EXPERIENCE THE
INNOVATIVE MINDS

COMBINE WILL

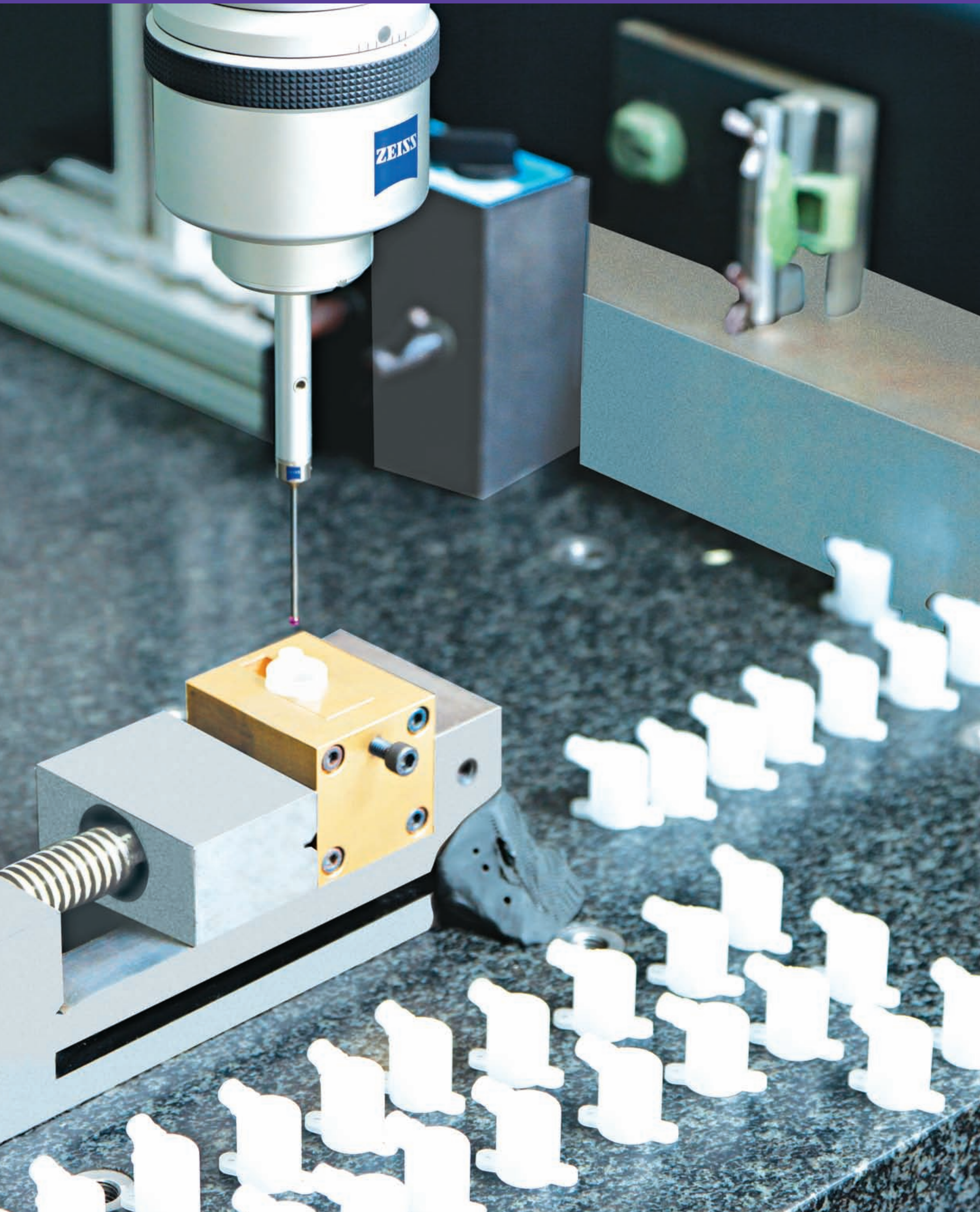
ANNUAL REPORT 2010

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.


ZEISS

The winning combination that makes ideas work.

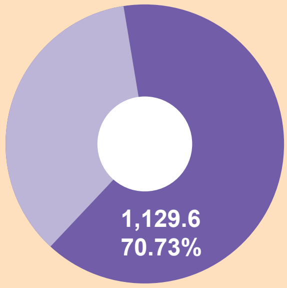
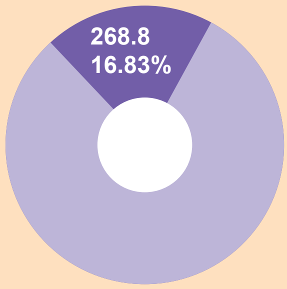
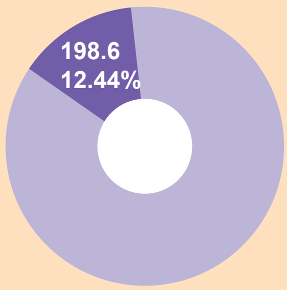
Right from the start, Combine Will has had the optimal combination of core expertise in idea generation, product design, mould making and manufacturing. It is, however, our passion for excellence and innovation that spurs us to great heights of achievement and quality service.

That's the Winning Combination of Combine Will.


待料生產
9/11
KH 錕翰
KUN HAN
專利產品
機型: T7-120180

At A Glance

Segmental Overview and Highlights

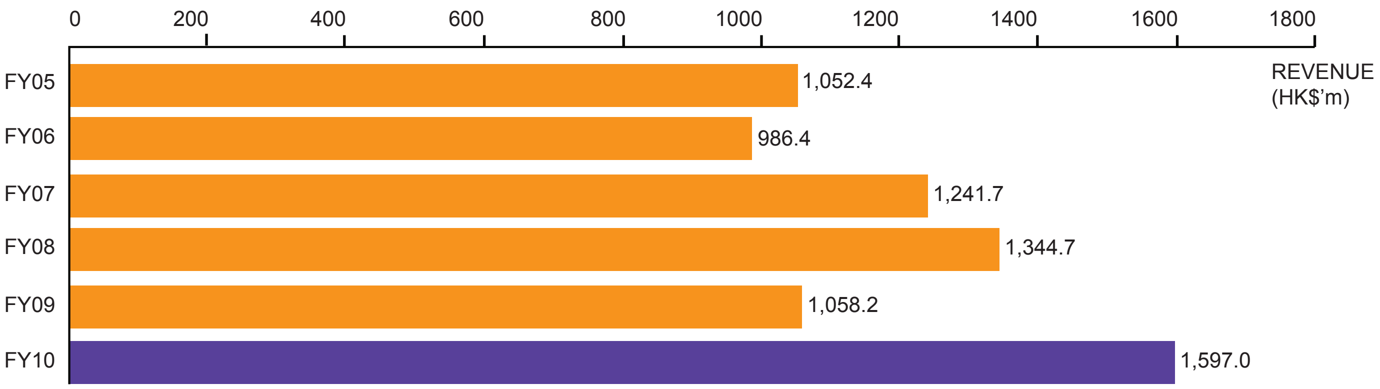
OVERVIEW	SEGEMENT HIGHLIGHTS IN FY2010	REVENUE CONTRIBUTION
ODM/OEM • Manufactures plastic and die-cast products, including premiums, collectibles, toys and consumer products. • Major customers include multinational companies such as the global brand activation agency, the world largest toys companies and one of the world largest domestic products company.	- Outstanding sales in FY2010 as a result of gradual recovery of global economic, better production efficiency and control of production cost - Continues to be the main driver of sales and profit for the Group - Had earlier set up a sales office in Seoul to accelerate its expansion in the Korean market	 ODM/OEM (FY10) SALES HK$1,129.6m 70.73%
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	- Sales increased by 8.0% to HK$268.8 million in FY2010 - The Group sees a resurgence in demand in 2011 and plans to set up a factory near Shanghai, to further strengthen its presence in China's Northeast	 Moulds & Tooling (FY10) SALES HK$268.8m 16.83%
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. - The Group is gradually bringing new brands of machines and developing new customers simultaneously. - The Group expects better performance in FY2011.	 Machine (FY10) SALES HK$198.6m 12.44%

