PURSUING
SUSTAINABLE GROWTH

COMBINE WILL

ANNUAL REPORT 2016

CONTENTS

COMBINE WILL TRANSFORMING IDEAS INTO INNOVATION!

CORPORATE **PROFILE**

Combine Will International Holdings Limited ("Combine Will") is a leading Original Design Manufacturer ("ODM") and Original Equipment Manufacturer ("OEM") supplier of corporate premiums, toys and consumer products. We are also a supplier of plastic injection and die-casting moulds for major manufacturers around the world and a distributor of state-of-the-art machineries and precision tools for mould making and automobile production.

For over 20 years, we have been manufacturing a wide range of competitively engineered custom products tailored to each of our clients' needs. We are able to achieve sustainable results by adopting a repeatable research and development ("R&D") execution model employed to drive innovation and focus on capabilities critical to building a strategic advantage. By setting a high benchmark on key performance metrics such as operational efficiency and development processes, we are able to boast an optimized product line, lower operating expenses and achieve high levels of consistency and quality. In turn, our clients are able to take advantage of these unique core capabilities to achieve their success and competitiveness.

Our project portfolio includes customers from Asia, Europe and North/South America and we have continuously demonstrated adequate and flexible capacity to handle production for leading multinational companies in their respective industries, ranging from toys and consumer products to international fast-food chains.

Based in Dongguan, Guangdong Province in the People's Republic of China, we have over 10,000 workers in our seven manufacturing facilities located in Dongguan , Heyuan and Guangxi Province as well as our latest plant in Indonesia.

MISSION

To provide the highest quality products and solutions to our customers through our total dedication to R&D, manufacturing technology, professional service and quality management.

To become a progressive organisation where we dedicate our resources to building excellence and achieving growth.

To become a good corporate citizen and contribute to the society and communities in which we operate.

To provide sustainable value and returns to all our stakeholders.

VISION

We aspire to be a world-class corporation which 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 machine sales.

VALUES

INTEGRITY
We deliver our promises and lead by example

TEAMWORK
We respect diversities and work in unity

PROGRESSIVENESS
We pursue excellence in all we do

INNOVATION
We seek creativity and inspire breakthrough

BUSINESS **MODEL**

Combine Will's vertically integrated business model which includes a broad spectrum of services and capabilities in the design and supply of premium products, toys, consumer products, industrial plastic injection and die-cast moulds and machine sales, position us as a unique one-stop solution 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 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 is initiated by us, our R&D team is involved in various aspects of the development process such as providing designs to meet the product specifications and giving advice on the functional capabilities and manufacturability of the products. Our commitment to employing 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 customers' products which has, in the past, resulted in quicker turnaround and shorter time to market.

We utilise innovative processing methods and applications of unique technologies 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 major manufactory 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 as well 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 high-speed CNC machines, five-axis CNC machines and precision EDMs help shorten the production lead time and ensure reliable quality output on our moulds and tooling for our customers. Based on our expertise and know-how, we are nominated as the sole Chinese supplier for some specific technical tools by world known automotive Tier-1 companies.

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 comprehensive solution for 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.

TRUSTWORTHY

We represent
EQUIPMENT
manufacturers from Japan, the USA, Germany, the United Kingdom, Taiwan and Italy

over
10,000
workers in our seven manufacturing facilities

Our project
PORTFOLIO
includes customers from Asia, Europe and North/South America

BUILDING
GOOD RELATIONSHIPS

CHAIRMAN'S **MESSAGE**

Dear Shareholders,

FY2016 had been a challenging year! Macroeconomic headwinds took its toll on the Group's performance. Slowing economic growth worldwide caused our key customers to reduce or delay their orders, resulting in a significant drop in sales. This further exacerbated pressure on our fixed factory overheads and operating costs, reducing our ability to enjoy the economies of scale we used to enjoy in previous years.

Consequently, the Group suffered its first full year loss since our listing on the Singapore Exchange in 2008.

Notwithstanding this, the Group's financial fundamentals remain sound, with low gearing and sufficient cash resources for operations. With our strategic operational restructuring completed, including further cost-cutting measures and productivity improvements coupled with concerted efforts to develop new products and woo quality new customers, we are well-positioned to work towards a turnaround in FY2017.

FINANCIAL REVIEW

Group revenue for the year ended 31 December 2016 ("FY2016") fell 39.5% to HK$1.2 billion, from HK$2.0 billion for the previous financial year ended 31 December 2015 ("FY2015"). This was largely due to declining orders from key customers.

With cost of sales taking up 94.5% of revenue, gross profit recorded was a meagre HK$65.6 million. However, with a 43.7% lower contribution from other income, mainly related mold engineering income and bank interest on lesser bank deposits, selling and distribution expenses as well as administrative expenses, albeit more than one-third lower than FY2015, the Group suffered its first operational loss of HK$21.5 million since its listing in 2008. Net loss for the year amounted to HK$37.6 million, after adding finance costs and income tax expense.

SEGMENTAL REVIEW

Our ODM/OEM business segment, which accounted for 88.0% of total group revenue, registered the biggest decline of 40.4% in sales, from HK$1.8 billion in FY2015 to HK$1.0 billion in FY2016. It slipped into a loss of HK$6.2 million, from a profit of HK$78.1 million the previous year.

We continue to provide skills training to our workers and engineers to better equip them for increased automation in our manufacturing processes. We also continue to strengthen our industrial design capability to enhance our value proposition to our key customers. Ongoing productivity improvements are being implemented for greater cost efficiencies.

In line with the sharp fall in orders for our ODM/OEM corporate premiums, toys and consumer products, our Moulds and Tooling business segment, which accounted for 3.4% of group revenue, saw revenue falling by 28.9%, from HK$56.8 million in FY2015 to HK$40.4 million in FY2016. Bottomline, however, improved from a loss of HK$30.0 million last year to a substantially reduced loss of HK$1.6 million this year.

Our Machine sales business segment, which accounted for 8.6% of group revenue, recorded a 33.1% decrease in revenue from HK$153.1 million last year to HK$102.5 million but deepened its losses, from HK$473,000 to HK$7.2 million, largely due to the carrying of certain fixed overheads and operating expenses despite customers' cutbacks in capital investments in view of the slowdown in the China economy and continuing economic uncertainties.

GOING FORWARD

New Plant in Indonesia

In line with our strategy to diversify our production base and relocate labour intensive production operations to enjoy greater cost efficiencies, the Group, through a newly-established wholly-owned subsidiary PT Combine Will Industrial Indonesia, entered into sale and purchase agreements with 26 individual owners to acquire 32 plots of industrial land with a total land area of 5.6 hectares in Karang Malang, Masaran, Sragen, Central Java, Indonesia for a cash consideration of IDR 41 billion (approximately S$4.5 million).

Construction of this new factory that will yield an additional production area of 30,000 square metres will be undertaken in three phases. This new plant is currently under construction and a pilot production run is scheduled in the second half of FY2017. When this factory is in full production, the Group expects to enjoy lower costs of production as we reap better economies of scale.

MARGIN RECOVERY

In our quest to turnaround, the Group put renewed emphasis on further cost savings through implementation of additional productivity improvement measures as well as review and restructuring of manpower resources and related costs, including indirect labour utilisation.

In-process Quality Control will be enhanced to improve both product quality and efficiencies. In addition, more automatic and semi-automatic production jigs will be applied to the production lines. These measures are expected to result in approximately 5% cost savings from productivity improvement of direct labour employed.

With further review and restructuring of indirect labour utilisation, the Group expects to enjoy approximately 10% saving in our indirect labour cost component. In addition, the Group targets to extract a further 15% savings in staff costs through changes in organisational and remuneration structures and re-distribution of workloads. Revised salary packages will yield further cost savings. Salary packages for staff will be changed to fixed monthly salaries instead of basic salaries with allowances. This will provide more stable income to the staff whilst containing the Group's manpower cost variances.

