COMBINE WILL INTERNATIONAL HOLDINGS LIMITED

COMBINE WILL

ANNUAL REPORT 2011

IDEAS TO INNOVATION

ANNUAL REPORT 2011

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CORPORATE PROFILE

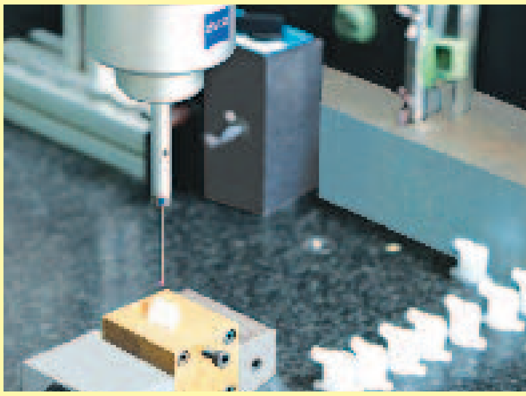
Combine Will International Holdings Limited ("Combine Will") is one of the leading Original Design Manufacturers ("ODM") / Original Equipment Manufacturers ("OEM") of corporate premiums, toys and consumer products in the People's Republic of China ("PRC") and Hong Kong. We are also one of the leading 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.

Established in 1992 and listed on the Main Board of the Singapore Exchange Securities Trading Limited in 2008, we have since grown and expanded our capabilities to become a vertically integrated supplier of a wide variety of plastic and die-cast products. With our in-house research and development ("R&D") team, expertise in manufacturing, moulds and tooling, and machine sales, we are able to help to meet the unique needs of our customers by offering highly customised, comprehensive business solutions including idea generation, product design, mould making and manufacturing. Our customers include many well-known multinational companies covering a broad spectrum of industries from consumer products to international fast-food chains.

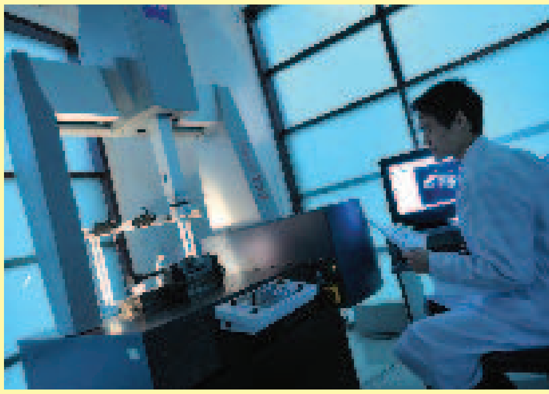
Based in Dongguan, Guangdong Province, the PRC, we have a total staff strength of approximately 12,000, and have five manufacturing facilities in Dongguan and Heyuan, Guangdong Province, and several sales and marketing offices to serve our clients in North America, Asia and Europe.

For more information, please visit our website **www.combinewill.com**.

Combine Will
– **Transforming Ideas into Innovation!**



VISION, MISSION AND VALUES



VISION

We aspire to be a world-class corporation who sets the standards in the manufacturing of plastic, die-cast and electronics products. We aim to be a leader and a key supplier of choice for our customers in providing quality ODM/OEM services for corporate premiums, toys and consumer products as well as moulds and tooling and equipment sales.

MISSION

- To provide the highest quality products and solutions to our customers through our total dedication in R&D, manufacturing technology, professional service and quality management
- To become a progressive organisation where we dedicate resources in building excellence and achieving growth
- To become a good corporate citizen and contribute to the society and communities where we operate in
- To provide sustainable value and returns to all our stakeholders

VALUES

Integrity – We deliver our promises and lead by example

Teamwork – We respect differences yet are united through diversities

Progressiveness – We pursue excellence in all we do

Innovation – We help unleash creativity and inspire breakthrough

BUSINESS MODEL

Combine Will's vertically integrated business model which encompasses a broad spectrum of services and capabilities in the design and supply of premium products, industrial plastic injection and die-cast moulds and machine sales, position us to be a unique one-stop solutions provider that sets us apart from the competition.

ODM/OEM

We are a niche ODM/OEM of corporate premiums, toys and consumer products. Our ODM/OEM R&D team is fully integrated with our manufacturing and production team in order to ensure a one-stop, seamless development of our customers' products from inception to fruition.

Our R&D team is involved in the customers' projects right from conceptualisation to the production and supply of products and solutions. Whether it is an innovative idea from a customer or one that was initiated by us, our R&D team is involved in various aspects of the development process such as advising on the appropriate materials to be utilised and the functional capabilities and manufacturability of the products. Our commitment to employ new processing methods in integrating aesthetics, form and moulding has helped customers to conceptualise and launch novel product lines. Where required, we will set up a specific testing centre for the evaluation of customer's product which had, in the past, resulted in quick turnaround and shorter time to market.

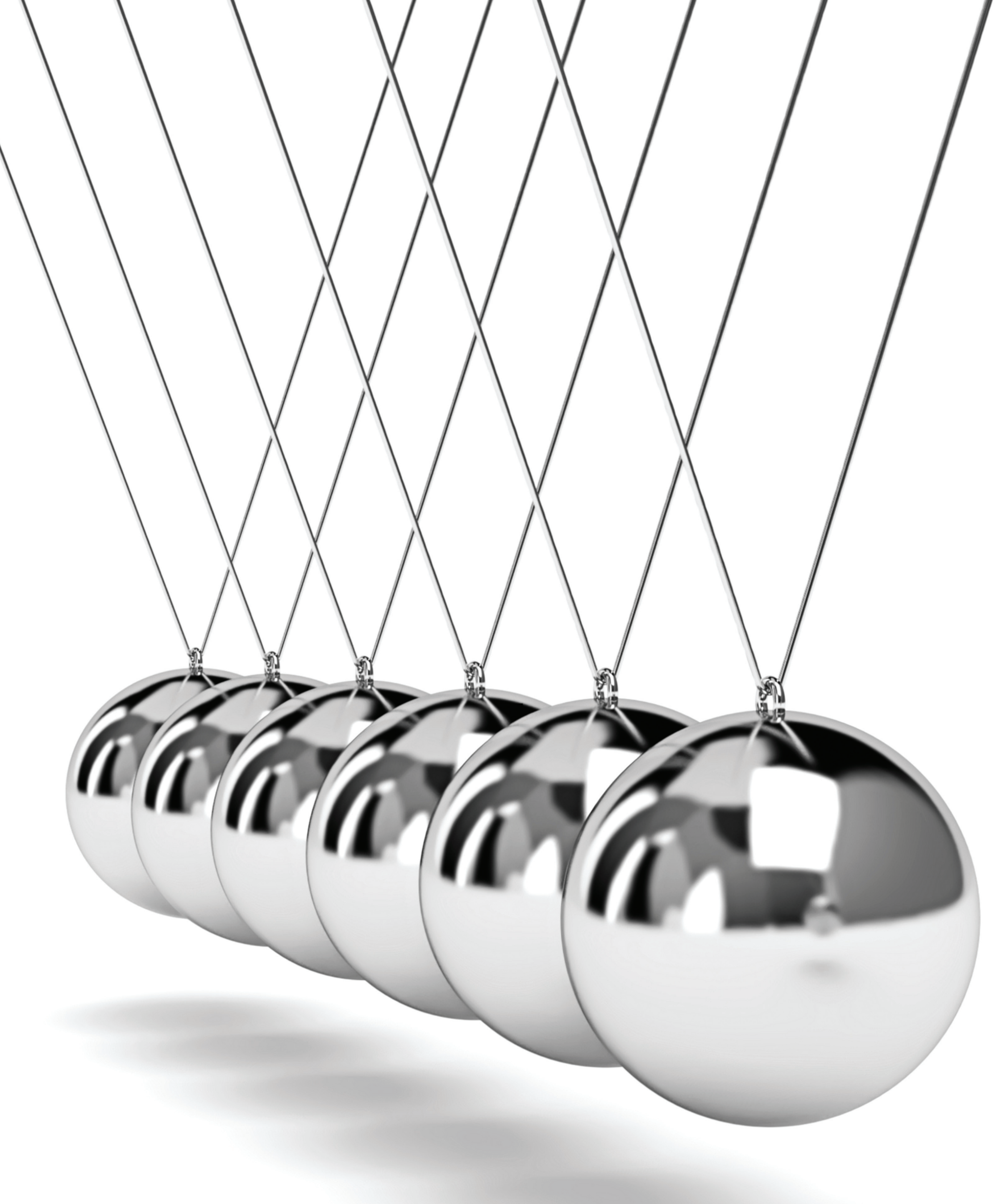
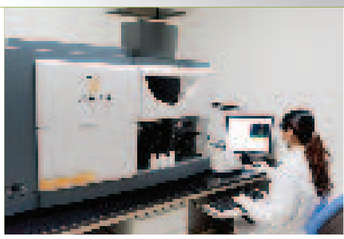
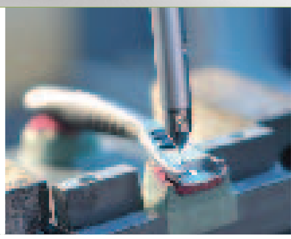
We utilise innovative processing methods and applications of unique technologies such as gas-assisted injection moulding and we have, in the past, developed a new unique technology by adapting a process used in another industry for use in our production process so that our customers can benefit from greater cost savings and enhance their competitiveness.

MOULDS AND TOOLING

We are one of the leading suppliers of plastic injection and die-casting moulds in Southern China. In addition to the production of moulds and tooling for our ODM/OEM products, we produce moulds and tooling such as production fixtures for the automobile and consumer and household products industries. Our latest technologies and state-of-the-art equipment and software, such as the Rapid Prototype Machine, ATOS Portable Optical Scanner, 3D Sculpturing Free Form Software and our high-speed CNC machines, five-axis CNC machines and precision EDMs help shorten the production lead time and provide a strong and reliable quality output on our moulds and tooling for our customers.