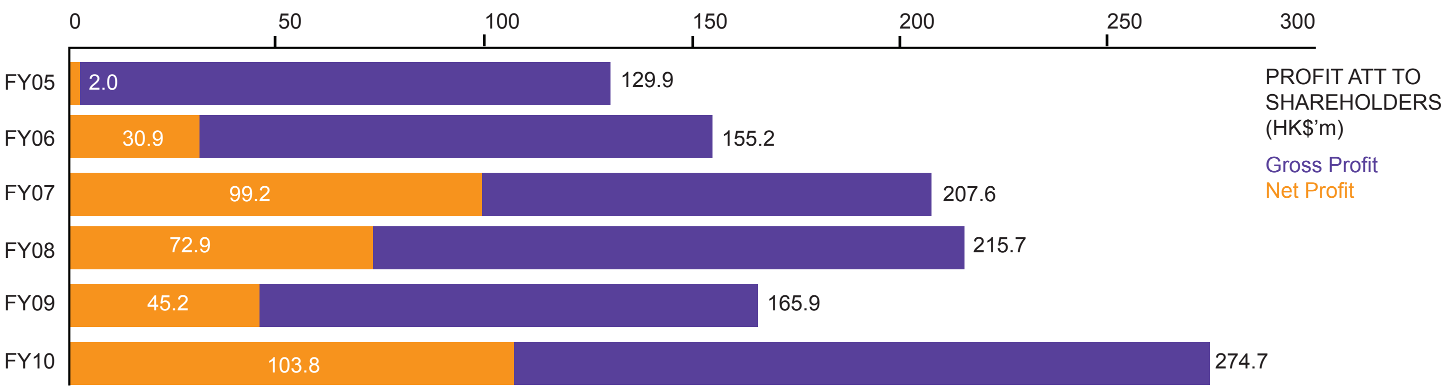
About Combine Will

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 in Guangdong Province, the PRC, with five factories and a total workforce of approximately 12,000.





Dominic Tam •
Executive Chairman and CEO

Chairman's Message

Dear Shareholders,

In the wake of the global financial crisis and economic downturn, the financial year ended 31 December 2010 ("FY2010") has been one of consolidation and reconfiguration. Combine Will International Holdings Limited ("Combine Will") has successfully overcome the difficult business environment to achieve a commendable financial performance for FY2010.

Today, on behalf of the Board of Directors of Combine Will, I take great pleasure in presenting to you the Annual Report and Audited Financial Statements of our Group for FY2010.

FINANCIAL RESULTS

Combine Will has recorded a year of strong growth in FY2010. Revenue grew by 50.92% from HK$1,058.2 million in FY2009 to HK$1,597.0 million in FY2010. Such increase was mainly due to reconfiguration and automation of production lines, as well as substantial increase in demand for the Group's products.

The Group recorded a pre-tax profit of HK$135.6 million with an operating profit of HK$152.4 million for FY2010. Earnings per share (EPS) for FY2010 was 31.65 HK cents per ordinary share. Comparing to EPS of 13.78 HK cents per ordinary share for FY2009, It represents an approximately 129.7% growth.

REVIEW OF OPERATIONS

ODM/OEM

Our ODM/OEM sales increased by 64.67% in FY2010 and accounts for 70.73% of our Group's total revenue. We expect the ODM/OEM segment to continue driving further growth in the coming year, thanks in large part to an ongoing global economic recovery and enhanced margins created by constantly improved production efficiency and stringent implementation of cost controls. We have been investing in new automation facilities throughout our manufacturing plants and achieved outstanding results in 2010. We believe automation is the industry trend in helping to combat rising labour costs and supply problems in the market.

Our R&D efforts in product design are beginning to bring in new projects from our existing and new customers. We have been supplying value-added products and services to our customers by providing new conceptual products with the assistance of our in-house mould shop and electronics facilities. We have successfully transformed our product design process into an expeditious, cost-effective and sustainable operation.

MOULDS & TOOLING

Our Moulds and Tooling revenue increased by 8.02% in FY2010 and accounted for 16.83% of our Group's total revenue. About 45.85% of our mould business comes from the automobile industry.

China is now the largest automobile market in the world, having sped past the US in 2009. PRC demand for cars is likely to accelerate as citizens are getting more affluent. With the automobile industry being the largest consumer of moulds, demand for high quality moulds and their parts is likely to increase.

Our sales in the Shanghai and surrounding region to the automobile industry have been increasing over the past few years. We are going to further strengthen our sales efforts in this region.

COMBINE WILL

MACHINE SALES

Riding the wave of economic growth in China, our revenue from machine sales was up for more than 60.99% in FY2010. It represents 12.44% of our Group's total revenue. We are continuously bringing in more overseas brands of high precision machines and upgrading our sales and service to the metal cutting and mould making industries in China.

With quite a positive growth prospects in the China market, the demand for quality branded machines is likely to grow at a stable pace. We expect our machine sales business to see a steady growth and with healthy margins in FY2011.

PROSPECTS

The real economic recovery is just getting started but in general, we expect 2011 will still be a challenging year for most manufacturers. Current factors such as increasing wages, material price volatility and rising inflation will remain major concerns for the industry in the PRC. The issue of Renminbi exchange rate appreciation has once again been the focus of international attention.

Besides these challenges, we also see opportunities for those who can stand strong and keep delivering value to customers. To help combat the increase in labour costs, we have been expanding our production capacity in our Heyuan factory where labour costs are relatively lower. Also, we are actively looking into investing in new production facility outside the Pearl River Delta region. Automation and lean manufacturing practices will continue to be the main focus in all our existing facilities. With our total dedication and teamwork, we are confident of delivering the most competitive and high quality products and services to our customers.

In addition, we will focus on customer service and in building a closer relationship with our customers. Our Korea office was set up in 2010 and is the first step to explore business opportunities in Korea for the Group, and we expect to see further expansion and constructive results down the road.

Barring unforeseeable circumstances, we are quite confident of seeing continued growth and profitability for our Group in 2011.

KOREA DUAL LISTING

Our dual listing plan on the Korean Exchange -- KOSDAQ -- is still underway. We have begun the application process with the bourse and expect the listing procedure to be completed within 2011. The benefits to the shareholders, apart from improving trading liquidity and valuation of the company stock, is that the proposed listing will enable the group to gain a foothold in the fast-growing Korean market.

ACKNOWLEDGEMENT

To our loyal shareholders, the board has proposed a first and final dividend of one Singapore cent per ordinary share for FY2010.

It has been a challenging but rewarding year and I would like to thank the management team and all staff for their continued commitment, dedication and teamwork. I would also like to express our gratitude to our shareholders, dealers and suppliers, business associates, financial institutions and the regulatory authorities for their continuing trust and support of the Group. To my fellow Board members, thank you again for your continued support and valuable contributions.

Lastly, on behalf of the Board and the Group, I would like to extend our sincere welcome to Mr. Kevin Miu, who has been appointed as our Chief Supervisory Officer and joined our big family recently. I believe Mr. Miu will make a valuable contribution to the Board and the Group in this important role.

Dominic Tam
Executive Chairman and CEO
Combine Will International Holdings Limited

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 five 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 multinational corporations such as global brand activation agency and one of the largest marketing networks in the world, the world largest toys companies and one of the world largest domestic products company.

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.


COMBINE WILL

FINANCIAL REVIEW

	2010 HK$'000	2009 HK$'000
Revenue	**1,596,996**	1,058,172
Cost of sales	**(1,322,304)**	(892,252)
Gross profit	**274,692**	165,920
Other income	**16,020**	17,119
Selling and distribution expenses	**(24,739)**	(19,172)
Administrative expenses	**(113,548)**	(92,516)
Profit from operations	**152,425**	71,351
Finance costs	**(16,866)**	(10,292)
Profit before tax	**135,559**	61,059
Income tax expense	**(25,886)**	(15,274)
Profit for the year	**109,673**	45,785
Attributable to:		
Owners of the Company	**103,815**	45,199
Non-controlling interests	**5,858**	586
	109,673	45,785

REVENUE

With a significant contribution from the successful introduction of new products and focus on automation production process strategy, the Group's overall revenue increased by 50.9% in FY2010 compared to the previous corresponding period. Combined with the steady business of providing premiums to world famous customers, the ODM/OEM became a revenue contribution leader of the year.

ODM/OEM

Sales from the ODM/OEM segment increased by 64.7% to HK$1,129.6 million in FY2010 and accounted for 70.7% of total revenue. Our outstanding sales of ODM/OEM in FY2010 is mainly due to the global economic recovery, better production efficiency and control of production cost.

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 and salary raise 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

China is now the largest automobile market in the world, having speed past the US in 2009. PRC demand for cars is likely to accelerate as citizens are getting more affluent. With the automobile industry being the largest consumer of moulds, demand for high quality moulds and their parts is likely to increase. As a result, the Group's sales increased by 8.0% to HK$268.8 million in FY2010. This represents approximately 16.8% of its total revenue in FY2010.

Operating & Financial Review (cont'd)

Although this segment has only a slight growth, 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 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.