These concerted efforts to reduce costs should enable the Group to derive improved margins going forward.

CUSTOMERS SUPPORT

Among all the challenges, we are proud to say that we continue to deliver our good service in terms of quality, product development and on-time shipment. All our major customers express their appreciation on our work and show their intention to support our business further. Some has begun assigning more new products to us and we are confident our revenue will improve in the near future.

OUTLOOK

With all these measures to automate, increase productivity and reduce costs whilst proactively engaging our customers early in the value chain in design and development, we expect to reap improved margins and potential higher sales. Accordingly, we are cautiously optimistic that the Group is well-positioned to work towards a turnaround in FY2017.

ACKNOWLEDGEMENTS

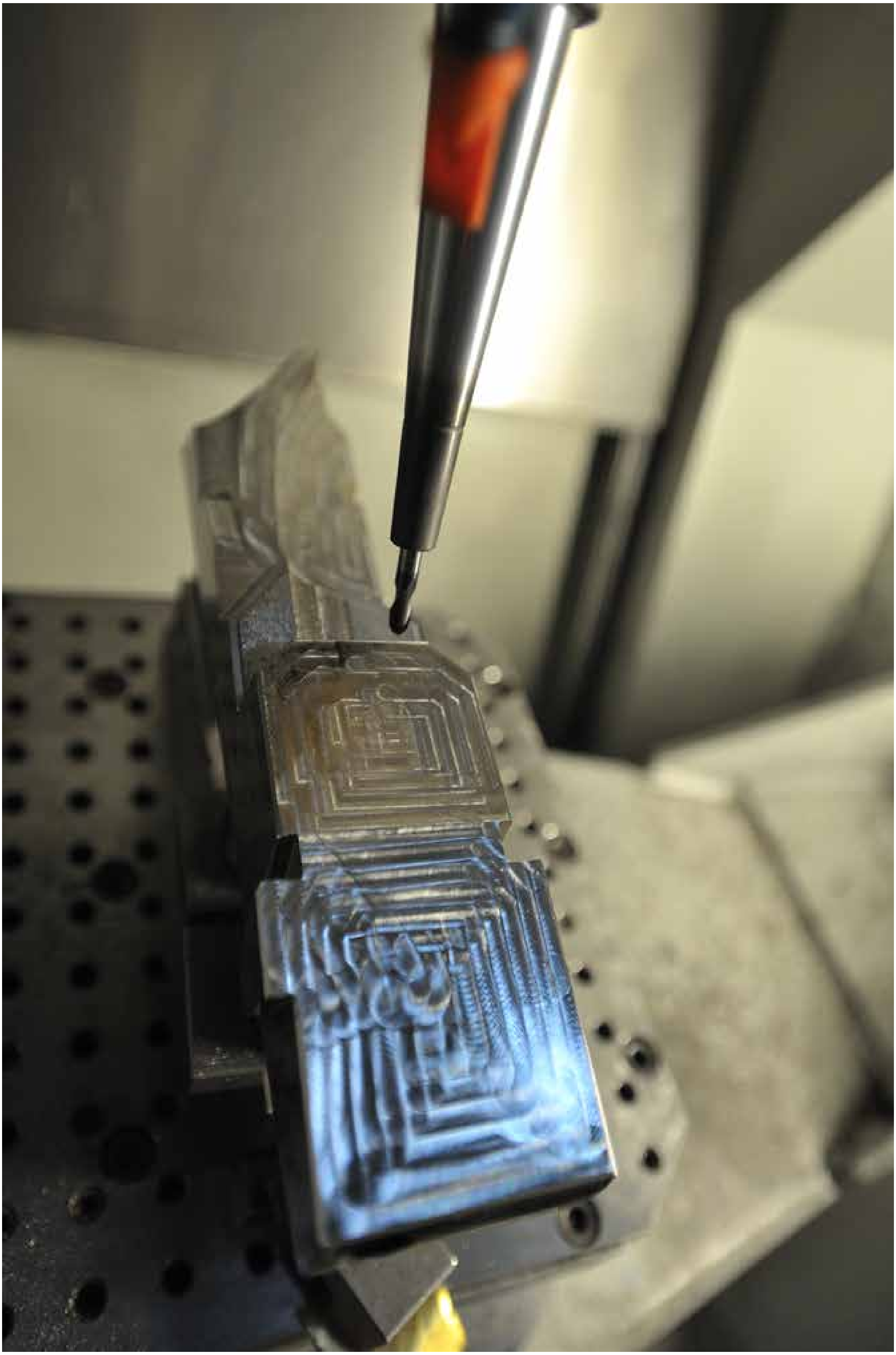
Against the backdrop of these challenging business conditions, we are appreciative and grateful for our shareholders' patience and understanding as well as our management and staff for their loyalty, hard work and understanding of the many cost-cutting measures we had to implement.

I would also like to thank our customers, suppliers and business associates for their continuing confidence in us and support for our business.

Last but not least, I would like to acknowledge the contributions and guidance of my Board members with whom I look forward to working together as we strive towards a turnaround.

Thank you!

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



OPERATIONAL **REVIEW**

OVERVIEW

All three business segments registered decreases in sales and were loss-making for the year ended 31 December 2016 ("FY2016").

Gross profit for the Group was diluted to HK$65.6 million, with cost of sales taking up 94.5% of revenue. This was further eroded when selling and distribution expenses as well as administrative expenses were added, offset against lower contribution from other income, mainly related mold engineering income and bank interest on lesser bank deposits. This resulted in a net loss of HK$37.6 million in FY2016.

ODM/OEM

Our biggest business segment, ODM/OEM which accounted for 88.0% of total group revenue in FY2016, registered the biggest decline of 40.4% in sales to HK$1.0 billion, from HK$1.8 billion in FY2015. It registered a loss of HK$6.2 million this year, from a profit of HK$78.1 million last year.

ODM/OEM will continue to be the Group's core business, contributing the most to both topline and bottomline.

As such, the Group will leave no stone unturned to reduce costs so as to improve margins in order to return to profitability.

A number of measures, both strategic and operational, have been implemented to deliver this objective, viz:-

- the establishment of a new 30,000 square metres factory in Karang Malang, Masaran, Sragen, Central Java, Indonesia. This will diversify our production base and relocate labour-intensive production operations to enjoy greater cost efficiencies as well as secure new orders from both current key customers and new customers who are also active in the Southeast Asian markets. Construction of this new factory has commenced and a pilot production run is scheduled in the second half of FY2017;
- the implementation of productivity improvement measures, including the enhancement of in-process Quality Control to improve both product quality and efficiencies;
- the introduction of more automatic and semi-automatic production jigs to the production lines;
- conducting further reviews and restructuring of manpower utilisation as well as changes to organisational and remuneration structures and re-distribution of workloads;
- provision of skills training to our workers and engineers to better equip them for increased automation in our manufacturing processes; and
- strengthening of our industrial design capability to enhance our value proposition to our key customers.

Moulds and Tooling

Our Moulds and Tooling business segment, which accounted for 3.4% of group revenue, saw revenue falling by 28.9%, from HK$56.8 million in FY2015 to HK$40.4 million in FY2016. This is in line with the sharp fall in orders for our ODM/OEM corporate premiums, toys and consumer products. Nonetheless, bottomline improved from a loss of HK$30.0 million to a substantially reduced loss of HK$1.6 million.