MACHINE SALES

We distribute, install and provide after-sales services for advanced machines and precision tools for our customers who are in the manufacturing of mould and die-cast products and automobile parts. These include metal-cutting machines, precision measuring instruments and cutting tools, together with the required operating software, which are aimed at providing a total solution to our customers. We represent equipment manufacturers from Japan, the USA, Germany, the United Kingdom, Taiwan and Italy, whose products are recognised for their consistency, quality, accuracy and flexibility in the manufacturing process.


Anticipating changes in our operating environment while keeping our business on course

STAYING **AGILE**

In the coming year, the ODM/OEM segment will continue to be a growth driver for our Group with new product lines in the pipeline.

Dear Shareholders,

The year 2011 was tumultuous with the world's stock markets and business and consumer sentiment battered from the financial fragilities of the Eurozone nations and the slow recovery of the US economy. Operating in this climate, Combine Will International Holdings Limited ("Combine Will" or "our Group"), with exposure to key markets in Europe and the USA, did well to grow our revenues for the financial year ended 31 December 2011 ("FY2011"), although we deferred our intended dual listing on the Korean Exchange – KOSDAQ. We achieved our results by continued innovation through R&D, value-added, customer-centric approach to our businesses and high-levels of productivity through automation of our plants and the highest standards of performance excellence. On behalf of the Board of Directors, I am, therefore, pleased to present to you this Annual Report and Audited Financial Statements of our Group for FY2011.

FINANCIAL REVIEW

Our revenue improved by 11.4% from HK$1,597.0 million in the financial year ended 31 December 2010 ("FY2010") to HK$1,778.2 million in FY2011, driven by our ODM/OEM and Machine Sales business segment. Unfortunately, due to increased labour and business costs in the PRC, our pre-tax profit fell by 49.1% to HK$68.9 million this year from HK$135.6 million in FY2010. We registered profit after tax of HK$50.1 million, which was a 54.3% decrease from FY2010's profit after tax of HK$109.7 million. Our bank and cash balances remained robust at HK$108.7 million. Earnings per share ("EPS") for FY2011 stood at 123.66 HK cents per ordinary share as compared to EPS of 316.51 HK cents (restated) per ordinary share for FY2010.

REVIEW OF OPERATIONS

ODM/OEM

Our ODM/OEM sales improved by 5.7% in FY2011, contributing 67.1% to total Group revenue. During the past year, we had to contend with higher direct labour cost and expenses resulting from the double digit increase in the standard labour rate in the PRC. The appreciation of the Renminbi vis-à-vis the US dollar which fell on the weak labour market and tepid economic recovery there added pressures on our gross profit and gross margin. We experienced a moderate increase in customer orders and benefited from a variation in the delivery schedule to our customers. Our adoption of innovative processing methods and new technology for continuous improvement in product development and delivery as well as our strong customer relationship, ensured our resilience in this sector which is susceptible, by virtue of the markets in which we operate, to the prevailing weak macro-economic conditions. Our innovative solution of combining decoration, forming and moulding processes resulted in several new products which have already been successfully launched into the market by our customers. In the coming year, the ODM/OEM segment will continue to be a growth driver for our Group with new product lines in the pipeline. We will continue to invest in automation and drive productivity which will be key factors in mitigating the rise in labour costs.

MOULDS AND TOOLING

Revenue from Moulds and Tooling decreased by 0.6% in FY2011, accounting for 15.0% of total Group revenue. This segment was impacted by the weak economic climate which resulted in a slowdown of customer orders. The projected weak growth in the global economy is anticipated to weigh down on this business segment's performance in the coming year. We will consolidate and, where necessary, rationalise and streamline operations as we seek to allocate our resources across our Group in the most optimal manner.

MACHINE SALES

Machine Sales turned in stellar results with revenue increasing by 59.8% and contributed 17.9% to total Group revenue. The increased revenue is due to our Group's focused and pro-active marketing efforts and a continued emphasis on providing value-added services, particularly in the area of after-sales servicing. Our comprehensive and total solutions offerings, from product consulting to installation and product training, bode well with customers. With the need to manage manpower costs, companies are anticipated to invest in new machinery and automation, which augurs well for us. The negative effects of inflation and costs pressures may, however, necessitate some measure of consolidation of operations and we, therefore, anticipate our revenue for this segment to be moderated in the coming financial year despite the optimistic outlook.

PROSPECTS AND STRATEGIC INITIATIVES

2012 will remain challenging given the weakness of the US and Eurozone economies and increasingly competitive business environment in the PRC with concerns surrounding increasing wages, rising inflation and appreciation of the Renminbi against the US dollar. There are, however, positive elements to the outlook which we can leverage on. Most major OEMs will be looking to optimise their supplier base which will open up opportunities for our Group to potentially gain a bigger market share. Increasing manpower costs will drive investment in automation in production processes, which will provide opportunities for our Machine Sales segment. The weak outlook for Moulds and Tooling will necessitate us streamlining our operations giving us the opportunity to better align our operations with our long-term strategic direction.

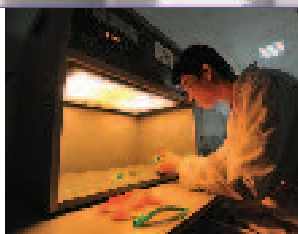
To mitigate the increasing labour and business costs, we are evaluating the setting up of a new production facility to service the requirements of customers as well as to take advantage of any potential cost savings and benefits from tax and government subsidies in the PRC. We intend to conserve our cash position, freeing resources for re-investment in equipment for our factories in order to enhance existing production capability and for R&D into new product lines. We will take advantage of the slower-paced growth to restructure our organisation for better cost and manpower efficiencies. We will continue to pursue our strategy of investing in automation to reduce reliance on manpower, upgrade capabilities and provide customers with new concepts and innovative solutions in order to gain higher order allocation from our existing customers. While we continue to engage our existing customers to strengthen key relationships and focus on maintaining the high standards of quality control and service excellence they expect of us, we will also expend efforts to widen our customer base and penetrate into new industries, when the opportunity arises.

Internally, development of our human capital ranks high on our priority list and towards this end, our Combine Will Academy will continue to offer programmes which are geared towards both technical and managerial skills upgrading to provide opportunities for development and improvement among our staff. The implementation of Key Performance Indicators ("KPIs") across all areas of our organisation ensures a commitment towards and accountability for achieving tangible and measurable results which will lead to higher performance levels. Our back-end processes and systems, such as our IT infrastructure, will be improved for better production planning and control. In summary, the coming year will see us strengthening our core businesses through consolidation of operations, enhancement of processes, continued investment in R&D and improvement of service offerings and performance levels, in order to build long-term sustainable growth and maintain strong profitability.

ACKNOWLEDGEMENT

In view of our need to conserve cash for strategic investments and the anticipated weak outlook for 2012, the Board has decided not to declare dividends for FY2011. It has been a challenging year and I would like to thank the management team and all staff for their continued commitment, dedication and teamwork which allowed us to turn in a commendable performance. I would also like to express our gratitude to our customers, shareholders, dealers and suppliers, business associates, financial institutions and the regulatory authorities for their trust and support of our Group. To my fellow Board members, thank you again for your continued guidance and counsel.

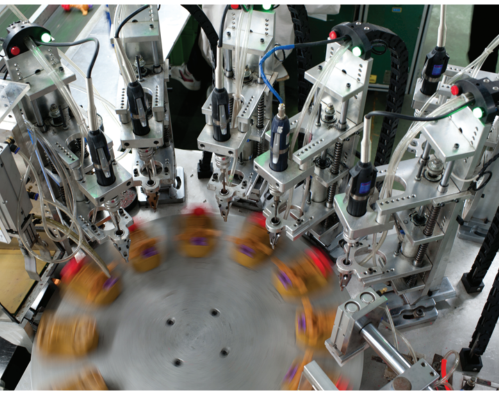
Dominic Tam
Executive Chairman and Chief Executive Officer
Combine Will International Holdings Limited

Gearing up our vertically integrated capabilities to meet changing demands in a fast-moving industry

SEIZING **OPPORTUNITIES**

OPERATIONS REVIEW



SEGMENTAL OVERVIEW

REVENUE

Our Group's overall revenue for FY2011 improved by 11.4% to HK$1,778.2 million over the same period last year, achieving a compounded annual growth rate of 10.0% over the last four years. This resilient performance despite challenging economic conditions was a result of proactive initiatives undertaken by our Group to provide customer-centric, value-added services and continued innovation through R&D. Group gross profit declined by 20.0% year-on-year to HK$219.9 million mainly due to an increase in labour costs and a strengthening of the Renminbi against the US dollar. As a result, gross profit margin for FY2011 was lower at 12.4% compared to 17.2% in FY2010.

ODM/OEM

ODM/OEM has turned in another successful year of revenue increase with the introduction of new products in the consumer sector, with new models in the pipeline. Continued investments in R&D and in new equipment which offers features such as automated processes for decoration and assembly helped sales increase by 5.7% to HK$1,193.6 million in FY2011, accounting for 67.1% of Group revenue. Nevertheless, higher direct labour costs as a result of an increase in the standard labour rate in the PRC and an appreciation of the Renminbi against the US dollar impacted gross profits with our Group being unable to offset these increased costs despite productivity gains. Group profit attributable to this segment decreased by 33.0% to HK$110.1 million in FY2011, representing 50.1% of our Group's total gross profit. Gross profit margin decreased to 9.2% in FY2011 versus 14.5% a year ago.

Our Group will strive to improve existing products as well as propose updated models with new features to satisfy customer demands. Our R&D department, being closely involved in customers' product development efforts, will spearhead the drive to continue offering new and existing customers innovative concepts, taking these through to product development and finally to market launch. One such initiative is the development of a new unique technology by adapting a process used in another industry for use in our manufacture of toy products. Our revenue from the toy segment is forecasted to grow in double digits in the coming years.

MOULDS AND TOOLING

Moulds and Tooling continued to face intense competition from lower cost producers in the PRC with resultant decrease in sales of 0.6% to HK$267.2 million in FY2011, contributing 15.0% to Group revenue. The decreased revenue was due to a slow down of customer orders arising from an uncertain world economy which resulted in weaker demand for its products. Flowing from this, group profit attributable to this segment fell by 27.5% to HK$46.9 million in FY2011. This segment contributed 21.3% to our Group's total gross profit. Gross profit margin decreased to 17.6% in FY2011 versus 24.1% in the previous year.

