The Winning Combination



COMBINE WILL

ANNUAL REPORT 2009

Contents

Based in Dongguan, Guangdong Province, the PRC, Combine Will is one of the leading ODM/OEM manufacturers of corporate premiums in the PRC and Hong Kong. The Group is also one of the leading suppliers of plastic injection and die-casting moulds in Southern China, as well as a distributor of technologically-advanced machines and precision tools used for the manufacture of moulds, die-cast and automobile products.

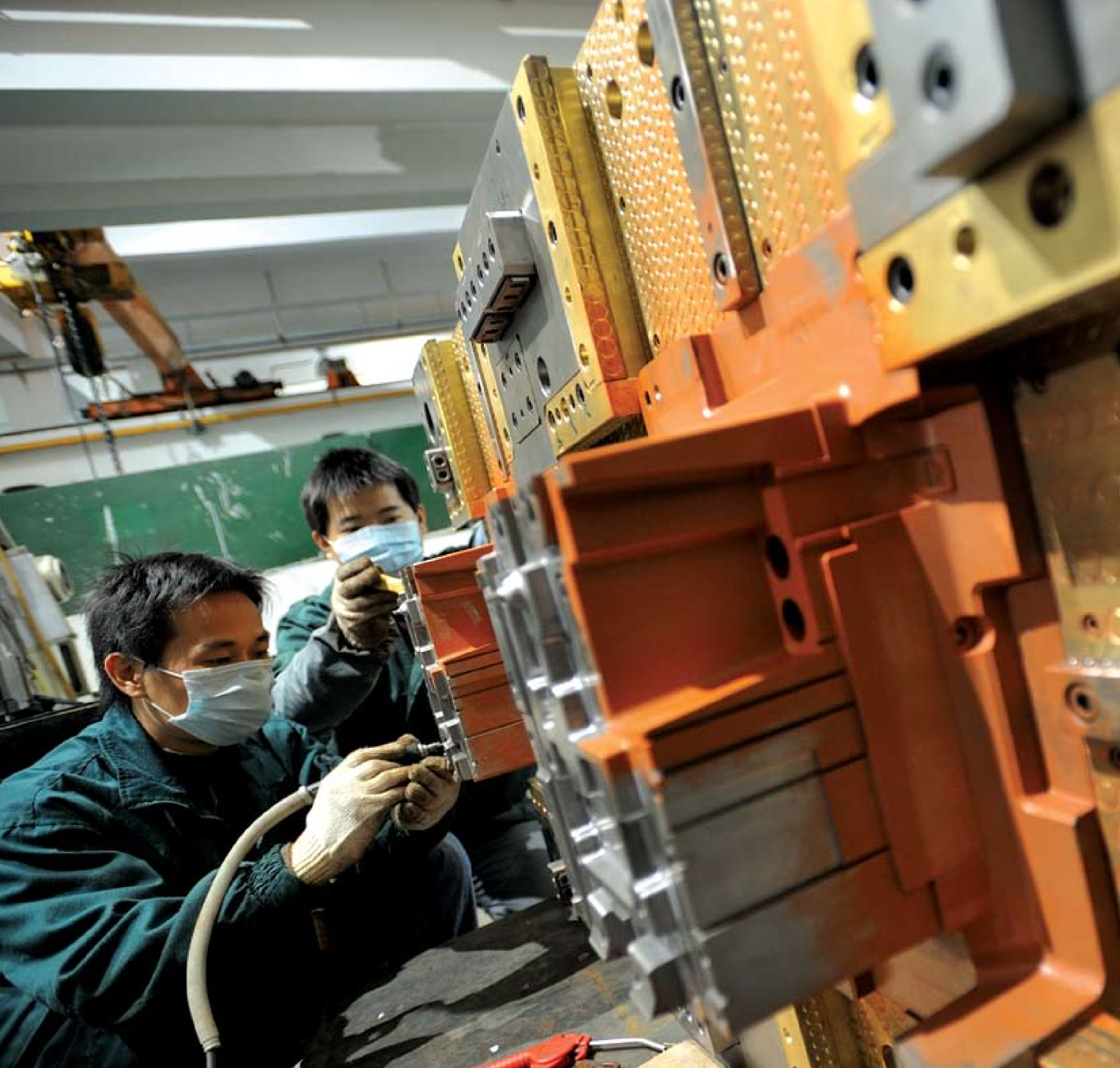
It always starts with a fantastic idea.

Whether it is an innovative idea from a client or one that was initiated by Combine Will, a best-selling product always comes from a fantastic idea. Our R&D team then translates that idea into a more sophisticated design framework and technical specifications that will determine the design engineering standards. With the technical embellishments, Combine Will then leverages on its expertise in mould making and manufacturing prowess to turn the Idea into Reality.

The winning combination that makes ideas work.

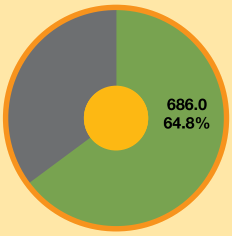
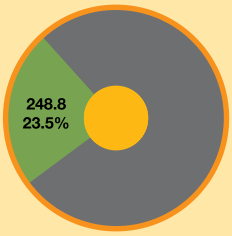
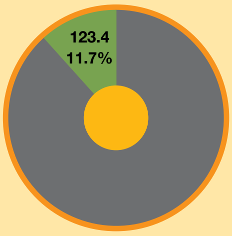
Right from the start, Combine Will has had the optimal combination of core expertise in idea generation, product design, mould making and manufacturing. It is, however, our passion for excellence and innovation that spurs us to great heights of achievement and quality service.

That's the Winning Combination of Combine Will.



At A Glance

SEGMENTAL OVERVIEW AND HIGHLIGHTS

Business Segment	Overview	Segment Highlights in FY2009	Revenue contribution
ODM/OEM 	• Manufactures plastic and die-cast products, including premiums, collectibles, toys and consumer products. • Major customers include multinational companies such as the global brand activation agency, The Marketing Store; Sieper GmbH known for the Siku brand of die-cast replicas, and Playmates Toys, Inc.	- Significant improvement in 4Q09 sales as a result of increased marketing efforts to develop new customers. - Continues to be the main driver of sales and profit for the Group	 **ODM/OEM (FY09)** **Sales - HK$686.0m, 64.8%**
Moulds & Tooling 	• The Group is one of the leading suppliers of plastic injection and die-casting moulds in South China • Approved supplier to establish auto parts manufacturers who in turn supply to Honda, Volvo and General Motors as well as to Tier One suppliers such as Valeo, Delphi and Faurecia • Supplier of industrial plastic injection and die-cast moulds to customers in other industries	- Lower demand for moulds and tooling due to the economic downturn in FY09 - However, the Group sees a resurgence in demand in 2010 and plans to set up a factory in Zhejiang Province, near Shanghai, to further strengthen its presence in China's Northeast - It had earlier set up a sales office in Seoul to accelerate its expansion in the Korean market	 **Moulds & Tooling (FY09)** **Sales - HK$248.8m, 23.5%**
Machine Sales 	Distributes technologically advanced machines and precision tools used in the manufacture of die-cast products, moulds and automobile parts.	- Market consolidation will continue to pose challenges for this business segment. - However, the Group is gradually bringing new brands of machines and developing new customers simultaneously. - The Group expects better performance in FY2010.	 **Machine (FY09)** **Sales - HK$123.4m, 11.7%**

About Combine Will

Being an integrated manufacturer of a wide variety of plastic and die-cast products, Combine Will provides customers with a one-stop solution – transforming ideas to actual products – with its in-house design team, expertise in manufacturing and moulds and tooling, as well as machine sales.

Combine Will is established in 1992 and listed on the Main Board of the Singapore Exchange on 23 June 2008. The Group is one of the leading producers of premiums in China and Hong Kong and a leading supplier of plastic injection and die-casting moulds in Southern China. It is a direct supplier to many well-known multinational companies, covering a broad spectrum from automobile to international fast-food chains.

The Group's production is primarily based on Guangdong Province, the PRC, with five factories and a total workforce of approximately 9,000.

Stock Information (as at 31 Dec 09)

52 weeks high
S$0.160

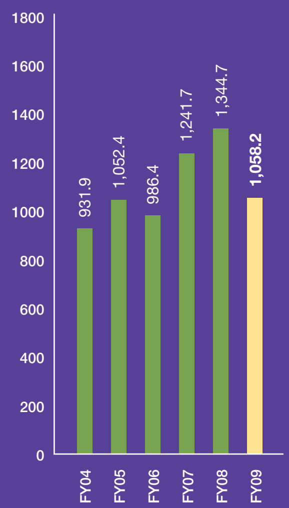
52 weeks low
S$0.04

Market Capitalisation
S$32.8 million

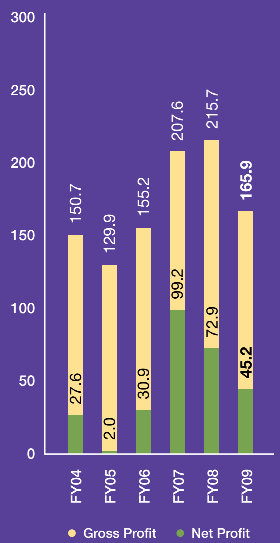
Outstanding shares
328,000,000

Listing date - 23 June 2008

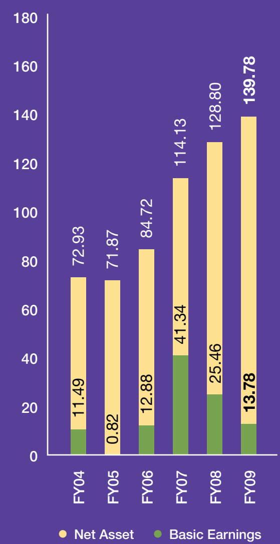
REVENUE (HK$'m)



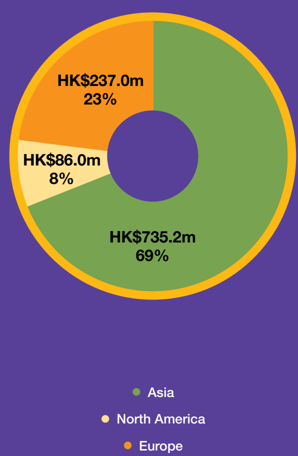
PROFIT ATTRIBUTABLE TO SHAREHOLDERS (HK$'m)



BASIC EARNINGS AND NET ASSET PER SHARE (HK Cents)



FY2009 REVENUE BY GEOGRAPHICAL MARKETS (%)



Footnotes for EPS chart
- EPS in FY04 to FY07 calculated based on pre-invitation share capital of 240,000,000
- EPS in FY08 calculated based on weighted avg no. of shares of 286,163,934
- EPS in FY09 calculated based on weighted avg no. of shares of 328,000,000

Chairman's Message

Dear Shareholders,

Despite the recent global economic crisis, Combine Will has delivered a satisfactory performance, particularly in the fourth quarter of FY2009. In the three months ended 31 December 2009, the Group posted a 59.9% jump in 4Q09 net profit attributable to shareholders to HK$19.0 million on revenue of HK$338.4 million. Our ODM/OEM business contributed the most significant improvement in results, surging 22.7% to HK$247.7 million, providing strong evidence of the global economic recovery gaining traction, as well as our increased efforts in enhancing customer service.

Sales of our other segments, namely Moulds & Tooling and Machine Sales, however, have not fully recovered. Revenue from Moulds and Tooling dipped 48.5% to HK$61.1 million whilst Machine Sales declined by 21.4% to HK$30.1 million.

However, the fourth quarter saw an overall improvement in gross profit of 28.2% to HK$49.9 million whilst the blended gross profit margin rose from 10.8% in 4Q08 to 14.7% in 4Q09.

Dragged by Group's performance in the earlier three quarters of FY2009 which bore the full brunt of the economic downturn, the Group achieved revenue of HK$1.1 billion, gross profit of HK$165.9 million and net profit attributable to shareholders of HK$45.2 million in the full year of 2009.

Despite the tough environment, we remained diligent during the year and have sought to enhance our competitive edge by focusing on our R&D capabilities, particularly for the ODM/OEM business. We looked at all aspects of technical design, manufacturability, cost efficiency that would enhance product attractiveness and productivity, as well as more efficient processing techniques to improve profit margins and turnaround time.

We also invested in our people by beefing up their skill sets and improving their welfare. Against the backdrop of a severe labour shortage in Southern China, this focus on staff welfare and training becomes all the more critical for Combine Will. We believe that our people are our greatest assets - their performance, professionalism and commitment are strongly correlated to our corporate performance and reputation.

We are cautiously optimistic that the economic recovery is already in sight, and that we can expect that all of our three business segments will recover rapidly in 2010. In support of the Group's positive outlook, the Directors have recommended a first and final dividend of 1 Singapore cent per ordinary share for approval at the upcoming Annual General Meeting.

BUSINESS REVIEW

ODM/OEM

We are pleased to observe that our core ODM/OEM business was the first to benefit from the global economic recovery, and we have every reason to believe that the other business segments will follow suit this year. In 4Q09, this segment garnered 22.7% more revenue year-on-year, as well as contributed the highest improvement in gross profit, rising 118.0% due to more higher-margin products sold, and better capacity utilization and efficiency achieved.

As the main driver of sales and profit growth for the Group, ODM/OEM's primary focus will be to continually develop its human resource base as well as to upgrade its R&D capabilities in order to further strengthen its competitive advantage.

The Group is responding to the labour shortage challenge by investing more resources in recruitment, retention and worker incentives as well as improving efficiency and productivity through automation.

Moulds & Tooling

The automobile industry in China continues to be affected though there were early signs of recovery in the later part of 2009, largely due to tax cuts and subsidies aimed at supporting the automobile industry. We recorded lower sales from both the automobile and electronics sector as many customers remained cautious while waiting for clearer signs of recovery. In response to the adverse situation, the Group focused on producing moulds for toys and

Dominic Tam • Executive Chairman and CEO

premium and continued to work closely with quality customers. Our short-term strategic shift has worked well as the Moulds & Tooling segment managed to increase operating profit in FY2009 by 36.9% to HK$28.8 million. Gross profit in the fourth quarter alone rose 16.9% as a higher proportion of toy moulds were delivered.

Given our new strategic business initiatives to expand our footprint in the PRC market, we are optimistic in our growth prospects going forward. With more foreign companies investing in China, the Group is seeing a prominent resurgence of demand for moulds and tooling, and plans to set up a factory in Zhejiang province, near Shanghai, to further strengthen its presence in China's North East, as well as to provide more efficient after-sales service to customers in and around that area.

Recently, the Group set up a sales office in Seoul, Korea to accelerate its penetration into the Korean market.

Machine Sales

Revenue from this segment dipped 17.4% in FY2009, which is attributable to market consolidation and the Group's deliberate effort to tighten credit policy and focus on quality customers. To ride on the wave of the economic recovery, the Group is gradually bringing in new brands of machines and developing new customers simultaneously.