Machine Sales

In view of the slowdown in the China economy and continuing economic uncertainties, most customers exercised prudence and held back their capital investments. As such, our Machine sales business segment, which accounted for 8.6% of group revenue, recorded a 33.1% decrease in revenue from HK$153.1 million last year to HK$102.5 million. However, this segment saw its loss deepened from HK$473,000 last year to HK$7.2 million this year, largely due to the carrying of certain fixed overheads and operating expenses.

Customer Sales

In addition, the Group's ongoing efforts to improve topline performance have gained traction. Current key customers have pledged support of new and larger orders, from both our China and Indonesia plants. The Group is also fairly optimistic of securing more orders in the near future.

CORPORATE DEVELOPMENTS AND **CORPORATE SOCIAL RESPONSIBILITY**

Combine Will Group regards corporate social responsibilities as core competencies to consolidate the Group. Under clear objectives and commitment, we have incorporated the elements of corporate governance, environment and employee community participation into the organization's strategy and operation through a corporate social responsibility program. In addition, we have developed a continuous and improved corporate social responsibility policy and management structure. In 2002, the Group set up a social responsibility department to report directly to the management committee, being responsible for the social responsibility co-ordination and supervision of the Group, while working closely with the social responsibility departments of the Group's subsidiary factories to jointly implement the overall planning of corporate social responsibility activities, corporate social responsibility practices, community activities, occupational safety, training and development as well as daily execution of environmental protection, so as to expect to continue to meet the requirements of the law and the clients and to continuously improve and enhance the level of social responsibility.

Combine Will Group regards employees as the most important asset and adheres to being people-oriented, constantly improving the human resources management mechanism, continuing to nurture talent and providing employees with a harmonious, diverse and safe working environment, so that employees can develop their strengths.

In 2016, we invited professional institutions and consultants to provide a number of training on social responsibilities, health and safety as well as other special topics to enhance the ability of various work teams, in order to jointly promote the driving force of continuous improvement of the various factories of the Group. A total of 82,812 attendee counts, with 150,989 hours of training were completed throughout the year 2016. On the other hand, different departments of the various factories had established a Work Improvement Team, which continued to play the team's strength and creativity in 2016, with more than 240 members participating in the team and completing more than 100 projects to improve the process and enhance the efficiency. In addition to driving the factories to promote a number of working projects of self-improvement and enhance the efficiency, it also brought together the whole Group to consolidate the spirit of enterprise.

In promoting environmental protection, Combine Will Group is committed to reducing the impact of its own operations on the environment and improving energy and resource efficiency. In 2016, in promoting energy conservation, various factories of Combine Will Group took a number of measures and publicity resulting in 2 decrease of annual electricity costs by 7.5% and water costs by 7.8%.

We wanted to be able to give full play to the business influence, and to elaborately construct to go far in the future. As such, we not only built up a harmonious living space for community stakeholders, but also organized and led employees to participate in all kinds of community activities to help communities in need. This year, the number of volunteers had reached 68 and a total of 35 volunteer activities were organized.

In this year, we again participated in the "Outward Bound Corporate Challenge 2016" charitable fund-raising campaign, which not only supported public affairs, but also let us have the opportunity to organize a group of staff to play team strength to fight a number of battles of wits and a contest, in order to achieve sustainable development vision. Furthermore, we won the third prize of the Overall Cup contest and the champion of the Toy Elite Cup, making this event more meaningful.

IMPROVING EFFICIENCY

We are a niche
ODM/OEM
of corporate premiums, toys and consumer products.

We are one of the major manufacturers of plastic injection and die-casting moulds in

SOUTHERN CHINA

In
2016,
we increased training for workers and engineers

REACHING OUT AND ADAPTING TO EVER-CHANGING ENVIRONMENT

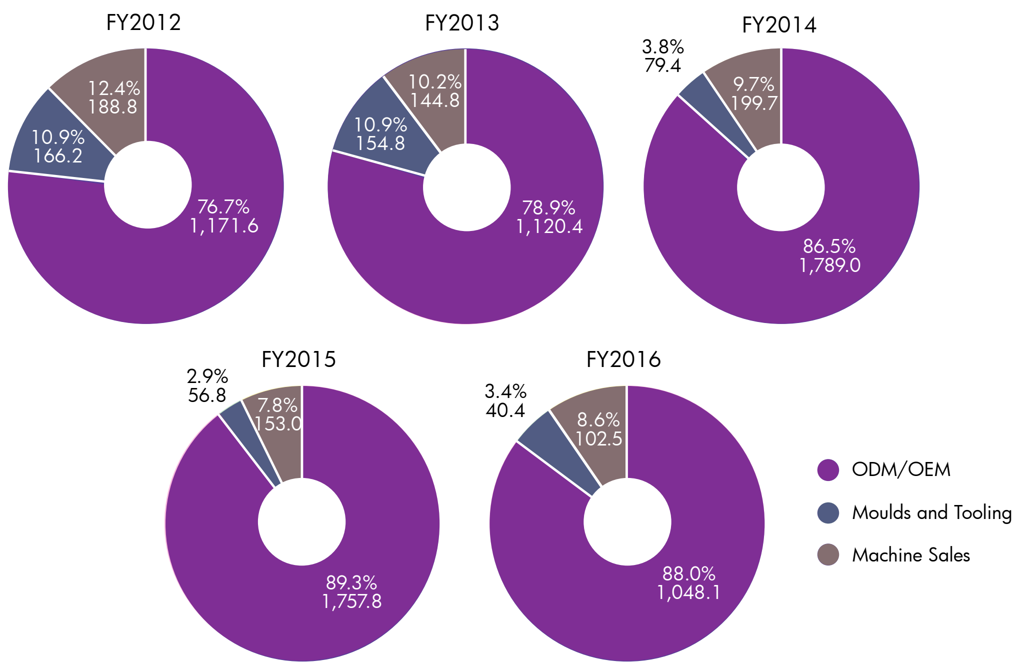
FINANCIAL **HIGHLIGHTS**

For the year (HK$'mil)	FY2012	FY2013	FY2014	FY2015	FY2016
Revenue	1,526.6	1,420.0	2,068.1	1,967.6	**1,190.9**
Gross Profit	179.6	78.9	167.8	170.2	**65.6**
Profit/(loss) before tax	53.2	5.5	22.7	21.2	**(36.6)**
Profit/(loss) attributable to shareholders	37.1	7.3	18.6	17.5	**(35.5)**
Basic earnings/(loss) per share (HK cents)	113.1	22.2	56.8	53.5	**(109.1)**

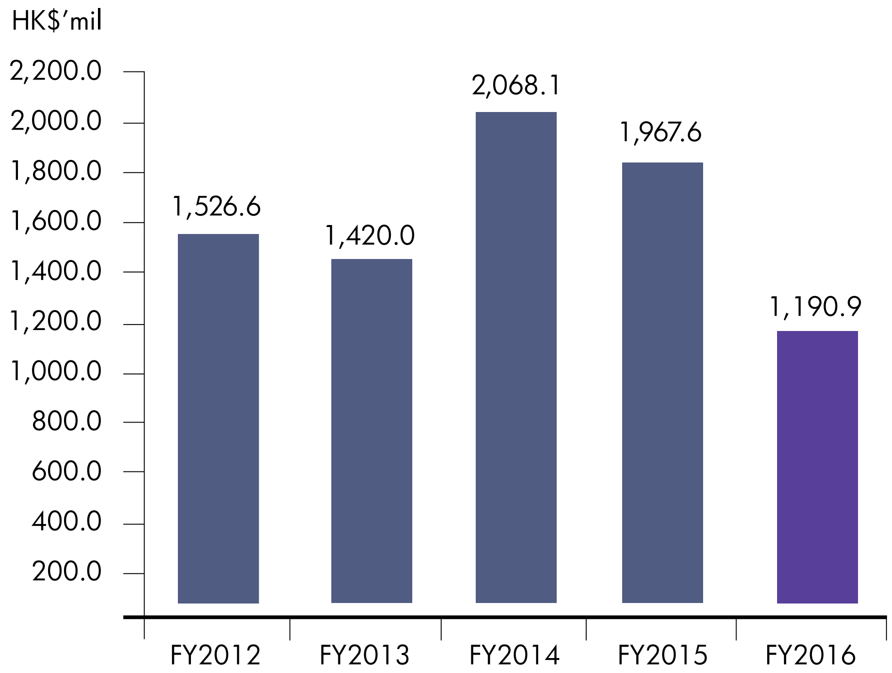
[1] Adjusted for the share consolidation exercise completion in April 2011, pursuant to which every 10 existing shares were consolidated into one share