As the Moulds and Tooling business is closely aligned to the external economic conditions, our Group will focus on consolidating and streamlining this segment due to the slower business outlook in 2012 in order to increase its competitiveness.

MACHINE SALES

Machine Sales recorded the highest increase in revenue amongst the three business segments in FY2011 due to the positive results from our Group's marketing activities and continued focus on providing value-added services. Sales from this segment increased to HK$317.4 million in FY2011, accounting for 17.9% of our Group revenue. In line with the higher sales from this segment, gross profit increased by 37.3% to HK$62.8 million although gross profit margin decreased to 19.8% in FY2011 from 23.0% in FY2010 due to price concessions made on a significant order. Group profit attributable to this segment accounted for 28.6% of our Group's total gross profit.

Our Group anticipates that companies will increase investment in equipment and machinery to automate production processes to counter rising labour costs in the PRC which augurs well for our Group. However, revenue for Machine Sales is expected to be moderated in 2012 due to rising inflation and costs pressures. Our Group intends to continue providing value-added services and turnkey solutions to customers to ensure the strong performance of this segment in the coming year. Our Group will continue to invest in staff training and the enhancement of service quality in co-operation with our suppliers. We will expand our business in Southern China as there are higher margin growth opportunities there.

CORPORATE DEVELOPMENTS

ENHANCING PERFORMANCE IN THE ORGANISATION

To enhance our Group's competitiveness, we have embarked on a comprehensive review of operational standards to establish benchmark KPIs for all aspects of our Group's operations. The exercise was undertaken with the aim of focusing and maximising employee efforts at achieving measurable results in identified areas such as Administration, Customer Service, Production and Planning, R&D, Quality Assurance and Control and Shipping, with the aim of improving performance and service standards in these areas. With the review completed in FY2011, the new KPIs will be implemented in the coming financial year.

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE CITIZENSHIP

Our Group's Corporate Mission, as set out in 2010, was to become a model corporate citizen that sets standards in the manufacturing of plastic, die-casting and electronic products operating with a social responsibility and conscience. As a testament to the great strides made in this area, our Group garnered, amongst others, the following awards in FY2011:

Dongguan Combine Will

- Hengli Town Outstanding Basic Political Party (2011) presented by the local government for outstanding overall performance in business

- Dongguan City Four-star Basic Political Party (2011) presented by the local government for outstanding overall performance in business

- Bronze Medallist – Hang Seng Pearl River Environmental Award (2010/11) presented by Hang Seng Bank for environmental management

- Guangdong-Hong Kong Cleaner Production Partnership (Manufacturing Industry) (2009-2011), programme initiated by HKSAR Government for environmental management

He Yuan Loong Run

- The People of China – Outstanding Unit With Sincerity And Care Between Employer And Workers (2011) presented by the local government for our harmonic relationship with workers

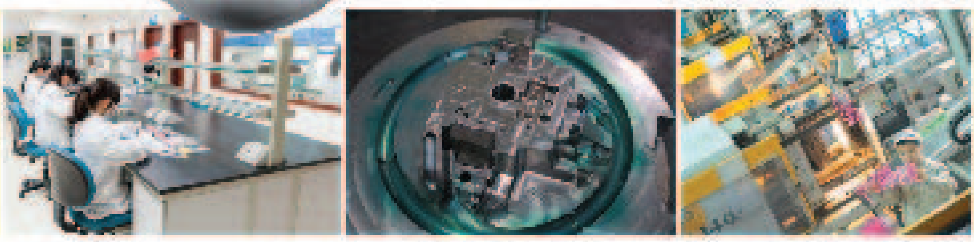
THE CARING COMPANY

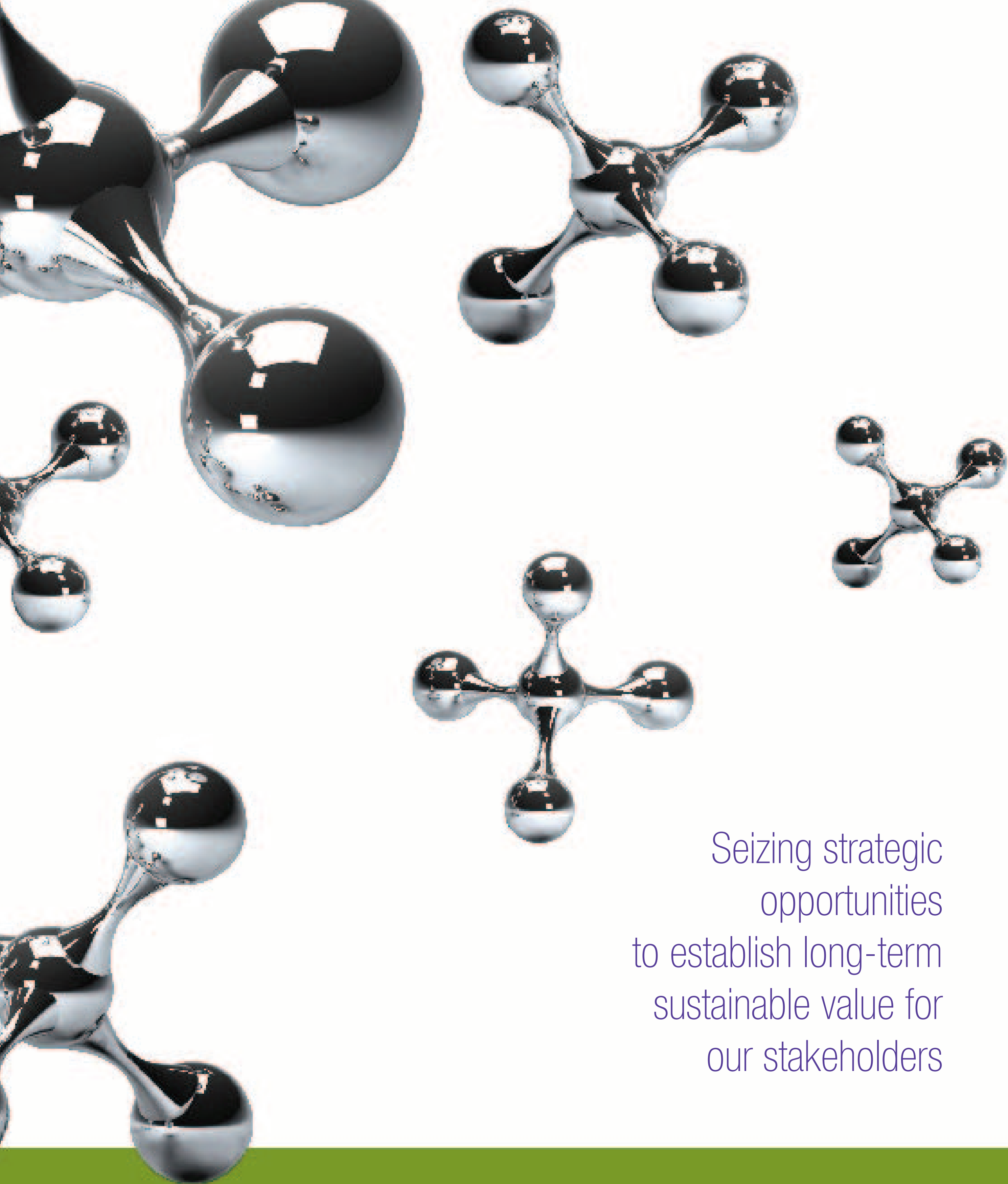
The Caring Company Scheme is administered by the Hong Kong Council of Social Service. Combine Will has been a part of this movement, which seeks to bring organisations together to provide help and relief for the disadvantaged and to build a community spirit within society. As a Caring Company, Combine Will has initiated outreach programmes focused on improving the welfare of disadvantaged children, young people and the elderly through a systematical and planned approach, using various channels to utilise our corporate resources. Through volunteer work, educational and skills training and donations to the community, our Group has contributed to the betterment of society.

A few key programmes encapsulate our Group's spirit of volunteerism. In the past year, our Group undertook voluntary work for Shaoguan School as well as visits to elderly homes. We provided scholarships for the Hong Kong Vocational Training Council Design Education Fund and the Hong Kong Vocational Training Council Prime Enterprises Internship Scholarship. Combine Will was a sponsor of one of our customers' charity programme, providing the monthly ward fee for two sick children as well as donating towards the charity's Golf Tournament and Gala Dinner.

Aside from donations, our Group provided internship opportunities with and study visits to the organisation for students and young adults to enable them to gain an understanding of the process of toy manufacturing and other areas of the industry and to give them hands-on experiences in the industry.

Through these efforts, Combine Will has succeeded in building a participative culture within the organisation which has seen our employees and their families actively engaged in these community and welfare activities to reach out to those in society most in need of help.