Machine Sales

In FY2010, sales from this segment increased by 61.0% to HK$198.6 million and accounted for 12.4% of total revenue. This was attributable to the Group's deliberate effort to focus on quality customers and increased sales.

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 FY2011.

PROFITABILITY

In line with the increase in sales in FY2010, the Group's gross profit increased 65.6% to HK$274.7 million. Gross margins increased to 17.2% in FY2010 as compared to 15.7% in FY2009.

ODM/OEM

Profit contributable to owner of the company from ODM/OEM increased by 85.1% to HK$164.2million in FY2010, representing 59.8% of the Group's total segment profit. Gross profit margin increased to 14.5% in FY2010 versus 12.9% a year ago.

The improvement of gross profit margin for this segment in FY2010 is mainly due to the successful introduction of new products, more efficiency on the production process and effective cost control.

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 FY2010. The Group not only has higher sales recorded in this segment, Gross profit increased by 4.0% to HK$64.7 million. The Moulds and Tooling segment accounted for 23.6% of the Group's total gross profit whilst net margin is in line with last year.

Machine Sales

In line with the higher sales from this segment, gross profit increased 205.1% to HK$45.7 million in FY2010. Machine Sales represents 16.7% of the Group's total gross profit whilst gross profit margin increased to 23.0%

FINANCIAL POSITION

	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000
Total assets	**1,591,453**	**1,047,039**
- Non-current assets	**297,383**	244,041
- Current assets	**1,294,070**	802,998
Total liabilities	**1,025,459**	**578,204**
- Current liabilities	**927,861**	575,064
- Non-current liabilities	**97,598**	3,140
	565,994	**468,835**
Equity attributable to shareholders of the Company		
Share capital	**246,000**	246,000
Reserves	**303,697**	212,465
	549,697	458,465
Non-controlling interests	**16,297**	10,370
Total equity	**565,994**	**468,835**

Non-current Assets

The Group's non-current assets increased by 21.9% to HK$297.4 million as at 31 December 2010, due mainly to the increase in property, plant and equipment of HK$104.2 million which was mainly offset by the depreciation expenses of HK$52.2 million charged for the year.

Current Assets

As at 31 December 2010, the Group's current assets increased by 61.2% to HK$1,294.1 million, due mainly to:

- an increase in inventories of HK$136.5 million due to customer delivery schedule;
- an increase in trade and bills receivables of HK$61.0 million due to customer delivery schedule;
- an increase in prepayments, deposits and other receivables of HK$92.5 million due to increase in purchase to meet customer delivery schedule;
- an increase in pledged bank deposit of HK$228.8 million to secure the bank loans.
- a decrease in bank and cash balances of HK$19.0 million due mainly to the repayment of bank borrowings and the purchase of property, plant and equipment; and
- a decrease in current tax assets of HK$8.7 million due mainly to the increase in net profit for the period.

Current Liabilities

The Group's current liabilities increased by 61.4% to HK$927.9 million mainly due to:

- an increase in term loans of HK$225.5 million due to the group's capital needs
- an increase in short-term borrowings amounting to approximately HK$53.1 million mainly due to increase in utilization of bank loans;
- an increase in trade and bills payables amounting to approximately HK$46.6 million due to increase in purchase to meet its production commitment;
- an increase in accruals and other payables of HK$35.6 million due to increase in purchase by ODM/OEM business segment;
- an increase in current tax liabilities of HK$2.1 million due to the increased profit before tax; and
- a decrease in long-term borrowing mainly due to the increased utilization bank loans and change of accounting policy in accordance to IAS 1.

Non-current Liabilities

The increase in long-term borrowings is mainly due to the increase utilization of long-term loan to replace the short-term loans.

Operating & Financial Review (cont'd)

STATEMENT OF CASH FLOWS

	12 months ended 31 December 2010 HK$'000	12 months ended 31 December 2009 HK$'000
Net cash used in operating activities	(34,853)	(34,108)
Net cash used in investing activities	(331,738)	(51,467)
Net cash generated from financing activities	344,453	152,422
Net (decrease) / increases in cash and cash equivalents	(22,138)	66,847
Cash and cash equivalents at the beginning of the year	179,058	105,769
Net effect of exchange rate changes in consolidating subsidiaries	3,089	6,442
Cash and cash equivalents at the end of the year	160,009	179,058

The Group's cash resources of HK$160.0 million are considered adequate for current operational needs. The net decrease in cash and cash equivalents of HK$22.1 million held by the Group for the 12 months ended 31 December 2010 is comprised of:

- Net cash used in operating activities of HK$34.9 million, due to higher utilization of working capital to meeting customers' delivery schedule.
- Net cash used in investing activities of HK$331.7 million, mainly due to increase in capital expenditure and the utilization of RMB hedging financial products, and
- Net cash generated from financing activities of HK$344.5 million, mainly due to increase in utilization of bank loans.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Our Strength - Research & Development

Besides performing roles as an ODM/OEM manufacturer, we also provide our major customers with innovative concepts and ideas for new products. Upon acceptance of the concepts by the respective customers, we then design and develop the product up to mass production.

This plays a very important part in securing future business. The team in the group responsible for this role is our R&D department, which has been working actively with our customers. We have even set up offices in the group for one of our major customers and provide them with dormitory facilities so that they can have their staff on-site full-time working with our R&D colleagues. Besides new ideas and proposals for their current products, we also provide them with suggestions for new products so that their business can be expanded.

Our R&D team is headed by Nicholas Tang, Director of the department. He has over 33 years of working experience in the manufacturing field for toys and household appliances. Other team members include mechanical engineers, electronic engineers and creative product designers. They all have extensive experience in their respective areas.

For current developing projects, we have routine review meetings with our customers almost daily. In addition, we also hold regular teleconferences with their overseas offices. Regular brainstorming sessions with our customers are held for stimulation of new ideas. Recently, we have visited the overseas R&D centers of one of our customers to further enhance our relationship and have better understanding of their development process.

In the group, besides the OEM manufacturing sector, we have other companies that are also playing important roles in the product development function. They are vital for the success of this “Turnkey” process, from concept and design through to production and delivery.

Our top grade toolmaker in the group, Altrust, is located adjacent to the group’s R&D department. During the development stage, Altrust helps to run pilot tooling in a very short timeframe for design verification. Molded parts are used for extensive functionality and reliability tests. This is important for ensuring that the design, in terms of construction and material, is suitable for volume production and guarantees high quality output. Furthermore, we can shorten the timeline for the industrialization phase in the fabrication of production tooling, handled by Altrust.

In addition, our electronics manufacturing arm - Bliss - also assists in providing designs for the electronic circuitry and pilot run samples for evaluation during development phase of products. When a product is released for mass production, Bliss is part of the supply chain for electronic PCB assembly.

There are several advantages for our R&D teams to get involved in the early stages of product design and development which are beneficial to both the customer and Combine Will:-

- Products can be designed with consideration for better production processes, efficiency and quality.
- Early input from the manufacturer will help minimize unnecessary corrections and modifications at later development stages.
- Speed up the development cycle by shortening the manufacturer’s pick up and learning period for the project.
- Both our customers and CW can enjoy continued growth in business as we develop new products that will be fed to the market regularly.

Recently, one of our customers has accepted one of our inventions on air-power and applied it to their products which will be in mass production soon.

Besides providing new concepts for products, our R&D department is also responsible for investigation of new production processes that can either be applied to new products or improve production efficiency. Previously, we developed gas-assisted injection molding for toys parts which can lower production costs by reducing plastic resin usage and shortening the production cycle time. Almost all of our customers have shown great interest in this process and have applied it to their products. Currently, we are working with one of our customers on several production processes for special effects that can be applied to new products.

The following projects have been launched since 2005 and many of the techniques developed have been patented successfully:

1 Development with Application of Corporation Information Integration and Collaboration Platform for Mold Manufacturing Industry. *(Approved by Guangdong Science and Technology Department)*

This software platform is specifically developed for single-order production (as each order is unique). The platform includes the following:

a) Tailor made ERP system
b) Product data management system
c) EDM electrode design and management system
d) Mold design automation module
e) Engineering process monitoring system
f) Dimension QC report automation system
g) Mold design standardization in 3D
h) CNC automation system
i) Specialized tooling procedures defined for high precision major automotive products

2 Tool life CAE simulation

1. Present ongoing R&D project with South China University of Technology, investment 1 million RMB.

2. Applying finite element analysis to mold structure by computer simulation programs. Control conditions like pressure, temperature and time simulate real time analysis to mold structure during molding process.

3. Better understanding the injection and clamping pressure relationship will help improving mold design in structural strength and layout in the design stage.