As at 31 December (HK$'mil)	FY2012	FY2013	FY2014	FY2015	FY2016
Total Assets	1,365.1	2,178.2	1,782.4	1,760.8	**1,161.2**
Total Liabilities	715.1	1,515.7	1,106.4	1,101.0	**600.0**
Total Equity	650.0	662.6	675.9	659.8	**561.2**
Net cash (used in)/ generated from operating activities	(16.3)	20.4	116.3	35.7	**35.5**
Cash and cash equivalents	54.8	67.5	53.9	54.9	**43.4**

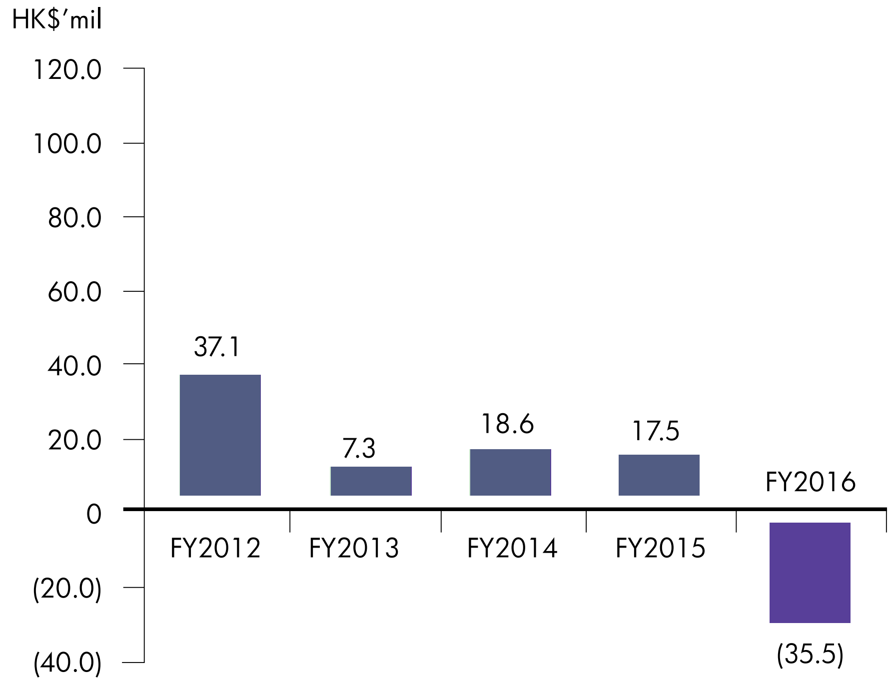
REVENUE BY SEGMENTS (HK$'MIL)



REVENUE



PROFIT ATTRIBUTABLE TO SHAREHOLDERS



BREAK THROUGH

A total of
82,812
attendee counts, with 150,989 hours of training were completed throughout the year 2016

The Group's new plant in
SRAGEN,
Indonesia is currently under construction, with pilot production run to be starting in the second half of the year

We are cautiously optimistic that the operating result will improve in
FY 2017
as the Group working towards a turnaround

OPEN TO MARKET OPPORTUNITIES
AND SEIZING THE MOMENT

BOARD OF **DIRECTORS**

MR TAM JO TAK, DOMINIC, 62

Role: Executive Chairman and Chief Executive Officer

Date of first appointment as director: 27 December 2007

Date of last re-election as a director: 29 April 2014

Length of service as a director (as at 31 December 2016): Approximately 9 years

Board committee(s) served on: Nil

Academic & Professional Qualification(s): Honorary Bachelor of Science Degree in Production Engineering and Management, Loughborough University, United Kingdom

Present Directorships (as at 31 December 2016):

Listed Companies: Nil

Others: DJKS Holdings Limited

Major Appointments (other than Directorships): Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2014 to 31 December 2016): Nil

Mr Tam Jo Tak, Dominic is the co-founder, Executive Chairman and Chief Executive Officer of our Group. He was appointed to our Board on 27 December 2007. Since the inception of the Group in 1992, he oversees all business and management activities of the Group and is responsible for setting business directions and goals, exploring new business opportunities and the overall customer relationships of the Group. Mr Tam has more than 25 years of experience in toy product development and the manufacturing industry. Prior to setting up our Group, he was a product development director at Zindart Industrial Co., Ltd from 1989 to 1991. He held senior positions with many US companies in Hong Kong from 1982 to 1988 in the areas of production planning, quality control and engineering. Companies he has served in, 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 and was elected as President in 2016. He is also elected as the Executive Vice President of the Professional Validation Council of Hong Kong Industries in 2016. Mr Tam graduated with an Honours Bachelor of Science degree in Production Engineering and Management from the Loughborough University in the UK in 1980.

MR CHIU HAU SHUN, SIMON, 57

Role: Executive Director

Date of first appointment as director: 8 October 2007

Date of last re-election as a director: 28 April 2015

Length of service as a director (as at 31 December 2016): Approximately 9 years and 2 months

Board committee(s) served on: Nil.

Academic & Professional Qualification(s): School of Business, Indiana University, USA

Present Directorships (as at 31 December 2016):

Listed Companies: Nil

Others: Simon Chiu and Associates Limited, DJKS Holdings Limited

Major Appointments (other than Directorships): Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2014 to 31 December 2016): Nil

Mr Chiu Hau Shun, Simon is an Executive Director of our Group and prior to 1 October 2006, he was responsible for the finance and accounts of the Group. He was appointed to our Board on 8 October 2007 and has been with 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. Mr Chiu received his education from the Indiana University School of Business, USA.

LI HIN LUN, ALAN

Role: Executive Director

Date of first appointment as director: 1 May 2016

Date of last re-election as a director: Nil

Length of service as a director (as at 31 December 2016): Approximately 8 months

Board committee(s) served on: Nil

Academic & Professional Qualification(s): Higher diploma in Production and Industrial Engineering, Hong Kong Polytechnic, Hong Kong

Present Directorships (as at 31 December 2016):

Listed Companies: Nil

Others: Nil

Major Appointments (other than Directorships): Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2014 to 31 December 2016): Nil

Mr Li Hin Lun, Alan is an Executive Director and Chief Operating Officer of our Group and is responsible for the oversight of the day-to-day operations of the Company and the Group (particularly, in the ODM/OEM Business segment within the Group). He was appointed to our Board on 1 May 2016. Prior to that, he has been the General Manager, Head of Sales and Marketing, ODM/OEM Business Unit since 1994 and was 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 working 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 Company Limited from 1989 to 1991. He was also a project engineer at Forwind Windsome Company Limited 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.