Seizing strategic opportunities to establish long-term sustainable value for our stakeholders

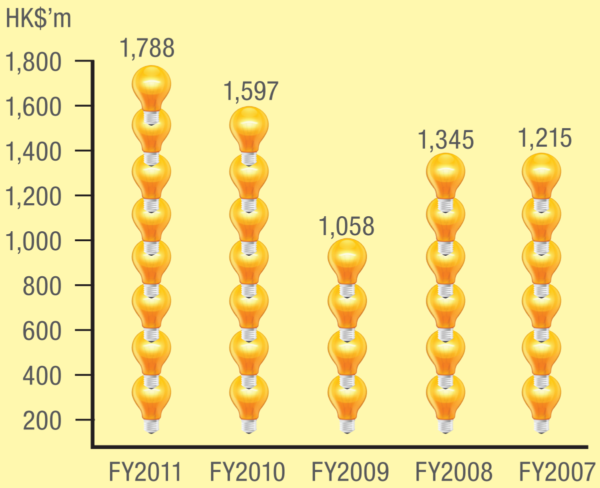
SUSTAINING **GROWTH**

For the year (HK$'m)	FY2011	FY2010	FY2009	FY2008	FY2007
Revenue	1,778.2	1,597.0	1,058.2	1,344.7	1,214.7
Gross Profit	219.9	274.7	165.9	215.7	207.6
Profit before tax	68.9	135.6	61.1	84.3	118.9
Profit attributable to shareholders	40.6	103.8	45.2	72.9	99.2
Basic EPS (HK cents)	123.7[1]	31.65	13.78	25.46	41.34

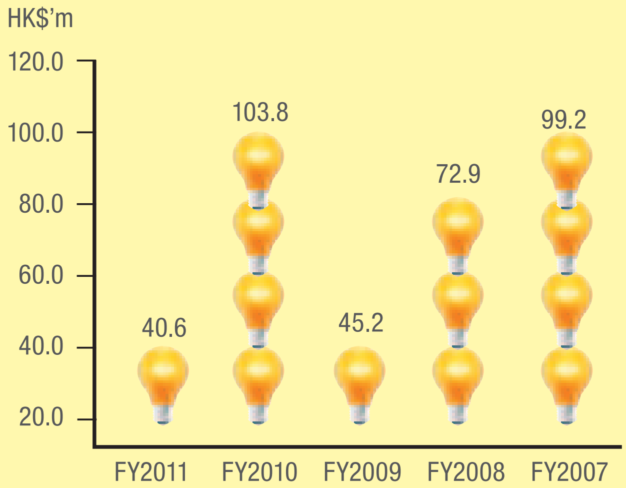
1 Adjusted for the share consolidation exercise completed in April 2011, pursuant to which every 10 existing shares were consolidated into one share.

As at 31 December (HK$'m)	2011	2010	2009	2008	2007
Total Assets	1,765.9	1,591.5	1,047.3	826.3	840.5
Total Liabilities	1,155.8	1,025.5	578.2	394.4	553.1
Total Equity	610.1	566.0	468.8	431.9	284.2
Net cash generated from/(used in) operating activities	67.6	(34.9)	(34.1)	94.2	8.3
Cash and cash equivalents	106.8	160.0	179.1	105.8	69.2

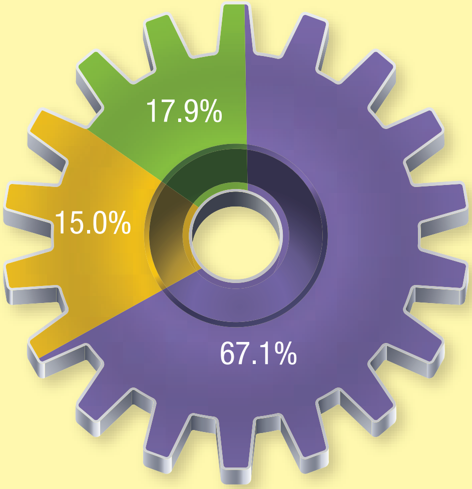
Revenue



Profit Attributable to Shareholders



FINANCIAL HIGHLIGHTS

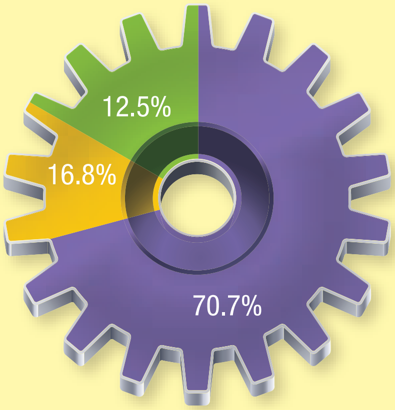


FY2011

ODM/OEM
HK$1,193.6 m

Moulds & Tooling
HK$267.2 m

Machine Sales
HK$317.4 m

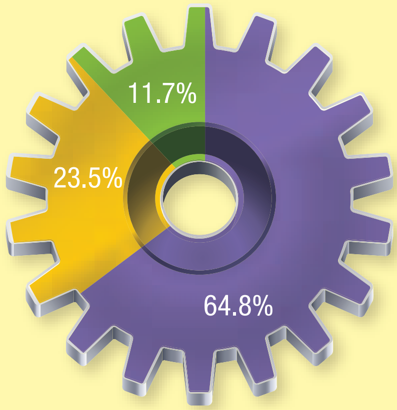


FY2010

ODM/OEM
HK$1,129.6 m

Moulds & Tooling
HK$268.8 m

Machine Sales
HK$198.6 m

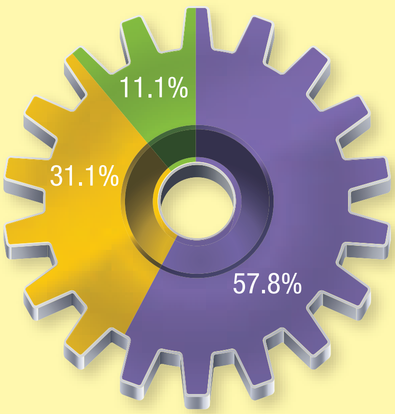


FY2009

ODM/OEM
HK$686.0 m

Moulds & Tooling
HK$248.8 m

Machine Sales
HK$123.4 m

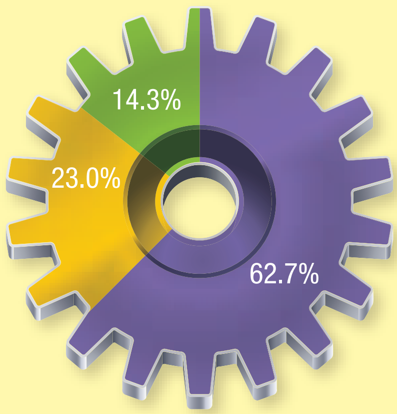


FY2008

ODM/OEM
HK$777.6 m

Moulds & Tooling
HK$417.7 m

Machine Sales
HK$149.4 m



FY2007

ODM/OEM
HK$761.9 m

Moulds & Tooling
HK$279.3 m

Machine Sales
HK$173.5 m

Investing in R&D to create breakthrough products and to position ourselves at the forefront of our industry

DELIVERING **INNOVATIONS**

BOARD OF DIRECTORS

Tam Jo Tak, Dominic

Yau Hing Wah, John

Zheng Naiqiao, Koulman

Chiu Hau Shun, Simon

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 our Group in 1992, he oversees all business and management activities of our Group and is responsible for setting business directions and goals, exploring new business opportunities and maintaining the overall customer relationships of our 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 our Group since its inception in 1992.

Mr Yau has more than 20 years of experience in the toy 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.

Mr Yau graduated with a Higher Certificate in Production and Industrial Engineering from the Hong Kong Polytechnic, majoring in Production Engineering in 1981.

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 our 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 was 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 our Group. He was appointed to our Board on 8 October 2007 and has been with our Group since 2000.

He is currently principally engaged in Human Resources, Administration and Corporate Affairs for our Group. He is also a director of Simon Chiu and Associates Limited, a PRC consultancy business which he founded in 1997. Prior to setting up his own business, he was the chief financial officer of various companies, such as Hua Yang Industrial Co., Ltd., Waly Decoration Company Limited, DMC Hong Kong Limited and G.J.M. Hong Kong Ltd. He was also an assistant general manager of Sumida (HK) Limited from 1991 to 1993. He started his career as an accountant at Arthur Andersen & Co. where he practised for close to eight years.

BOARD OF DIRECTORS


Cheung Hok Fung, Alexander


Chia Seng Hee, Jack


Ning Li

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 Lead Independent Non-Executive Director and was appointed to our Board on 28 March 2008.

Mr Cheung is currently a barrister practising in Hong Kong. He 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 Daqing 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 Jack Capital Solutions Pte Ltd, which he set up in June 2005 to provide fund-raising solutions to companies in Japan and China. 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, respectively.

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 he 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.

He graduated with a Bachelor of Law degree from the University of Political Science and Law, PRC, and a Master of Law from the University of International Business and Economics, PRC.

EXECUTIVE 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 our 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 our 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 for supervising and overseeing our Group's compliance matters related to the law of Korea.

Mr Miu is also a director of Vinco Financial Group Limited and is mainly responsible for corporate and business development for our Group and also overseeing our Group's compliance matters. Mr 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 Miu entered the financial services industry in the early 1990s 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 of its remuneration committee.

Mr Miu holds a Bachelor's degree in Accounting awarded by The Hong Kong Polytechnic University and a Masters degree in Business Administration awarded jointly by the University of Wales and the University of Manchester.

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

AUDITORS

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 Wong Poh Weng, CPA (With effect from FY2011)

PRINCIPAL BANKERS

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

The Hongkong and Shanghai Banking Corporation Limited
10/F, HSBC Main Building
1 Queen's Road, Central
Hong Kong

Industrial and Commercial Bank of China Limited
34/F, ICBC Tower
3 Garden Road, Central
Hong Kong

FINANCIAL CONTENTS

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 (the "**Listing Manual**") issued by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

The corporate governance practices of the Company for the financial year ended 31 December 2011 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 supervising the management and affairs of the Company. In providing stewardship for the Company, the Board also endeavours to enhance and protect long-term returns and value for its shareholders. 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 strategies developed and recommended by the management;
- ensuring that decisions and investments are consistent with long-term strategic goals;
- ensuring that the Company preserves its financial integrity and its operations are 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 "**AC**"), the quality and integrity of the Company's accounting and financial reporting systems, disclosure controls and procedures, internal controls and risk management systems;
- reviewing transactions entailing any material acquisitions or disposals of assets; and
- assuming overall responsibility for corporate governance.

Board Composition and Guidance

Presently, the Board consists of seven (7) members; comprising three (3) independent non-executive directors and four (4) executive directors. A brief profile of each director is presented in the section entitled “Board of Directors” of this Annual Report and their shareholdings in the Company and its subsidiaries are disclosed in the section “Statistics of Shareholdings”. Unless otherwise disclosed in the aforementioned section, the directors do not hold any shares in the Company or its subsidiaries.