LISTING IN KOREA

On 16 June 2009, we announced our plans to spin off our Moulds and Tooling business for a listing on the Korean Securities Dealers Automated Quotations or Korea Composite Stock Price Index ("KOSDAQ"). Preparation for the IPO is currently in progress, and we will provide updates when appropriate.

CHANGES TO THE BOARD

The Board extends a warm welcome to Mr Ning Li, who joined the Board as Independent Non-Executive Director on 8 May 2009. Mr Ning brings with him a wealth of experience in corporate law in the PRC.

On 30 June 2009, Mr Bob Low Siew Sie stepped down as Independent Non-Executive Director and Lead Independent Director of the Company. Our current Independent Director, Mr Alexander Cheung Hok Fung, was appointed Lead Independent Director on that date. The Board wishes to express our appreciation to Mr Low for his valuable contributions during his tenure, and thanks Mr Cheung for his willingness to take up the additional appointment of Lead Independent Director.

ACKNOWLEDGEMENT

We have weathered the economic downturn well, thanks to our competitive edge and our ability to respond quickly to changing market conditions. The challenging environment was an excellent platform to test the resilience of our business, as well as our strategies. Coupled with the right people and our commitment to R&D, we have a winning combination that enables the Group to remain resilient.

This would not have been possible without the commitment and dedication of our people. I would like to take this opportunity to express my appreciation to my fellow directors, management and staff for their tireless effort and contribution.

I would also like to thank our customers for their trust in us, and our shareholders for their unwavering support. Looking ahead, we foresee that 2010 will be a very challenging yet profitable and prosperous year for the Group. We assure all of you that we will not rest on our laurels but to remain diligent and prepare the Group to ride on the recovery in 2010.

Dominic Tam
Executive Chairman and CEO

Operating & Financial Review

BUSINESS REVIEW

Based in Dongguan, Guangdong Province, the PRC, Combine Will is one of the leading ODM/OEM manufacturers of corporate premiums in the PRC and Hong Kong. The Group is also one of the leading suppliers of plastic injection and die-casting moulds in Southern China, as well as a distributor of technologically-advanced machines and precision tools used for the manufacture of moulds, die-cast and automobile products.

Currently, the Group has six manufacturing facilities in Dongguan and Heyuan in Guangdong Province, and several sales and marketing offices in North America, Asia and Europe catering to customers from its different business segments.

ODM/OEM

Since its inception in 1992, the Group has developed a niche in the production of premiums, which are typically small gifts given out to consumers whenever a purchase of a particular product is made or when they receive a service. Key customers include multi-national corporations such as The Marketing Store ("TMS"), a global brand activation agency and one of the largest marketing networks in the world, Sieper GmbH which is known for the Siku brand of die-cast replicas of cars, tractors and trucks, and Hong Kong-listed Playmates Toys, Inc.

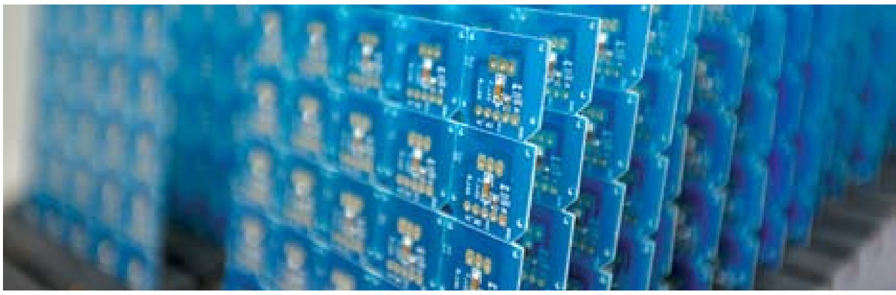
Moulds and Tooling

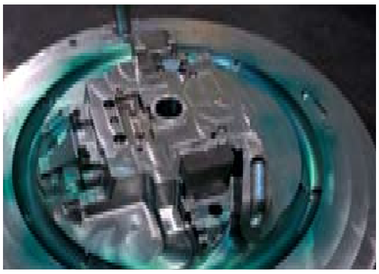
As a leading player in Southern China, Combine Will also supplies moulds to established automobile part manufacturers who are suppliers to Honda, Volvo and General Motors, and to Tier One suppliers such as Valeo, Delphi and Faurecia.

Since 1996, the Group also produces industrial plastic injection and die-cast moulds for customers in other industries such as medical, electronic, household appliances, office equipment and telecommunications for reputable brands such as Toshiba, Honeywell, SEB and Whirlpool.

Machine Sales

Anticipating the demand in the PRC for precision machinery such as CNC machining centres and EDM machines, the Group set up this business unit in 2000. Combine Will is today a distributor for various brands of technologically-advanced machines and precision tools used in the manufacture of moulds, die-cast products and automobile parts, such as metal-cutting machines, precision measuring instruments, as well as cutting tools for equipment manufacturers from Japan, United States, Germany, United Kingdom, Taiwan, and Italy.





FINANCIAL REVIEW

Income Statement

	FY2009 HK$'000	FY2008 HK$'000	Change %
Revenue			
- ODM/OEM	686,007	777,612	(11.8)
- Moulds & Tooling	248,789	417,663	(40.4)
- Machine Sales	123,376	149,433	(17.4)
Total Revenue	**1,058,172**	**1,344,708**	**(21.3)**
Cost of sales	(892,252)	(1,129,000)	(21.0)
Gross Profit	**165,920**	**215,708**	**(23.1)**
Other income	17,119	23,256	(26.4)
Selling and distribution expenses	(19,172)	(30,218)	(36.6)
Administrative expenses	(92,516)	(111,475)	(17.0)
Profit from Operations	**71,351**	**97,271**	**(26.7)**
Finance costs	(10,292)	(12,929)	(20.4)
Profit before Tax	**61,059**	**84,342**	**(27.6)**
Income tax expense	(15,274)	(10,798)	41.5
Profit for the Year*	**45,785**	**73,544**	**(37.7)**
Attributable to:			
Owners of the Company	45,199	72,858	(38.0)
Minority interests	586	686	(14.6)
	45,785	**73,544**	**(37.7)**

REVENUE

Against the backdrop of the global economic downturn, the Group's revenue dipped 21.3% to HK$1.1 billion in FY2009 as compared to HK$1.3 billion recorded a year ago. However, in the 4th quarter of FY2009, the Group recorded significant sales improvement for its ODM/OEM business, providing strong evidence of the global economic recovery gaining traction.

ODM/OEM

Sales from the ODM/OEM segment declined by 11.8% to HK$686.0 million in FY2009 and accounted for 64.8% of total revenue. Although sales in the first three quarters of FY2009 were lower than the respective quarters in FY2008 due to the global recession, this business segment made a significant recovery in 4Q09 as it posted a 22.7% improvement in sales to HK$247.7 million.

ODM/OEM continues to be the main driver of sales and the Group's primary focus is to continually strengthen its competitive edge by strengthening its human resource base and upgrading its R&D capabilities.

Against the backdrop of direct labor shortage in Guangdong province, particularly in the Pearl River Delta region, the Group is committed to invest more resources in recruitment, retention and worker incentives as well as improve efficiency and productivity by introducing more automation to its production processes.

Moulds and Tooling

The automobile industry in China continues to be affected though there were early signs of recovery in the later part of 2009, largely due to tax cuts and subsidies aimed at supporting the automobile industry. The Group recorded lower sales from both the automobile and electronics sector as many customers remained cautious while waiting for clearer signs of recovery. As a result, the Group's sales decreased by 40.4% to HK$248.8 million in FY2009. This represents approximately 23.5% of its total revenue in FY2009.

Although this segment has yet to recover, the Group is optimistic in its growth prospects going forward. With more foreign companies investing in China, the Group is seeing a prominent resurgence of demand for moulds and tooling, and plans to set up a factory in Zhejiang province, near Shanghai, to further strengthen its presence in China's North East, as well as to provide more efficient after-sales service to customers in and around that area.

In addition, to accelerate its penetration into the Korean market, the Group has also established a sales office in Seoul, Korea in Feb 2010.

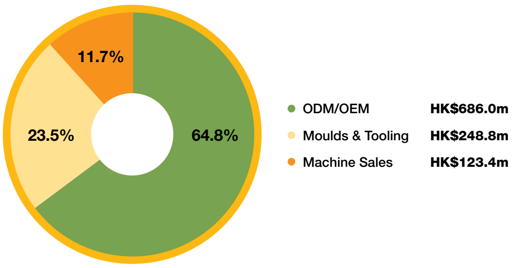
Operating & Financial Review (cont'd)

Machine Sales

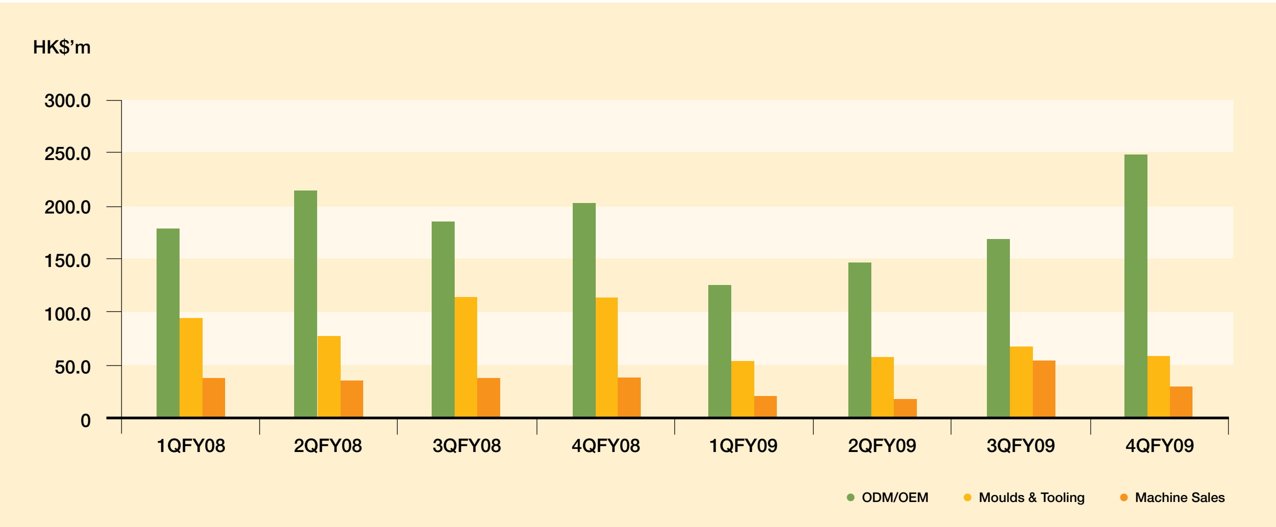
In FY2009, sales from this segment dropped by 17.4% to HK$123.4m and accounted for 11.7% of total revenue. This was attributable to the Group's deliberate effort to tighten credit policy and focus on quality customers.

To ride on the wave of economic recovery, the Group is gradually bringing in new brands of machines and developing new customers simultaneously and expects this segment to perform better in FY2010.

REVENUE BY BUSINESS SEGMENTS - YOY



REVENUE BY BUSINESS SEGMENTS – QOQ



PROFITABILITY

In line with the decline in sales in FY2009, the Group's gross profit declined 23.1% to HK$165.9 million. Gross margins dropped marginally to 15.7% in FY2009 as compared to 16.0% in FY2008.

However, the Group registered 28.2% growth in its 4QFY2009 gross profit to HK$49.9 million, generating higher gross profit margin of 14.7% compared to 10.8% a year ago

ODM/OEM

Gross profit from ODM/OEM decreased by 31.9% to HK$88.7 million in FY2009, representing 53.5% of the Group's total gross profit. Gross profit margin declined to 12.9% in FY2009 versus 16.7% a year ago.

However, the gross profit margin for this segment in the fourth quarter improved to 12.2% as compared to 6.9% a year ago due to increasing sales of high-margin products.

Moulds & Tooling

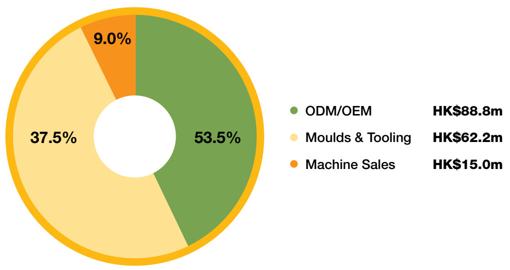
The Group's deliberate shift from developing moulds for the automotive industry to the toys and premium sector as well as its focus on serving quality customers has paid off in FY2009. Despite lower sales recorded in this segment, gross profit increased by 4.8% to HK$62.2 million. The Moulds and Tooling segment accounted for 37.5% of the Group's total gross profit whilst gross margin increased from 14.2% in FY2008 to 25.0% in FY2009.

Consequently, gross profit margin in 4QFY09 has improved significantly to 34.2%, compared with 15.1% in 4QFY08.

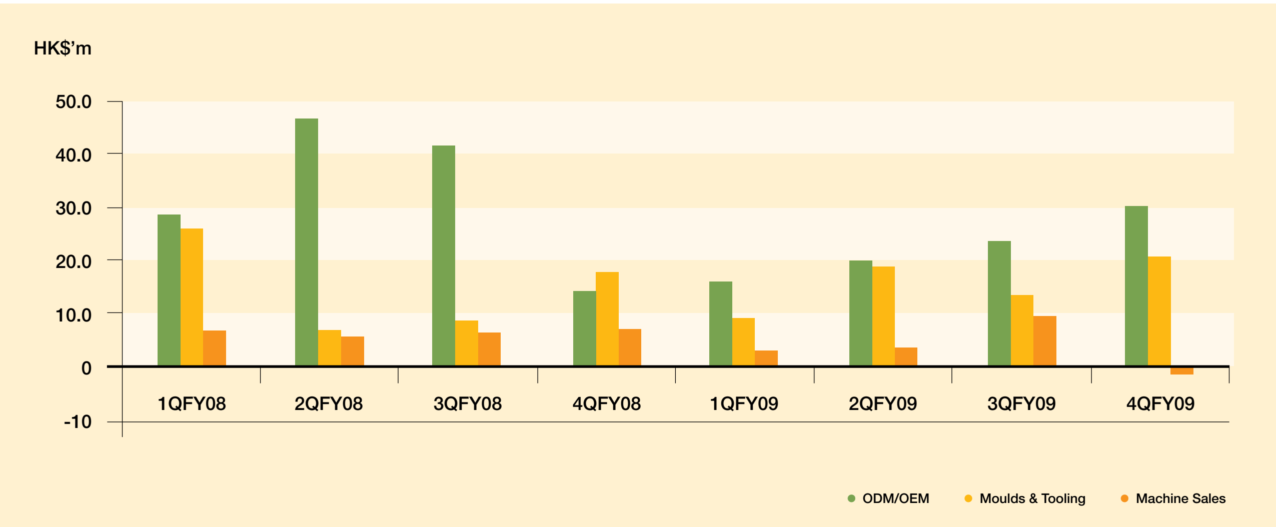
Machine Sales

In line with the lower sales from this segment, gross profit dipped 42.7% to HK$15 million in FY2009. Machine Sales represents 9% of the Group's total gross profit whilst gross profit margin decreased to 12.2% versus 17.5% a year ago.