MR CHEUNG HOK FUNG, ALEXANDER, 52

Role: Non-Executive and Lead Independent Director

Date of first appointment as director: 28 March 2008

Date of last re-election as a director: 29 April 2014

Length of service as a director (as at 31 December 2016): Approximately 8 years and 9 months

Board committee(s) served on: Audit Committee (Chairman), Nominating Committee (Member), Remuneration Committee (Member)

Academic & Professional Qualification(s): Certified Public Accountant, Hong Kong, Chartered Accountant, Australia and New Zealand, Professional Diploma in Company Secretaryship and Administration, Hong Kong Polytechnic, Hong Kong, Master Degree of Laws, University of New England, Australia, Bachelor Degree of Laws, University of New England, Australia

Present Directorships (as at 31 December 2016):

Listed Companies: Nil

Others: Nil

Major Appointments (other than Directorships): Barrister (High Court of Hong Kong), Accredited General Mediator (HKIAC)

Past Directorships in listed companies held over the preceding three years (from 1 January 2014 to 31 December 2016): Titan Petrochemicals Group Limited

Mr Cheung Hok Fung, Alexander is our Independent Non-Executive Director and was appointed to our Board on 28 March 2008. Mr Cheung is currently practising law as a barrister in Hong Kong. He has over 20 years of experience in corporate governance, accounting and auditing, tax planning and compliance as well as dispute resolution. He received his accountancy training in the tax departments of Ernst & Young, Hong Kong and Coopers & Lybrand, Singapore from 1989 to 1992. He then joined M. C. Packaging (Hong Kong) Limited working in its corporate development and Hong Kong listing rules compliance function. He started his public accounting and financial advisory practice in 1994. He switched to law in 2006.

BOARD OF **DIRECTORS**

MR CHIA SENG HEE, JACK, 56

Role: Non-Executive and Independent Director

Date of first appointment as director: 28 March 2008

Date of last re-election as director: 26 April 2016

Length of service as a director (as of 31 December 2016): Approximately 8 years and 9 months

Board committee(s) served on: Audit Committee (Member), Nominating Committee (Chairman), Remuneration Committee (Chairman)

Academic and professional qualification(s):
Fellow Chartered Accountant of Singapore,
Bachelor's degree in Accountancy,
the National University of Singapore,
Masters of Arts degree in International Relations,
the International University of Japan,
General Manager Program, Harvard Business School

Present directorships (as of 31 December 2016):

Listed companies:
Shanghai Turbo Enterprises Limited, Dukang Distillers Holdings Limited, Debao Property Development Limited, mm2 Asia Limited, AGV Group Limited

Others: Jack Global Consulting Pte Ltd

Major Appointments (other than Directorships): Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2014 to 31 December 2016): Sunray Holdings Limited (Chairman, Nominating Committee), China Hongcheng International Holdings Limited (Chairman, Nominating Committee and Remuneration)

After some twenty years in Singapore, Japan and China with International Enterprise Singapore (formerly Trade Development Board) Singapore Technologies, Government of Singapore Investment Corporation as well as Arthur Andersen, Mr Chia is now a professional director, specialising in corporate governance since 2007. He currently resides in Singapore and Chongqing.

MR NING LI, 53

Role: Non-Executive and Independent Director

Date of first appointment as director: 8 May 2009

Date of last re-election as a director: 26 April 2016

Length of service as a director (as at 31 December 2016): Approximately 7 years and 8 months

Board committee(s) served on: Audit Committee (Member), Nominating Committee (Member), Remuneration Committee (Member)

Academic & Professional Qualification(s): Bachelor of Law Degree, University of Political Science and Law, PRC, Master of Law, University of International Business and Economics, PRC

Present Directorships (as at 31 December 2016):

Listed Companies: Nil

Others: Jade Group (China) Ltd., Vanguard Express Co., Ltd, Beijing Liantuo Environment and Energy Resources Investment Co., Ltd, China Art International Travel Agency

Major Appointments (other than Directorships): Nil

Past Directorships in listed companies held over the preceding three years (from 1 January 2014 to 31 December 2016): Nil

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**

ZHENG NAIQIAO, KOULMAN
Director, Head of Moulds and Tooling Business Unit

Mr Zheng Naiqiao, Koulman is our Director, Head of Moulds and Tooling Business Unit and is responsible for the market and technological development, operations and quality control of our Moulds and Tooling Business Unit.

Prior to joining our Group in 1999, Mr Zheng was a manager of the overseas vendor operations of Liberty Classics Inc for approximately seven years. Prior to that, he was a production and operations manager at Dyna Mechtronics Inc. and was responsible for the production of the CNC machining centres and manufacturing systems of the company. From 1978 to 1982, he was an engineer at the factory of Specialised Production Equipment in Guangzhou, PRC.

Mr Zheng graduated with a Master of Science in Mechanical Engineering from the Northeastern University in Boston Massachusetts, USA.

TANG KAI MAN, NICHOLAS
Director of R&D and Engineering, ODM/OEM Business Unit

Mr. Tang Kai Man, Nicholas has been the Director of R&D and Engineering, ODM/OEM Business Unit since 2008 and is responsible for the design, research, development and engineering function of our ODM/OEM Business Unit. Recently, he is also responsible for the development of our Indonesia plant.

Prior to joining our group, Mr. Tang has been working in toy manufacturing industry for 30 years. He was the Director/General Manager of Hutchison Harbour Ring Group, Engineering Director of Hasbro Toys, Galco Toys and General Manager of Buddy L (HK) Ltd where he started as Project Engineer. He has extensive experience in product engineering and manufacturing.

Mr. Tang graduated from the Hong Kong Polytechnic with Associateship in Production and Industrial Engineering and passed the Council of Engineering Institute (CEI) Part 2 in 1977.

QIU GUO LIAN, DAVID
Chief Production Officer, 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.

HUNG KAM TIM, SAMUEL
General Manager, Head of Machine Sales Business Unit

Mr Hung Kam Tim, Samuel has been the General Manager, Head of Machine Sales Business Unit since 2000 and is responsible for the management and operational activities of the Group in relation to our Machine Sales business segment.

Prior to joining our Group, he was a regional sales manager at Leeport Machine Tools Co., Ltd. and was involved in the sales and marketing, strategic planning and operational activities of the company for approximately eight years.

Mr Hung graduated with a Bachelor of Engineering (Manufacturing) with first class honours and a Master of Arts degree in Quantitive Analysis for business from the City University of Hong Kong in 1992 and 1996, respectively

XU NAN YUN, STEVEN
Acting Chief Financial Officer

Mr Xu Nan Yun, Steven has been the Acting Chief Financial Officer of our Group on 8 November 2016 and is responsible for the accounting and financial operations of the group. Mr. Xu has been with our Group since 1999.

Prior to joining our Group, Mr Xu had worked at Heping middle school from 1993 to 1996 as a math teacher and was responsible for instructing students in mathematics.
Mr Xu graduated with an Accounting degree from the Foshan University, Guandong province in 1996 and obtained the occupational qualification of Medium Level Accountant.

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 the group compliance matters.

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 its remuneration committee.