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

The Board has used its best efforts to ensure that the directors appointed to the Board have the appropriate mix of expertise and diversity in experience, such that each of them possesses the background 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 in-depth understanding of the industry and customer base, familiarity with regulatory requirements, as well as 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 provide 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 via 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 of Board and committees meetings are minuted and signed by the respective Chairmen of the meetings.

During the financial year ended 31 December 2011, the number of meetings held by the Board and its committees and the details of attendance are as follows:

	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee	
Name of directors	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Tam Jo Tak, Dominic	4	4	4	–	–	–	–	–
Yau Hing Wah, John	4	4	4	–	–	–	–	–
Zheng Naiqiao, Koulman	4	4	4	–	–	–	–	–
Chiu Hau Shun, Simon	4	4	4	4[(a)]	1	1[(a)]	1	1[(a)]
Cheung Hok Fung, Alexander	4	4	4	4	1	1	1	1
Chia Seng Hee, Jack	4	4	4	3	1	1	1	1
Ning Li	4	4	4	4	1	1	1	1

(a) Attended the meetings as an invitee.

Mr. Zheng Naiqiao, Koulman, who is retiring pursuant to Article 86 of the Company's Articles of Association, will not be offering himself for re-election at the forthcoming Annual General Meeting of the Company.

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 out business directions and goals, exploring new business opportunities and maintaining overall customer relationships of the Group. Mr. Tam has more than 25 years of experience of toy product development and in the manufacturing industry.

Mr. Tam is also responsible for heading the Board and ensures that all directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in the Board's decision-making process. 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 judgment to the decision-making processes of the Board and provide an adequate check and balance for the executive directors.

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

Board Membership

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

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

The principal functions of the NC are set out below:

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

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

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

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

From time to time, the directors will also 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 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. These evaluations are then discussed at the Board meetings held every February.

Access to information

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

The directors have separate and independent access to the Company Secretaries. All Board and committee meetings are to be conducted in the presence of the Company Secretaries 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:

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

The RC is for responsible for the following:

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

- reviewing and administering the Company's compensation schemes such as the 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 schemes implemented by 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 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 factored into each remuneration package.

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

Disclosure of Remuneration

The remuneration of the directors and the key executives (who are not directors) for the financial year ended 31 December 2011, 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				
S$250,000 to below S$500,000				
Qiu Guo Lian, David	60.3	39.7	–	100.0
Li Hin Lun, Alan	60.9	39.1	–	100.0
Hung Kam Tim, Samuel	48.9	51.1	–	100.0
Tsang Hung Leung, Alan	86.7	13.3	–	100.0

III ACCOUNTABILITY AND AUDIT

(Principles 10, 11, 12 and 13)

Audit Committee

The AC comprises three Independent Non-Executive Directors:

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

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, with a focus 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. The AC also has full access to, and the co-operation of, the management, as well as full discretion to invite any director to attend its meetings. The AC is equipped with reasonable resources to enable it to discharge its functions.

The duties and responsibilities of the AC include:

- reviewing, 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 the management's response;
- ensuring co-ordination where more than one audit firm is involved;
- reviewing the quarterly and annual financial statements of the Company before submission to the Board for approval;
- reviewing the financial statements of the Company, the consolidated statement of changes in equity and consolidated statement of comprehensive income, before approval by the Board;
- discussing problems and concerns, if any, arising from the quarterly and final audits, in consultation with the external auditors and the internal auditors where necessary;
- meeting with the external auditors and the internal auditors at least annually, without attendance of the management, to discuss any problems and concerns the auditors may have;
- reviewing the assistance provided by the management to the external auditors;
- reviewing 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, reviewing 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;
- reviewing 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 projects where relevant, as well as ensuring that such procedures are adequate) and to ensure co-ordination between the internal and external auditors and the management;
- reviewing the scope and results of the internal audit procedures;

- reviewing and assessing the adequacy of the Company's internal financial controls, operational and compliance controls as well as risk management policies and systems;

- reviewing and discussing 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 the management's response to such an occurrence;

- reviewing 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;

- investigating any matter within its terms of reference, with full access to and co-operation from the 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;

- reviewing interested person transactions ("IPTs") falling within the scope of the SGX-ST Listing Manual and potential conflicts of interest, if any;

- undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;

- undertaking such other functions and duties as may be required by relevant legislation or the Listing Manual, and by such amendments made thereto from time to time; and

- considering 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 Consulting Limited, which reports directly to the Chairman of the AC on audit matters. The internal auditors' scope of work will be reviewed by the AC, and the resulting report issued by the internal auditors will be reviewed in detail by the AC in conjunction with the management.

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

At the forthcoming Annual General Meeting of the Company, shareholders' approval will be sought for the appointment of RSM Chio Lim LLP as joint auditors with RSM Nelson Wheeler. The Board and the AC are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company. Accordingly, Rules 712 and 716 of the Listing Manual will be complied with.

During the year under review, the aggregate amount of fees paid to RSM Nelson Wheeler for its provision of audit and non-audit services amounted to HK$1,300,000 and HK$1,123,000 respectively. The AC has undertaken a review of all non-audit services provided by RSM Nelson Wheeler and they would not, in the AC's opinion, affect the independence of RSM Nelson Wheeler.

IV. COMMUNICATION WITH SHAREHOLDERS

(Principles 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, at which they are allowed to vote in person or in absentia. Shareholders will be afforded adequate opportunities 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(19) 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

The 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 also reviews all significant control policies and procedures and highlights all significant matters to the directors and the AC.

VIII. INTERESTED PERSON TRANSACTIONS

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

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

There were no significant interested person transactions during the financial year ended 31 December 2011.

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 [1] (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 [2]	Amount Allocated HK$ (million)	Total Amount utilised HK$ (million)	Balance HK$ (million)
Plant, Machinery and production facilities	45.6	45.6	–
Research and development	11.4	11.4	–
Sales and marketing network	5.7	5.7	–
General working capital	30.0	30.0	–
Total	92.7	92.7	–

1 The amount is calculated based on a conversion rate of S$1: HK$5.70.

2 The reallocation of total net proceeds for the following purposes was announced on 15 July 2010.

STATEMENT BY DIRECTORS

For the year ended 31 December 2011

In the opinion of the Board of Directors,

(a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon as set out on pages 35 to 75, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Tam Jo Tak, Dominic
Executive Chairman and
Chief Executive Officer

Chiu Hau Shun, Simon
Executive Director

30 March 2012

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 75, which comprise the consolidated and Company statements of financial position as at 31 December 2011, 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 2011, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

30 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000 (restated)
Revenue	7	**1,778,188**	1,596,996
Cost of sales		**(1,558,335)**	(1,322,304)
Gross profit		**219,853**	274,692
Other income	8	**35,762**	16,020
Selling and distribution expenses		**(28,403)**	(24,739)
Administrative expenses		**(132,225)**	(113,548)
Profit from operations		**94,987**	152,425
Finance costs	9	**(26,043)**	(16,866)
Profit before tax		**68,944**	135,559
Income tax expense	10	**(18,862)**	(25,886)
Profit for the year	11	**50,082**	109,673
Attributable to:			
Owners of the Company		**40,561**	103,815
Non-controlling interests		**9,521**	5,858
		50,082	109,673
Earnings per share (HK cents)	14	**123.66**	316.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**50,082**	109,673
Other comprehensive income:		
Exchange differences on translating foreign operations	**17,461**	6,015
Other comprehensive income for the year, net of tax	**17,461**	6,015
Total comprehensive income for the year	**67,543**	115,688
Attributable to:		
Owners of the Company	**57,320**	109,761
Non-controlling interests	**10,223**	5,927
	67,543	115,688

STATEMENTS OF FINANCIAL POSITION

At 31 December 2011

		Group		Company	
		2011	2010	**2011**	2010
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	**303,626**	294,966	**–**	–
Investments in subsidiaries	16	**–**	–	**310,205**	310,205
Goodwill	17	**2,417**	2,417	**–**	–
Available-for-sale financial assets	18	**–**	–	**–**	–
Total non-current assets		**306,043**	297,383	**310,205**	310,205
Current assets					
Inventories	19	**442,813**	412,479	**–**	–
Trade and bills receivables	20	**378,132**	317,251	**–**	–
Prepayments, deposits and other receivables	21	**180,251**	173,290	**–**	–
Due from subsidiaries	16	**–**	–	**151,513**	152,834
Current tax assets		**20,336**	2,208	**–**	–
Pledged bank deposits	22	**329,639**	228,826	**–**	–
Bank and cash balances	22	**108,726**	160,016	**109**	109
Total current assets		**1,459,897**	1,294,070	**151,622**	152,943
Total assets		**1,765,940**	1,591,453	**461,827**	463,148
LIABILITIES AND EQUITY					
Non-current liabilities					
Long-term borrowings	23	**141,276**	94,458	**–**	–
Deferred tax liabilities	24	**3,140**	3,140	**–**	–
Total non-current liabilities		**144,416**	97,598	**–**	–
Current liabilities					
Trade and bills payables	25	**196,570**	172,223	**–**	–
Accruals and other payables	26	**192,720**	135,632	**455**	455
Term loans	27	**326,531**	225,505	**–**	–
Short-term borrowings	28	**214,943**	340,252	**–**	–
Long-term borrowings	23	**53,393**	34,980	**–**	–
Current tax liabilities		**27,260**	19,269	**–**	–
Total current liabilities		**1,011,417**	927,861	**455**	455
Total liabilities		**1,155,833**	1,025,459	**455**	455
Equity attributable to owners of the Company					
Share capital	29	**246,000**	246,000	**246,000**	246,000
Reserves	30	**339,996**	303,697	**215,372**	216,693
		585,996	549,697	**461,372**	462,693
Non-controlling interests		**24,111**	16,297	**–**	–
Total equity		**610,107**	565,994	**461,372**	462,693
Total liabilities and equity		**1,765,940**	1,591,453	**461,827**	463,148