GROSS PROFIT BY BUSINESS SEGMENTS - YOY



GROSS PROFIT BY BUSINESS SEGMENTS - QOQ



Operating & Financial Review (cont'd)

FINANCIAL POSITION

	As at December 2009 HK$'000	As at December 2008 HK$'000
Total Asset	**1,047,039**	**826,316**
- Non-current assets	244,041	238,983
- Current assets	802,998	587,333
Total liabilities	**578,204**	**394,415**
- Current liabilities	542,329	391,217
- Non-current liabilities	35,875	3,198
	468,835	431,901
Equity attributable to shareholders of the Company		
Share Capital	246,000	246,000
Reserves	212,465	176,474
	458,465	422,474
Minority interests	10,370	9,427
Total equity	**468,835**	**431,901**

NON-CURRENT ASSETS

The Group's non-current assets increased by 2.1% to HK$244.0 million as at 31 December 2009, due mainly to the increase in property, plant and equipment of HK$50.2 million which was mainly offset by the depreciation expenses of HK$48.0 million charged for the year.

CURRENT ASSETS

As at 31 December 2009, the Group's current assets increased by 36.7% to HK$803.0 million, due mainly to:

- an increase in trade and bills receivables of HK$127.1 million due to customer delivery schedule;
- an increase in bank and cash balances of HK$73.3 million due mainly to increase working capital employed to fulfill the coming production commitments;
- an increase in inventories of HK$9.7 million due to customer delivery schedule; and
- an increase in current tax assets of HK$6.6 million due to payment of provisional tax.

CURRENT LIABILITIES

The Group's current liabilities increased by 38.6% to HK$542.3 million mainly due to:

- an increase in short-term borrowings amounting to approximately HK$124.8 million to meet working capital needs;
- an increase in trade and bills payables amounting to approximately HK$20.2 million due to increase purchase to meet production commitment;
- an increase in current portion of long term borrowings of HK$12.3 million due to scheduled repayment of long-term borrowings;
- a decrease in accruals and other payables of HK$4.2 million due to decrease in purchase in Moulds & Tooling business segment partially offset by increase in purchase by ODM/OEM business segment; and
- these were partially offset by a decrease in current tax payable of HK$2.0 million.

NON-CURRENT LIABILITIES

The increase in long-term borrowings of HK$32.7 million due to Group's effort to utilize more favourable financial arrangement offered by various banks.

CASH AND CASH EQUIVALENTS

	12 months ended 31 December 2009 HK$'000	12 months ended 31 December 2008 HK$'000
Net cash (used in)/generated from operating activities	(34,108)	94,225
Net cash used in investing activities	(51,467)	(64,852)
Net cash generated from financing activities	152,422	6,708
	66,847	36,081
Cash and cash equivalents at the beginning of the year	105,769	69,194
Net effect of exchange rate changes in consolidating subsidiaries	6,442	494
Cash and cash equivalents at the end of the year	179,058	105,769

STATEMENT OF CASH FLOWS

The Group's cash resources are considered adequate for current operational needs. The increase in cash and cash equivalents held by the Group in 2009 is mainly due to the increase in the working capital employed to fulfill the coming production commitment.

The increase in income tax paid mainly due to an objection in provision tax charge of HK$7.9 million in 2008 but fully paid in 2009, payment of income tax charged in previous years of HK$11.2 million and tax prepayment of HK$4.7 million paid in 2009.

Our Commitment to Corporate Social Responsibility

Corporate Social Responsibility (CSR) is becoming increasingly important for businesses today due to changing social expectations, increasing affluence, globalization as well as the world's call for greater action against climate change. In essence, our responsibility now encompasses a wider scope which involves managing our relationships with our employees, business partners, activist groups and communities.

In achieving sustainable growth and enhancing our corporate image, Combine Will has undertaken several CSR initiatives involving human resource policies, good business practices, with the aim of forging stronger relationships with our stakeholders.

PEOPLE

Our HR policy aims at protecting the rights and interests of its employees, strengthening their capabilities and leadership by offering career opportunities and training, as well as providing a safe, fair and harmonious workplace. Some of our initiatives include:

- Encouraging open communications between the Management and the Employee Committee to align corporate values and employees interests. In addition, the Group also uses other communication channels such as staff surveys, employees suggestions, staff handbook, notice boards, and newsletters;
- Providing education and seminars for employees to strengthen their skills and enhance performance;
- Recognising and rewarding our employees for their contributions and outstanding performance;
- Organising sports and leisure activities to promote a healthy lifestyle;
- Establishing an Environmental Health and Safety Committee and employing certified Safety Officers in all of our factories;
- Installing preventive equipment at workplace to enhance safety; and
- Conducting annual medical check-ups for employees;

ENVIRONMENT

Combine Will aims to minimise the impact that our activities have on the environment and the Group strives to conserve the use of resources in our daily activities. Some of our initiatives include:

- Establishing an Energy Accounting System to explore and identify energy saving measures and assess performance of all measures adopted;
- Adopting energy saving appliances in our facilities, such as energy-efficient lamps, heating systems, and hopper dryer;
- Preventing hazardous substances in products
- Reducing paper consumption by promoting wider use of electronic copies within the Group
- Having an ISO 14000 EMS framework since2008.

COMMUNITY

The Group also extended its care for the local communities through volunteer services, and by offering scholarships. Some of our initiatives include:

- Participating in volunteer services for the Shaoguan School project and visiting local families in 2009 & 2010;
- Participating in volunteer services as well as offering scholarships for disabled students in Heyuan City in Guangdong Province;
- Providing scholarships for students of Hong Kong Institute of Vocational Education, and,
- Participating in local community services in Hengli Town,Dongguan City and Luohu Town He Yuan City.

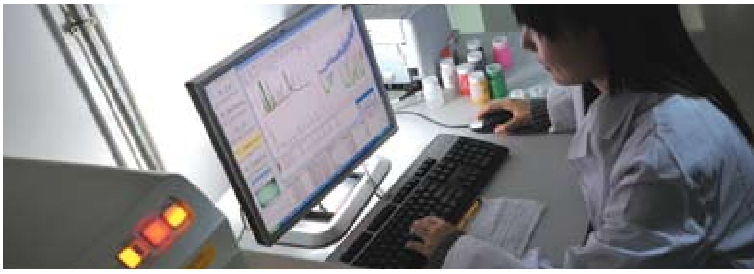
OUR RECOGNITION AND ACHIEVEMENT

International/External Standard

1. Obtained ISO 9001 for 5 factories in 2009
2. Obtained ISO 14001 for 1 factory in 2009
3. Obtained OHSAS 18001 for 2 factories in 2009
4. Obtained ICTI for 4 factories in 2009
5. Obtained GSV/CT-PAT for 3 factories in 2009
6. Obtained QC080000 for 3 factories in 2009
7. Obtained CNAS Lab Accreditation for 2 factories in 2009

Other Recognition/Award

1. The People's Of China -Model Home For Worker (2005)
   中华全国总工会 – 模范职工之家
2. Outstanding Unit with Sincerity and Care between Employer and Workers (2003, 2007)
   双爱双评先进单位
3. Outstanding Labor Union (2003, 2004)
   先进工会组织
4. Outstanding Company on Safe Production (2003, 2004, 2005, 2008)
   安全生产先进单位
5. Outstanding Enterprise for Supporting Labour Union and Caring for workers 支持工会工作爱员工优秀经营者 (2006, 2007)
6. Top Ten Enterprise for Employees Satisfaction (2006, 2007)
   十佳员工满意企业
7. Outstanding Unit on Open and Democratic Management (2008)
   厂务公开民主管理工作先进单位
8. Dongguan City Labor Relations Harmonious Enterprise (2009)
   东莞市劳动关系和谐企业
9. Outstanding Labour Organization for Junior Employee (2009)
   先进基层党组织
10. Outstanding Organization with Good Employees' Mediation (2008)
    人民调节工作先进单位
11. Cleaner Production Partnership Program Recognition Mark (2009)
    清洁生产伙伴计划标志



In essence, our responsibility now encompasses a wider scope which involves managing our relationships with our employees, business partners, activist groups and communities.

Board of Directors

TAM JO TAK, DOMINIC
Executive Chairman and CEO

Mr Tam Jo Tak, Dominic is the co-founder, Executive Chairman and Chief Executive Officer of our Group. He was appointed to our Board on 27 December 2007. Since the inception of the Group in 1992, he oversees all business and management activities of the Group and is responsible for setting business directions and goals, exploring new business opportunities and the overall customer relationships of the Group. Mr Tam has more than 25 years of experience in toy product development and the manufacturing industry.

Prior to setting up our Group, he was a product development director at Zindart Industrial Co., Ltd from 1989 to 1991. He held senior positions with many US companies in Hong Kong from 1982 to 1988 in the areas of production planning, quality control and engineering. Companies he has served in, include Galco International Toys, LJN Toys, ERTL (HK) Ltd, Ideal Toys and Hong Kong Industrial Co., Ltd. He was also a visiting lecturer of the Hong Kong Polytechnic from 1980 to 1983.

Mr Tam was the Chairman of the Hong Kong Diecasting Association in 2000 and 2001 and has been the Honorary Chairman thereafter. He has been a committee member of The Toys Manufacturer's Association of Hong Kong from 2002 up to now. Mr Tam graduated with a Bachelor of Science Honours Degree in Production Engineering and Management from the Loughborough University in the UK in 1980.

YAU HING WAH, JOHN
Executive Director

Mr Yau Hing Wah, John is the co-founder and Executive Director of our Group and is responsible for the operations of our ODM/OEM business segment. He was appointed to our Board on 27 December 2007 and has been with the Group since its inception in 1992. Mr Yau has more than 20 years of experience in the toys industry. Between 1983 and 1991, Mr Yau was a director at Wah Sing Toys Co., Ltd and was responsible for the production and operations of the company for approximately ten years. Prior to that, he served as an apprenticeship inspector at the Labour Department (HK government). From 1981 to 1983, he joined Kingsway Toys Co., Ltd. for two years as a factory manager. From 1979 to 1981, he was also a factory manager of Marx Toys Co., Ltd. and was responsible for the factory operations of the company. In 1981, Mr Yau graduated with a Higher Certificate in Production and Industrial Engineering from the Hong Kong Polytechnic, majoring in Production Engineering.

ZHENG NAIQIAO, KOULMAN
Executive Director

Mr Zheng Naiqiao, Koulman is an Executive Director of our Group and is responsible for the market and technological development, operations and quality control for our Moulds and Tooling Business Unit. He was appointed to our Board on 27 December 2007 and has been with the Group since 2000. For a period of approximately seven years, Mr Zheng was a manager of the overseas vendor operations of Liberty Classics Inc. Prior to that, he was a manager of production and operations at Dyna Mechtronics Inc. and responsible for the production from the CNC machining centres and manufacturing systems of the company. From 1978 to 1982, he was an engineer at the factory of Specialized Production Equipment in Guangzhou, China. Mr Zheng graduated with a Master of Science in Mechanical Engineering from the Northeastern University in Boston Massachusetts, USA.

CHIU HAU SHUN, SIMON
Executive Director

Mr Chiu Hau Shun, Simon is an Executive Director of our Group and prior to 1 October 2006, he was responsible for the finance and accounts of the Group. He was appointed to our Board on 8 October 2007 and has been with the Group since 2000. He is currently principally engaged in Human Resources, Administration and Corporate Affairs for our Group. He is also a director of Simon Chiu and Associates Limited, a PRC consultancy business which he founded in 1997. Prior to setting up his own business, he was the chief financial officer of various companies, such as Hua Yang Industrial Co., Ltd., Waly Decoration Company Limited, DMC Hong Kong Limited and G.J.M. Hong Kong Ltd. He was also an assistant general manager of Sumida (HK) Limited from 1991 to 1993. He started his career as an accountant at Arthur Andersen & Co. where he practised for close to eight years. Mr Chiu received his education from the Indiana University School of Business, USA.

CHEUNG HOK FUNG, ALEXANDER
Lead Independent Non-Executive Director

Mr Cheung Hok Fung, Alexander is our Independent Director and was appointed to our Board on 28 March 2008. He is currently a Barrister-at-Law practising in Hong Kong. He started his accountancy career in the tax department of Ernst & Young, Hong Kong. He subsequently moved over to Coopers & Lybrand, Singapore before leaving the firm in 1992 as a Senior Tax Associate. He then joined M. C. Packaging (Hong Kong) Limited, the then largest metal and plastic food and beverage packaging manufacturing group in Asia, where he worked in the group's corporate development function and was responsible for negotiation, setting up and control of various sino-foreign joint-venture subsidiaries as well as compliance with the Listing Rules of Hong Kong Stock Exchange. He left the group to start his own public accounting and financial advisory practice in 1994. In 1995, he was instrumental in the successful listing of Ng Fung Hong Limited on the Hong Kong Stock Exchange, acting as its Qualified Accountant, Company Secretary and Senior Financial Manager.

He has over 20 years of experience in corporate development, project financing, auditing, tax planning and compliance, forensic accounting and corporate secretarial matters. He is a Certified Public Accountant in Hong Kong, a Chartered Accountant of New Zealand and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. He switched to law in 2006. He holds a Professional Diploma in Company Secretaryship and Administration from the Hong Kong Polytechnic, a Master and a Bachelor degree of Laws from the University of New England, Australia. Mr Cheung is also an Independent Director of Asia Silk Holdings Limited, which is currently listed on Catalist in Singapore.

CHIA SENG HEE, JACK
Independent Non-Executive Director

Mr Chia Seng Hee, Jack is our Independent Director and was appointed to our Board on 28 March 2008. Currently, he runs his own investment advisory firm Jack Capital Services Pte Ltd, which he set up in June 2005. Prior to that he was Senior Director, International Enterprise Singapore (the former Trade Development Board) and was based in Shanghai from June 2002. Mr Chia was also with Singapore Technologies, Government of Singapore Investment Corporation as well as Arthur Andersen in marketing and consulting capacities. He graduated from the National University of Singapore with a degree in Accountancy and from the International University of Japan with a Masters of Arts degree in International Relations. He is qualified as a Certified Public Accountant. He also completed the General Manager Program at Harvard Business School.

NING LI
Independent Non-Executive Director

Mr Ning Li is our Non-Executive Director and was appointed to our Board on 8 May 2009. Mr Ning started out his career as a lawyer in Beijing Chaoyang Law Firm from 1985 to 1993, before moving on to establish his own practice, Beijing Tianda Law Firm in 1993. His main areas of practice encompassed restructuring, mergers and acquisitions of private limited companies, initial public offerings as well as real estate, and has represented listed companies such as Hubei Qianjiang Pharmaceutical Co., Ltd., Songliao Automobile Co., Ltd., Cangzhou Chemistry Industry., Ltd. and over 50 real estate projects in Beijing.