Mr Miu holds a Bachelor's degree in Accounting awarded by The Hong Kong Polytechnic University and a Master 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 and
Chief Executive Officer

Chiu Hau Shun, Simon
Executive Director

Li Hin Lun, Alan
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

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

Lian Zhi Toys Gift (Dongguan) Co., Ltd.
Xin Cheng Ind. District,
Heng Li Zheng, Dongguan,
Guangdong Province,
China

SINGAPORE SHARE TRANSFER AGENT

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

AUDITORS

RSM Hong Kong
Certified Public Accountants,
Hong Kong
29/F, Lee Garden Two
28 Yun Ping Road
Hong Kong

Partner-in-charge:
Mr Liu Eugene, CPA
(With effect from FY2016)

JOINT AUDITORS

RSM Chio Lim LLP
8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095

Partner-in-charge:
Mr Ng Thiam Soon
(With effect from FY2012)

PRINCIPAL BANKERS

Hang Seng Bank Limited
83 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

Bank of China (Hong Kong) Limited
Bank of China Tower, 1 Garden Road,
Hong Kong

Standard Chartered Bank (Hong Kong)
Limited
3/ F, Standard Chartered Bank Building,
4-4A Des Voeux Road, Central, Hong Kong

United Overseas Bank Limited Hong Kong
Branch
Suite 2110-2113, Tower 6, The Gateway,
Harbour City, Tsim Sha Tsui, Kowloon

Chong Hing Bank Limited
114 How Ming Street, Kwun Tong,
Kowloon

CTBC Bank Co., Ltd., Hong Kong Branch
28/F, Two IFC, 8 Finance Street, Central,
Hong Kong

Wing Lung Bank Limited
45 Des Voeux Road, Central, Hong Kong

CORPORATE GOVERNANCE **REPORT**

The Directors and Management of Combine Will International Holdings Limited are committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code of Corporate Governance 2012 (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 2016 are described herein under the following sections:

I Board Matters
II Remuneration Matters
III Accountability and Audit
IV Shareholder Rights and Responsibilities
V Dealings in Securities
VI Material Contracts
VII Risk Management
VIII Interested Person Transactions

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 the Company is operated to preserve 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.

The Company has put in place a set of guidelines and clear directions to Management on matters reserved for the Board's decision and approval, and examples of such matters are set out as follows:

- matters involving a conflict of interest for a substantial shareholder or a director;
- annual capital expenditure budget or any unbudgeted capital expenditure exceeding S$2,000,000;
- corporate governance policies;
- new or additional investments exceeding S$2,000,000;
- disposal of assets or investments with net book value or fair value exceeding S$2,000,000;
- pledging of assets or investments with a net book value exceeding S$2,000,000 for financing purposes;
- increase or decrease in any subsidiary's capital of more than S$5,000,000; and
- provision of corporate guarantees or letters of comfort.

CORPORATE GOVERNANCE **REPORT** (cont'd)

I. BOARD MATTERS (cont'd)

Board's Conduct of its Affairs (cont'd)

The Board also delegates certain of its functions to the Audit, Nominating and Remuneration Committees and these functions are described separately under the various sections below that cover each committee. Each committee has its own defined terms of references and operating procedures, and they report their activities regularly to the Board.

Board Composition and Guidance

Presently, the Board consists of six members, comprising three independent non-executive Directors and three executive Directors. The Nominating Committee (the "**NC**") assesses the independence of each Director, taking into account the guidance in the Code for assessing independence. On this basis, Mr. Cheung Hok Fung, Alexander, Mr. Chia Seng Hee, Jack and Mr. Ning Li are independent Directors. A brief profile of each Director is presented in the Profile of Board of Directors section of this Annual Report and their shareholdings in the Company and its subsidiaries as at 31 December 2016 are disclosed in the Directors' Statement for the financial year ended 31 December 2016.

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

Even though Mr Cheung Hok Fung, Alexander has served on the Board for more than nine years, the NC, with the concurrence of the Board, is of the view that in assessing the independence of an Independent Director, one should consider the substance of his professionalism, integrity and the objectivity and not merely based on the number of years which he has served on the Board. In view of this, having considered the above and weighing the need for progressive refreshing of the Board, the NC and the Board have determined that Mr Cheung Hok Fung, Alexander's has not affected his independence or ability to bring about independent and considered judgment to bear in the discharge of his duties as member of the Board.

The Independent Directors provide a strong independent element on the Board, being free from business or other relationships which could materially interfere with the exercise of their judgment. These Directors continue to provide stability to the Board and the Company has benefited greatly from the presence of individuals who are specialists in their own field. Furthermore, their length of service on the Board has not only allowed them to gain valuable insight into the Group, its business, markets and industry, but has also given them the opportunity to bring the full breadth and depth of their business experience to the Company.

They provide a strong independent element on the Board, being free from business or other relationships which could materially interfere with the exercise of their judgment. These Directors continue to provide stability to the Board and the Company has benefited greatly from the presence of individuals who are specialists in their own field. Furthermore, their length of service on the Board has not only allowed them to gain valuable insight into the Group, its business, markets and industry, but has also given them the opportunity to bring the full breadth and depth of their business experience to the Company.

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 AC, the NC and the RC. 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.

I. BOARD MATTERS (cont'd)

Board Committees

The Board meets on a quarterly basis at least 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 for 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 Board Committee meetings are minuted and signed by the respective Chairmen of the meetings.

During the financial year ended 31 December 2016 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	-	-	-	-	-	-
Chiu Hau Shun, Simon	4	4	4 [a]	4 [a]	1 [a]	1 [a]	1 [a]	1 [a]
Li Hin Lun, Alan	4	4	-	-	-	-	-	-
Cheung Hok Fung, Alexander	4	4	4	4	1	1	1	1
Chia Seng Hee, Jack	4	4	4	4	1	1	1	1
Ning Li	4	4	4	4	1	1	1	1

[a] *Attended the meetings as an invitee*

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. In compliance with the Code, the independent non-executive directors comprise half of the Board, and they 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.

Led by Mr. Cheung, the independent non-executive Directors meet periodically without the presence of the other directors to discuss matters in relation to the Group. Subsequent to each such meeting, Mr. Cheung, in his capacity as the Lead Independent Director, provides feedback to Mr. Tam, the Executive Chairman and Chief Executive Officer of the Company.

CORPORATE GOVERNANCE **REPORT** (cont'd)

I. BOARD MATTERS (cont'd)

Board Membership

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 and re-appointments;
- deliberating on the re-nomination of Directors and succession planning, particularly the Executive Chairman and Chief Executive Officer, 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;
- making recommendations to the Board on the development of a process for evaluation of the performance of the Board, its board committees and directors, and proposing objective performance criteria that address how the Board has enhanced long-term shareholder value;
- assessing the effectiveness of the Board as a whole, and the contribution by each individual Director to the effectiveness of the Board; and
- recommending to the Board on the review of training and professional development programs for the Board.

The Independent Non-Executive Directors have multiple board representations. Nevertheless, amongst other contributions to the Company, the Independent Non-Executive Directors have attended all the Board and committee meetings (where applicable) and have provided constructive input in these meetings. Consequently, 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 NC notes the requirement under the Code for companies to fix the maximum number of listed company board representations that their directors may hold and to disclose this in their annual report. Details of such directorships and other principal commitments of our Directors may be found on pages 18 to 20. As time requirements are subjective, the NC recognises that its assessment of each Director's ability to discharge his or her duties adequately should not be confined to the sole criterion of the number of his or her board representations. Thus, it will also take into account contributions by Directors during Board and Board Committee meetings and their attendance at such meetings, in addition to each of their principal commitments.

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. The NC first establishes and reviews the profile required of Board members and makes recommendations to the Board on the appointment, re-nomination and retirement of Directors. When an existing Director chooses to retire or is required to retire from office by rotation, or the need for a new Director arises, the NC will review the spectrum of expertise, skills and attributes of the Board based on its existing composition. Subsequently, the NC will identify the Company's needs and prepare a shortlist of candidates with the appropriate profile for nomination or re-nomination. Where necessary, the NC may seek advice from external search consultants.

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.

I. BOARD MATTERS (cont'd)

Board Performance

The NC reviews the criteria for evaluating the Board's performance as a whole and the contributions by each Director. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board and its Directors. The Board, led by the Lead Independent Director, also assesses the effectiveness of the Executive Chairman.

The performance criteria for the Board, Board Committees and individual Directors will include 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, corporate integrity, managing the Company's performance, strategic review, Board Committee effectiveness, the Chief Executive Officer's performance and succession planning, Director development and management, risk management and standard of conduct of the Directors. The NC also takes factors such as attendance, preparedness, participation and candour at Board meetings into consideration.