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Statutory reserves (Note) HK$'000	Foreign currency translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 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	–	–	–	–	(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 and 1 January 2011	246,000	26,488	2,057	33,252	241,900	549,697	16,297	565,994
Total comprehensive income for the year	–	–	–	16,759	40,561	57,320	10,223	67,543
Dividends to owners (Note 13)	–	–	–	–	(21,021)	(21,021)	–	(21,021)
Dividends to non-controlling interests	–	–	–	–	–	–	(2,409)	(2,409)
Changes in equity for the year	–	–	–	16,759	19,540	36,299	7,814	44,113
Balance at 31 December 2011	246,000	26,488	2,057	50,011	261,440	585,996	24,111	610,107

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 2011

	Note	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**68,944**	135,559
Adjustments for:			
Depreciation		**53,315**	52,172
Loss on disposal of property, plant and equipment		**206**	846
Bad debts written off		**142**	–
Interest income		**(9,162)**	(523)
Finance costs		**26,043**	16,866
Operating profit before working capital changes		**139,488**	204,920
Increase in inventories		**(30,334)**	(136,452)
Increase in trade and bills receivables		**(61,023)**	(60,972)
Increase in prepayments, deposits and other receivables		**(6,961)**	(92,536)
Increase in trade and bills payables		**24,347**	46,630
Increase in accruals and other payables		**57,088**	35,550
Cash generated from/(used in) operations		**122,605**	(2,860)
Interest paid		**(26,043)**	(16,865)
Income taxes paid		**(28,999)**	(15,128)
Net cash generated from/(used in) operating activities		**67,563**	(34,853)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in pledged bank deposits		**(100,813)**	(228,826)
Purchases of property, plant and equipment		**(51,725)**	(104,206)
Proceeds from disposal of property, plant and equipment		**89**	771
Interest received		**9,162**	523
Net cash used in investing activities		**(143,287)**	(331,738)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of new short-term bank loans		**15,000**	74,790
Inception of new long-term bank loans		**100,211**	110,000
Inception of new term loans		**326,531**	225,505
Repayment of short-term bank loans		**(45,889)**	(118,342)
Repayment of long-term borrowings		**(34,980)**	(25,566)
Repayment of term loans		**(225,505)**	–
Net (repayment)/advance of trust receipt and import loans		**(96,309)**	96,663
Finance leases charges		**–**	(1)
Repayment of finance lease payables		**–**	(67)
Dividends paid to owners		**(21,021)**	(18,529)
Dividends paid to non-controlling interests		**(2,409)**	–
Net cash generated from financing activities		**15,629**	344,453
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(60,095)**	(22,138)
Net effect of exchange rate changes in consolidating subsidiaries		**6,916**	3,089
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**160,009**	179,058
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	31	**106,830**	160,009

1. GENERAL INFORMATION

The financial statements of the Company and of the Group for the year ended 31 December 2011 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 16 to the financial statements.

In the opinion of the directors of the Company, as at 31 December 2011, 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, and International Accounting Standards issued by the International Accounting Standards Board ("IASB") and the Interpretations issued by the IFRS Interpretations Committee of the IASB. The Group adopted all of the new and revised standards and interpretations issued by the IASB and the IFRS Interpretations Committee of the IASB that were relevant and effective for its accounting year beginning on 1 January 2011. 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.

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 IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Consolidation (cont'd)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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 consolidated profit or loss as part of the gain or loss on disposal.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment

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

Cost includes acquisition cost and any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

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

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

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.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Recognition and derecognition of financial instruments

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

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

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

(h) Investments

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

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

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

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

(ii) Available-for-sale financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

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.

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.

(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 2011, 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$391,000 (2010: HK$776,000) lower, arising mainly as a result of the net foreign exchange loss on term loans, short-term borrowings and trade and bills receivables denominated in USD. If the HK$ 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$391,000 (2010: HK$776,000) higher, 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 2011, 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$2,868,000 (2010: HK$2,697,000) higher, arising mainly as a result of the foreign exchange gain on pledged bank deposits and bank and cash balances denominated in RMB. If the HK$ 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$2,868,000 (2010: HK$2,697,000) 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 2011, 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$885,000 (2010: HK$1,095,000) 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$885,000 (2010: HK$1,095,000) lower, arising mainly as a result of higher interest expense on bank loans.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Credit risk

The carrying amount of the bank and cash balances, pledged bank deposits and trade 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 maturity analysis of the Group's financial liabilities is as follows:

	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
At 31 December 2011					
Trade and bills payables	–	196,570	–	–	–
Accruals and other payables	–	192,720	–	–	–
Term loans	–	332,675	–	–	–
Short-term borrowings	215,065	–	–	–	–
Long-term borrowings	–	59,854	51,825	98,654	–
At 31 December 2010					
Trade and bills payables	–	172,223	–	–	–
Accruals and other payables	–	135,632	–	–	–
Term loans	–	227,688	–	–	–
Short-term borrowings	340,331	–	–	–	–
Long-term borrowings	–	36,527	34,401	64,131	–

(e) Categories of financial instruments at 31 December 2011

	2011 HK$'000	2010 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**919,876**	800,203
Financial liabilities:		
Financial liabilities at amortised cost	**1,009,628**	943,379

(f) Fair values

Except as disclosed in note 18 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.

Key management compensation

	2011	2010
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**15,274**	13,633

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

	2011	2010
	HK$'000	HK$'000
Remunerations of directors of the Company	**7,219**	7,218
Fees to directors of the Company	**1,118**	845

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

	2011	2010
	HK$'000	HK$'000
Sales of goods	**1,778,188**	1,596,996

8. OTHER INCOME

	2011	2010
	HK$'000	HK$'000
Bank interest income	**9,162**	523
Government grants (note)	**5,324**	478
Miscellaneous receipts	**8,770**	6,104
Mould engineering income, net	**5,822**	5,920
Rebate from suppliers	**5,166**	1,031
Rental income	**912**	1,122
Sales of scrap materials	**606**	842
	35,762	16,020

Note: Government grants mainly related to the subsidy received from the local government authority for the achievements of the Group's laboratory.

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Finance leases charges	**–**	1
Interest on bank loans and overdrafts	**26,043**	16,865
	26,043	16,866

10. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
Current tax expenses		
– Hong Kong	**7,928**	13,903
– The PRC	**10,044**	11,323
– Overseas	**–**	9
	17,972	25,235
Under-provision in prior years	**890**	651
	18,862	25,886

Hong Kong Profits Tax has been provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year ended 31 December 2011 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 years ended 31 December 2011 and 2010, the applicable PRC enterprise income tax rates are 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 2011, the dividend income tax of the Group amounted to HK$1,297,000 (2010: HK$944,000) have not been provided as the amount was immaterial.

10. INCOME TAX EXPENSE (CONT'D)

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

	2011 HK$'000	2010 HK$'000
Profit before tax	**68,944**	135,559
Income tax expense at Hong Kong Profits Tax rate	**11,376**	22,367
Tax effect of income that is not taxable	**(10)**	(155)
Tax effect of expenses that are not deductible	**3,161**	1,402
Tax effect of temporary differences not recognised	**(91)**	24
Tax effect of utilisation of tax losses not previously recognised	**(257)**	(247)
Tax effect of tax losses not recognised	**358**	400
Effect of different tax rates of subsidiaries	**4,191**	5,444
Effect of tax concession	**(1,588)**	(4,000)
Under-provision in prior years	**890**	651
Over-provision for the year	**832**	–
Income tax expense	**18,862**	25,886

11. PROFIT FOR THE YEAR

The Group's profit for the year is stated after (crediting)/charging the following:

	2011 HK$'000	2010 HK$'000
Bad debts written off	**142**	–
Depreciation	**53,315**	52,172
Loss on disposal of property, plant and equipment	**206**	846
Write off of deposits paid	**11,245**	–
Exchange differences	**(2,296)**	1,613
Operating lease expenses	**19,015**	11,108

Note: The write off of deposits paid related to the professional fees and various expenses incurred for the proposed dual listing of the Company on the Korean Exchange.

12. EMPLOYEE BENEFITS EXPENSES

	2011 HK$'000	2010 HK$'000
Employee benefits expenses including directors	**388,573**	331,478
Contributions to defined contribution scheme	**16,563**	3,000
Employee benefits expenses	**405,136**	334,478

13. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Special dividend of Singapore dollar ("SGD") 0.09 (2010: SGD Nil) per share for the financial year ended 31 December 2010 declared and paid during the year	**18,970**	–
Final dividend proposed by the Company of SGD Nil (2010: SGD0.01) per share for the financial year	**–**	2,051

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$40,561,000 (2010: HK$103,815,000) by the weighted average number of ordinary shares of 32,800,000 (2010: 32,800,000, as adjusted to reflect the share consolidation in April 2011) 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 years ended 31 December 2011 and 2010.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Plant and machinery HK$'000	Toolings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 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 and 1 January 2011	89,102	486,181	43,102	64,742	10,460	693,587
Additions	–	44,663	1,473	3,314	2,275	51,725
Disposals	–	(985)	–	(271)	–	(1,256)
Exchange differences	1,586	9,586	2,264	425	151	14,012
At 31 December 2011	90,688	539,445	46,839	68,210	12,886	758,068
Accumulated depreciation						
At 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 and 1 January 2011	61,343	242,143	39,780	46,865	8,490	398,621
Charge for the year	5,439	40,033	1,986	4,773	1,084	53,315
Disposals	–	(757)	–	(204)	–	(961)
Exchange differences	1,286	1,711	266	130	74	3,467
At 31 December 2011	68,068	283,130	42,032	51,564	9,648	454,442
Carrying amount						
At 31 December 2011	22,620	256,315	4,807	16,646	3,238	303,626
At 31 December 2010	27,759	244,038	3,322	17,877	1,970	294,966

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

Group (cont'd)

The depreciation expense is charged as follows:

	Cost of sales HK$'000	Administrative expenses HK$'000	Total HK$'000
Financial year ended 31 December 2011	48,668	4,647	53,315
Financial year ended 31 December 2010	47,078	5,094	52,172

At 31 December 2011, the carrying amount of land and buildings pledged as security for the Group's banking facilities amounted to HK$10,817,000 (2010: HK$11,145,000).