Since 2002, Mr Ning is engaged in various businesses based in the PRC and is currently the Chairman of several Boards, namely, Jade Group (China) Ltd. which primarily provides immigration services; Vanguard Express Co., Ltd, a company that provides finance services; and Beijing Liantuo Environment and Energy Resources Investment Co., Ltd, which invests in the environment and energy resources field. In addition, he is also an Executive Director of China Art International Travel Agency.

Senior Management

HUNG KAM TIM, SAMUEL

General Manager, Head of Machine Sales Business Unit

Mr Hung Kam Tim, Samuel has been the General Manager, Head of Machine Sales Business Unit, since 2000 and is responsible for the management and operational activities of the Group in relation to our Machine Sales business segment. Prior to joining our Group, he was a regional sales manager at Leeport Machine Tools Co., Ltd and was involved in the sales and marketing, strategic planning and operational activities of the company for approximately eight years. Mr Hung graduated with a Bachelor's Degree in Manufacturing Engineering (first class honours) and a Masters Degree (Arts) in Quantitive Analysis for business from the City University of Hong Kong in 1992 and 1996, respectively.

TSUI CHUNG KIT, ALLAN

General Manager, Moulds and Tooling Business Unit

Mr Tsui Chung Kit, Allan has been a General Manager of our Moulds and Tooling Business Unit since 1994 and is responsible for the marketing and sales, customer service and engineering support functions of the Unit. He had about seven years of experience prior to joining our Group in product development and project management at various toy manufacturing companies when he was a project manager at MB sales from 1992 to 1994, a senior engineer at Matchbox Limited from 1989 to 1992, and an engineer at Zindart Industrial Co., Ltd. from 1987 to 1989. Mr Tsui graduated with an Endorsement High Certification in Mechanical and Manufacturing Engineering (MME) and an Endorsement Certification in Management Service from the Hong Kong Polytechnic in 1990 and 1991, respectively.

QIU GUO LIAN, DAVID

General Manager, Head of Operations, ODM/OEM Business Unit

Mr Qiu Guo Lian, David has been the General Manager, Head of Operations of our ODM/OEM Business Unit since 1992 and has been responsible for the plant operations of our ODM/OEM Business Unit. Prior to joining our Group, he was a senior supervisor at Wah Shing Toys Co., Ltd. for four years and was involved in production planning and material control. Mr Qiu graduated with a college diploma in Education in English from the Huizhou Educational College in 1987.

LI HIN LUN, ALAN

General Manager, Head of Sales and Marketing, ODM/OEM Business Unit

Mr Li Hin Lun, Alan has been the General Manager, Head of Sales and Marketing, ODM/OEM Business Unit, since 1994 and is responsible for the operations, administration and shipping department in the Group's Hong Kong office for the ODM/OEM Business Unit. Prior to joining our Group, Mr Li had close to seven years of experience in the die-cast and plastic toy manufacturing industry, having been at Paka Toys from 1991 to 1994 as a senior engineer and a design engineer in Kader Industrial Co., Ltd. from 1989 to 1991. He was also a project engineer at Forwind Windsome Co., Ltd. from 1987 to 1989 and engaged in project development of toys from design to manufacturing. Mr Li graduated with a higher diploma in Production and Industrial Engineering from the Hong Kong Polytechnic in 1987.

TSANG HUNG LEUNG, ALAN

Chief Financial Officer

Mr Tsang Hung Leung, Alan has been the Chief Financial Officer of our Group since November 2006 and is involved in financial reporting and treasury management. Prior to joining our Group, Mr Tsang had worked at China Resources Enterprise Limited from 2001 to 2006 and was responsible for the internal audit and supervisory work for the operations of Ng Fung Hong and CR Vanguard. He was also a financial controller of Hong Kong Netcom Limited between 2000 to 2001. Prior to that, he was an audit manager at Fok Siu Yuan CPA for two years and a senior auditor, responsible for financial audits and computer risk management, at Arthur Anderson & Co. for five years between 1993 to 2000. While at Arthur Anderson & Co., he was involved in several listing exercises which involved the application of International Accounting Standard (the predecessor of IFRS). Mr Tsang graduated with an Accounting Degree from the City University of Hong Kong in 1993 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Corporate Information

BOARD OF DIRECTORS

Tam Jo Tak, Dominic
(Executive Chairman / Chief Executive Officer)

Yau Hing Wah, John
(Executive Director)

Zheng Naiqiao, Koulman
(Executive Director)

Chiu Hau Shun, Simon
(Executive Director)

Cheung Hok Fung, Alexander
(Lead Independent Director)

Chia Seng Hee, Jack
(Independent Director)

Ning Li
(Independent Non-Executive Director)

AUDIT COMMITTEE

Cheung Hok Fung, Alexander (Chairman)
Chia Seng Hee, Jack
Ning Li

NOMINATING COMMITTEE

Chia Seng Hee, Jack (Chairman)
Cheung Hok Fung, Alexander
Ning Li

REMUNERATION COMMITTEE

Chia Seng Hee, Jack (Chairman)
Cheung Hok Fung, Alexander
Ning Li

COMPANY SECRETARY

Tsang Hung Leung, Alan, CPA
Ng Joo Khin, LLB (Hons)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Combine Will (Dongguan) Industrial Co., Ltd.
Xin Cheng District, Heng Li Zhen
Dongguan, Guangdong Province
The PRC

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants, Hong Kong
29th Floor, Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong
Partner-in-charge: Mr Eugene Liu, CPA
(With effect from FY2007)

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
2/F, HSBC Building Mong Kok
673 Nathan Road, Mong Kok
Kowloon, Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road
Central, Hong Kong

Standard Chartered Bank Hong Kong Limited
13th Floor Standard Chartered Building
4-4A Des Voeux Road
Central, Hong Kong

Corporate Governance Report

The Directors and Management of Combine Will International Holdings Limited are committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code of Corporate Governance 2005 (the "**Code**") issued by the Singapore Corporate Governance Committee and the relevant sections of the Listing Manual ("**Listing Manual**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The corporate governance practices of the Company for the financial year ended 31 December 2009 are described herein under the following sections:-

I Board Matters
II Remuneration Matters
III Accountability and Audit
IV Communication with Shareholders
V Dealings in Securities
VI Material Contracts
VII Risk Management
VIII Interested Person Transactions
IX Use of proceeds raised from the Initial Public Offering of the Company

I. BOARD MATTERS

(Principles 1, 2, 3, 4, 5 and 6 of the Code)

Board's Conduct of its Affairs

The Board of Directors of the Company (the "**Board**") is responsible for supervise the management and affairs of the Company. The Board's primary duty is to ensure that the Company is managed in the best interests of shareholders as a whole while taking into account the interests of other stakeholders, and at the same time not losing track of its viability.

There is a clear division of responsibilities in the top management with clearly defined lines of responsibility between the Board and executive functions of the management of the Company's business. The Board is assisted by experienced and qualified executive officers of the Company.

Broadly, the responsibilities of the Board include but are not limited to the following:

- reviewing and approving overall business strategy developed and recommended by the Management;
- ensuring that decisions and investments are consistent with long-term strategic goals;
- ensuring the Company is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- providing oversight in ensuring that the Company's activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- overseeing, through the Audit Committee, the quality and integrity of the Company's accounting and financial reporting systems, disclosure controls and procedures, internal controls and risk management systems;
- reviewing transactions entailing any material acquisitions or disposals of assets; and
- assuming overall responsibility for corporate governance.

Board Composition and Guidance

Presently, the Board consists of seven (7) members; comprising three (2) independent non-executive directors, one (1) non-executive director and four (4) executive directors. A brief profile of each Director is presented in the Profile of Board of Directors section of this Annual Report and their shareholdings in the Company and its subsidiaries as at 31 December 2009 are disclosed in the Directors' Report for the financial year ended 31 December 2009.

There is a good balance between the executive and non-executive directors. There is also a strong and independent element on the Board. Nevertheless, given the scale of the Company and the complexity of the business, the size of the Board will be reviewed from time to time to ensure that it can provide the optimum balance to facilitate effective decision making. The Board, taking into account the scope and nature of the operations of the Company, considers the current size of seven directors to be adequate for effective decision making.

The Board has used its best efforts to ensure that the Directors appointed to the Board possess the background, experience and knowledge in technology, finance, business and management skills critical to the Company's business to enable the Board to make sound and well considered decisions.

Members of the Board comprise professionals that provide core competencies to ensure the effectiveness of the Board. Such core competencies include accounting, finance, strategic ability, business acumen, management experience and depth understanding of industry and customer, familiarity with regulatory requirements, and knowledge of risk analyses and control.

Board Committees

The Board has established specific committees to assist in the efficient implementation of its functions, namely, the Audit Committee, the Nominating Committee and the Remuneration Committee. Specific responsibilities have been delegated to each of the committees. These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The Board meets at least on a quarterly basis and ad-hoc meetings are convened as and when circumstances require. The Company's Articles of Association provides for Directors to participate in Board and Board committee meetings by means of teleconference, video conferencing or audio visual equipment.

The Board also receives documents on matters requiring its consideration prior to and in advance of each meeting and vide circular resolutions. The Board papers and papers accompanying circular resolutions are required to be comprehensive and encompass both quantitative and qualitative factors so that informed decisions can be made. All proceedings from Board and Committees meetings are minuted and signed by the respective Chairman of the meetings.

Corporate Governance Report (cont'd)

During the financial year 31 December 2009, the number of meetings held by the Board and its committees and the details of attendance are as follows:

	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee	
Name of directors	No. of meetings Held	No. of meetings attended	No. of meetings Held	No. of meetings attended	No. of meetings Held	No. of meetings attended	No. of meetings Held	No. of meetings attended
Tam Jo Tak, Dominic	5	4	–	–	–	–	–	–
Yau Hing Wah, John	5	4	–	–	–	–	–	–
Zheng Naiqiao, Koulman	5	4	–	–	–	–	–	–
Chiu Hau Shun, Simon	5	5	4	4[(a)]	2	2[(a)]	1	1[(a)]
Cheung Hok Fung, Alexander	5	5	4	4	2	2	1	1
Chia Seng Hee, Jack	5	5	4	4	2	2	1	1
Ning Li [(b)]	5	4	4	2	2	–	1	–
Bob Low Siew Sie [(c)]	5	1	4	2	2	2	1	1

(a) Attended the meetings as an invitee.

(b) Appointed as Non-Executive Director of the Company on 5 August 2009.

(c) Resigned as Independent Non-Executive Director of the Company on 30 June 2009.

Executive Chairman and Chief Executive Officer, and Lead Independent Director

Mr Tam Jo Tak, Dominic is the co-founder, Executive Chairman and Chief Executive Officer of the Group.

Since the inception of the Group in 1992, Mr Tam oversees all business and management activities of the Group and is responsible for setting up business directions and goals, exploring new business opportunities and the overall customer relationships of the Group. Mr Tam has more than 25 years of experience of toy product development and the manufacturing industry.

Mr Tam is also responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Board is of the opinion that the appointment of Mr Tam as Executive Chairman and Chief Executive Officer of the Company does not affect the effective running of the Board. The independent non-executive directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the executive directors.

The Code of Corporate Governance 2005 recommends the appointment of a lead independent director to whom any concerns of any shareholders may be conveyed where such concerns were not resolved through the normal channels or for which such channels are inappropriate. For this purpose, Mr Cheung Hok Fung, Alexander has been appointed as the Lead Independent Director.

Board Membership

The Nominating Committee (the "**NC**") comprises entirely of Independent Non-Executive Directors, namely:-

Chia Seng Hee, Jack (Chairman)
Cheung Hok Fung, Alexander
Ning Li

The principal functions of the NC are set out below:-

- making recommendation to the Board on all board appointments;
- re-nomination of the Directors having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent. All Directors are subject to re-nomination and re-election at regular intervals and at least every three years pursuant to the Company's Articles of Association. A newly appointed Director will have to submit himself for retirement and election at annual general meetings;
- determining annually whether or not a Director is independent pursuant to the guidelines set out in the Code of Corporate Governance, and by such amendments made thereto from time to time;
- subject to approval of the Board, deciding on how the Board's performance is to be evaluated and proposing objective performance criteria that address how the Board has enhanced long-term shareholder value; and
- assessing the effectiveness of the Board as a whole, and the contribution by each individual director to the effectiveness of the Board.

The Independent Non-Executive Directors have multiple board representations. However, the NC is satisfied that the Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Company, in addition to their multiple board representations.

The Board through the Nominating Committee ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately.

The newly appointed director will be briefed on the Group's business and governance practices and attended formal courses conducted by the Institute of Directors to familiarise himself with the regulatory environment in Singapore and the roles and responsibilities as Director of a listed company.

From time to time**,** our Directors will continue to undergo relevant training programmes where necessary from time to time with regard to any new developments particularly on relevant new laws, regulations and changing commercial risks.

Board Performance

The NC reviews the criteria for evaluating the Board's performance. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole.

The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with management and standard of conduct of the Directors.

An annual performance evaluation will be implemented to assess effectiveness of the Board and contribution of each Director. The purpose of the evaluation is to increase the overall effectiveness of the Board.

Access to information

Prior to each Board meeting, Directors are provided with timely and complete information to enable them to fulfil their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, risk management reports, budgets, forecasts, and reports of variances from budgets and forecasts.

The Directors have separate and independent access to the company secretaries. All Board and committee meetings are to be conducted with the presence of the Company Secretary to ensure that Board procedures are followed and applicable rules and regulations are complied with. The Board is responsible for the appointment and removal of the company secretaries.

Where members of the Board, either individually or as a group, seek independent professional advice, after consultation with the Chairman, such expenses will be borne by the Company.

II REMUNERATION MATTERS

(Principles 7, 8 and 9 of the Code)

Procedures for Developing Remuneration Policies

The Remuneration Committee (the "**RC**") consists of the following Independent Non-Executive Directors:-

Chia Seng Hee, Jack (Chairman)
Cheung Hok Fung, Alexander
Ning Li

The RC is for responsible for

(i) recommending to the Board a framework of remuneration for the Directors and key executives, and to determine specific remuneration packages for the Chief Executive Officer and each Executive Director. The recommendations of the RC are submitted for endorsement by the entire Board. Each member of the RC is to abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package. As such, no Director is involved in deciding his own remuneration.

(ii) reviewing and administering the Company's compensation schemes such as Combine Will Employee Share Option Scheme (the "Scheme") from time to time. As part of its review, the RC shall ensure that all aspects of the Scheme are comparable to other similar companies within the industry.

The current policy of the RC in respect of Directors' remuneration is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company and to align the interest of the Directors with those of the shareholders.

Level and Mix of Remuneration

In fine-tuning remuneration packages, the RC takes into consideration pay and employment conditions within the industry and in comparable companies. The Company's relative performance and the individual performance of the Directors are also intended to be factored into each remuneration package.

The remuneration of non-executive Directors will be appropriate to their respective levels of contribution, taking into account factors such as effort and time spent, and their responsibilities. The Board will recommend the remuneration of the non-executive Directors for approval at the annual general meetings of the Company.

Disclosure of Remuneration

The remuneration of the Directors and the key executives (who are not Directors) for the financial year ended 31 December 2009, shown in bands of S$250,000, is disclosed below:-

Name	Salary (%)	Bonus (%)	Directors' fees (%)	Total Compensation (%)
Directors				
S$250,000 to below S$500,000				
Tan Jo Tak, Dominic	100.0	–	–	100.0
Yau Hing Wah, John	100.0	–	–	100.0
Zheng Naiqiao, Koulman	100.0	–	–	100.0
Chiu Hau Shun, Simon	100.0	–	–	100.0
Below S$250,000				
Cheung Hok Fung, Alexander	–	–	100.0	100.0
Chia Seng Hee, Jack	–	–	100.0	100.0
Ning Li (Appointed on 5 August 2009)	–	–	100.0	100.0
Bob Low Siew Sie (Resigned on 30 June 2009)	–	–	100.0	100.0
Below S$250,000				
Qiu Guo Lian, David	72.2	27.8	–	100.0
Li Hin Lun, Alan	72.2	27.8	–	100.0
Hung Kam Tim, Samuel	100.0	–	–	100.0
Tsang Hung Leung, Alan	100.0	–	–	100.0

III ACCOUNTABILITY AND AUDIT

(Principles 10, 11, 12 and 13)

Audit Committee

The Audit Committee (the "**AC**") comprises of three Independent Non-Executive Directors:-

Cheung Hok Fung, Alexander (Chairman)
Chia Seng Hee, Jack
Ning Li

The AC focuses principally on assisting the Board in fulfilling its duties by providing an independent and objective review of the financial process, internal controls and the audit function.

The AC has explicit authority to investigate any matter within its terms of reference, full access to, and the co-operation of, Management, full discretion to invite any Director to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The duties and responsibilities of the AC include:-

- To review with the external auditors the audit plan, including the nature and scope of the audit before the audit commences, their evaluation of the system of internal controls, audit report, management letter and Management's response.
- To ensure co-ordination where more than one audit firm is involved.
- To review the quarterly and annual financial statements before submission to the Board for approval.
- To review the financial statements of the Company and the consolidated balance sheet and profit loss account, before approval by the Board.
- To discuss problems and concerns, if any, arising from the quarterly and final audits, in consultation with the external auditors and the internal auditors where necessary.
- To meet with the external auditors and with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have.
- To review the assistance given by Management to the external auditors.
- To review annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the external auditors.
- Where the auditors also provide non-audit services to the Company, to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be compromised.
- To review the internal audit programme (including reviewing the procedures implemented by the Group to ensure that all requisite licences and approvals are obtained prior to commencement of the appropriate phases of each property project, as well as ensuring that such procedures are adequate) and to ensure co-ordination between the internal and external auditors and Management.
- To review the scope and results of the internal audit procedures.
- To review the adequacy of the Company's internal financial controls, operational and compliance controls and risk management policies and systems.

- To review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response.
- To review arrangements by which staff of the Company or of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters and, to conduct an independent investigation of such matters for appropriate follow up action.
- To investigate any matter within its terms of reference, with full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.
- To review interested person transactions (IPTs) falling within the scope of the SGX-ST Listing Manual and potential conflicts of interest, if any.
- To undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC.
- To undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.
- To consider the appointment/re-appointment of the external auditors, the audit fee and matters relating to the resignation or dismissal of the auditors.

Internal Controls and Internal Audit

The Board is cognizant of its responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets and business.

The AC ensures that a review of the effectiveness of the Company's system of internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually. The Internal Audit function is currently outsourced to Horwath First Trust who reports directly to the Chairman of the AC on audit matter. The internal auditor's scope of work will be reviewed by the AC, and the resulting report issued by the internal auditor will be reviewed in detail by the AC in conjunction with Management.

The Board considers that the existing system of financial, operational and compliance controls is adequate. The Board is satisfied that, with the assistance of the AC, external and internal auditors, current internal controls and risk management processes are satisfactory for the nature and scope of the Company's operations.

Corporate Governance Report (cont'd)

IV. COMMUNICATION WITH SHAREHOLDERS

(Principle 14 and 15 of the Code)

Adequate communication with Shareholders

It is the Company's policy to keep shareholders informed on a timely basis, through different media, of all major developments relating to the Company, in line with the disclosure obligations of the Company under the Listing Manual. Material and price sensitive information is always released via SGXNET. Information on shareholders' meetings is disseminated through notices published in newspapers, as well as through reports or circulars sent to all registered shareholders.

The Company encourages attendance, participation and voting by shareholders at the Company's annual general meetings and special general meetings, where they are allowed to vote in person or in abstentia. Shareholders will be afforded adequate opportunity to communicate their views on matters relating to the Company. The chairpersons of the AC, NC and RC and the external auditors will be present at the Annual General Meeting to address any relevant queries from shareholders.

V. DEALINGS IN SECURITIES

The Company has adopted an internal code of practice for securities transactions by all Directors and designated employees, in compliance with Rule 1207(18) of the Listing Manual.

Under the above-mentioned Rule, Directors and designated employees must refrain from dealing in the listed securities of the Company on short-term considerations and when they are in possession of unpublished price-sensitive information in relation to the Company and/or its subsidiaries or associated companies. Directors and designated employees are also not to deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the announcement of the Company's full financial year results, as the case may be, and ending on the day of the announcement of the relevant results.

VI. MATERIAL CONTRACTS

There were no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Chief Executive Officer, directors or controlling shareholders which subsisted at the end the financial year or have been entered into since the end of the previous financial year.

VII. RISK MANAGEMENT

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the directors and the AC.

VIII. INTERESTED PERSON TRANSACTIONS

The Group has adopted an internal policy in respect of any transactions with interested persons and established procedures for the review and approval of such transactions.

All interested person transactions will be properly documented and submitted to the AC for quarterly review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders.

There were no significant interested person transactions during the year.

IX. USE OF PROCEEDS RAISED FROM INITIAL PUBLIC OFFERING OF THE COMPANY

The Company has raised S$22.4 million or approximately HK$115.4 million* from its initial public offering ("IPO") through issuance of 88 million new shares at S$0.23 each on 23 June 2008.

As at the date of the Annual Report, the total net proceeds of HK$92.7 million* (after deducting IPO expenses as disclosed on page 35 of the Company's Prospectus dated 11 June 2008) were utilised as follows:-

Purpose of utilisation	Amount Allocated HK$ million	Total Amount Utilised HK$ million	Balance HK$ million
Plant, Machinery and production facilities	22.8	22.8	–
Research and development	11.4	5.7	5.7
Sales and marketing network	5.7	2.8	2.9
Manufacturing facilities for the production of automobile parts	22.8	–	22.8
General working capital	30.0	30.0	–
Total	92.7	61.3	31.4

* the amount is calculated based on a conversion rate of S$1@HK$5.7.

Financial Contents

Statement by Directors

The Board of Directors is responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the Directors, the accompanying statements of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up in accordance with and comply with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's results and cash flows for the financial year ended on that date and 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Directors

Tam Jo Tak, Dominic
Executive Chairman and
Chief Executive Officer

Chiu Hau Shun, Simon
Executive Director

30 March 2010

Independent Auditor's Report

TO THE MEMBERS OF COMBINE WILL INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the accompanying financial statements of Combine Will International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

30 March 2010

Consolidated Income Statement

	Note	2009 HK$'000	2008 HK$'000
Revenue	7	**1,058,172**	1,344,708
Cost of sales		**(892,252)**	(1,129,000)
Gross profit		**165,920**	215,708
Other income	8	**17,119**	23,256
Selling and distribution expenses		**(19,172)**	(30,218)
Administrative expenses		**(92,516)**	(111,475)
Profit from operations		**71,351**	97,271
Finance costs	9	**(10,292)**	(12,929)
Profit before tax		**61,059**	84,342
Income tax expense	10	**(15,274)**	(10,798)
Profit for the year	11	**45,785**	73,544
Attributable to:			
Owners of the Company		**45,199**	72,858
Minority interests		**586**	686
		45,785	73,544
Earnings per share (HK cents)	14	**13.78**	25.46

Consolidated Statement of Comprehensive Income

	2009 HK$'000	2008 HK$'000
Profit for the year	**45,785**	73,544
Other comprehensive income:		
Exchange differences on translating foreign operations	**8,443**	1,015
Other comprehensive income for the year, net of tax	**8,443**	1,015
Total comprehensive income for the year	**54,228**	74,559
Attributable to:		
Owners of the Company	**53,285**	73,873
Minority interests	**943**	686
	54,228	74,559

Statements of Financial Position

	Note	Group		Company	
		2009	2008	**2009**	2008
		HK$'000	HK$'000	**HK$'000**	HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	**228,220**	224,338	–	–
Prepaid land lease payments	16	**13,404**	12,228	–	–
Investments in subsidiaries	17	**–**	–	**310,205**	310,205
Goodwill	18	**2,417**	2,417	–	–
Available-for-sale financial assets	19	**–**	–	–	–
Total non-current assets		**244,041**	238,983	**310,205**	310,205
Current assets					
Inventories	20	**276,027**	266,376	–	–
Trade and bills receivables	21	**256,279**	129,210	–	–
Prepayments, deposits and other receivables	22	**80,754**	81,659	–	–
Due from subsidiaries	17	**–**	–	**152,834**	92,830
Current tax assets		**10,880**	4,319	–	–
Bank and cash balances	23	**179,058**	105,769	**109**	1,321
Total current assets		**802,998**	587,333	**152,943**	94,151
Total assets		**1,047,039**	826,316	**463,148**	404,356
LIABILITIES AND EQUITY					
Non-current liabilities					
Long-term borrowings	24	**32,735**	–	–	–
Finance lease payables	29	**–**	58	–	–
Deferred tax liabilities	25	**3,140**	3,140	–	–
Total non-current liabilities		**35,875**	3,198	–	–
Current liabilities					
Trade and bills payables	26	**125,593**	105,406	–	–
Accruals and other payables	27	**100,082**	104,244	**455**	1,663
Short-term borrowings	28	**287,135**	162,319	–	–
Current portion of long-term borrowings	24	**12,269**	–	–	–
Finance lease payables	29	**67**	106	–	–
Current tax liabilities		**17,183**	19,142	–	–
Total current liabilities		**542,329**	391,217	**455**	1,663
Total liabilities		**578,204**	394,415	**455**	1,663
Equity attributable to owners of the Company					
Share capital	30	**246,000**	246,000	**246,000**	246,000
Reserves	31	**212,465**	176,474	**216,693**	156,693
		458,465	422,474	**462,693**	402,693
Minority interests		**10,370**	9,427	–	–
Total equity		**468,835**	431,901	**462,693**	402,693
Total liabilities and equity		**1,047,039**	826,316	**463,148**	404,356

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company								
	Share capital	Share premium	Merger reserve	Statutory reserves	Foreign currency translation reserve	Retained earnings	Subtotal	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2008	1	–	–	2,057	18,205	253,651	273,914	10,287	284,201
Total comprehensive income for the year	–	–	–	–	1,015	72,858	73,873	686	74,559
Issuance of new shares pursuant to the restructuring exercise	180,000	–	–	–	–	–	180,000	–	180,000
Adjustment arising from restructuring exercise	(1)	–	(179,999)	–	–	–	(180,000)	–	(180,000)
Transfer to merger reserve	–	–	179,999	–	–	(179,999)	–	–	–
Share issue expenses	–	(22,512)	–	–	–	–	(22,512)	–	(22,512)
Issuance of new shares pursuant to public offer and placement	66,000	49,000	–	–	–	–	115,000	–	115,000
Dividends to owners	–	–	–	–	–	(17,801)	(17,801)	–	(17,801)
Dividends paid to minorities	–	–	–	–	–	–	–	(1,546)	(1,546)
Changes in equity for the year	245,999	26,488	–	–	1,015	(124,942)	148,560	(860)	147,700
Balance at 31 December 2008 and 1 January 2009	246,000	26,488	–	2,057	19,220	128,709	422,474	9,427	431,901
Total comprehensive income for the year	–	–	–	–	8,086	45,199	53,285	943	54,228
Dividends to owners (Note 13)	–	–	–	–	–	(17,294)	(17,294)	–	(17,294)
Changes in equity for the year	–	–	–	–	8,086	27,905	35,991	943	36,934
Balance at 31 December 2009	246,000	26,488	–	2,057	27,306	156,614	458,465	10,370	468,835

Note:

In accordance with The Commercial Code of Japan (the "Code"), the subsidiary of the Group established in Japan transfers an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings to the statutory reserve until the sum of the statutory reserve and additional paid-in capital equals 25% of the stated capital. The statutory reserve may be used to reduce a deficit or may be transferred to stated capital, but is not available for distribution as dividends. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the statutory reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the owners of the subsidiary of the Group.

In accordance with the relevant regulations in the People's Republic of China (the "PRC"), the subsidiaries of the Group established in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserve which is not available for appropriation may be used to offset the accumulated losses, if any, of the subsidiaries.

Consolidated Statement of Cash Flows

	Note	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**61,059**	84,342
Adjustments for:			
Depreciation and amortisation		**48,362**	45,733
Loss on disposal of property, plant and equipment		**161**	4
Impairment loss on available-for-sale financial assets		**–**	3,779
Bad debts written off		**30**	–
Interest income		**(113)**	(399)
Finance costs		**10,292**	12,929
Operating profit before working capital changes		**119,791**	146,388
(Increase)/decrease in inventories		**(9,651)**	2,600
(Increase)/decrease in trade and bills receivables		**(127,099)**	60,322
Decrease/(increase) in prepayments, deposits and other receivables		**905**	(10,908)
Increase/(decrease) in trade and bills payables		**20,187**	(44,292)
Decrease in accruals and other payables		**(4,162)**	(42,473)
Cash (used in)/generated from operations		**(29)**	111,637
Interest paid		**(10,285)**	(12,917)
Income taxes paid		**(23,794)**	(4,495)
Net cash (used in)/generated from operating activities		**(34,108)**	94,225
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(50,200)**	(65,425)
Purchase of prepaid land lease payment		**(1,380)**	–
Proceeds from disposal of property, plant and equipment		**–**	174
Interest received		**113**	399
Net cash used in investing activities		**(51,467)**	(64,852)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of new short-term bank loans		**89,442**	–
Inception of new long-term bank loans		**48,000**	–
Repayment of long-term borrowings		**(2,996)**	(11,482)
Net advance/(repayment) of trust receipt and import loans		**35,374**	(30,935)
Net proceeds from issuance of new shares		**–**	103,589
Finance lease charges		**(7)**	(12)
Repayment of finance lease payables		**(97)**	(105)
Dividends paid to owners		**(17,294)**	(17,801)
Dividends paid to owners of ultimate parent		**–**	(35,000)
Dividends paid to minorities		**–**	(1,546)
Net cash generated from financing activities		**152,422**	6,708
NET INCREASE IN CASH AND CASH EQUIVALENTS		**66,847**	36,081
Net effect of exchange rate changes in consolidating subsidiaries		**6,442**	494
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**105,769**	69,194
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	**179,058**	105,769

Notes to the Financial Statements

1. GENERAL

The financial statements of the Company and of the Group for the financial year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company (Registration No. MC-196613) was incorporated in the Cayman Islands on 8 October 2007 under The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liabilities by shares. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at Xin Cheng District, Heng Li Zhen, Dongguan, Guangdong Province, the PRC. The Company's shares are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company is an investment holding company. The principal activities of its subsidiaries are stated in note 17 to the financial statements.

In the opinion of the directors of the Company, as at 31 December 2009, DJKS Holdings Limited, a company incorporated in the British Virgin Islands, is the ultimate parent of the Company.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which includes all applicable International Financial Reporting Standards ("IFRS"), and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and the Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The Group adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB that were relevant and effective for its accounting year beginning on 1 January 2009. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

a. Presentation of Financial Statements

IAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. IAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. IAS 1 (Revised) has been applied retrospectively.

b. Operating Segments

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, IAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. The primary segments reported under IAS 14 are the same as the segments reported under IFRS 8. IFRS 8 has been applied retrospectively.

The segment accounting policies under IFRS 8 are stated in note 36 to the financial statements.

Notes to the Financial Statements (cont'd)

2. STATEMENT OF COMPLIANCE (CONT'D)

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared under the historical cost convention except where the IFRSs require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

The preparation of these financial statements requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the portion of interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between minority and owners of the Company (majority interests). Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the majority interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combination and goodwill

Business combinations are accounted for by applying the purchase method where the acquisition is not from parties under common control or by the pooling-of-interest method where the parties are under common control.

Purchase method

Under the purchase method of accounting, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated profit or loss and accounted for as "negative goodwill". For negative goodwill a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in the consolidated profit or loss.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicated that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (q) below. Impairment losses of goodwill are recognised in the consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is one of the functional currencies of the principal operating subsidiaries of the Group and the presentation currency of these consolidated financial statements.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency translation (cont'd)

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses.

Cost includes acquisition cost and any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when 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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	10 – 50 years
Plant and machinery	10 years
Toolings	4 years
Furniture, fixtures and equipment	5 years
Motor vehicles	4 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

An asset is depreciated when it is available for use until it is de-recognised even if during that period that item is idle. Fully depreciated assets still in use are retained in these financial statements.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, sub-contracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods and trading of raw materials are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

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

Rental income is recognised on a straight line basis over the lease terms.

Mould engineering income is recognised when the mould engineering services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all eligible employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
(ii) the party is an associate;
(iii) the party is a joint venture;
(iv) the party is a member of the key management personnel of the Company or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) 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 (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(q) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(s) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENT, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the financial statements.

Available-for-sale financial assets stated at cost

The Group determines that the available-for-sale financial assets be stated at cost. In making its judgement, the Group considers that the available-for-sale financial assets do not have a quoted market price in an active market and the fair value cannot be reliably measured and stated at cost.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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:

4. CRITICAL JUDGEMENT, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES (CONT'D)

(a) Allowances for doubtful accounts

An allowance is made for doubtful accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. The directors specifically analyses trade receivables and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. The amount of bad debts written off for the financial year ended 31 December 2009 and 2008 were HK$30,000 and HK$169,000 respectively.

(b) Inventory related allowances

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

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, United States dollars ("USD"), Renminbi ("RMB") and Japanese Yen ("JPY") and the functional currencies of the principal operating entities of the Group are HK$ and RMB. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of financial derivatives is governed by the Group's policies approved by the board of directors of the Company, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

At 31 December 2009, if the HK$ had weakened 1 per cent against the USD with all other variables held constant, consolidated profit after tax for the year would have been HK$1,501,000 (2008: HK$681,000) higher, arising mainly as a result of the foreign exchange gain on trade and bills receivables denominated in USD. If the HK$ had strengthened 1 per cent against the USD with all other variables held constant, consolidated profit after tax for the year would have been HK$1,501,000 (2008: HK$681,000) lower, arising mainly as a result of the foreign exchange loss on trade and bills receivables denominated in USD.

Notes to the Financial Statements (cont'd)

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Interest rate risk

The Group's exposure to market risk for changes in interest rate relates primarily to the Group's cash and cash equivalents and bank loans. These cash and cash equivalents and bank loans bear interests at variable rates that varied with the then prevailing market conditions.

At 31 December 2009, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been HK$1,412,000 (2008: HK$678,000) higher, arising mainly as a result of lower interest expense on bank loans. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$1,412,000 (2008: HK$678,000) lower, arising mainly as a result of higher interest expense on bank loans.

(c) Credit risk

The carrying amount of the bank and cash balances, trade and bills receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentration of credit risk, with exposures spread over a number of counterparties and customers. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	**Between 1 and 2 years HK$'000**	**Between 2 and 5 years HK$'000**	**Over 5 years HK$'000**
At 31 December 2009				
Trade and bills payables	125,593	–	–	–
Accruals and other payables	100,082	–	–	–
Short-term borrowings	287,135	–	–	–
Finance lease payables	69		–	–
Long-term borrowings	13,742	13,742	20,785	–
At 31 December 2008				
Trade and bills payables	105,406	–	–	–
Accruals and other payables	104,244	–	–	–
Short-term borrowings	162,319	–	–	–
Finance lease payables	114	59	–	–

(e) Categories of financial instruments at 31 December 2009

	2009 HK$'000	2008 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**461,833**	287,180
Available-for-sale financial assets	**–**	–
Financial liabilities:		
Financial liabilities at amortised cost	**515,815**	332,486

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Fair values

Except as disclosed in note 19 to the financial statements, the carrying amounts of the Group's financial assets and liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, there are transactions and arrangements between the Group and other related parties and the effects of these on the basis determined between the parties are shown below.

Key management compensation

	2009	2008
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**13,054**	13,314

The above amounts are included under employee benefits expenses. Included in the above amounts are the following items:

	2009	2008
	HK$'000	HK$'000
Remunerations of the directors of the Company	**7,218**	7,032
Fees to directors of the Company	**952**	575

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

7. REVENUE

	2009 HK$'000	2008 HK$'000
Sales of goods	**1,058,172**	1,344,708

8. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Bank interest income	**113**	399
Miscellaneous receipts	**6,508**	5,815
Mould engineering income, net	**9,157**	13,760
Rental income	**831**	971
Sales of scrap materials	**510**	1
Sponsorship income	**–**	2,310
	17,119	23,256

9. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Finance leases charges	**7**	12
Interest on bank loans and overdrafts	**10,285**	12,917
	10,292	12,929

Notes to the Financial Statements (cont'd)

10. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
Current tax expenses		
– Hong Kong	**5,175**	7,181
– the PRC	**6,125**	2,328
– Overseas	**245**	461
	11,545	9,970
Under-provision in prior years	**3,729**	738
Deferred tax (Note 25)	**–**	90
	15,274	10,798

Hong Kong Profits Tax has been provided at a rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year less allowable losses brought forward.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to relevant income tax rules and regulations of the PRC, the subsidiaries in the PRC are exempted from PRC enterprise income tax for the two years from their respective first profit-making year and thereafter are entitled to a 50% relief from the PRC enterprise income tax for the following three years. For the financial year ended 31 December 2008 and 2009, the applicable PRC enterprise income tax rate is ranging from 15% to 25%.

In accordance with the relevant income tax rules and regulations of the PRC, the Group's PRC subsidiaries should withhold the dividend income tax of the Group. For the year ended 31 December 2009, the dividend income tax of the Group amounted to HK$164,000 (2008: HK$188,000) have not been provided as the amount was immaterial.

10. INCOME TAX EXPENSE (CONT'D)

The income tax expense varied from the amount of income tax expense determined by applying the Hong Kong Profits Tax rate to profit before tax as a result of the following differences:

	2009 HK$'000	2008 HK$'000
Profit before tax	**61,059**	84,342
Income tax expense at Hong Kong Profits Tax rate	**10,075**	13,916
Tax effect of income that is not taxable	**(509)**	(5,151)
Tax effect of expenses that are not deductible	**36**	817
Tax effect of temporary differences not recognised	**53**	51
Tax effect of utilisation of tax losses not previously recognised	**(111)**	(127)
Tax effect of tax losses not recognised	**728**	3,094
Effect of different tax rates of subsidiaries	**3,431**	1,661
Effect of tax concession	**(2,441)**	(3,021)
Under-provision in prior years	**3,729**	738
Over/(under)-provision for the year	**283**	(1,180)
Income tax expense	**15,274**	10,798

11. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2009 HK$'000	2008 HK$'000
Impairment loss on available-for-sale financial assets	**–**	3,779
Bad debts written off	**30**	169
Depreciation	**48,047**	45,430
Loss on derivative financial instruments	**–**	1,298
Loss on disposal of property, plant and equipment	**161**	4
Exchange differences	**526**	11,943
Operating lease expenses	**8,437**	10,130

12. EMPLOYEE BENEFITS EXPENSES

	2009	2008
	HK$'000	HK$'000
Employee benefits expenses including directors	**234,878**	260,565
Contributions to defined contribution scheme	**2,965**	1,022
Employee benefits expenses	**237,843**	261,587

13. DIVIDENDS

	2009	2008
	HK$'000	HK$'000
Final dividend proposed by the Company of Singapore dollar ("SGD") 0.01 (equivalent to approximately HK$0.054) (2008: SGD0.01 (equivalent to approximately HK$0.053)) per share for the financial year	**17,827**	17,294

14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company of approximately HK$45,199,000 (2008: HK$72,858,000) by the weighted average number of ordinary shares of 328,000,000 shares (2008: 286,163,934 shares which represents the pre-invitation share capital of the Company) in issue during the year.

No diluted earnings per share had been presented as the Company did not have any dilutive potential shares for the two financial years ended 31 December 2009.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Plant and machinery HK$'000	Toolings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2008	71,479	287,785	41,446	47,592	8,695	2,178	459,175
Additions	–	59,602	1,077	2,540	264	1,942	65,425
Transfer	312	4,132	(3,340)	–	–	(1,104)	–
Disposals	–	(312)	–	(114)	–	–	(426)
Exchange differences	177	450	38	(21)	2	153	799
At 31 December 2008 and 1 January 2009	71,968	351,657	39,221	49,997	8,961	3,169	524,973
Additions	–	42,148	2,318	3,657	1,239	838	50,200
Transfer	–	4,007	–	–	–	(4,007)	–
Disposals	–	–	(7)	(72)	(915)	–	(994)
Exchange differences	125	4,448	(589)	1,042	(154)	–	4,872
At 31 December 2009	72,093	402,260	40,943	54,624	9,131	–	579,051
Accumulated depreciation							
At 1 January 2008	38,034	147,735	29,647	34,225	5,995	–	255,636
Charge for the year	6,251	28,608	4,163	5,194	1,214	–	45,430
Disposals	–	(166)	–	(82)	–	–	(248)
Exchange differences	(13)	(55)	26	(138)	(3)	–	(183)
At 31 December 2008 and 1 January 2009	44,272	176,122	33,836	39,199	7,206	–	300,635
Charge for the year	6,511	31,895	3,584	4,845	1,212	–	48,047
Disposals	–	–	(7)	(70)	(756)	–	(833)
Exchange differences	51	3,473	(163)	(134)	(245)	–	2,982
At 31 December 2009	50,834	211,490	37,250	43,840	7,417	–	350,831
Carrying amount							
At 31 December 2009	**21,259**	**190,770**	**3,693**	**10,784**	**1,714**	**–**	**228,220**
At 31 December 2008	27,696	175,535	5,385	10,798	1,755	3,169	224,338

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The depreciation expense is charged as follows:

	Cost of sales HK$'000	Administrative expenses HK$'000	Total HK$'000
Financial year ended 31 December 2009	42,674	5,373	48,047
Financial year ended 31 December 2008	39,508	5,922	45,430

At 31 December 2009, the carrying amount of buildings pledged as security for the Group's banking facilities amounted to HK$5,717,000 (2008: HK$5,887,000).

At 31 December 2009, the carrying amount of the motor vehicles held by the Group under finance lease amounted to HK$105,000 (2008: HK$239,000).

16. PREPAID LAND LEASE PAYMENTS

	Group HK$'000
Cost	
At 1 January 2008	15,996
Exchange differences	(512)
At 31 December 2008 and 1 January 2009	15,484
Addition	1,380
Exchange differences	145
At 31 December 2009	17,009
Accumulated amortisation	
At 1 January 2008	3,004
Charge for the year	303
Exchange differences	(51)
At 31 December 2008 and 1 January 2009	3,256
Charge for the year	315
Exchange differences	34
At 31 December 2009	3,605
Carrying amount	
At 31 December 2009	**13,404**
At 31 December 2008	12,228

At 31 December 2009, the carrying amount of prepaid land lease payments pledged as security for the Group's banking facilities amounted to HK$5,756,000 (2008: HK$5,912,000).

16. PREPAID LAND LEASE PAYMENTS (CONT'D)

The amortisation of prepaid land lease payments is charged as follows:

	Cost of sales	**Administrative expenses**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Financial year ended 31 December 2009	159	156	315
Financial year ended 31 December 2008	147	156	303

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted investments, at cost	**310,205**	310,205

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Financial Statements (cont'd)

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particular of the subsidiaries as at 31 December 2009 are as follows:

Name	Date and place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital	Effective interests held by the Group
				%
Combine Will Holdings Limited*	19 September 2000 Cayman Islands	Investment holding	HK$1,000	100
Combine Will Industrial Company Limited**	12 March 1992 Hong Kong	Investment holding, manufacturing and trading of plastic toys, die casting and premium items on OEM basis	HK$14,000,000	100
联志玩具礼品(东莞)有限公司 (Combine Will (Dongguan) Ind. Co., Ltd.)***	7 November 2001 Dongguan, Guangdong, PRC	Manufacturing of plastic toys, die casting and premium items on OEM basis	HK$44,893,520	100
Triple Wise Co., Ltd.*	3 August 2000 British Virgin Islands	Investment holding	USD1	100
Loong Run Industrial Company Limited**	7 March 1995 Hong Kong	Investment holding and trading of plastic toys, die casting and premium items on OEM basis	HK$100,000	100
东莞联弘玩具有限公司 (Dongguan Loong Run Toys Company Limited)***	21 August 2002 Dongguan, Guangdong, PRC	Manufacturing of plastic toys, die casting and premium items on OEM basis	HK$14,500,000	100
Legacy Giftware Limited**	6 August 1996 Hong Kong	Investment holding and trading of plastic toys, die casting and premium items on OEM basis	HK$3,100,000	100
东莞联艺工艺制品有限公司 (Dongguan Legacy Craft Product Limited)***	29 May 2002 Dongguan, Guangdong, PRC	Manufacturing of plastic toys, die casting and premium items on OEM basis	HK$2,500,000	100
Combine Will Industrial (Overseas) Company Limited*	25 October 2000 British Virgin Islands	Investment holding	USD2	100
Million Favour Inc.*	8 August 2000 Samoa	Investment holding and trading of electronics parts for the toys	USD100	70
东莞成乐电子有限公司 (Bliss Electronic (China) Company Limited)***	5 August 2003 Dongguan, Guangdong, PRC	Manufacturing of electronics parts	HK$5,361,000	70

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particular of the subsidiaries as at 31 December 2009 are as follows: (cont'd)

Name	Date and place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital	Effective interests held by the Group
				%
Sunstone Company Limited**	3 February 1994 Hong Kong	Trading of premium items	HK$100,000	100
Wonderful Luck Incorporated*	27 December 1996 British Virgin Islands	Dormant	USD1	100
Most Lucky Co., Ltd.*	3 August 2000 British Virgin Islands	Dormant	USD9	100
Altrust Precision Tooling Company Limited**	12 November 1996 Hong Kong	Investment holding	HK$10,100,000	100
Kam Hing Product Design and Development Company Limited**	12 February 1997 Hong Kong	Trading of models and moulds	HK$10,100,000	100
Altrust Precision Tooling Company Limited *	29 June 1999 Samoa	Investment holding and trading of moulds	USD1	100
忠信制模(东莞)有限公司 (Altrust Precision Tooling (Dongguan) Co., Ltd.)***	22 October 1999 Dongguan, Guangdong, PRC	Manufacturing of moulds	HK$89,196,920	100
Advanced Precision Tooling USA, LLC*	22 February 2002 California, United States of America	Trading of moulds	N/A (Note)	60
Altrust Japan Corporation*	15 July 2004 Japan	Trading of moulds	JPY10,000,000	70
Headonway Industrial Company Limited**	4 January 2007 Hong Kong	Manufacturing of models and moulds	HK$1,000	60
Unifaith Machine Tools Company Limited**	22 March 2000 Hong Kong	Trading of machinery and tools	HK$1,000,000	60
联信行贸易(深圳)有限公司 (Unifaith Trading (Shenzhen) Company Limited)***	12 March 2003 Shenzhen, Guangdong, PRC	Trading of machinery and tools	HK$4,000,000	60
Hopewell Precision Machine Tools Company Limited**	8 October 2001 Hong Kong	Trading of machinery	HK$1,000,000	60
APT International Holdings Limited*	4 August 2009 Cayman Islands	Investment holding	USD210,000	100
Faith and Hope Holdings Limited*	4 August 2009 Cayman Islands	Investment holding	USD1	100

* Not required to be audited by law of country of incorporation.

** The statutory financial statements for the year ended 31 December 2009 were audited by RSM Nelson Wheeler.

*** The statutory financial statements for the year ended 31 December 2009 prepared in accordance with generally accepted accounting principles in the PRC, were audited by 深圳和诚会计师事务所 (He Cheng Certified Public Accountants) for tax filing and annual registration purposes.

Note: Advance Precision Tooling USA, LLC does not have share capital but ascertains its ownership through membership interest.

Notes to the Financial Statements (cont'd)

18. GOODWILL

	Group
	HK$'000
Cost	
At 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	2,417
Accumulated impairment losses	
At 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	–
Carrying amount	
At 31 December 2008 and 31 December 2009	2,417

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the segment of original design manufacturers services/original equipment manufacturers services of HK$1,927,000 and trading of HK$490,000. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 5%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's trading activities is 10%.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2009	2008
	HK$'000	HK$'000
Unlisted equity securities, at cost	**3,779**	3,779
Less: Impairment loss on available-for-sale financial assets	**(3,779)**	(3,779)
	–	–

Unlisted equity securities were carried at cost less impairment loss as they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The above amount is denominated in SGD.

20. INVENTORIES

	Group	
	2009	2008
	HK$'000	HK$'000
Raw materials, consumables and supplies	**74,068**	78,933
Work in progress	**126,835**	137,570
Finished goods	**83,783**	58,784
Less: Allowance for impairment	**(8,659)**	(8,911)
	276,027	266,376
The cost of sales includes the following:		
(Reversal)/allowance of slow moving/obsolete inventories	**(252)**	7,350
Changes in inventories of finished goods and work in progress increased	**14,264**	7,602
Raw materials and consumables used	**405,910**	560,179

Reversal of slow moving/obsolete inventories represented obsolete inventories which were subsequently utilised in production.

21. TRADE AND BILLS RECEIVABLES

The average credit period generally granted to non-related trade and bills receivables customers is about 90 days (2008: 90 days).

The carrying amounts of trade and bills receivables denominated in currencies other than the presentation currency of the Group are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
RMB	**22,214**	8,343
USD	**160,224**	82,917
JPY	**4,721**	3,145
Euro ("EUR")	**797**	4,442

Notes to the Financial Statements (cont'd)

21. TRADE AND BILLS RECEIVABLES (CONT'D)

Trade receivables of HK$41,269,000 (2008: HK$36,844,000) as at 31 December 2009 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of defaults. An ageing analysis of these trade receivables is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Up to 3 months	**24,891**	25,869
Over 3 months	**16,378**	10,975
	41,269	36,844

The movement of the allowance of doubtful debts is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**3,889**	3,922
Realised for the year	**–**	(33)
At 31 December	**3,889**	3,889

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Prepayments	**23,179**	14,841
Trade deposits paid	**13,323**	10,982
Utility and other deposits	**3,662**	3,635
Other receivables	**40,590**	52,201
	80,754	81,659

23. BANK AND CASH BALANCES

An analysis of the bank and cash balances denominated in currencies other than the presentation currency of the Group is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**46,325**	15,857	**–**	–
RMB	**29,988**	23,287	**–**	–
JPY	**7,597**	5,754	**–**	–
EUR	**1,381**	95	**–**	–
SGD	**109**	1,321	**109**	1,321
Australian dollars	**5**	4	**–**	–

The rate of interest for the cash on interest earning balances is between 0.01% to 0.5% (2008: 0.01% to 0.5%) per annum. These approximate the effective interest rates.

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. LONG-TERM BORROWINGS

	Group	
	2009	2008
	HK$'000	HK$'000
Bank loans, secured (Note 33)	**45,004**	–
Current portion of long–term borrowings	**(12,269)**	–
Non–current portion	**32,735**	–

The non-current portion is repayable as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Later than 1 year and not later than 2 years	**12,746**	–
Later than 2 years and not later than 5 years	**19,989**	–
Non-current portion	**32,735**	–

Long-term borrowings are arranged at floating rates, denominated in HK$ and bear interest of approximately 4% (2008: Nil%) per annum at 31 December 2009 thus exposing the Group to cash flow interest rate risk.

25. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Accelerated tax depreciation	Others	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2008	3,140	(90)	3,050
Charge to profit or loss for the year (Note 10)	–	90	90
At 31 December 2008, 1 January 2009 and 31 December 2009	3,140	–	3,140

There is no income tax consequence of dividends to owners of the Company.

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group	
	2009	2008
	HK$'000	HK$'000
Deferred tax liabilities	**3,140**	3,140

26. TRADE AND BILLS PAYABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Bills payables, secured (Note 33)	**8,890**	48,367
Trade payables	**116,703**	57,039
	125,593	105,406

An analysis of the above amounts denominated in currencies other than the presentation currency of the Group is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
USD	**19,381**	14,775
RMB	**42,409**	39,814
JPY	**–**	4,961
SGD	**67**	234

The average credit period taken to settle non-related trade payables is about 30 to 60 days (2008: 30 to 60 days).

27. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**35,050**	34,892	**–**	–
Mould and trade deposits received	**42,066**	39,647	**–**	–
Other payables	**22,966**	29,705	**455**	1,663
	100,082	104,244	**455**	1,663

28. SHORT-TERM BORROWINGS

	Group	
	2009	2008
	HK$'000	HK$'000
Bank loans, secured (Note 33)	**109,442**	20,000
Trust receipt and import loans, secured (Note 33)	**177,693**	142,319
	287,135	162,319

The average interest rates at 31 December were as follows:

	Group	
	2009	2008
Bank loans, secured	**3.7%**	3.3%
Trust receipt and import loans, secured	**5.4%**	5.1%

An analysis of the above amounts denominated in currencies other than the presentation currency of the Group is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
JPY	**1,744**	–
RMB	**44,266**	–
USD	**24,094**	22,649

Bank loans of HK$21,523,000 (2008: HK$Nil) are arranged at fixed interest rate and exposed the Group to fair value interest rate risk.

Notes to the Financial Statements (cont'd)

29. FINANCE LEASE PAYABLES

Assets under finance leases are motor vehicles. The most significant obligations assumed under the lease terms, other than rental payments, are the interest payment of principal. Lease terms are four years.

Future minimum lease payments and present value for the finance lease liabilities of the Group are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Finance lease payables – minimum lease payments		
Not later than one year	**69**	114
Later than one year and not later than two years	**–**	59
	69	173
Future finance charges on finance leases	**(2)**	(9)
	67	164
Present value of finance lease payables		
Not later than one year	**67**	106
Later than one year and not later than two years	**–**	58
	67	164

All finance lease payables are denominated in HK$.

Finance costs related to obligations under finance leases are charged to the income statement at an effective rate of 7.03% (2008: 7.03%) per annum on the outstanding balance of lease liabilities for the year. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicles at nominal prices.

30. SHARE CAPITAL

	Company	
	Resultant number of shares	Resultant share capital HK$
Authorised share capital		
At 1 January 2008	**39,000,000**	390,000
Increase of authorised share capital	**75,000,000,000**	750,000,000
Consolidation of 75 ordinary shares of HK$0.01 each into 1 ordinary share of HK$0.75 each and at 31 December 2008, 1 January 2009 and 31 December 2009	**1,000,000,000**	750,000,000
Issued share capital		
Issued and fully paid ordinary shares of HK$0.01 each as at 1 January 2008	**1**	0.01
Issued and fully paid 9,999 new ordinary shares of HK$0.01 each pursuant to the restructuring exercise	**10,000**	100
Issue of 17,999,990,000 new ordinary shares of HK$0.01 each pursuant to the share swap agreement	**18,000,000,000**	180,000,000
Consolidation of 75 ordinary shares of HK$0.01 each into 1 ordinary share of HK$0.75 each pursuant to the restructuring exercise	**240,000,000**	180,000,000
Issue of 88,000,000 new ordinary shares of HK$0.75 each pursuant to the Invitation and at 31 December 2008, 1 January 2009 and 31 December 2009	**328,000,000**	246,000,000

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for owners of the Company and benefits for other stakeholders, and to provide an adequate return to owners of the Company by pricing products and services commensurately with the level or risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, minority interests, retained earnings and other reserves).

30. SHARE CAPITAL (CONT'D)

	Group	
	2009	2008
	HK$'000	HK$'000
Total debt	**332,206**	162,483
Less: Cash and cash equivalents (Note 32)	**(179,058)**	(105,769)
Net debt	**153,148**	56,714
Total equity and adjusted capital	**468,835**	431,901

	Group	
	2009	2008
Debt-to-adjusted capital ratio	**33%**	13%

The increase in the debt-to-adjusted capital ratio during 2009 resulted primarily from the increase of borrowings during the year.

The only externally imposed capital requirement is that for the Group to maintain its listing on the SGX-ST it has to have a public float of at least 10% of the total issued shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 10% limit throughout the year. As at 31 December 2009, 26.5% (2008: 26.5%) of the total issued shares were in public hands.

31. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

31. **RESERVES (CONT'D)**

(b) The Company

	Share premium HK$'000 (note 31(c)(i))	Contributed surplus HK$'000 (note 31(c)(iii))	Retained earnings HK$'000	Total HK$'000
At 1 January 2008	–	–	–	–
Share issue expenses	(22,512)	–	–	(22,512)
Profit for the year	–	–	17,801	17,801
Arising from restructuring exercise	–	130,205	–	130,205
Issuance of new shares pursuant to public offer and placement	49,000	–	–	49,000
Dividend to owners	–	–	(17,801)	(17,801)
At 31 December 2008 and 1 January 2009	26,488	130,205	–	156,693
Profit for the year	–	–	77,294	77,294
Dividend to owners (Note 13)	–	–	(17,294)	(17,294)
At 31 December 2009	26,488	130,205	60,000	216,693

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

The merger reserve arose as a result of the restructuring exercise and represented the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital and share premium of Combine Will Holdings Limited.

(iii) Contributed surplus

Contributed surplus of the Company arose as a result of the restructuring exercise and represented the difference between the then consolidated net asset value of subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company is available for distribution to owners, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

Notes to the Financial Statements (cont'd)

31. RESERVES (CONT'D)

(c) Nature and purpose of reserves (cont'd)

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(c) to the financial statements.

32. CASH AND CASH EQUIVALENTS AT END OF YEAR

	Group	
	2009	2008
	HK$'000	HK$'000
Bank and cash balances	**179,058**	105,769

33. BANKING FACILITIES

	Group	
	2009	2008
	HK$'000	HK$'000
Banking facilities, secured	**404,156**	341,015

The above banking facilities are secured by:

(i) cross corporate guarantees executed by the group companies; and

(ii) certain of the Group's buildings (Note 15) and prepaid land lease payments (Note 16).

34. OPERATING LEASE PAYMENT COMMITMENTS

At the end of the reporting period, the total of future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Not later than one year	**9,063**	9,975
Later than one year and not later than five years	**1,691**	8,156
	10,754	18,131

34. OPERATING LEASE PAYMENT COMMITMENTS (CONT'D)

Operating lease payments are for rentals payable for the factory, office premises and staff quarters. Certain lease rental terms were negotiated for an average term of one to five years and certain leases were entered with no commitment terms.

35. CAPITAL COMMITMENTS

At the end of the reporting period, the capital commitments of the Group are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Purchase of property, plant and equipment and construction of factory premises	**493**	677

36. SEGMENT INFORMATION

For management purposes, the Group operates in three operating divisions – manufacturing of toys and premium products, manufacturing of moulds and model and trading of machineries and premium goods.