In addition, an annual performance evaluation will be conducted during each financial year to assess effectiveness of the Board and contribution of each Director. The purpose of the evaluation is to increase the overall effectiveness of the Board. As part of the annual performance evaluation, the NC conducted a peer appraisal process whereby Directors were requested to complete appraisal forms to assess the overall effectiveness of the Board and the Board Committees, as well as each individual Director's contributions to the Board and Board Committees. The results of the appraisal exercise would be considered by the NC, which would then make recommendations to the Board, thus helping the Board to discharge its duties more effectively.

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 Management. Prior to each Board meeting, Directors are provided with timely and complete information from Management to enable them to fulfill their responsibilities. The Directors also have separate and independent access to the Company Secretary. All Board and committee meetings are to be conducted in the presence of the Company Secretary to ensure that Board procedures are followed and applicable rules and regulations are complied with. The Board is responsible for the appointment and removal of the Company Secretary.

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

CORPORATE GOVERNANCE **REPORT** (cont'd)

II REMUNERATION MATTERS (cont'd)

Procedures for Developing Remuneration Policies (cont'd)

- 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

The RC reviews and recommends a general framework of remuneration for the Board and key management personnel, with specific packages for each. The RC's recommendations would be submitted for endorsement by the entire Board.

In fine-tuning remuneration packages, the RC takes into consideration pay and employment conditions within the industry and in comparable companies. In addition, for executive Directors and key executives (who are not Directors), the Company's relative performance and individual performance are factored into each remuneration package. The RC ensures that such performance-related remuneration is aligned with the interests of shareholders, promotes the long-term success of the company, takes account of the risk policies of the company, is symmetric with risk outcomes and is sensitive to the time horizon of risks.

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.

Remuneration Components

Remuneration benefits for both executive Directors and key executives (who are not Directors) comprise a fixed component and a variable component.

The fixed component comprises the base salary. The variable component includes a performance bonus, which shall be determined based on the Company's relative performance and individual performance. To comply with the Code, the Company will be incorporating appropriate "claw-back mechanisms" to allow it to reclaim the variable incentive-based component of remuneration from directors and key management personnel in the exceptional circumstances of (i) misstatement of financial results; or (ii) misconduct resulting in financial loss to the Company.

Disclosure of Remuneration

The remuneration of the Directors for the financial year ended 31 December 2016 is disclosed below:

Name	Salary / Directors' fees (%)	Bonus (%)	Benefits in kind (%)	Share options (%)	Share-based incentives (%)	Other long-term incentives (%)	Total compensation (S$'000)
Executive Directors							
Tam Jo Tak, Dominic	100.0	-	-	-	-	-	329
Chiu Hau Shun, Simon	100.0	-	-	-	-	-	327
Yau Hing Wah, John [(1)]	100.0	-	-	-	-	-	111
Li Hin Lun, Alan [(1)]	100.0	-	-	-	-	-	140
Non-executive Directors							
Cheung Hok Fung, Alexander	100.0	-	-	-	-	-	70
Chia Seng Hee, Jack	100.0	-	-	-	-	-	70
Ning Li	100.0	-	-	-	-	-	60

II REMUNERATION MATTERS (cont'd)

Disclosure of Remuneration (cont'd)

The remuneration of the key executives (who are not Directors) for the financial year ended 31 December 2016 is disclosed below:

Name	Salary (%)	Bonus (%)	Benefits in kind (%)	Stock options (%)	Share-based incentives (%)	Other long-term incentives (%)	Total Compensation (S$'000)
Key executives (who are not Directors)							
Zheng Naqiao, Koulman	100	-	-	-	-	-	342
Li Hin Lun, Alan	100	-	-	-	-	-	70
Qiu Guo Lian, David	100	-	-	-	-	-	215
Hung Kam Tim, Samuel	100	-	-	-	-	-	302
Tang Kai Man,Nicholas	100	-	-	-	-	-	219
Su Cheng, David (2)	100	-	-	-	-	-	81
Xu Nan Yun, Steven (2)	100	-	-	-	-	-	13

Note:-

(1) *With effect from 26 April 2016, Mr. Yau Hing Wah, John has retired as Executive Director of the Group, and Mr. Li Hin Lun, Alan has been appointed as Executive Director of the Group with effect from 1 May 2016. Please refer to the announcement dated 11 April 2016 for further details.*

(2) *With effect from 8 November 2016, Mr. Su Cheng, David has resigned as Acting Chief Financial Officer of the Group, and Mr. Xu Nan Yun, Steven has been appointed as Acting Chief Financial Officer of the Group . Please refer to the announcement dated 13 September 2016 for further details.*

The total remuneration paid to the top five key executives (who are not Directors) is S$1,242,000.

The aggregate amount of termination, retirement and post-employment benefits that may be granted to the Directors, the Chief Executive Officer and the top five key executives (who are not Directors) is S$2,349,000.

There is no employee that is an immediate family member of any Director whose remuneration exceeds S$50,000 for the financial year ended 31 December 2016.

The Combine Will Employee Share Option Scheme

The Company has on 18 April 2008 adopted the Scheme for eligible employees who have contributed significantly to the growth and performance of the Group. The Scheme is designed as a share incentive plan which recognises the contributions of such employees who are important to the success and continued well-being of the Group. The Scheme complies with the relevant rules as set out in Chapter 8 of the Listing Manual, and is administered by the RC.

Except for controlling shareholders or their associates, confirmed group employees (including executive directors), employees of associated companies (except if the Company has control over the associated company) and non-executive directors (including independent directors) of the Group shall be eligible to participate in the Scheme.

The aggregate number of shares over which the RC may grant options on any date, when aggregated with the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued shares of the Company (excluding treasury shares) on the day preceding the date of the relevant grant.

CORPORATE GOVERNANCE **REPORT** (cont'd)

II REMUNERATION MATTERS (cont'd)

The Combine Will Employee Share Option Scheme (cont'd)

The options that are granted under the Scheme may have exercise prices that are set (i) at a price (the "**Market Price**") equal to the average of the last dealt prices for the shares on the Official List of the SGX-ST for the three (3) consecutive market days immediately preceding the relevant date of grant of the relevant option of a Share; or (ii) at a discount to the Market Price, subject to a maximum discount of 20% (or such other percentage or amount as may be prescribed or permitted for the time being by the SGX-ST) to be approved by shareholders at a general meeting in a separate resolution. Options which are fixed at the Market Price may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount to the Market Price may be exercised after the second anniversary from the date of grant of the option. The option period for options granted to employees (including executive directors who are not controlling shareholders) is 10 years from the relevant date of grant. The option period for options granted to non-executive directors is 5 years from the relevant date of grant.

As at 31 December 2016, there have been no options granted under the Scheme.

III ACCOUNTABILITY AND AUDIT

(Principles 10, 11, 12 and 13)

Accountability

The Board understands its accountability to the shareholders regarding the Group's performance. The objective of presenting annual financial statements and quarterly announcements to shareholders is to provide shareholders with a detailed and balanced analysis of the Group's financial position and prospects.

The Board is committed to ensure compliance with legislative and regulatory requirements including but not limited to requirements under the Listing Manual.

Management understands its role to provide all members of the Board with balanced and understandable management accounts on a monthly basis of the Group's performance, position and prospects.

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, 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 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;

III ACCOUNTABILITY AND AUDIT (cont'd)

The duties and responsibilities of the AC include: (cont'd)

- meeting with the external auditors and the internal auditors at least annually, without attendance of Management, to discuss any problems and concerns the auditors may have;
- reviewing the assistance provided by 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 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 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 (the "**Whistle-blowing Policy**");
- investigating any matter within its terms of reference, with full access to and co-operation from 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;
- considering the appointment/re-appointment of the external auditors, the audit fee and matters relating to the resignation or dismissal of the auditors; and
- advising the Board on the company's overall risk tolerance and strategy.