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 HK$'000	2010 HK$'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 2011 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$84,893,520	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

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2011 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 %
东莞联弘玩具有限公司 (Dongguan Loong Run Toys Company Limited) ***	21 August 2002 Dongguan, Guangdong, PRC	Manufacturing of plastic toys, die casting and premium items on OEM basis	HK$14,500,000	100
Legacy Giftware Limited **	6 August 1996 Hong Kong	Investment holding and trading of plastic toys, die casting and premium items on OEM basis	HK$3,100,000	100
东莞联艺工艺制品有限公司 (Dongguan Legacy Craft Product Limited)	29 May 2002 Dongguan, Guangdong, PRC	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$25,361,000	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

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2011 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	USD2,100,000	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 according to the laws of country of incorporation.

** The statutory financial statements for the year ended 31 December 2011 were audited by RSM Nelson Wheeler.

*** The statutory financial statements for the year ended 31 December 2011 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 2011 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.

17. GOODWILL

	Group HK$'000
Cost and carrying amount	
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	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 ("ODM")/original equipment manufacturers services ("OEM") 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%.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2011 HK$'000	2010 HK$'000
Unlisted equity securities, at cost	**3,779**	3,779
Less: Impairment loss on available-for-sale financial assets	**(3,779)**	(3,779)
	–	–

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

The above amount is denominated in SGD.

19. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials, consumables and supplies	**65,587**	75,449
Work in progress	**207,862**	174,990
Finished goods	**178,023**	170,699
Less: Allowance for impairment	**(8,659)**	(8,659)
	442,813	412,479

	2011	2010
	HK$'000	HK$'000
The cost of sales includes the following:		
Changes in inventories of finished goods and work in progress increased	**40,196**	135,071
Raw materials and consumables used	**844,160**	646,313

20. TRADE AND BILLS RECEIVABLES

The average credit period generally granted to non-related trade and bills receivables customers for the year ended 31 December 2011 is about 90 days (2010: 90 days).

The movement of allowance for trade receivables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**3,889**	3,889
Amounts written off	**(89)**	–
At 31 December	**3,800**	3,889

As of 31 December 2011, trade receivables of approximately HK$200,740,000 (2010: HK$59,702,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Up to 3 months	**131,104**	41,236
Over 3 months	**69,636**	18,466
	200,740	59,702

20. TRADE AND BILLS RECEIVABLES (CONT'D)

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

	Group	
	2011	2010
	HK$'000	HK$'000
RMB	**35,970**	26,306
USD	**167,625**	182,006
JPY	**10,520**	6,032
Euro ("EUR")	**4,360**	1,521

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Prepayments	**27,983**	36,373
Trade deposits paid	**38,996**	21,074
Utility and other deposits	**9,893**	21,733
Other receivables	**103,379**	94,110
	180,251	173,290

22. 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 27 to the financial statements. The deposits are in RMB and at fixed interest rate ranged from 2.41% to 2.65% 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 and Company is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**11,572**	14,584	**–**	–
RMB	**45,452**	89,884	**–**	–
JPY	**4,125**	8,867	**–**	–
EUR	**4,077**	5,791	**–**	–
SGD	**109**	109	**109**	109
Australian dollars	**–**	6	**–**	–
Korean Won ("KRW")	**369**	434	**–**	–

The rate of interest for the cash on interest earning balances is between 0.01% to 0.50% (2010: 0.01% to 0.36%) per annum. These approximate the effective interest rates.

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

23. LONG-TERM BORROWINGS

The long term borrowings are repayable as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within 1 year	**53,393**	34,980
Later than 1 year and not later than 2 years	**47,304**	32,950
Later than 2 years and not later than 5 years	**93,972**	61,508
	194,669	129,438

The carrying amounts of the Group's long-term borrowings are denominated in the following currencies:

	Group	
	2011	2010
	HK$'000	HK$'000
HK$	**144,459**	129,438
USD	**50,210**	–
	194,669	129,438

The interest rate of the long-term borrowings as at 31 December 2011 was ranged from 2.13% to 4.75% (2010: 1.77% to 3.75%) 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.

24. DEFERRED TAX LIABILITIES

The following are 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 2010, 31 December 2010, 1 January 2011 and 31 December 2011	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	
	2011	2010
	HK$'000	HK$'000
Deferred tax liabilities	**3,140**	3,140

At the end of the reporting period the Group has unused tax losses of HK$22,100,000 (2010: HK$23,430,000) available for offset against future profits and no deferred tax asset has been recognised due to the unpredictability of future profit streams.

25. TRADE AND BILLS PAYABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Bills payables, secured (Note 32)	**34,967**	26,318
Trade payables	**161,603**	145,905
	196,570	172,223

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

	Group	
	2011	2010
	HK$'000	HK$'000
USD	**34,009**	32,657
RMB	**106,965**	83,196
SGD	**217**	5
JPY	**7,530**	1,271
KRW	**558**	–

The average credit period taken to settle non-related trade payables for the year ended 31 December 2011 is about 30 to 60 days (2010: 30 to 60 days).

26. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals	**57,579**	57,967	**–**	–
Mould and trade deposits received	**115,806**	59,671	**–**	–
Other payables	**19,335**	17,994	**455**	455
	192,720	135,632	**455**	455

27. TERM LOANS

During the year ended 31 December 2011, term loans are drawn from 11 January 2011 to 30 June 2011 (2010: from 28 October 2010 to 23 November 2010), secured by the pledged deposits of the Group (note 22) and repayable within one year. The interest rate of the term loans as at 31 December 2011 ranged from 1.42% to 2.12% (2010: 0.86% to 1.51%) per annum and the Group entered into contracts with the banks to use interest rate swaps to manage its exposure to interest rate movements on the term loans.

28. SHORT-TERM BORROWINGS

	Group	
	2011	2010
	HK$'000	HK$'000
Bank loans, secured (Note 32)	**35,000**	65,889
Trust receipt and import loans, secured (Note 32)	**178,047**	274,356
Bank overdraft, secured (Note 32)	**1,896**	7
	214,943	340,252

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

	Group	
	2011	2010
	HK$'000	HK$'000
JPY	**–**	1,367
USD	**74,469**	118,338

The average interest rates at 31 December were as follows:

	Group	
	2011	2010
Bank loans, secured	**4.0%**	3.1%
Trust receipt and import loans, secured	**2.0%**	3.6%
Bank overdraft, secured	**5.8%**	5.5%

Short-term borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

29. SHARE CAPITAL

	Company	
	Number of Shares	Amount HK$
Authorised:		
Ordinary shares of HK$7.50 (2010: HK$0.75) each		
At 1 January 2010, 31 December 2010 and 1 January 2011	1,000,000,000	750,000,000
Share consolidation (note)	(900,000,000)	–
At 31 December 2011	100,000,000	750,000,000
Issued and fully paid:		
Ordinary shares of HK$7.50 (2010: HK$0.75) each		
At 1 January 2010, 31 December 2010 and 1 January 2011	328,000,000	246,000,000
Share consolidation (note)	(295,200,000)	–
At 31 December 2011	32,800,000	246,000,000

Note: On 6 April 2011, a share consolidation of every ten existing ordinary shares of HK$0.75 each consolidated into one consolidated share of HK$7.50 each. As a result, the issued shares of the Company decreased from 328,000,000 ordinary shares of HK$0.75 each to 32,800,000 ordinary shares of HK$7.50 each.

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	
	2011 HK$'000	2010 HK$'000
Total debt	**736,143**	695,202
Less: Cash and cash equivalents (note 31)	**(106,830)**	(160,009)
Net debt	**629,313**	535,193
Total equity and adjusted capital	**610,107**	565,994

29. SHARE CAPITAL (CONT'D)

	Group	
	2011	2010
Debt-to-adjusted capital ratio	**103%**	95%

The increase in the debt-to-adjusted capital ratio during 2011 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 2011, 26.5% (2010: 26.5%) of the total issued shares were in public hands.

30. 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$'000 (Note 30(c)(i))	Contributed surplus HK$'000 (Note 30(c)(ii))	Retained earnings HK$'000	Total HK$'000
At 1 January 2010	26,488	130,205	60,000	216,693
Profit for the year	–	–	18,529	18,529
Dividend to owners	–	–	(18,529)	(18,529)
At 31 December 2010 and 1 January 2011	26,488	130,205	60,000	216,693
Profit for the year	–	–	19,700	19,700
Dividend to owners (Note 13)	–	–	(21,021)	(21,021)
At 31 December 2011	26,488	130,205	58,679	215,372

30. 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)(iii) to the financial statements.

31. CASH AND CASH EQUIVALENTS

	Group	
	2011	2010
	HK$'000	HK$'000
Bank and cash balances	**108,726**	160,016
Bank overdraft (Note 28)	**(1,896)**	(7)
	106,830	160,009

32. BANKING FACILITIES

	Group	
	2011	2010
	HK$'000	HK$'000
Banking facilities, secured	**2,661,488**	1,408,000

The above banking facilities are secured by:

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

(ii) guarantees 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 2011 none of the covenants relating to drawn down facilities had been breached (2010: HK$Nil).

33. 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	
	2011	2010
	HK$'000	HK$'000
Not later than one year	**6,075**	6,415
Later than one year and not later than five years	**3,507**	4,639
	9,582	11,054

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.

34. CAPITAL COMMITMENTS

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

	Group	
	2011	2010
	HK$'000	HK$'000
Purchase of property, plant and equipment	**1,375**	3,584

35. 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) ODM/OEM – Manufacture of toys and premium products

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

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

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

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

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

35. SEGMENT INFORMATION (CONT'D)

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

	ODM/OEM HK$'000	Moulds and Tooling HK$'000	Trading HK$'000	Total HK$'000
Year ended 31 December 2011				
Revenue from external customers	**1,193,628**	**267,160**	**317,400**	**1,778,188**
Intersegment revenue	**–**	**11,355**	**25**	**11,380**
Segment profit	**70,049**	**15,200**	**28,861**	**114,110**
Interest revenue	**9,060**	**29**	**73**	**9,162**
Interest expense	**24,566**	**911**	**566**	**26,043**
Depreciation	**32,502**	**20,632**	**181**	**53,315**
Income tax expense	**9,911**	**2,201**	**6,750**	**18,862**
Additions to segment non-current assets	**23,082**	**28,046**	**597**	**51,725**
As at 31 December 2011				
Segment assets	**885,393**	**283,416**	**119,242**	**1,288,051**
Segment liabilities	**170,344**	**90,962**	**126,906**	**388,212**
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
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

35. SEGMENT INFORMATION (CONT'D)

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

	2011	2010
	HK$'000	HK$'000
Revenue		
Total revenue of reportable segments	**1,789,568**	1,621,683
Elimination of intersegment revenue	**(11,380)**	(24,687)
Consolidated revenue	**1,778,188**	1,596,996
Profit or loss		
Total profit or loss of reportable segments	**114,110**	163,307
Other profit or loss	**(64,028)**	(50,640)
Elimination of intersegment profits	**–**	(2,994)
Consolidated profit for the year	**50,082**	109,673
Assets		
Total assets of reportable segments	**1,288,051**	1,170,819
Other assets	**477,889**	420,634
Consolidated total assets	**1,765,940**	1,591,453
Liabilities		
Total liabilities of reportable segments	**388,212**	303,850
Other liabilities	**767,621**	721,609
Consolidated total liabilities	**1,155,833**	1,025,459
Other material items		
Depreciation	**53,315**	52,172
Interest expense	**26,043**	16,866
Additions of property, plant and equipment	**51,725**	104,206

35. SEGMENT INFORMATION (CONT'D)

Geographical information:

	Revenue		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia Pacific				
Greater China (including PRC, Hong Kong, Macau and Taiwan)	**1,018,273**	770,666	**305,905**	297,171
Singapore	**309,738**	–	**–**	–
Australia	**2,397**	217,125	**–**	–
Other countries	**27,520**	29,957	**114**	184
	1,357,928	1,017,748	**306,019**	297,355
America				
United States	**120,277**	264,541	**24**	28
Other countries	**51,830**	51,291	**–**	–
	172,107	315,832	**24**	28
Europe				
Germany	**177,910**	158,762	**–**	–
Other countries	**70,243**	104,654	**–**	–
	248,153	263,416	**–**	–
Consolidated total	**1,778,188**	1,596,996	**306,043**	297,383

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

Revenue from major customers:

	2011	2010
	HK$'000	HK$'000
ODM/OEM		
Customer a	**437,887**	444,313
Customer b	**404,036**	385,156
Moulds and Tooling		
Customer c	**24,696**	8,287
Customer d	**3,688**	11,233
Customer e	**2,353**	9,283
Trading		
Customer f	**103,089**	48,065
Customer g	**–**	13,983
Customer h	**53,160**	10,262

36. 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$525 million have fixed interest payments at an average rate of 1.42% to 4.75% per annum for periods up until September 2016 and the floating rate in Hong Kong Interbank Offer Rate with spread from plus 0.8% to plus 2.6% of which HK$327 million related to the term loans advanced by Group (note 27).

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 HK$ ranged from 0.8230 to 0.8370 (2010: 0.8348 to 0.8411). At 31 December 2010, the forward rate for RMB to USD ranged from 6.49 to 6.4915.

At the end of reporting period, the Group had notional amounts as follows and of which HK$345 million is entered for the Group's pledged deposits denominated in RMB:

	2011 **HK$'000**	2010 HK$'000
Foreign exchange forward contracts – RMB/HK$	**344,794**	93,370
Foreign exchange forward contracts – RMB/USD	**–**	139,720

STATISTICS OF SHAREHOLDINGS

As at 16 March 2012

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	105	22.53	28,700	0.09
1,000 – 10,000	285	61.16	964,200	2.94
10,001 – 1,000,000	73	15.67	3,611,000	11.01
1,000,001 AND ABOVE	3	0.64	28,196,100	85.96
TOTAL	**466**	**100.00**	**32,800,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	HL BANK NOMINEES (S) PTE LTD	25,087,500	76.49
2	PHILLIP SECURITIES PTE LTD	1,694,500	5.17
3	DBS VICKERS SECURITIES (S) PTE LTD	1,414,100	4.31
4	OCBC SECURITIES PRIVATE LTD	371,500	1.13
5	MAYBANK KIM ENG SECURITIES PTE LTD	345,600	1.05
6	DB NOMINEES (S) PTE LTD	279,400	0.85
7	DBS NOMINEES PTE LTD	205,700	0.63
8	LIEW WING ONN	150,000	0.46
9	BANK OF SINGAPORE NOMINEES PTE LTD	125,700	0.38
10	UOB KAY HIAN PTE LTD	113,200	0.35
11	TENG JIT SUN	112,000	0.34
12	GOH CHOON WEI OR GOH SOON POH	85,000	0.26
13	LIM & TAN SECURITIES PTE LTD	79,700	0.24
14	UNITED OVERSEAS BANK NOMINEES PTE LTD	69,900	0.21
15	HENG KOK HUAT @YHENG KOK HUAT	62,500	0.19
16	SIOW CHER LIANG	61,000	0.19
17	HOH FUNG LING	60,000	0.18
18	SEE SHUN SHENG	60,000	0.18
19	KOH CHUAN LAI	58,000	0.18
20	CHAN TUCK SING	50,000	0.15
	TOTAL	**30,485,300**	**92.94**

STATISTICS OF SHAREHOLDINGS

As at 16 March 2012

SUBSTANTIAL SHAREHOLDERS

	DIRECT INTEREST		DEEMED INTEREST	
Name of Shareholder	Number of Shares	%	Number of Shares	%
DJKS Holdings Limited[1]	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

Notes:

1. DJKS Holdings is holding the shares through its nominee, 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 Limited and thus they are deemed to be interested in DJKS Holdings Limited's shareholding in the Company.

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF PUBLIC

Based on the above information available to the Company as at 16 March 2012, 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 IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Conrad Centennial Singapore, 2 Temasek Boulevard Singapore 038982 on Friday, 27 April 2012 at 10.30 a.m. 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 2011, together with the Independent Auditor's Report thereon. (Resolution 1)

2. To approve the payment of directors' fees of S$180,000 for the financial year ending 31 December 2012 (2011: S$180,000). **(See Explanatory Note (i))** (Resolution 2)

3. To re-elect Mr. Chiu Hau Shun, Simon, a director who retires pursuant to Article 86 of the Company's Articles of Association. **(See Explanatory Note (ii))** (Resolution 3)

4. To re-appoint Messrs RSM Nelson Wheeler as Auditors, and to appoint RSM Chio Lim LLP as joint Auditors, and to authorise the directors of the Company to fix their remuneration. (Resolution 4)

AS SPECIAL BUSINESS:

To consider and if deemed fit to pass the following ordinary resolutions with or without modifications:–

5. Share Issue Mandate (Resolution 5)

THAT pursuant to section 161 of the Companies Act (Chapter 50) of Singapore and the rules contained in the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**", and the Listing Manual, the "**Listing Manual**"), authority be and is hereby given to the directors of the Company to allot and issue whether by way of bonus or otherwise, (i) shares; (ii) convertible securities; (iii) additional convertible securities (where an adjustment, to the number of convertible securities to which a holder is originally entitled to, is necessary as a result of any rights, bonus or other capitalisation issues by the Company), notwithstanding that such authority may have ceased to be in force at the time such additional convertible securities are issued, provided that the adjustment does not give the holder of the convertible securities a benefit that a shareholder does not receive; and/or (iv) shares arising from the conversion of securities in (ii) and additional convertible securities in (iii) above, notwithstanding that such authority may have ceased to be in force at the time the shares are to be issued, and any such issue may be made at any time and upon such terms and conditions and for such purposes and to such persons as the directors of the Company 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; 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 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 (the "**Articles**"); and

(iv) (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, whichever is the earlier. (**See Explanatory Note (iii)**)

6. Authority To Allot And Issue Shares Under The Combine Will Employee Share Option Scheme (Resolution 6)

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 15% of the total number of the issued shares (excluding treasury shares) of the Company from time to time. (**See Explanatory Note (iv)**)

7. Proposed Renewal Of Share Purchase Mandate (Resolution 7)

THAT:

(i) pursuant to 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, approval be and is hereby given for the renewal of the Share Purchase Mandate (as hereinafter defined) and the directors of the Company be authorised to exercise all the powers of the Company to purchase or otherwise acquire issued ordinary shares, fully paid, in the capital of the Company not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the directors of the Company from time to time, up to the Maximum Price (as hereinafter defined), whether by way of:

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

(b) off-market purchase(s) ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the directors of the Company as they may consider fit and in the interests of the Company, 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**"); and

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

(a) the date on which the next Annual General Meeting of the Company is held or required by law or the Articles to be held;

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

(c) 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:

"**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:

(1) in the case of a Market Purchase: 105% of the Average Closing Price;

(2) in the case of an Off-Market Purchase: 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 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;

"**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

"**Prescribed Limit**" means 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 Law, 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

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

8. To transact any other business that may properly be transacted at an Annual General Meeting. (Resolution 8)

By Order of the Board

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

Singapore, 12 April 2012

Explanatory Notes:

(i) **Resolution 2**: This 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 of the Company will hold office for the whole of the financial year ending 31 December 2012 ("**FY2012**"). Should any director hold office for only part of FY2012 and not the whole of FY 2012, the director's fee payable to him will be appropriately pro-rated.

(ii) **Resolution 3**: Pursuant to Article 86 of the Articles, Mr. Chiu Hau Shun, Simon will retire at the forthcoming Annual General Meeting and shall be eligible to offer himself for re-election at that meeting.

(iii) **Resolution 5**: If passed, this resolution 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:–

(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; and

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

(iv) **Resolution 6**: If passed, the aggregate number of shares to be issued under the Combine Will Employee Share Option Scheme shall not exceed 15% of the total issued ordinary share capital (excluding treasury shares) of the Company from time to time.

(v) **Resolution 7**: If passed, this resolution authorises the directors of the Company 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. 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.

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 less 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 (Chapter 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 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.

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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)