3 Certified as High and New Technology enterprise *(only 4 enterprises in Guangdong province)*

a) 8 self-developed software products are patented.
b) Several development and research programs on CNC, EDM processes have successfully increased productivity as well asefficiency.

4 Patent for motion activation of automatic dispensing device has been granted by the National IP Bureau.

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

From Left to Right

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

From Left to Right

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 Non-Executive Director and was appointed to our Board on 28 March 2008. He is currently a barrister practising in Hong Kong. Mr. Cheung has over 20 years of experience in corporate governance, accounting and auditing, tax planning and compliance as well as legal practice. 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 group in Asia, responsible for the negotiation, setting-up and control of sino-foreign joint-venture subsidiaries as well as compliance with the Listing Rules of the Hong Kong Stock Exchange. He left the group to start his public accounting and financial advisory practice in 1994. He switched to law in 2006.

Mr. Cheung is a Certified Public Accountant in Hong Kong, a Chartered Accountant of New Zealand and a fellow member of the Chartered Association of Certified Accountants of the United Kingdom. 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 Non-Executive Director of Global Dairy Holdings Limited, currently listed on the Hong Kong Stock Exchange.

Chia Seng Hee, Jack
Independent Non-Executive Director

Mr Chia Seng Hee, Jack is our Independent Non-Executive 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, asset management 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 Independent 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.

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.

Miu Ka Keung, Kevin
Chief Supervisory Officer

Mr Miu Ka Keung, Kevin has been the Chief Supervisory Officer of our Group since October 2010 and is responsible to supervise and oversee the group compliance matters which are related to the law of Korea. Mr. Miu is also a director of Vinco Financial Group Limited and mainly responsible for corporate and business development for the group and also overseeing the group compliance matters. Mr Kevin Miu is registered with the Securities and Futures Commission (SFC) of Hong Kong as a Responsible Officer to supervise the regulated activities of Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance). Mr Kevin Miu possesses a bachelor's degree in accounting awarded by The Hong Kong Polytechnic University and a master's degree in business administration awarded jointly by the University of Wales and the University of Manchester. Mr Kevin Miu entered the financial services industry in the early 1990s and and has gained extensive experience and knowledge in corporate finance, equity capital market, private equity investment, debt and structured finance, listed company compliance and internal control. He is currently a non-executive director of LED International Holdings Limited, a company listed on the Alternative Investment Market of the London Stock Exchange, and he is also the Chairman of its audit committee and a member its remuneration committee.

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 Non-Executive Director)

Chia Seng Hee, Jack
(Independent Non-Executive 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 2010 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.

Corporate Governance Report (cont'd)

BOARD COMPOSITION AND GUIDANCE

Presently, the Board consists of seven (7) members; comprising three (3) independent non-executive directors, 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 2010 are disclosed in the Statistics of Shareholdings for the financial year ended 31 December 2010.

There is a good balance between the executive and independent 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 2010, 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	
	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	4	4	–	–	–	–	–	–
Yau Hing Wah, John	4	4	–	–	–	–	–	–
Zheng Naigiao Koulman	4	4	–	–	–	–	–	–
Chiu Hau Shun, Simon	4	4	–	–	–	–	–	–
Cheung Hok Fung Alexander	4	4	4	4	1	1	1	1
Chia Seng Hee Jack	4	4	4	4	1	1	1	1
Ning Li	4	4	4	4	1	1	1	1

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.

Corporate Governance Report (cont'd)

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 once 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 there to 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 fulfill 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 fulfill 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 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.

Corporate Governance Report (cont'd)

An annual performance evaluation has been 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 fulfill 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 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 will 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.

Corporate Governance Report (cont'd)

The remuneration of Independent 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 meeting 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 2010, 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				
Tam 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	-	-	100.0	100.0
Key Executives				
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

Corporate Governance Report (cont'd)

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 statement of changes in Equity and consolidated statement of comprehensive income, 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 once 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.

Corporate Governance Report (cont'd)

- 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 RSM Nelson Wheeler 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 absentia. 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 company and its minority shareholders.

There were no significant interested person transactions during the year.

Corporate Governance Report (cont'd)

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	5.7	–
Manufacturing facilities for the production of automobile parts	22.8	–	22.8
General working capital	30.0	30.0	–
Total	92.7	64.2	28.5

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

FINANCIAL CONTENTS

Statement by Directors

FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010 and of the Group's results and cash flows for the 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

24 February 2011

Independent Auditor's Report

TO THE SHAREHOLDERS OF COMBINE WILL INTERNATIONAL HOLDINGS LIMITED
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

We have audited the consolidated financial statements of Combine Will International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 88, which comprise the consolidated and Company statements of financial position as at 31 December 2010, 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 information.

Directors' responsibility for the consolidated financial statements
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the 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

24 February 2011

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	7	**1,596,996**	1,058,172
Cost of sales		**(1,322,304)**	(892,252)
Gross profit		**274,692**	165,920
Other income	8	**16,020**	17,119
Selling and distribution expenses		**(24,739)**	(19,172)
Administrative expenses		**(113,548)**	(92,516)
Profit from operations		**152,425**	71,351
Finance costs	9	**(16,866)**	(10,292)
Profit before tax		**135,559**	61,059
Income tax expense	10	**(25,886)**	(15,274)
Profit for the year	11	**109,673**	45,785
Attributable to:			
Owners of the Company		**103,815**	45,199
Non-controlling interests		**5,858**	586
		109,673	45,785
Earnings per share (HK cents)	14	**31.65**	13.78

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	**109,673**	45,785
Other comprehensive income:		
Exchange differences on translating foreign operations	**6,015**	8,443
Other comprehensive income for the year, net of tax	**6,015**	8,443
Total comprehensive income for the year	**115,688**	54,228
Attributable to:		
Owners of the Company	**109,761**	53,285
Non-controlling interests	**5,927**	943
	115,688	54,228

Statements of Financial Position

AT 31 DECEMBER 2010

	Note	Group At 31 December 2010 HK$'000	Group At 31 December 2009 HK$'000 (restated)	Group 1 January 2009 HK$'000 (restated)	Company At 31 December 2010 HK$'000	Company At 31 December 2009 HK$'000
ASSETS						
Non-current assets						
Property, plant and equipment	15	**294,966**	241,624	236,566	**-**	-
Investments in subsidiaries	17	**-**	-	-	**310,205**	310,205
Goodwill	18	**2,417**	2,417	2,417	**-**	-
Available-for-sale financial assets	19	**-**	-	-	**-**	-
Total non-current assets		**297,383**	244,041	238,983	**310,205**	310,205
Current assets						
Inventories	20	**412,479**	276,027	266,376	**-**	-
Trade and bills receivables	21	**317,251**	256,279	129,210	**-**	-
Prepayments, deposits and other receivables	22	**173,290**	80,754	81,659	**-**	-
Due from subsidiaries	17	**-**	-	-	**152,834**	152,834
Current tax assets		**2,208**	10,880	4,319	**-**	-
Pledged bank deposits	23	**228,826**	-	-	**-**	-
Bank and cash balances	23	**160,016**	179,058	105,769	**109**	109
Total current assets		**1,294,070**	802,998	587,333	**152,943**	152,943
Total assets		**1,591,453**	1,047,039	826,316	**463,148**	463,148
LIABILITIES AND EQUITY						
Non-current liabilities						
Long-term borrowings	24	**94,458**	-	-	**-**	-
Finance lease payables	30	**-**	-	58	**-**	-
Deferred tax liabilities	25	**3,140**	3,140	3,140	**-**	-
Total non-current liabilities		**97,598**	3,140	3,198	**-**	-
Current liabilities						
Trade and bills payables	26	**172,223**	125,593	105,406	**-**	-
Accruals and other payables	27	**135,632**	100,082	104,244	**455**	455
Term loans	28	**225,505**	-	-	**-**	-
Short-term borrowings	29	**340,252**	287,135	162,319	**-**	-
Long-term borrowings	24	**34,980**	45,004	-	**-**	-
Finance lease payables	30	**-**	67	106	**-**	-
Current tax liabilities		**19,269**	17,183	19,142	**-**	-
Total current liabilities		**927,861**	575,064	391,217	**455**	455
Total liabilities		**1,025,459**	578,204	394,415	**455**	455
Equity attributable to owners of the Company						
Share capital	31	**246,000**	246,000	246,000	**246,000**	246,000
Reserves	32	**303,697**	212,465	176,474	**216,693**	216,693
		549,697	458,465	422,474	**462,693**	462,693
Non-controlling interests		**16,297**	10,370	9,427	**-**	-
Total equity		**565,994**	468,835	431,901	**462,693**	462,693
Total liabilities and equity		**1,591,453**	1,047,039	826,316	**463,148**	463,148

Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

	Attributable to owners of the Company							
	Share capital	Share premium	Statutory reserves (Note)	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 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	-	-	-	-	(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 and 1 January 2010	246,000	26,488	2,057	27,306	156,614	458,465	10,370	468,835
Total comprehensive income for the year	-	-	-	5,946	103,815	109,761	5,927	115,688
Dividends to owners (Note 13)	-	-	-	-	(18,529)	(18,529)	-	(18,529)
Changes in equity for the year	-	-	-	5,946	85,286	91,232	5,927	97,159
Balance at 31 December 2010	246,000	26,488	2,057	33,252	241,900	549,697	16,297	565,994

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

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**135,559**	61,059
Adjustments for:			
Depreciation		**52,172**	48,362
Loss on disposals of property, plant and equipment		**846**	161
Bad debts written off		**-**	30
Interest income		**(523)**	(113)
Finance costs		**16,866**	10,292
Operating profit before working capital changes		**204,920**	119,791
Increase in inventories		**(136,452)**	(9,651)
Increase in trade and bills receivables		**(60,972)**	(127,099)
(Increase)/decrease in prepayments, deposits and other receivables		**(92,536)**	905
Increase in trade and bills payables		**46,630**	20,187
Increase/(decrease) in accruals and other payables		**35,550**	(4,162)
Cash used in operations		**(2,860)**	(29)
Interest paid		**(16,865)**	(10,285)
Income taxes paid		**(15,128)**	(23,794)
Net cash used in operating activities		**(34,853)**	(34,108)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in pledged bank deposits		**(228,826)**	-
Purchases of property, plant and equipment		**(104,206)**	(51,580)
Proceeds from disposals of property, plant and equipment		**771**	-
Interest received		**523**	113
Net cash used in investing activities		**(331,738)**	(51,467)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of new short-term bank loans		**74,790**	89,442
Inception of new long-term bank loans		**110,000**	48,000
Inception of new term loans		**225,505**	-
Repayment of short-term bank loans		**(118,342)**	-
Repayment of long-term borrowings		**(25,566)**	(2,996)
Net advance of trust receipt and import loans		**96,663**	35,374
Finance leases charges		**(1)**	(7)
Repayment of finance lease payables		**(67)**	(97)
Dividends paid to owners		**(18,529)**	(17,294)
Net cash generated from financing activities		**344,453**	152,422
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(22,138)**	66,847
Net effect of exchange rate changes in consolidating subsidiaries		**3,089**	6,442
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**179,058**	105,769
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	33	**160,009**	179,058

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

1. GENERAL INFORMATION

The financial statements of the Company and of the Group for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company (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 address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 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 set out in note 17 to the financial statements.

In the opinion of the directors of the Company, as at 31 December 2010, 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 2010. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below.

Classification of a Term Loan that contains a Repayment on Demand Clause

In accordance with paragraph 69(d) of IAS 1, a term loan advance to the Group which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with this, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

2. STATEMENT OF COMPLIANCE (CONT'D)

Classification of a Term Loan that contains a Repayment on Demand Clause (cont'd)

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

Effect of change of accounting policy on the statement of financial position

	At 31 December		At 1 January
	2010	2009	2009
	HK$'000	HK$'000	HK$'000
Increase/(decrease) in			
Current liabilities			
Bank borrowings	-	32,735	-
Non-current liabilities			
Bank borrowings	-	(32,735)	-

Classification of Land Leases

The adoption of the amendment to IAS 17 "Leases" has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, leasehold land was classified as an operating lease and stated at cost less accumulated amortisation. In accordance with the amendment, leasehold land is classified as a finance lease and stated at cost less accumulated depreciation if substantially all risks and rewards of the leasehold land have been transferred to the Group. As the present value of the minimum lease payments (i.e. the transaction price) of the land held by the Group amounted to substantially all of the fair value of the land as if it were freehold, the leasehold land of the Group has been classified as a finance lease. The amendment has been applied retrospectively to unexpired leases at the date of adoption of the amendment on the basis of information existing at the inception of the leases. The amendment does not apply to the leasehold land disposed of by the Group in prior years.

Notes to the Financial Statements (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2010

2. STATEMENT OF COMPLIANCE (CONT'D)

Classification of Land Leases (cont'd)

Amendments to IAS 17 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	At 31 December		At 1 January
	2010	2009	2009
	HK$'000	HK$'000	HK$'000
Increase in property, plant and equipment	**13,124**	13,404	12,228
Decrease in prepaid land lease payments	**(13,124)**	(13,404)	(12,228)

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.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Consolidation (cont'd)

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling 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 the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

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

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.

Notes to the Financial Statements (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate 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 (r) below. Impairment losses of goodwill are recognised in 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 non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and 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.

(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.

Notes to the Financial Statements (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency translation (cont'd)

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

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.

(d) Property, plant and equipment

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

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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:

Land and buildings	10 - 50 years
Plant and machinery	10 years
Toolings	4 years
Furniture, fixtures and equipment	5 years
Motor vehicles	4 - 5 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.

(e) Leases

(i) Operating leases – as lessee

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.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases

(i) Operating leases – as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(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.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Recognition and derecognition of financial instruments (cont'd)

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.

(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.

Notes to the Financial Statements (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Investments (cont'd)

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

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.

(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.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Financial liabilities and equity instruments (cont'd)

(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.

Notes to the Financial Statements (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2010

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 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)

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Government grants

A Government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

(p) 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.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Taxation (cont'd)

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.

(q) 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.

(r) 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.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Impairment of assets (cont'd)

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.

(s) 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.

(t) 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 less impairment

The Group determines that the available-for-sale financial assets be stated at cost less impairment. 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 less impairment.

Notes to the Financial Statements (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

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.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(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 2010, 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$776,000 lower (2009: HK$1,501,000 higher), arising mainly as a result of the net foreign exchange loss on term loans, short-term borrowings and trade and bills receivables denominated in USD. If the HK$ 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$776,000 higher (2009: HK$1,501,000 lower), arising mainly as a result of the net foreign exchange gain on term loans, short-term borrowings and trade and bills receivables denominated in USD.

At 31 December 2010, if the HK$ had weakened 1 per cent against the RMB with all other variables held constant, consolidated profit after tax for the year would have been HK$2,697,000 (2009: HK$101,000) higher, arising mainly as a result of the foreign exchange gain on pledged bank deposits and bank and cash balances denominated in RMB. If the HK$ had strengthened 1 per cent against the RMB with all other variables held constant, consolidated profit after tax for the year would have been HK$2,697,000 (2009: HK$101,000) lower, arising mainly as a result of the foreign exchange loss on pledged bank deposits and bank and cash balances denominated in RMB.

(b) Interest rate risk

The Group's exposure to interest-rate risk arises from its cash and cash equivalents and bank loans. These cash and cash equivalents and bank loans bear interests at variable rates varied with the then prevailing market conditions.

At 31 December 2010, 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$1,095,000 (2009: HK$1,412,000) 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$1,095,000 (2009: HK$1,412,000) lower, arising mainly as a result of higher interest expense on bank loans.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk

The carrying amount of the bank and cash balances, pledged bank deposits and bank and cash balances and other receivables included in the 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.

(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 following tables show the remaining contractual maturities at the end of the reporting period of the Group, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Liquidity risk (cont'd)

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash outflows HK$'000
At 31 December 2010						
Trade and bills payables	-	172,223	-	-	-	172,223
Accruals and other payables	-	135,632	-	-	-	135,632
Term loans	-	227,688	-	-	-	227,688
Short-term borrowings	340,331	-	-	-	-	340,331
Long-term borrowings	-	36,527	34,401	64,131	-	135,059
At 31 December 2009 (restated)						
Trade and bills payables	-	125,593	-	-	-	125,593
Accruals and other payables	-	100,082	-	-	-	100,082
Short-term borrowings	288,053	-	-	-	-	288,053
Finance lease payables	-	69	-	-	-	69
Long-term borrowings subject to a repayment on demand clause	48,269	-	-	-	-	48,269

The table below summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Liquidity risk (cont'd)

Maturity Analysis – Long-term borrowings subject to a repayment on demand clause based on scheduled repayments

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash outflows HK$'000
At 31 December 2010	-	-	-	-	-	-
At 31 December 2009	-	13,742	13,742	20,785	-	48,269

(e) Categories of financial instruments at 31 December 2010

	2010 HK$'000	2009 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**800,203**	461,833
Financial liabilities:		
Financial liabilities at amortised cost	**943,379**	515,815