To ensure compliance with the revised Code, the AC intends to:

- work with the Board to establish written policies to ensure compliance with legislative and regulatory requirements where appropriate;
- work with the Board to periodically review the risk matrix which documents risk impact, risk response, and the necessary follow-up;
- implement measures to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements;
- constantly review the Management's and internal auditors' assessment of fraud risk and hold discussions with the external auditors to obtain reasonable assurance that adequate measures were put in place to mitigate fraud risk exposure in the Group; and
- periodically review the adequacy of the Whistle-blowing Policy instituted by the Group.

In particular, the external auditor provides regular updates and periodic briefings to the AC regarding changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and their corresponding impact on the financial statements, if any.

CORPORATE GOVERNANCE **REPORT** (cont'd)

III ACCOUNTABILITY AND AUDIT (cont'd)

The AC met four times during the financial year. At these meetings, Mr. Chiu Hau Shun, Simon, an Executive Director, and the Acting Chief Financial Officer, Mr. Su Cheng, David (until his resignation in 8 November 2016), Mr. Xu Nan Yun, Steven (since his appointment in 8 November 2016) were also in attendance. During the financial year, the AC reviewed the quarterly financial statements prior to approving or recommending to the Board of their release, as applicable. It reviewed the results of audits performed by the internal auditors based on the approved audit plan. The AC also met with the internal and external auditors, without the presence of Management, during the financial year.

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 which carries out (among others) reviews and internal control advisory activities aligned to the key risks in the Group's business, and reports directly to the Chairman of the AC on audit matters. This provides independent assurance to the AC on the adequacy and effectiveness of the risk management, financial reporting processes, and internal control and compliance systems. 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 Management.

For the purposes of compliance with the Code, the Board would obtain assurance from the Chief Executive Officer and Acting Chief Financial Officer that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances, and an effective risk management and internal controls system has been put in place.

Based on the existing framework of financial, operational and compliance controls established and the reviews conducted by Management and the internal and external auditors, the Board opines, with the concurrence of the AC, that there were adequate internal controls and risk management processes in place within the Group addressing material financial, operational and compliance risks to meet the needs of the Group, taking into account the nature and scope of its operations.

The system of internal control and risk management established by Management provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

The AC assesses the independence of the external auditor annually. During the year under review, the aggregate amount of fees paid to:

(a) RSM Hong Kong amounted to HK$1,723,000, with the fees paid for its provision of audit and non-audit services amounting to HK$1,080,000 and HK$643,000 respectively; and

(b) RSM Chio Lim LLP amounted to S$88,000, with the fees paid for its provision of audit and non-audit services amounting to S$88,000and S$Nil respectively.

The AC has undertaken a review of all non-audit services provided by RSM Hong Kong and RSM Chio Lim LLP and they would not, in the AC's opinion, affect the independence of either RSM Hong Kong or RSM Chio Lim LLP.

The Board of Directors and the Audit Committee, having reviewed the adequacy of the resources and experience of RSM Hong Kong and RSM Chio Lim LLP, the audit engagement partners assigned to the audit, their other audit engagements, the size and complexity of the Group, and the number and experience of supervisory and professional staff assigned to the audit, were satisfied that the Group had complied with Rules 712 and 716 of the Listing Manual.

III ACCOUNTABILITY AND AUDIT (cont'd)

Whistle-Blowing Policy

The Group is committed to a high standard of compliance with the relevant statutory and regulatory requirements relating to, inter alia, accounting and financial reporting, internal controls, disclosure controls and procedures and corporate governance. The AC has reviewed the adequacy of the Whistle-Blowing Policy adopted and implemented by the Group which provides employees and external parties with official and accessible channels to promote responsible and secure whistle-blowing without fear of adverse consequences. All whistle-blower complaints shall at first instance be reviewed by the internal audit committee (the "**IAC**") of the Company, which will then decide on the cases to be escalated to the AC. The AC shall review all whistle-blower complaints directed from the IAC at its quarterly meetings to ensure independent and thorough investigation and adequate follow-up. The AC shall then present the matters under their purview and recommendations to the Board for its review and further action.

IV. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

(Principle 14, 15 and 16 of the Code)

Shareholder Rights

The Company is committed to providing shareholders with adequate, timely and sufficient information pertaining in the Group's business that could have a material impact on its share price and value.

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 abstentia through proxies. Shareholders will be afforded adequate opportunities to communicate their views on matters relating to the Company. All members of the Board, including the chairpersons of the AC, NC and RC and the external auditors will be available during the Annual General Meeting to address any relevant queries from shareholders.

Registered shareholders, including corporations, who are unable to attend the AGM are provided with an option to appoint up to two proxies. The Company also allows corporations which provide nominee or custodial services to appoint more than two proxies. These allow shareholders who hold shares through corporations to attend and participate in the AGM as proxies.

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. Pursuant to this, a comprehensive investor relations policy will be put in place to ensure the Company's shareholders have ready access to pertinent information and are notified of any significant developments concerning the Group.

The Company makes timely disclosures on any new material information to the SGX-ST, and 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. These filings and notices are also posted on the Investor Relations ("**IR**") section of the Company's website immediately, so investors are made aware of business and strategic developments on a timely and consistent basis. The IR section is the key resource of information for the investment community. In addition to the quarterly financial results materials, it contains additional investor related information, including annual reports, research reports, factsheets and contact details for investor queries.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors might deem appropriate. The Board is not recommending any dividends for FY2016 because of losses incurred and the financial position of the Company.

Conduct of Shareholder Meetings

Shareholders are encouraged to attend the AGM as this is the principal forum for any dialogue they may have with the Directors of the Company.

CORPORATE GOVERNANCE **REPORT** (cont'd)

IV. SHAREHOLDER RIGHTS AND RESPONSIBILITIES (cont'd)

Conduct of Shareholder Meetings (cont'd)

The Company's Annual Report, together with the notice of AGM, is despatched to shareholders at least 14 days before the AGM. Separate resolutions on each substantially separate issue are proposed at general meetings for approval. "Bundling" of resolutions is kept to a minimum and is done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications involved.

The Company has introduced the system of voting by poll and the results of each resolution put to vote at the AGM are announced with details of the percentage voting in favour and against.

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 of the financial year or have been entered into since the end of the previous financial year.

VII. RISK MANAGEMENT

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

To supplement the Group's risk management capabilities, the Group has implemented and adopted a risk matrix to identify and document the impact of particular risks and the Group's responses. All risk assessment and control issues documented in the risk matrix will be communicated to Management and Group employees.

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 2016.

FINANCIAL STATEMENTS

STATEMENT BY **DIRECTORS**

FOR THE YEAR ENDED 31 DECEMBER 2016

In the opinion of the 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 40 to 86, are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, 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.

(c) Subsequent developments
There are no significant developments subsequent to the release of the Group and the Company's preliminary financial statements, as announced on 23 February 2017, which would materially affect the Group and the Company's operating and financial performance as of the date of this report.

On behalf of the Directors

Tam Jo Tak, Dominic
Executive Chairman and Chief Executive Officer

Chiu Hau Shun, Simon
Executive Director

30 March 2017

INDEPENDENT **AUDITORS' REPORT**

Opinion

We have audited the consolidated financial statements of Combine Will International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016, and of its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter we identified related to the original design manufacturers services/original equipment manufacturers services ("ODM/OEM") segment which represented more than 80% of the Group's total assets and revenue. The entities comprising the ODM/OEMs segment are Combine Will Industrial Company Limited ("CWI"), Heyuan Loong Run Toys Company Limited ("LRH") and, