (2009: $12,000).

The investment properties held by the Group as at 31 December are as follows:

Property location	Area (sq m)	Usage	Tenure years	Fair value	
				2010	2009
				$'000	$'000
Citimac Industrial Complex #02-03 Singapore 368239	436	Warehouse unit	Freehold	1,850	1,400
Poh Leng Building #04-01 21 Moonstone Lane Singapore 328462	140	Flatted factory unit in an industrial building	Freehold	540	430
No. 220, Mei Gui Nan Road, Ground Floor Block 20 Shanghai Wai Gao Qiao Free Trade Zone, Shanghai, China	2,100	Ground floor warehouse	12.6.1993 to 12.6.2048	1,752	1,760
118 Pandan Loop Singapore 128323	353	Terrace workshop	01.7.1993 to 30.6.2023	410	–
				4,552	3,590

Notes to the Financial Statements

For the financial year ended 31 December 2010

12. Investment properties (cont'd)

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2010 (2009: 31 December 2009). The valuations were performed by independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The valuations were made on the basis of direct comparison with recent transactions of comparable properties within the vicinity.

In 2009, investment property of the Company with net carrying amounts of $1,400,000 was pledged as collateral for bank facilities (Note 17).

13. Other investments

	Group and Company	
	2010	2009
	$'000	$'000
Available-for-sale financial asset		
Unquoted equity shares at cost	237	237

14. Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Trade debtors	18,472	16,835	12,807	11,790
Notes receivables	1,966	1,354	–	–
	20,438	18,189	12,807	11,790
Allowance for doubtful debts - trade debtors	(2,726)	(2,608)	(2,155)	(2,164)
	17,712	15,581	10,652	9,626
Other debtors (Note 15)	362	269	58	16
Amounts due from subsidiaries (Note 10)	–	–	14,728	16,520
Amounts due from an associate (Note 11)	957	69	957	69
Total trade and other receivables	19,031	15,919	26,395	26,231
Add:				
Fixed deposits	448	467	–	–
Cash at banks and on hand (Note 22)	8,458	7,065	4,810	3,632
Total loans and receivables	27,937	23,451	31,205	29,863

Notes to the Financial Statements

For the financial year ended 31 December 2010

14. Trade and other receivables (cont'd)

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on their recognition.

Notes receivables are relating to bill of exchange and have an average maturity of up to 90 days (2009: 90 days). These receivables issued by customers are interest-free and are carried at amortised cost, being the fair value of the consideration given.

As of 31 December 2010, notes receivables carried by a subsidiary that amounted to $1,462,000 (2009: $1,282,000) were pledged to secure short term bank loans.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $4,647,000 (2009: $3,425,000) that are past due at the reporting date but not impaired. These receivables are unsecured and the analysis of their aging by due date at the reporting date is as follows:

	Group	
	2010	**2009**
	$'000	$'000
Trade receivables past due:		
Lesser than 30 days	3,208	2,129
30 to 60 days	863	870
61 to 90 days	391	199
91 to 120 days	118	134
More than 120 days	67	93
	4,647	3,425

Receivables that are impaired

The Group has trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2010	**2009**
	$'000	$'000
Trade receivables –nominal amounts	2,726	2,608
Less: Allowance for impairment	(2,726)	(2,608)
	–	–
Movement in allowance accounts:		
At 1 January	2,608	2,784
Charge for the year	190	118
Written off	(10)	(212)
Written back	(43)	(73)
Exchange differences	(19)	(9)
At 31 December	2,726	2,608

Notes to the Financial Statements

For the financial year ended 31 December 2010

14. Trade and other receivables (cont'd)

Trade receivable that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

15. Other debtors

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Sundry debtors	47	27	36	3
Deposits	138	141	22	13
Indirect taxes recoverable	177	101	–	–
	362	269	58	16

Included in sundry debtors are fair value gains on forward currency contracts of $36,000 (2009: Nil) (Note 23).

16. Inventories

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Finished goods	71,903	66,070	41,721	34,903
Inventories-in-transit	810	–	378	–
Total inventories at lower of cost or net realisable value	72,713	66,070	42,099	34,903

Write-back for slow moving inventories of $192,000 (2009: provision for $542,000) of the Group has been charged to the income statement during the year.

Notes to the Financial Statements

For the financial year ended 31 December 2010

17. Interest bearing loans and borrowings

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Repayable within 12 months:				
Bank overdraft				
- unsecured (Note 22)	20	–	–	–
Trust receipts				
- secured	657	528	–	–
- unsecured	8,049	6,104	8,049	6,104
TLF loan				
- secured	–	14,000	–	14,000
Term loans				
- secured	2,348	2,914	–	–
- unsecured	13,638	7,199	12,856	6,750
	24,712	30,745	20,905	26,854
Repayable after 12 months:				
Term loans				
- unsecured	10,834	331	10,750	–
Total	35,546	31,076	31,655	26,854

(a) *TLF loan, secured*

Under the terms of the agreement with the banks dated 23 October 2007, the floating rate for TLF loan is repayable by 6 half yearly instalments of $1,000,000 each for 5 instalments with a final instalment for the remaining outstanding amount. Interest is charged at 1.25% per annum above the agent bank's Singapore Dollar swap offer rate, which is repriced quarterly. Effective interest rate chargeable during the financial year is 1.69% (2009: 2.01%) per annum. The loan was secured by way of a first legal mortgage of the Company's properties at No. 5 Changi South Street 3, 27A Jurong Port Road #01-42 and Citimac Industrial Complex #02-03 (Notes 9 and 12). The loan has been fully repaid prior to 31 December 2010.

(b) *Other bank borrowings*

Other bank borrowings of the subsidiaries are secured on certain freehold and leasehold properties of the subsidiaries and corporate guarantee from holding company (Note 9).

The term loans are repayable in equal monthly or quarterly instalments over a period ranging from 1 month to 24 months. Other borrowings are repayable within twelve months.

Notes to the Financial Statements

For the financial year ended 31 December 2010

17. Interest bearing loans and borrowings (cont'd)

(b) *Other bank borrowings (cont'd)*

The floating rate term loans bear interest of approximately 1.44% to 5.35% (2009: 2.39% to 7.33%) per annum, and are repriced on monthly to half-yearly basis.

Trust receipts have an average maturity period of 120 to 150 days and bear interest ranging from 1.29% to 8.30% (2009: 1.30% to 7.55%) per annum.

18. Trade and other creditors

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Trade creditors and accruals	12,530	8,977	8,379	5,947
Other creditors				
Sundry creditors	146	96	–	10
Advance from customers	450	441	334	325
Rental deposit	26	14	15	14
	622	551	349	349
Amounts due to subsidiary (Note 10)	–	–	146	–
Amounts due to related parties	856	2,349	–	–
Loans and borrowings (Note 17)	35,546	31,076	31,655	26,854
Total financial liabilities carried at amortised cost	49,554	42,953	40,529	33,150

Trade creditors / Other creditors
These amounts are non-interest bearing. Trade creditors are normally settled on 60 days terms while other creditors are normally settled on 30 days terms.

Included in sundry creditors are fair value loss on forward currency contracts of $62,000 (2009: Nil) (Note 23).

Amounts due to related parties
These amounts relate to loan from Directors and shareholders of the subsidiary. These amounts are unsecured, non-interest bearing and are repayable on demand.

Notes to the Financial Statements

For the financial year ended 31 December 2010

19. Deferred taxation

Deferred taxation as at 31 December relates to the following:

	Group						Company	
	Consolidated statement of financial position		Consolidated income statement		Consolidated equity		Statement of financial position	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Deferred tax liabilities								
Depreciation	85	93	(8)	(116)	–	–	64	70
Revaluations to fair value:								
- Investment properties	293	177	116	86	–	–	–	–
- Leasehold land and buildings	1,097	952	–	–	145	264	1,227	985
Other temporary differences	42	26	16	265	–	–	(28)	(28)
	1,517	1,248			145	264	1,263	1,027
Deferred income tax expense (Note 7)			124	235				

Unrecognised temporary differences relating to investments in subsidiaries

Deferred tax liability arising from temporary differences associated with undistributed profits of certain subsidiaries is not recognised as the Group has determined that undistributed earnings of certain of the Group's subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $15,102,000 (2009: $13,001,000).The deferred tax liability is estimated to be $1,553,000 (2009: $1,336,000).

Tax consequences of proposed dividends

There are no income tax consequences (2009: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 21).

Notes to the Financial Statements

For the financial year ended 31 December 2010

19. Deferred taxation (cont'd)

Unrecognised tax losses

At the balance sheet date, the Group has an estimate tax losses of approximately $1,032,000 (2009: $665,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

20. Share capital

	Group and Company			
	2010		2009	
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
Issued and fully paid ordinary shares:				
Balance at beginning and end of the year	234,060	31,658	234,060	31,658

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

21. Dividends

	Group and Company	
	2010	2009
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Interim exempt (one-tier) dividend for 2010: $0.004 (2009: $Nil) per ordinary share	936	–
- First and final exempt (one-tier) dividend for 2009: $0.004 (2008: $0.004) per ordinary share	936	936
- Special exempt (one-tier) dividend for 2009: $0.002 (2008: $Nil) per ordinary share	469	–
	2,341	936

Notes to the Financial Statements

For the financial year ended 31 December 2010

21. Dividends (cont'd)

Proposed but not recognised as a liability as at 31 December:

	Group and Company	
	2010	**2009**
	$'000	$'000
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
Final exempt (one-tier) dividend of $0.006 (2009: $0.004) per ordinary share	1,405	936
Special exempt (one-tier) dividend of $Nil (2009: $0.002) per ordinary share	–	469
	1,405	1,405

22. Cash at banks and on hand

Cash at banks and on hand included in the consolidated statement of cash flows comprise the following statement of financial position items:

	Group	
	2010	**2009**
	$'000	$'000
Cash at banks and on hand	8,458	7,065
Bank overdraft (Note 17)	(20)	–
Cash and cash equivalents	8,438	7,065

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Fixed deposits of subsidiaries do not form part of the cash at banks and on hand as the deposits of a subsidiary amounting to $408,000 (2009: $429,000) were pledged to banks as collateral to obtain short term loan facilities for a period of less than 12 months, and the fixed deposits of another subsidiary amounting to $40,000 (2009: $38,000) were pledged to drawdown bank guarantee in respect of property rental in the subsidiary. The weighted average effective interest rate of short term deposits is 0.9% (2009: 3.1%) per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2010

23. Derivatives

	Group			Company		
	Contract/ Notional Amount	Assets	Liabilities	Contract/ Notional Amount	Assets	Liabilities
	$'000	$'000	$'000	$'000	$'000	$'000
2010						
Forward currency contracts	2,284	36	(62)	653	36	–

There was no outstanding forward currency contract as at 31 December 2009.

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in EUR, JPY and USD for which firm commitments existed at the end of the reporting period, extending to April 2011 (Note 27(a)).

Net unrealised loss on derivatives of $26,000 has been included in foreign exchange loss in the income statement.

24. Commitments

(a) Capital commitments

Capital expenditure contracted but not recognised in the financial statements as at 31 December:

	Group	
	2010	2009
	$'000	$'000
Capital commitments in respect of property, plant and equipment	23	–

(b) Operating lease commitments

As lessee

The Group leases certain properties under lease agreements that are non-cancellable within a year. The leases expire at various dates till 2057 and contain provisions for rental adjustments. No contingent rent provisions have been included in the contracts, and no restrictions were placed upon the Group by entering into these leases. Minimum lease payment recognised as an expense in the income statement for the financial year ended 31 December 2010 amounted to $1,100,000 (2009: $917,000).

Notes to the Financial Statements

For the financial year ended 31 December 2010

24. Commitments (cont'd)

(b) Operating lease commitments (cont'd)

Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Not later than one year	822	695	326	220
Later than one year but not later than five years	1,236	793	805	466
Later than five years	4,807	4,905	4,807	4,905
	6,865	6,393	5,938	5,591

As lessor

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining non-cancellable lease terms between one and two years (2009: one year). No contingent rent provisions or escalation clauses have been included in the contracts, and no restrictions were placed upon the Group by entering into these leases.

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Not later than one year	333	79	147	47
Later than one year but not later than five years	103	–	72	–
	436	79	219	47

25. Contingent liabilities

As at reporting date, contingent liabilities not provided for in the financial statements are as follows:

The Company has given corporate guarantees of $5,199,000 (2009: $5,665,000) to financial institutions in connection with financing facilities given to the subsidiaries. The guarantees are denominated in Malaysian Ringgit, United States Dollars and Renminbi.

Notes to the Financial Statements

For the financial year ended 31 December 2010

26. Significant related party transactions

An entity or individual is considered a related party of the Group if it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa, or it is subject to common control or common significant influence.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Groups with related parties took place during the year at terms and rates agreed between the parties:

	Group	
	2010	2009
	$'000	$'000
a) Sale and purchase of goods and services		
Rental of shophouse paid to a Director-related company	120	120
Rental of office cum warehouse paid to a related party of a Director	169	179
Foreign exchange transaction for payment via telegraphic transfer from Director-related company	568	385
Sale of goods to Director-related companies	122	219
Sale of goods to related parties of non-controlling shareholders of a subsidiary	1,267	250
Purchase of goods from related parties of non-controlling shareholders of subsidiaries	86	169
Rental income from related party of non-controlling shareholders of a subsidiary	3	3
Rental expense to related party of non-controlling shareholders of a subsidiary	37	18
Internal audit service from a firm related to a director	–	20
Dividend income received from a Director-related company	8	–

(b) Other Directors' interests

A Director of the Company was interested throughout the year, through his equity interest in KHB Holdings Pte Ltd (KHBH), in operating lease transactions that amounted to $120,000 (2009: $120,000) for rental of shop premises at 204 and 206 Jalan Besar to the Company by KHBH. As at 31 December 2010 and 31 December 2009 there were no outstanding balances with KHBH.

A Director of the Company was interested throughout the year, in operating lease transactions in relation to a property owned by his daughter, Teo Xian-Hui Amanda Marie for the rental of office cum warehouse by a subsidiary, Acker Machinery (Shanghai) Co., Ltd at a market price amounting to $169,000 (2009: $179,000). As at 31 December 2010, there were no outstanding balances.

Notes to the Financial Statements

For the financial year ended 31 December 2010

26. Significant related party transactions (cont'd)

(b) Other Directors' interests (cont'd)

A Director of the Company was interested throughout the year, through his equity interest in Raffles Money Change Pte Ltd, in foreign exchange transactions for payments via telegraphic transfers at market price that amounted to $568,000 (2009: $385,000). As at 31 December 2010, there were no outstanding balances.

A Director of the Company was interested throughout the year, through his equity interest in Tat Hong Holdings Ltd Group (THHL Group) in transactions that amounted to $10,000 (2009: $45,000) for the purchase of goods from the Company at market price. As at 31 December 2010, THHL Group owed $4,000 (2009: $9,000) to the Company.

A Director of the Company was interested throughout the year, through his significant influence over CSC Holdings Limited Group (CSC Group) by way of his deemed equity interest in CSC Holdings Limited, in transactions that amounted to $112,000 (2009: $174,000) for the purchase of goods from the Company at market price. As at 31 December 2010, CSC Group owed $28,000 (2009: $12,000) to the Company.

Certain Directors of a subsidiary were interested throughout the year, through their equity interests in Comet Enterprise Corp. (Comet) and Chyn Tay Bearings Co., Ltd. (Chyn Tay) in transactions that collectively amounted to $1,091,000 (2009: $132,000) and $176,000 (2009: $118,000) for sale of goods from a subsidiary, Ascend Bearings Co., Ltd (ABC) and the Company at market price. As at 31 December 2010, the amounts due from Comet and Chyn Tay collectively amounted to $7,000 (2009: $12,000) and $Nil (2009: $Nil) respectively in ABC's and the Company's book.

A Director of a subsidiary was interested throughout the year, through his equity interest in KWP Engineering & Industrial Supply Sdn. Bhd. in transactions that amounted to $50,000 (2009: $126,000) for sale of goods to the subsidiary at market price. As at 31 December 2010, there were no outstanding balances (2009: $Nil). Certain Directors of a subsidiary were interested throughout the year, through their equity interests in Comet and Chyn Tay in transactions that collectively amounted to $36,000 (2009: $43,000) for sale of goods to the subsidiary at market price. As at 31 December 2010, the amounts due to Comet and Chyn Tay collectively amounted to $246,000 (2009: $11,000).

Certain directors of a subsidiary were interested throughout the year, through their equity interests in Ching Tay, in operating lease transactions that amounted to $37,000 (2009: $18,000) for rental of office premise to ABC and $3,000 (2009: $3,000) for rental of office premise from ABC. As at 31 December 2010, there were no outstanding balances.

In 2009, the Company entered into an agreement with BDO Raffles Consultants Pte Ltd, a firm of which one of the Directors of the Company is a partner, for the provision of internal audit services to the Company for an amount of $20,000. The amount charged is comparable to market prices and there are no outstanding balances with the firm as at 31 December 2009. The provision of internal audit services has been terminated in 2010.

The Company received dividend income from Poh Leng Realty Pte Ltd, a company of which one of the Directors of the Company is a director that amounted to $8,000 (2009: $Nil). As at 31 December 2010, there was no outstanding balance.

Notes to the Financial Statements

For the financial year ended 31 December 2010

26. Significant related party transactions (cont'd)

c) Compensation of key management personnel

	Group	
	2010	2009
	$'000	$'000
Short-term employee benefits comprising amounts paid to:		
- Directors of the Company	1,181	907
- Other key management personnel	777	801
	1,958	1,708

Directors' fees and remuneration

	Group	
	2010	2009
	$'000	$'000
Directors' remuneration		
- Directors of the Company		
Salaries and other remuneration	1,173	899
Central Provident Fund	8	8
- Other directors of subsidiaries		
Salaries and other remuneration	435	330
Employer Provident Fund	19	18

The number of Directors of the Company whose remuneration fall within the following bands for the financial year ended 31 December is as follows:

	2010	2009
$500,000 to $749,999	1	–
$250,000 to $499,999	1	2
Below $250,000	5	5
Total	7	7

Notes to the Financial Statements

For the financial year ended 31 December 2010

27. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans and overdraft and cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group may also enter into derivative transactions, including principally interest rate swaps and forward currency contracts as and when it is required. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of financing.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

a) Foreign currency risk

The Group has exposure to foreign currency risks as a result of transactions denominated in a currency other than the respective functional currencies of Group entities, arising from sales and purchases, mainly by movements in exchange rates for Japanese Yen (JPY), United States Dollars (USD) and Euros (EUR). Approximately 43% (2009: 35%) of the Group's sales and 78% (2009: 55%) of the Group's purchases are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the reporting date have similar exposures. To minimise exposure on foreign currency risks, the Group usually settles such transactions within 120 to 150 days terms.

The Group aims to use forward currency contracts to minimise currency exposures. It is the Group's policy not to enter into forward contracts until a firm payment commitment is in place. The Group reviews regularly the currency exposures and enters into forward contracts as and when deemed necessary. If forward contracts are entered into, the Group negotiates the terms of the forward contracts to match the terms of the firm payment commitment to maximise hedge effectiveness.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amount to $4,856,000 and $1,223,000 (2009: $1,244,000 and $878,000) for the Group and the Company respectively.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, People's Republic of China (PRC), Taiwan and Hong Kong. The Group's investments are not hedged as currency positions in the subsidiaries are considered to be long term in nature.

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity of the Group's profit net of tax and equity to a reasonable possible change in the SGD exchange rate against the respective functional currencies of the Group entities, with all other variables held constant.

Notes to the Financial Statements

For the financial year ended 31 December 2010

27. Financial risk management objectives and policies (cont'd)

a) Foreign currency risk (cont'd)

Group		2010		2009	
		S$'000		S$'000	
		Profit net of tax	Equity	Profit net of tax	Equity
USD	- strengthened 5% (2009: 5%)	21	–	166	–
	- weakened 5% (2009: 5%)	(21)	–	(166)	–
JPY	- strengthened 5% (2009: 5%)	102	–	46	–
	- weakened 5% (2009: 5%)	(102)	–	(46)	–
SGD	- strengthened 5% (2009: 5%)	(1)	–	(137)	–
	- weakened 5% (2009: 5%)	1	–	137	–
EUR	- strengthened 5% (2009: 5%)	54	–	53	–
	- weakened 5% (2009: 5%)	(54)	–	(53)	–
MYR	- strengthened 5% (2009: 5%)	–	694	–	629
	- weakened 5% (2009: 5%)	–	(694)	–	(629)
RMB	- strengthened 5% (2009: 5%)	–	173	–	145
	- weakened 5% (2009: 5%)	–	(173)	–	(145)

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from interest bearing loans and borrowings. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate risk exposure.

Information relating to the Group's interest rate exposure is also disclosed in various notes to the financial statements.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonable change in interest rate with all other variables held constant, of the Group's profit net of tax (through the impact on interest expense on interest bearing loans and borrowings).

Notes to the Financial Statements

For the financial year ended 31 December 2010

27. Financial risk management objectives and policies (cont'd)

b) Interest rate risk (cont'd)

Group	Increase/ (decrease) in basis points	Effect on profit net of tax
		$'000
2010		
- SGD	+100	(236)
- USD	+100	(42)
- SGD	-100	236
- USD	-100	42
2009		
- SGD	+100	(280)
- USD	+100	(31)
- SGD	-100	280
- USD	-100	31

c) Credit risk

Credit risk is the risk that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group monitors its exposure to credit risks arising from sales to customers on an on-going basis where credit evaluations are done on customers that require credit. The Group endeavours to deal with pre-approved counterparties with good credit rating and imposes a cap on the amount to be transacted with any counterparty so as to reduce its concentration of credit risk.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the statements of financial position and

- a nominal amount of $5,199,000 (2009: $5,665,000) relating to corporate guarantees by the Company to financial institutions in connection with the financing facilities given to the subsidiaries.

Notes to the Financial Statements

For the financial year ended 31 December 2010

27. Financial risk management objectives and policies (cont'd)

c) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

	Group			
	2010		2009	
	$'000	% of total	$'000	% of total
Singapore	2,556	14%	2,993	19%
Other Asean Countries	5,387	30%	4,354	28%
Other Asian Countries	7,867	45%	7,233	47%
Western Countries	1,468	8%	1,001	6%
Other Countries	434	3%	–	–
	17,712	100%	15,581	100%

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash at banks and on hand that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed on Note 14.

d) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with various banks. The Group's policy is to keep the gearing ratio at less than 175% (2009: 175%). At the reporting date, approximately 70% (2009: 99%) of the Group's loans and borrowings (Note 17) will mature in less than one year based on the carrying amount reflected in the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2010

27. Financial risk management objectives and policies (cont'd)

d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2010			2009		
	One year or less	More than one year up to five years	Total	One year or less	More than one year up to five years	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:						
Trade and other debtors	18,074	–	18,074	15,850	–	15,850
Amounts due from an associate	957	–	957	69	–	69
Cash at banks and on hand	8,458	–	8,458	7,065	–	7,065
Fixed deposits	448	–	448	467	–	467
Total undiscounted financial assets	27,937	–	27,937	23,451	–	23,451
Financial liabilities:						
Trade creditors and accruals	12,530	–	12,530	8,977	–	8,977
Other creditors	622	–	622	551	–	551
Interest bearing loans and borrowings	24,712	11,217	35,929	30,745	339	31,084
Amounts due to related parties	856	–	856	2,349	–	2,349
Total undiscounted financial liabilities	38,720	11,217	49,937	42,622	339	42,961
Total net undiscounted financial liabilities	10,783	11,217	22,000	19,171	339	19,510

Notes to the Financial Statements

For the financial year ended 31 December 2010

27. Financial risk management objectives and policies (cont'd)

d) Liquidity risk (cont'd)

	2010			2009		
	One year or less	More than one year up to five years	Total	One year or less	More than one year up to five years	Total
Company	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:						
Trade and other debtors	10,710	–	10,710	9,642	–	9,642
Amounts due from subsidiaries	14,728	–	14,728	16,520	–	16,520
Amounts due from an associate	957	–	957	69	–	69
Cash at banks and on hand	4,810	–	4,810	3,632	–	3,632
Total undiscounted financial assets	31,205	–	31,205	29,863	–	29,863
Financial liabilities:						
Trade creditors and accruals	8,379	–	8,379	5,947	–	5,947
Other creditors	349	–	349	349	–	349
Amounts due to subsidiary	146	–	146	–	–	–
Interest bearing loans and borrowings	20,905	11,130	32,035	26,854	–	26,854
Total undiscounted financial liabilities	29,779	11,130	40,909	33,150	–	33,150
Total net undiscounted financial assets/ (liabilities)	1,426	(11,130)	(9,704)	(3,287)	–	(3,287)

Information relating to Group's interest bearing loans and borrowings is disclosed in Note 17.

Notes to the Financial Statements

For the financial year ended 31 December 2010

27. Financial risk management objectives and policies (cont'd)

d) Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	2010		2009	
	One year or less	Total	One year or less	Total
	$'000	$'000	$'000	$'000
Company				
Financial guarantees	5,199	5,199	5,665	5,665

28. Fair value of financial instruments

A. Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	2010 $'000			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets:				
Derivatives (Note 23)				
- Forward currency contracts	–	36	–	36
At 31 December 2010	–	36	–	36
Financial liabilities:				
Derivatives (Note 23)				
- Forward currency contracts	–	(62)	–	(62)
At 31 December 2010	–	(62)	–	(62)

Notes to the Financial Statements

For the financial year ended 31 December 2010

28. Fair value of financial instruments (cont'd)

A. Fair value of financial instruments that are carried at fair value (cont'd)

Fair value hierarchy

The Group classifies fair value measurement 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:

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

Determination of fair value

Derivatives (Note 23): Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

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

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, bank borrowings, current trade and other payables, amount due from associates, amount due to related parties and current bank loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

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

Fair value information has not been disclosed for the Group and Company's investment for unquoted equity that was carried at cost because the fair value cannot be measured reliably. The unquoted equity represents ordinary shares in Poh Leng Realty Pte Ltd that is not quoted on any market. In the opinion of the Directors, the expected cash flows from these investments are believed to be in excess of their carrying amounts.

Notes to the Financial Statements

For the financial year ended 31 December 2010

29. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital and structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is a total liability excluding deferred taxation divided by total equity excluding amount attributable to non-controlling interest. The Group's policy is to keep the gearing ratio less than 175% (2009: 175%).

	Group	
	2010	**2009**
	$'000	$'000
Interest bearing loans and borrowings (Note 17)	35,546	31,076
Trade creditors and accruals (Note 18)	12,530	8,977
Other creditors (Note 18)	622	551
Amounts due to related parties (Note 18)	856	2,349
Provision for taxation	1,044	143
Total liability	50,598	43,096
Total equity	74,522	69,490
Less: Non-controlling interests	(1,517)	(843)
Total equity excluding non-controlling interest	73,005	68,647
Gearing ratio	69%	63%

30. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on 8 March 2011.

Supplementary Information

As at 31 December 2010

Interested Person Transactions

The Company does not have a shareholders' mandate pursuant to Rule 920 for recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations such as the sale and purchase of supplies and materials. However, during the financial year under review, there were interested person transactions and the value of these individual transactions was less than $100,000, as follows:

Name of Interested Person	Particulars of the Transactions	Aggregate value of all interested person transactions during the financial year under review	Note
Tat Hong Holdings Ltd Group	Sale of goods	S$10,000	
CSC Holdings Limited Group	Sale of goods	S$112,000	
KHB Holdings Pte Ltd	Rental expenses for premises at 204 & 206 Jalan Besar	S$120,000	1
Raffles Money Change Pte Ltd	Foreign exchange transactions for payments via telegraphic transfer	S$568,000	2
Teo Xian-Hui Amanda Marie	Rental expenses for premises at 5th floor, Sapphire Tower No.267 Tianmu Zhong Road, Shanghai	S$169,000	3
PeopleWorldWide Consulting	Recruitment costs for Deputy CEO	S$29,000	4
Poh Leng Realty Pte Ltd	Dividend income	S$8,000	5

1. The rental of the premises is based on a signed agreement between KHB Holdings Pte Ltd and Kian Ho Bearings Ltd of which the rental amount is determined based on market rate.

2. The foreign exchange transactions for payments via telegraphic transfer is determined based on better exchange rates and charges quoted as compared to rates obtained from at least two other sources.

3. The rental of the premises is based on a signed agreement between Teo Xian-Hui Amanda Marie and Acker Machinery (Shanghai) Co., Ltd of which the rental amount is determined based on market rate.

4. The recruitment of the Deputy Chief Executive Officer was approved by the Nominating Committee, Remuneration Committee as well as the Board of Directors. The Chairman abstained from voting for this resolution.

5. The Company received dividend income from Poh Leng Realty Pte Ltd, a company of which the Deputy Chaiman is also a Director of the Company that amounted to $8,000 (2009: $Nil).

Shareholders' Information

As at 10 March 2011

Class of equity securities	Number of equity securities	Voting Rights
Ordinary Shares	234,060,000	One vote per share

There are no treasury shares held in the issued capital of the Company.

STATISTICS OF SHAREHOLDINGS

	No. of Shareholders	%	No. of shares	%
1 - 999	265	6.91	93,436	0.04
1,000 - 10,000	2,547	66.45	11,028,901	4.71
10,001 - 1,000,000	999	26.06	46,973,458	20.07
1,000,001 AND ABOVE	22	0.58	175,964,205	75.18
TOTAL	**3,833**	**100.00**	**234,060,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 10 MARCH 2011

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
KHB Holdings Pte Ltd	27,659,700	11.82	-	-
Kwek Che Yong (Note 1)	-	-	27,659,700	11.82
Teo Xian-Hui Amanda Marie	30,900,000	13.20	-	-
Tat Hong Holdings Ltd (Note 2)	-	-	73,192,000	31.27
Chwee Cheng & Sons Pte Ltd (Note 3)	-	-	73,192,000	31.27
Ng Sun Ho (Note 4)	-	-	73,192,000	31.27

Notes:-

(1) Mr. Kwek Che Yong is deemed interested in the shares held by KHB Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Chapter 50.

(2) Tat Hong Holdings Ltd is deemed interested in 73,192,000 shares held in CIMB-GK Securities Pte Ltd.

(3) Chwee Cheng & Sons Pte Ltd is deemed interested in 73,192,000 shares held by Tat Hong Holdings Ltd in CIMB-GK Securities Pte Ltd.

(4) Mr. Ng Sun Ho is deemed interested in 73,192,000 shares held by Tat Hong Holdings Ltd in CIMB-GK Securities Pte Ltd.

Shareholders' Information

As at 10 March 2011

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	CIMB SECURITIES (S'PORE) PTE. LTD.	70,620,000	30.17
2	TEO XIAN-HUI AMANDA MARIE (ZHANG XIANHUI AMANDA MARIE)	31,167,000	13.32
3	HONG LEONG FINANCE NOMINEES PTE LTD	23,458,000	10.02
4	UNITED OVERSEAS BANK NOMINEES PTE LTD	5,416,300	2.31
5	TEO TECK YAO GLENN ASHLEY	5,217,000	2.23
6	KIM ENG SECURITIES PTE. LTD.	5,007,515	2.14
7	TEO TENG BENG	4,326,000	1.85
8	KHB HOLDINGS PTE LTD	4,259,700	1.82
9	DBS NOMINEES PTE LTD	4,189,200	1.79
10	HOKIMAN TJENDERA	2,884,000	1.23
11	KWOK LO CHU	2,700,000	1.15
12	OCBC NOMINEES SINGAPORE PTE LTD	2,235,800	0.96
13	YEO SIONG LEONG @ YANG YEE	2,194,000	0.94
14	TAN TECK WAH	1,870,000	0.80
15	KOH HAI YANG	1,504,000	0.64
16	LIM JOO BOON	1,500,000	0.64
17	CHEE DENNIES @CHEE JOHN	1,431,000	0.61
18	OCBC SECURITIES PRIVATE LTD	1,305,890	0.56
19	KWEK CHAN LUI	1,193,000	0.51
20	SUWANTI	1,184,000	0.51
	Total	**173,662,405**	**74.20**

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

39% of the Company's Shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

KIAN HO BEARINGS LTD
(Company Registration No. 197302030N)
(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Kian Ho Bearings Ltd ("the Company") will be held at 5 Changi South Street 3, Singapore 486117 on Monday, 25 April 2011 at 10am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2010 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a final tax exempt one-tier dividend of 0.6 Singapore cents per ordinary share for the year ended 31 December 2010 (2009: final dividend of 0.4 Singapore cents per ordinary share and special dividend of 0.2 Singapore cents per ordinary share).

(Resolution 2)

3.(a) To re-elect Mr Kwek Che Yong, the Director retiring pursuant to Article 89 of the Articles of Association of the Company.

Mr Kwek Che Yong is an Executive Director and will, upon re-election as a Director of the Company, remain as the Deputy Chairman of the Board of Directors and a member of the Executive Committee.

(Resolution 3)

(b) To re-elect Mr Tan Kai Seng, the Director retiring pursuant to Article 88 of the Articles of Association of the Company.

Mr Tan Kai Seng will, upon re-election as a Director of the Company, serve as an Independent Director of the Board of Directors.

(Resolution 4)

(c) To accept the retirement of Mr Lien Kait Long as a Director of the Company.

Mr Lien Kait Long is an Independent Director and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee. Mr Lien has indicated that he will not seek re-election and will like to retire at the Annual General Meeting.

4. To approve the payment of Directors' Fees of S$216,000/- for the year ended 31 December 2010 (2009: S$212,338/-).

(Resolution 5)

5. To approve the appointment of Messrs Deloitte & Touche LLP ("Deloitte") as the Auditors of the Company in place of the retiring Messrs Ernst & Young LLP ("EY") and to authorize the Directors to fix their remuneration. (See Explanatory Note)

(Resolution 6)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

Notice of Annual General Meeting

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolution, with or without any modification:

7. **Authority to issue shares up to 50 per centum (50%) of the total number of issued shares in the capital of the Company**
"THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

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

(ii) make or grant offers, agreements or options or other instruments convertible into shares (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) options, warrants, debentures or other instruments convertible into shares,

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

provided that:-

(A) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 50 per cent (50%) of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 20 per cent (20%) of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (B) below);

(B) (subject to such manner of calculation as may be prescribed by SGX-ST), for the purpose of determining the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (A) above, the percentage of issued shares excluding treasury shares shall be based on the total number of issued shares excluding treasury shares at the time of the passing of this Resolution, after adjusting for :-

a. new shares arising from the conversion or exercise of any convertible securities, new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing of the resolution approving this Resolution provided the options or awards were granted in compliance with requirements prescribed by SGX-ST; and
b. any subsequent bonus issue, consolidation or subdivision of shares;

(C) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST) and the Articles of Association of the Company; and

Notice of Annual General Meeting

(D) and unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note (i)]

(Resolution 7)

By Order of the Board

Jennifer Lee Siew Jee
Secretary

Singapore, 1 April 2011

Explanatory Note to Resolution 6

EY, the retiring Auditors, have served as external Auditors of the Company for 17 years since 1994. As part of the ongoing good corporate governance initiatives, the Directors are of the view that it would be appropriate and timely to effect a change of external Auditors with effect from the Annual General Meeting on 25 April 2011.

In accordance with the requirements of Rule 1203(5) of the Listing Manual of the SGX-ST:

(a) the outgoing Auditors, EY, have confirmed that they are not aware of any professional reasons why the new Auditors, Deloitte, should not accept appointment as Auditors of the Company;

(b) the Company confirms that there were no disagreements with the outgoing Auditors, EY, on accounting treatments within the last 12 months; and

(c) the Company confirms that they are not aware of any circumstances connected with the proposed change of Auditors that should be brought to the attention of shareholders.

Please refer to the circular to Shareholders dated 1 April 2011 for details.

Explanatory Note to Resolution 7

The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting to issue shares in the Company up to an amount not exceeding in total 50 per centum of the total number of issued shares in the capital of the Company with a sub-limit of 20% other than on a pro-rata basis to shareholders for the time being for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notice of Annual General Meeting

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 5 Changi South Street 3, Singapore 486117 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Kian Ho Bearings Ltd will be closed at 5.00 p.m. on 13 May 2011 for the preparation of Final Dividend entitlement and shall reopen on 16 May 2011.

Duly completed transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 13 May 2011 will be registered to determine shareholders' entitlements to the said dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 13 May 2011 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the AGM to be held on 25 April 2011, will be made on 27 May 2011.

KIAN HO BEARINGS LTD
(Company Registration No. 197302030N)
(Incorporated In The Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy Kian Ho Bearings Ltd's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

being a member/members of Kian Ho Bearings Ltd (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Monday, 25 April 2011 at 10am and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Report and Audited Accounts for the year ended 31 December 2010		
2	Payment of proposed final dividend		
3	Re-election of Mr Kwek Che Yong as a Director		
4	Re-election of Mr Tan Kai Seng as a Director		
5	Approval of Directors' Fees amounting to S$216,000		
6	Appointment of Messrs Deloitte & Touche LLP as Auditors in place of the retiring Auditors, Messrs Ernst & Young LLP		
7	Authority to issue shares		

Dated this _____ day of _____ 2011

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

_____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

Notes :

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

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 5 Changi South Street 3, Singapore 486117 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

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

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Corporate Information

DIRECTORS
Leong Horn Kee *(Chairman)*
Kwek Che Yong *(Deputy Chairman)*
Teo Teng Beng *(Managing Director)*
Ng Sun Ho *(Non-Executive Director)*
Lee Joo Hai *(Independent Director)*
Lien Kait Long *(Independent Director)*
Yeo Wee Kiong *(Independent Director)*

AUDIT COMMITTEE
Lee Joo Hai *(Chairman)*
Lien Kait Long
Yeo Wee Kiong

NOMINATING COMMITTEE
Yeo Wee Kiong *(Chairman)*
Ng Sun Ho
Lien Kait Long

REMUNERATION COMMITTEE
Lien Kait Long *(Chairman)*
Lee Joo Hai
Leong Horn Kee

COMPANY SECRETARY
Jennifer Lee Siew Jee

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5 Changi South Street 3
Singapore 486117
Tel: 6287-5866
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AUDITORS
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(Public Accountants and
Certified Public Accountants)
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Fax: 6532-7662
Partner in charge:
Lim Siew Koon
(Since financial year
31 December 2008)

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