(f) Fair values

Except as disclosed in note 19 to the financial statements, the carrying amounts of the Group's financial assets and financial 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.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

6. RELATED PARTY TRANSACTIONS (CONT'D)

Key management compensation

	2010 HK$'000	2009 HK$'000
Salaries and other short-term employee benefits	**13,633**	13,054

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

	2010 HK$'000	2009 HK$'000
Remunerations of directors of the Company	**7,218**	7,218
Fees to directors of the Company	**845**	952

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

	2010 HK$'000	2009 HK$'000
Sales of goods	**1,596,996**	1,058,172

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

8. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Bank interest income	**523**	113
Government grants	**478**	-
Miscellaneous receipts	**7,135**	6,508
Mould engineering income, net	**5,920**	9,157
Rental income	**1,122**	831
Sales of scrap materials	**842**	510
	16,020	17,119

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Finance leases charges	**1**	7
Interest on bank loans and overdrafts	**16,865**	10,285
	16,866	10,292

10. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
Current tax expenses		
- Hong Kong	**13,903**	5,175
- The PRC	**11,323**	6,125
- Overseas	**9**	245
	25,235	11,545
Under-provision in prior years	**651**	3,729
	25,886	15,274

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

10. INCOME TAX EXPENSE (CONT'D)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year ended 31 December 2010 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, certain of 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 year ended 31 December 2010 and 2009, the applicable PRC enterprise income tax rate is ranging from 15% to 25%.

A wholly owned subsidiary of the Company, was granted the status of a "High and New Technology Enterprise" that entitled to a preferential enterprise income tax rate of 15% for three years commencing from the year ended 31 December 2009.

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 2010, the dividend income tax of the Group amounted to HK$944,000 (2009: HK$164,000) have not been provided as the amount was immaterial.

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:

	2010	2009
	HK$'000	HK$'000
Profit before tax	**135,559**	61,059
Income tax expense at Hong Kong Profits Tax rate	**22,367**	10,075
Tax effect of income that is not taxable	**(155)**	(509)
Tax effect of expenses that are not deductible	**1,402**	36
Tax effect of temporary differences not recognised	**24**	53
Tax effect of utilisation of tax losses not previously recognised	**(247)**	(111)
Tax effect of tax losses not recognised	**400**	728
Effect of different tax rates of subsidiaries	**5,444**	3,431
Effect of tax concession	**(4,000)**	(2,441)
Under-provision in prior years	**651**	3,729
Overprovision for the year	**-**	283
Income tax expense	**25,886**	15,274

Notes to the Financial Statements (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2010

11. PROFIT FOR THE YEAR

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

	2010 HK$'000	2009 HK$'000 (restated)
Bad debts written off	-	30
Depreciation	**52,172**	48,362
Loss on disposals of property, plant and equipment	**846**	161
Exchange differences	**1,613**	526
Operating lease expenses	**11,108**	8,122

12. EMPLOYEE BENEFITS EXPENSES

	2010 HK$'000	2009 HK$'000
Employee benefits expenses including directors	**331,478**	234,878
Contributions to defined contribution scheme	**3,000**	2,965
Employee benefits expenses	**334,478**	237,843

13. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Final dividend proposed by the Company of Singapore dollar ("SGD") 0.01 (equivalent to approximately HK$0.061) (2009: SGD0.01 (equivalent to approximately HK$0.056)) per share for the financial year.	**19,870**	18,529

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company of approximately HK$103,815,000 (2009: HK$45,199,000) by the weighted average number of ordinary shares of 328,000,000 (2009: 328,000,000) in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2010.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings	Plant and machinery	Toolings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At 1 January 2009, as previously reported	71,968	351,657	39,221	49,997	8,961	3,169	524,973
Effect of changes in accounting policy (note 2)	15,484	-	-	-	-	-	15,484
At 1 January 2009, as restated	87,452	351,657	39,221	49,997	8,961	3,169	540,457
Additions	1,380	42,148	2,318	3,657	1,239	838	51,580
Transfer	-	4,007	-	-	-	(4,007)	-
Disposals	-	-	(7)	(72)	(915)	-	(994)
Exchange differences	270	4,448	(589)	1,042	(154)	-	5,017
At 31 December 2009, as restated and 1 January 2010	89,102	402,260	40,943	54,624	9,131	-	596,060
Additions	-	89,569	2,140	11,272	1,225	-	104,206
Disposals	-	(8,179)	(1,113)	(1,716)	(245)	-	(11,253)
Exchange differences	-	2,531	1,132	562	349	-	4,574
At 31 December 2010	89,102	486,181	43,102	64,742	10,460	-	693,587

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

Group (cont'd)

	Land and buildings	Plant and machinery	Toolings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Accumulated depreciation							
At 1 January 2009, as previously reported	44,272	176,122	33,836	39,199	7,206	-	300,635
Effect of changes in accounting policy (note 2)	3,256	-	-	-	-	-	3,256
At 1 January 2009, as restated	47,528	176,122	33,836	39,199	7,206	-	303,891
Charge for the year	6,826	31,895	3,584	4,845	1,212	-	48,362
Disposals	-	-	(7)	(70)	(756)	-	(833)
Exchange differences	85	3,473	(163)	(134)	(245)	-	3,016
At 31 December 2009, as restated and 1 January 2010	54,439	211,490	37,250	43,840	7,417	-	354,436
Charge for the year	6,904	36,780	2,972	4,296	1,220	-	52,172
Disposals	-	(6,678)	(1,020)	(1,694)	(244)	-	(9,636)
Exchange differences	-	551	578	423	97	-	1,649
At 31 December 2010	61,343	242,143	39,780	46,865	8,490	-	398,621
Carrying amount							
At 31 December 2010	27,759	244,038	3,322	17,877	1,970	-	294,966
At 31 December 2009, as restated	34,663	190,770	3,693	10,784	1,714	-	241,624

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

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

The depreciation expense is charged as follows:

	Cost of sales	Administrative expenses	**Total**
	HK$'000	HK$'000	HK$'000
Financial year ended 31 December 2010	47,078	5,094	52,172
Financial year ended 31 December 2009	42,833	5,529	48,362

At 31 December 2010, the carrying amount of land and buildings pledged as security for the Group's banking facilities amounted to HK$11,145,000 (2009: HK$11,473,000 (restated)).

At 31 December 2010, the carrying amount of the motor vehicles held by the Group under finance lease amounted to HK$Nil (2009: HK$105,000).

16. PREPAID LAND LEASE PAYMENTS

	Group
	HK$'000
Cost	
At 1 January 2009, as previously reported	15,484
Effect of changes in accounting policy (note 2)	(15,484)
At 1 January 2009 and 31 December 2009, as restated, 1 January 2010 and 31 December 2010	-
Accumulated amortisation	
At 1 January 2009, as previously reported	3,256
Effect of changes in accounting policy (note 2)	(3,256)
At 1 January 2009 and 31 December 2009, as restated, 1 January 2010 and 31 December 2010	-
Carrying amount	
At 31 December 2010	-
At 31 December 2009, as restated	-

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	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.

Particulars of the subsidiaries as at 31 December 2010 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

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2010 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
				%
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	In voluntary liquidation	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
Sunstone Company Limited **	3 February 1994 Hong Kong	Trading of premium items	HK$100,000	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

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2010 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
				%
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
河源联弘玩具礼品有限公司 (Heyuan Loong Run Toys Company Limited) ****	28 December 2009 Heyuan, Guangdong, PRC	Manufacturing and trading of plastic toys	HK$55,000,000	100

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

** The statutory financial statements for the year ended 31 December 2010 were audited by RSM Nelson Wheeler.

*** The statutory financial statements for the year ended 31 December 2010 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.

**** The statutory financial statements for the year ended 31 December 2010 prepared in accordance with generally accepted accounting principles in the PRC, were audited by 广东大川会计师事务所 (Da Chuan 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)

FOR THE YEAR ENDED 31 DECEMBER 2010

18. GOODWILL

	Group
	HK$'000
Cost	
At 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010	2,417
Accumulated impairment losses	
At 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010	-
Carrying amount	
At 31 December 2009 and 31 December 2010	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	
	2010	2009
	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)
	-	-

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D)

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	
	2010	2009
	HK$'000	HK$'000
Raw materials, consumables and supplies	**75,449**	74,068
Work in progress	**174,990**	126,835
Finished goods	**170,699**	83,783
Less: Allowance for impairment	**(8,659)**	(8,659)
	412,479	276,027

	2010	2009
	HK$'000	HK$'000
The cost of sales includes the following:		
Reversal of slow moving / obsolete inventories	**-**	(252)
Changes in inventories of finished goods and work in progress increased	**135,071**	14,264
Raw materials and consumables used	**646,313**	405,910

21. TRADE AND BILLS RECEIVABLES

The average credit period generally granted to non-related trade and bills receivables customers for the year ended 31 December 2010 is about 90 days (2009: 90 days).

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

21. TRADE AND BILLS RECEIVABLES (CONT'D)

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January and 31 December	**3,889**	3,889

As of 31 December 2010 trade receivables of approximately HK$59,702,000 (2009: HK$41,269,000) 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	
	2010	2009
	HK$'000	HK$'000
Up to 3 months	**41,236**	24,891
Over 3 months	**18,466**	16,378
	59,702	41,269

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

	Group	
	2010	2009
	HK$'000	HK$'000
RMB	**26,306**	22,214
USD	**182,006**	160,224
JPY	**6,032**	4,721
Euro ("EUR")	**1,521**	797

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Prepayments	**36,373**	23,179
Trade deposits paid	**21,074**	13,323
Utility and other deposits	**21,733**	3,662
Other receivables	**94,110**	40,590
	173,290	80,754

23. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks to secure term loans as set out in note 28 to the financial statements. The deposits are in RMB and at fixed interest rate of 1.85% per annum as at the end of reporting period. The Group has entered contracts with the banks to use foreign currency swaps to manage its exposure to the movement of the change of the foreign currency on the pledged bank deposits. The deposit therefore is subject to fair value interest rate risk.

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**14,584**	46,325	**-**	-
RMB	**89,884**	29,988	**-**	-
JPY	**8,867**	7,597	**-**	-
EUR	**5,791**	1,381	**-**	-
SGD	**109**	109	**109**	109
Australian dollars	**6**	5	**-**	-
Korean Won ("KRW")	**434**	-	**-**	-

The rate of interest for the cash on interest earning balances is between 0.01% to 0.36% (2009: 0.01% to 0.5%) per annum. These approximate the effective interest rates.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

23. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES (CONT'D)

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	
	2010	2009
	HK$'000	HK$'000
		(restated)
Portion of long-term borrowings due for repayment within one year	**34,980**	12,269
Portion of long-term borrowings due for repayment after one year	**94,458**	-
Portion of long-term borrowings due for repayment after one year which contain a repayment on demand clause	**-**	32,735
	129,438	45,004

The long-term borrowings are repayable as follows (note):

	Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year	**34,980**	12,269
Later than 1 year and not later than 2 years	**32,950**	12,746
Later than 2 years and not later than 5 years	**61,508**	19,989
	129,438	45,004

Note: The amounts due are based on the schedule repayment dates set out in the loan agreements and ignore any effect of any repayment on demand clauses.

Long-term borrowings are denominated in HK$. The interest rate of the long-term borrowings as at 31 December 2010 was ranged from 1.77% to 3.75% (2009: 4%) per annum and the Group entered contracts with the banks to use interest rate swaps to manage its exposure to interest rate movements on the long-term borrowings.

Notes to the Financial Statements (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2010

25. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation
	HK$'000
At 1 January 2009, 31 December 2009, 1 January 2010 and 31 December 2010	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	
	2010	2009
	HK$'000	HK$'000
Deferred tax liabilities	**3,140**	3,140

26. TRADE AND BILLS PAYABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Bills payables, secured (Note 34)	**26,318**	8,890
Trade payables	**145,905**	116,703
	172,223	125,593

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

26. TRADE AND BILLS PAYABLES (CONT'D)

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

	Group	
	2010	2009
	HK$'000	HK$'000
USD	**32,657**	19,381
RMB	**83,196**	42,409
SGD	**5**	67
JPY	**1,271**	-

The average credit period taken to settle non-related trade payables for the year ended 31 December 2010 is about 30 to 60 days (2009: 30 to 60 days).

27. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**57,967**	35,050	**-**	-
Mould and trade deposits received	**59,671**	42,066	**-**	-
Other payables	**17,994**	22,966	**455**	455
	135,632	100,082	**455**	455

28. TERM LOANS

The term loans are drawn from 28 October 2010 to 23 November 2010, secured by the pledged deposits of the Group (note 23) and repayable within one year. The interest rate of the term loans as at 31 December 2010 was ranged from 0.86% to 1.51% (2009: Nil) per annum and the Group entered contracts with the banks to use interest rate swaps to manage its exposure to interest rate movements on the term loans.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

29. SHORT-TERM BORROWINGS

	Group	
	2010	2009
	HK$'000	HK$'000
Bank loans, secured (Note 34)	**65,889**	109,442
Trust receipt and import loans, secured (Note 34)	**274,356**	177,693
Bank overdraft, secured (Note 34)	**7**	-
	340,252	287,135

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

	Group	
	2010	2009
	HK$'000	HK$'000
JPY	**1,367**	1,744
RMB	**-**	44,266
USD	**118,338**	24,094

The average interest rates at 31 December were as follows:

	Group	
	2010	2009
Bank loans, secured	**3.1%**	3.7%
Trust receipt and import loans, secured	**3.6%**	5.4%
Bank overdraft, secured	**5.5%**	-

Short-term borrowings of HK$Nil (2009: HK$21,523,000) are arranged at fixed interest rate and exposed the Group to fair value interest rate risk. Other short-term borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

30. 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	
	2010	2009
	HK$'000	HK$'000
Finance lease payables - minimum lease payments		
Not later than one year	-	69
Future finance charges on finance leases	-	(2)
	-	67
Present value of finance lease payables		
Not later than one year	-	67

Finance costs related to obligations under finance leases are charged to the income statement at an effective rate of 7.03% (2009: 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.

All finance lease payables are denominated in HK$.

Notes to the Financial Statements (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2010

31. SHARE CAPITAL

	Company	
	2010	2009
	HK$	HK$
Authorised share capital		
1,000,000,000 ordinary shares of HK$0.75 each	**750,000,000**	750,000,000
Issued and fully paid share capital		
328,000,000 ordinary shares of HK$0.75 each	**246,000,000**	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 of 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, non-controlling interests, retained earnings and other reserves).

	Group	
	2010	2009
	HK$'000	HK$'000
Total debt	**695,202**	332,206
Less: Cash and cash equivalents	**(160,009)**	(179,058)
Net debt	**535,193**	153,148
Total equity and adjusted capital	**565,994**	468,835

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

31. SHARE CAPITAL (CONT'D)

	Group 2010	Group 2009
Debt-to-adjusted capital ratio	**95%**	33%

The increase in the debt-to-adjusted capital ratio during 2010 resulted primarily from increase of the term loans and bank borrowings.

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 2010, 26.5% (2009: 26.5%) of the total issued shares were in public hands.

32. 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.

(b) The Company

	Share premium HK$'000 (Note 32(c)(i))	Contributed surplus HK$'000 (Note 32(c)(ii))	Retained earnings HK$'000	Total HK$'000
At 1 January 2009	26,488	130,205	-	156,693
Profit for the year	-	-	77,294	77,294
Dividend to owners	-	-	(17,294)	(17,294)
At 31 December 2009 and 1 January 2010	26,488	130,205	60,000	216,693
Profit for the year	-	-	18,529	18,529
Dividend to owners (Note 13)	-	-	(18,529)	(18,529)
At 31 December 2010	26,488	130,205	60,000	216,693

Notes to the Financial Statements (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2010

32. RESERVES (CONT'D)

(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) 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.

(iii) 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.

33. CASH AND CASH EQUIVALENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Bank and cash balances	**160,016**	179,058
Bank overdraft (Note 29)	**(7)**	-
	160,009	179,058

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

34. BANKING FACILITIES

	Group	
	2010	2009
	HK$'000	HK$'000
Banking facilities, secured	**1,408,000**	404,156

The above banking facilities are secured by:

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

(ii) guarantee issued by the Government of Hong Kong Special Administrative Region;

(iii) certain of the Group's land and buildings (Note 15); and

(iv) time deposits of the Group.

All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 5(d). As at 31 December 2010 none of the covenants relating to drawn down facilities had been breached (2009: HK$Nil).

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

35. 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	
	2010	2009
	HK$'000	HK$'000
Not later than one year	**6,415**	9,063
Later than one year and not later than five years	**4,639**	1,691
	11,054	10,754

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.

36. CAPITAL COMMITMENTS

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

	Group	
	2010	2009
	HK$'000	HK$'000
Purchase of property, plant and equipment	**3,584**	493

37. 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

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

37. SEGMENT INFORMATION (CONT'D)

(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.

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

	ODM/OEM products	Moulds and toolings	Trading	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2010				
Revenue from external customers	**1,129,621**	**268,750**	**198,625**	**1,596,996**
Intersegment revenue	**2,527**	**16,462**	**5,698**	**24,687**
Segment profit	**103,560**	**40,369**	**19,378**	**163,307**
Interest revenue	**285**	**201**	**37**	**523**
Interest expense	**15,527**	**655**	**684**	**16,866**
Depreciation	**27,451**	**24,498**	**223**	**52,172**
Income tax expense	**16,158**	**5,908**	**3,820**	**25,886**
Additions to segment non-current assets	**86,848**	**17,278**	**80**	**104,206**

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

37. SEGMENT INFORMATION (CONT'D)

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

	ODM/OEM products HK$'000	Moulds and toolings HK$'000	Trading HK$'000	Total HK$'000
As at 31 December 2010				
Segment assets	**821,676**	**231,645**	**117,498**	**1,170,819**
Segment liabilities	**171,659**	**74,384**	**57,807**	**303,850**
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	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

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

37. SEGMENT INFORMATION (CONT'D)

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

	2010 HK$'000	2009 HK$'000 (restated)
Revenue		
Total revenue of reportable segments and consolidated revenue	**1,596,996**	1,058,172
Profit or loss		
Total profit or loss of reportable segments	**163,307**	75,664
Other profit or loss	**(50,640)**	(26,176)
Elimination of intersegment profits	**(2,994)**	(3,703)
Consolidated profit for the year	**109,673**	45,785
Assets		
Total assets of reportable segments	**1,170,819**	843,695
Other assets	**420,634**	203,344
Consolidated total assets	**1,591,453**	1,047,039
Liabilities		
Total liabilities of reportable segments	**303,850**	219,810
Other liabilities	**721,609**	358,394
Consolidated total liabilities	**1,025,459**	578,204
Other materials items		
Depreciation	**52,172**	48,362
Interest expense	**16,866**	10,292
Additions of property, plant and equipment	**104,206**	51,580

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

37. SEGMENT INFORMATION (CONT'D)

Geographical information:

	Revenue		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia	**1,017,748**	735,190	**297,383**	244,041
America	**315,832**	86,011	**-**	-
Europe	**263,416**	236,971	**-**	-
Consolidated total	**1,596,996**	1,058,172	**297,383**	244,041

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

Revenue from major customers:

	2010	2009
	HK$'000	HK$'000
ODM/OEM products		
Customer a	**444,313**	369,846
Customer b	**-**	96,033
Customer c	**385,156**	-
Moulds and toolings		
Customer d	**-**	14,709
Customer e	**-**	11,719
Customer f	**11,233**	-
Customer g	**9,283**	-
Trading		
Customer h	**48,065**	60,417
Customer i	**-**	13,562
Customer j	**13,983**	-

Notes to the Financial Statements (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2010

38. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps:

The entity uses interest rates swaps to manage its exposure to interest rate movements on its bank borrowings. Contracts with nominal values of HK$372 million have fixed interest payments at an average rate of 1.44% to 4% per annum for periods up until June 2015 and the floating rate in Hong Kong Interbank Offer Rate with spread from plus 0.6% to plus 2.6% of which HK$226 million related to the term loans advanced by Group (note 28).

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 forward rate for RMB to USD and RMB to HK$ ranged from 6.49 to 6.4915 and 0.8348 to 0.8411 respectively.

At the end of reporting period, the Group had notional amounts as follows and of which HK$233 million is entered for the Group's pledged deposits denominated in RMB:

	2010	2009
	HK$'000	HK$'000
Foreign exchange forward contracts – RMB/HK$	**93,370**	
Foreign exchange forward contracts – RMB/USD	**139,720**	-

Statistics of Shareholdings

AS AT 19 MARCH 2011

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	196	40.25	1,148,000	0.35
10,001 - 1,000,000	282	57.90	24,886,000	7.59
1,000,001 AND ABOVE	9	1.85	301,966,000	92.06
TOTAL	**487**	**100.00**	**328,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	HL BANK NOMINEES (S) PTE LTD	262,204,000	79.94
2	PHILLIP SECURITIES PTE LTD	17,236,000	5.25
3	RAFFLES NOMINEES (PTE) LTD	6,312,000	1.92
4	DBS VICKERS SECURITIES (S) PTE LTD	4,053,000	1.24
5	KIM ENG SECURITIES PTE. LTD.	3,994,000	1.22
6	OCBC SECURITIES PRIVATE LTD	2,665,000	0.81
7	BANK OF SINGAPORE NOMINEES PTE LTD	2,410,000	0.73
8	HSBC (SINGAPORE) NOMINEES PTE LTD	1,592,000	0.49
9	LIEW WING ONN	1,500,000	0.46
10	HENG KOK HUAT	625,000	0.19
11	LIM & TAN SECURITIES PTE LTD	618,000	0.19
12	GOH CHOON WEI OR GOH SOON POH	600,000	0.18
13	HOH FUNG LING	600,000	0.18
14	PUN ENGAN	600,000	0.18
15	UNITED OVERSEAS BANK NOMINEES PTE LTD	599,000	0.18
16	KOH CHUAN LAI	580,000	0.18
17	SEE SHUN SHENG	555,000	0.17
18	UOB KAY HIAN PTE LTD	546,000	0.17
19	OON CHIN YONG (WEN ZHENYANG)	520,000	0.16
20	SIOW CHER LIANG	513,000	0.16
	TOTAL	**308,322,000**	**94.00**

Statistics of Shareholdings (cont'd)

AS AT 19 MARCH 2011

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 nomines, HL Bank Nominees (S) Pte. Ltd.
2. Tam Jo Tak, Dominic and Yau Hing Wah, John hold 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 above information available to the Company as at 19 March 2011, 26.52% (representing 87,000,000 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 Ocean 11, Level 2, Pan Pacific Singapore, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Monday, 25 April 2011 at 2pm for the following purposes:

As Ordinary Business

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

2. To declare a final dividend of 1 Singapore cent per ordinary share for the financial year ended 31 December 2010. [2009: 1 Singapore cent] (Resolution 2)

3. To approve the payment of Directors' Fees of S$180,000 for the financial year ending 31 December 2011 [2010: S$180,000]. **[See Explanatory Note (i)]** (Resolution 3)

4. To re-elect Mr Tam Jo Tak, Dominic, a Director who retires pursuant to Article 86 of the Company's Articles of Association. (Resolution 4)

5. To re-elect Mr Yau Hing Wah, John, a Director who retires pursuant to Article 86 of the Company's Articles of Association. (Resolution 5)

6. To re-elect Mr Cheung Hok Fung, Alexander, a Director who retires pursuant to Article 86 of the Company's Articles of Association. **[See Explanatory Note (ii)]** (Resolution 6)

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

As Special Business:

To consider and if deemed fit to pass the following Ordinary Resolution 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 capitalization 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) 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, which is the earlier. **[See Explanatory Note (iii)]** (Resolution 8)

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

THAT the Directors of the Company be and are hereby authorized 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 9)

10. 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 authorized 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:

Notice of The Annual General Meeting (cont'd)

(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

(iii) 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;

"**Highest 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 authorized 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 authorized by this resolution. [**See Explanatory Note (v)**] (Resolution 10)

11. 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, 7 April 2011

Explanatory Notes

(i) **Resolution 3**, is to facilitate payment of Directors' Fees during the financial year in which the fees are incurred. The aggregate amount of Directors' Fees provided in the resolution is calculated on the assumption that all the present Directors will hold office for the whole of the financial year ending 31 December 2011 ("FY 2011"). Should any Director hold office for only part of FY 2011 and not the whole of FY 2011, the Director's fee payable to him will be appropriately pro-rated.

(ii) **Resolution 6**, Mr Cheung Hok Fung, Alexander, if re-elected, will remain as Chairman of the Audit Committee and a Member of the Remuneration Committee and of the Nominating Committee. He is the Lead Independent Director.

(iii) **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 not exceeding in total 50% of the issued share capital of the Company (excluding treasury shares), of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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:-

Notice of The Annual General Meeting (cont'd)

(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.

(iv) **Resolution 9**, if passed, 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.

(v) **Resolution 10**, if passed, authorizes the Directors to purchase shares of the Company by way of market purchases and/or off-market purchases according to prescribed rules and regulations governed by the Companies Law and the Listing Manual of the SGX-ST. Further details are set out in the Appendix enclosed together with the Annual Report.

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.

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 5 May 2011 for the purpose of determining Members' entitlements to the Proposed Final Dividend of 1 Singapore cent 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 4 May 2011 by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 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 4 May 2011 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 25 April 2011, will be paid on 24 May 2011

By Order of the Board

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

Singapore, 7 April 2011

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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)