Principal activities are as follows:

(i) Original design manufacturers services ("ODM")/Original equipment manufacturers services ("OEM") – Manufacture of toys and premium products

(ii) Moulds and tooling – Manufacture of the moulds and model

(iii) Trading – Trading of machineries and premium goods.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include dividend income, and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include convertible loans and derivative instruments. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

36. SEGMENT INFORMATION (CONT'D)

Information about reportable segment profit or loss, assets and liabilities:

	ODM/OEM products HK$'000	Moulds and tooling HK$'000	Trading HK$'000	Total HK$'000
Year ended 31 December 2009				
Revenue from external customers	**686,007**	**248,789**	**123,376**	**1,058,172**
Intersegment revenue	**–**	**16,887**	**5,711**	**22,598**
Segment profit	**46,056**	**28,822**	**786**	**75,664**
Interest revenue	**36**	**67**	**10**	**113**
Interest expense	**9,936**	**114**	**242**	**10,292**
Depreciation and amortisation	**22,611**	**25,342**	**409**	**48,362**
Income tax expense	**9,426**	**5,848**	**–**	**15,274**
Additions to segment non-current assets	**36,315**	**15,106**	**159**	**51,580**
As at 31 December 2009				
Segment assets	**602,340**	**199,679**	**41,676**	**843,695**
Segment liabilities	**112,845**	**74,120**	**32,845**	**219,810**
Year ended 31 December 2008				
Revenue from external customers	777,612	417,663	149,433	1,344,708
Intersegment revenue	–	6,840	1,957	8,797
Segment profit	79,610	21,061	1,922	102,593
Interest revenue	230	152	17	399
Interest expense	10,194	2,642	93	12,929
Depreciation and amortisation	20,690	24,479	564	45,733
Income tax expense	7,907	2,531	360	10,798
Additions to segment non-current assets	49,266	16,092	67	65,425
As at 31 December 2008				
Segment assets	448,798	195,390	48,480	692,668
Segment liabilities	78,775	88,253	36,434	203,462

36. SEGMENT INFORMATION (CONT'D)

Information about reportable segment profit or loss, assets and liabilities: (cont'd)

	2009 HK$'000	2008 HK$'000
Revenue		
Total revenue of reportable segments and consolidated revenue	**1,058,172**	1,344,708
Profit or loss		
Total profit or loss of reportable segments	**75,664**	102,593
Other profit or loss	**(26,176)**	(26,730)
Elimination of intersegment profits	**(3,703)**	(2,319)
Consolidated profit for the year	**45,785**	73,544
Assets		
Total assets of reportable segments	**843,695**	692,668
Other assets	**203,344**	133,648
Consolidated total assets	**1,047,039**	826,316
Liabilities		
Total liabilities of reportable segments	**219,810**	203,462
Other liabilities	**358,394**	190,953
Consolidated total liabilities	**578,204**	394,415
Other material items		
Depreciation and amortisation	**48,362**	45,733
Interest expense	**10,292**	12,929
Additions of property, plant and equipment	**50,200**	65,425

Geographical information:

	Revenue		Non-current assets	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Asia	**735,190**	930,446	**244,041**	238,983
America	**86,011**	96,106	**–**	–
Europe	**236,971**	318,156	**–**	–
Consolidated total	**1,058,172**	1,344,708	**244,041**	238,983

In presenting the geographical information, revenue is based on the locations of the customers.

36. SEGMENT INFORMATION (CONT'D)

Revenue from major customers:

	2009	2008
	HK$'000	HK$'000
ODM/OEM products		
Customer a	**369,846**	482,122
Customer b	**96,033**	128,169
Moulds and tooling		
Customer c	**14,709**	–
Customer d	**11,719**	2,741
Trading		
Customer e	**60,417**	26,362
Customer f	**13,562**	9,444

37. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign currency derivatives:

Currency derivatives are utilised to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the entity's principal markets. As a matter of principle, the entity does not enter into derivative contracts for speculative purposes.

Notional amounts of derivative financial instruments:

This includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

At the end of reporting period, the Group had notional amounts as follows:

	2009	2008
	HK$'000	HK$'000
Foreign exchange forward contracts – USD	**–**	9,360

Statistics of Shareholdings

As at 19 March 2010

SHARE CAPITAL

Authorised share capital	:	HK$750,000,000
Issued and fully paid-up capital	:	HK$246,000,000
Number of Shares	:	328,000,000
Class of Shares	:	Ordinary share
Voting rights	:	one vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	0	0.00	0	0.00
1,000 – 10,000	211	52.88	1,113,000	0.34
10,001 – 1,000,000	184	46.12	20,144,000	6.14
1,000,001 and above	4	1.00	306,743,000	93.52
Total	399	100.00	328,000,000	100.00

TWENTY LARGEST SHAREHOLDINGS

No.	Name	No. of Shares	% of Issued Share Capital
1	HL BANK NOMINEES (S) PTE LTD	295,977,000	90.24
2	RAFFLES NOMINEES (PTE) LTD	7,165,000	2.18
3	DBS VICKERS SECURITIES (S) PTE LTD	1,937,000	0.59
4	KIM ENG SECURITIES PTE. LTD.	1,664,000	0.51
5	2G CAPITAL PTE LTD	1,000,000	0.30
6	CHUA KIAM SENG	700,000	0.21
7	GAY ANNIE CECILIA MRS FONG PENG WEE	700,000	0.21
8	ONG ENG GUI	700,000	0.21
9	QUAH RAYMOND	600,000	0.18
10	KEK KOK SWEE	550,000	0.17
11	HSBC (SINGAPORE) NOMINEES PTE LTD	535,000	0.16
12	OCBC SECURITIES PRIVATE LTD	526,000	0.16
13	CHEW KENG SENG	500,000	0.15
14	ANDREAS RUSCHKOWSKI	405,000	0.12
15	PATRICK TAN CHOON HOCK	400,000	0.12
16	TEH CHENG GUAN	380,000	0.12
17	KIM WHYE GHEE (JIN HUAIYI)	370,000	0.11
18	HAUSJAH MARGARET	350,000	0.11
19	HNG CHUNG LENG	350,000	0.11
20	GOH YONG HOCK	300,000	0.09
	TOTAL	315,109,000	96.05

Statistics of Shareholdings (cont'd)

As at 19 March 2010

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
DJKS Holdings Limited [1] **("DJKS Holdings")**	241,000,000	73.48	–	–
Tam Jo Tak, Dominic [2]	–	–	241,000,000	73.48
Yau Hing Wah, John [2]	–	–	241,000,000	73.48

Note:

(1) DJKS Holdings is holding the shares through its nominee, HL Bank Nominees (S) Pte Ltd.

(2) Mr Tam Jo Tak, Dominic and Mr Yau Hing Wah, John own 57.14% and 28.57% respectively of the equity interest in DJKS Holdings and thus they are deemed to be interested in DJKS Holdings's shareholding in our Company.

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF PUBLIC

Based on the information available to the Company as at 19 March 2010, 26.52% (representing 87,000,0000 shares) of the issued shares of the Company is held by the public and therefore Rule 723 of the SGX Listing Manual is complied with.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Victoria Suite (Level 6), Carlton Hotel, 76 Bras Basah Road, Singapore 189558 on Tuesday 27 April 2010 at 3pm for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2009, together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To declare a final dividend of 1 Singapore cents per ordinary share for the financial year ended 31 December 2009. [2008: 1 Singapore cents] **(Resolution 2)**

3. To approve the payment of directors' fees of S$180,000 for the financial year ending 31 December 2010 [2009: S$180,000]. **(Resolution 3)**

4. To re-elect Mr Zheng Nai Qiao, Koulman being a Director who retires pursuant to Article 86 of the Company's Articles of Association. **[See Explanatory Note (i)]** **(Resolution 4)**

5. To re-elect Mr Chia Seng Hee, Jack being a Director who retires pursuant to Article 86 of the Company's Articles of Association. **[See Explanatory Note (i)]** **(Resolution 5)**

6. To re-elect Mr Ning Li being a Director who retires pursuant to Article 85(6) of the Company's Articles of Association. **[See Explanatory Note (i)]** **(Resolution 6)**

7. To re-appoint Messrs RSM Nelson Wheeler as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS:

To consider and if deemed fit to pass the following Ordinary Resolutions with or without modifications:-

8. **SHARE ISSUE MANDATE**

That pursuant to Rule 806 of the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to allot and issue whether by way of bonus or otherwise (i) shares; (ii) convertible securities; (iii) additional convertible securities (where an adjustment to the number of convertible securities to which a holder is originally entitled to, is necessary as a result of any rights, bonus or other capitalisation issues by the Company), notwithstanding that such authority may have ceased to be in force at the time such additional convertible securities are issued, provided that the adjustment does not give the holder of the convertible securities a benefit that a shareholder does not receive; and/or (iv) shares arising from the conversion of securities in (ii) and additional convertible securities in (iii) above, notwithstanding that such authority may have ceased to be in force at the time the shares are to be issued, and any such issue may be made 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, PROVIDED THAT:-

(i) the aggregate number of shares and convertible securities to be issued pursuant to this resolution shall not exceed 50% of the total number of the issued shares (excluding treasury shares) of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of the issued shares (excluding treasury shares) of the Company;

(ii) subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of this Resolution, the percentage of the issued share capital shall be based on the Company's total number of the issued shares (excluding treasury shares) at the time this resolution is passed, after adjusting for:

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

(b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(iii) the 50% limit in sub-paragraph (i) above may be increased to 100% for the Company to undertake pro-rata renounceable rights issues;

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

(v) (Unless revoked or varied by the Company in a general meeting) such authority 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, or 31 December 2010 or such other deadline as may be extended by the SGX-ST, which is the earlier. **[See Explanatory Note (ii)]** **(Resolution 8)**

9. **PLACEMENT OF SHARES UNDER THE SHARE ISSUE MANDATE AT MORE THAN 10% DISCOUNT**

THAT subject to the grant of the Share Issue Mandate proposed to be tabled as Resolution (8) above, the Directors of the Company be hereby authorised and empowered to issue shares other than on a pro-rata basis at a discount exceeding ten per centum (10%) but not more than 20% to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement in relation to such shares is executed (or if not available for a full market day, the weighted average price shall be based on trades done on the preceding market day up to the time the placement or subscription agreement is executed) provided that:-

(a) the issue price in respect of each share shall not be less than its par value unless otherwise permitted by law and in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST (unless such compliance has been waived by the SGX-ST) for the time being in force, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the Company's Articles of Association for the time being of the Company; and

(b) (Unless revoked or varied by the Company in a general meeting) such authority 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, or 31 December 2010 or such other deadline as may be extended by the SGX-ST, which is the earlier. **[See Explanatory Note (iii)]** **(Resolution 9)**

10. **AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE COMBINE WILL EMPLOYEE SHARE OPTION SCHEME**

That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Combine Will Employee Share Option Scheme (the "**Scheme**") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of the issued shares (excluding treasury shares) of the Company from time to time. **[See Explanatory Note (iv)]** **(Resolution 10)**

11. **PROPOSED RENEWAL OF SHARE PURCHASE MANDATE**

That:

(a) pursuant to the Company's articles of association (the "**Articles**"), the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**") and the listing manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Listing Manual**"), approval be and is hereby given for the renewal of the Share Purchase Mandate (as hereinafter defined) and the directors of the Company (the "**Directors**") be authorised to exercise all the powers of the Company to purchase or otherwise acquire issued ordinary shares, fully paid in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) ("**Market Purchase**"), transacted on SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted; and/or

(ii) off-market purchase(s) ("**Off-Market Purchase**") (if effected otherwise than on SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Articles and the Listing Manual,

and otherwise in accordance with all other laws and regulations (the "**Share Purchase Mandate**").

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company ("**AGM**") is held or required by law or the Articles to be held;

(ii) the date on which Share purchases or acquisitions pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

the date on which the authority conferred by the Share Purchase Mandate is varied or revoked at a general meeting;

(the "**Relevant Period**")

In this resolution:

"**Prescribed Limit**" means ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time); and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105 per cent. (105%) of the Average Closing Price;

(ii) in the case of an Off-Market Purchase: 120 per cent. (120%) of the Highest Last Dealt Price, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"H**ighest Last Dealt Price**" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

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

(c) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or any of them may consider expedient, necessary, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution. **(Resolution 11)**

12. To transact any other business that may properly be transacted at an Annual General Meeting.

By Order of the Board

Ng Joo Khin/Tsang Hung Leung, Alan
Joint Company Secretaries

Singapore, 9 April 2010

Explanatory Notes

(i) **Resolution 4 to 6** – Pursuant to the Company's Articles of Association, Mr Zheng Nai Qiao, Koulman, Mr Chia Seng Hee, Jack and Mr Ning Li will retire at the forthcoming Annual General Meeting and shall be eligible offered themselves for re-election at that meeting.

(ii) **Resolution 8**, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number of issued shares in the capital of the Company (excluding treasury shares), of which up to 20% may be issued other than on a pro-rata basis to shareholders. The 50% limit referred to in the preceding sentence may be increased to 100% for the Company to undertake pro-rata renounceable rights issues.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company (excluding treasury shares) at the time this resolution is passed, after adjusting for:-

(a) new shares arising from the conversion or exercise of any convertible securities
(b) new shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
(c) any subsequent bonus issue, consolidation or subdivision of shares.

The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 unless extended. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlement through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

(iii) **Resolution 9** is to authorise the Directors to issue new shares to subscribers or placees at a discount of not more than 20% to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed provided that the issue price in respect of each share shall not be less than its par value unless otherwise permitted by law.

The maximum pricing discount of 20% is proposed pursuant to the SGX-ST's news release of 19 February 2009 which introduced further measures to accelerate and facilitate the fund raising efforts of listed issuers.

(iv) **Resolution 10** – the aggregate number of shares to be issued under Combine Will Employee Share Option Scheme shall not exceed 15% per cent of the total issued ordinary share capital (excluding treasury shares) of the Company from time to time.

Notice of the Annual General Meeting (cont'd)

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 7 May 2010 for the purpose of determining Members' entitlements to the proposed final dividend of 1 Singapore cents per ordinary share (the "**Proposed Final Dividend**").

Duly completed registrable transfers in respect of shares in the Company received up to the close of business at 5.00 p.m. on 6 May 2010 by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 will be registered to determine members' entitlements to the Proposed Final Dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares in the capital of the Company as at 5.00 p.m. on 6 May 2009 will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved by members at the forthcoming Annual General Meeting to be held on 27 April 2010, will be paid on 19 May 2010.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote on his behalf and where a member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the Member Proxy Form. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the holding of the Annual General Meeting.

2. If a member is unable to attend the Annual General Meeting and wishes to appoint a proxy to attend and vote at the Annual General Meeting in his stead, then he should complete and sign the relevant Member Proxy Form and deposit the duly completed Member Proxy Form at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 48 hours before the time set for the holding of the Annual General Meeting.

3. A Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) as at a time not earlier than 48 hours prior to the time of the Annual General Meeting who/which is (i) an individual but is unable to attend the Annual General Meeting personally and wishes to appoint a nominee to attend and vote; or (ii) a corporation, must complete, sign and return the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, at least forty-eight (48) hours before the time of the Annual General Meeting.

4. If a member who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members of the Company is unable to attend the Annual General Meeting and wishes to appoint a proxy, he should use the Depositor Proxy Form and the Member Proxy Form for, respectively, the Shares entered against his name in the Depository Register and the Shares registered in his name in the Register of Members of the Company.

5. A Depositor who is an individual and whose name is shown in the Depository Register as at a time not earlier than 48 hours prior to the time of the Annual General Meeting and who wishes to attend the Annual General Meeting in person need not take any further action and can attend and vote at the Annual General Meeting as CDP's proxy without the lodgment of any proxy form.

Equal Brand Design

COMBINE WILL

Combine Will International Holdings Limited
聯志國際控股有限公司
Incorporated in the Cayman Islands on 8 October 2007
(Company Registration No. MC-196613)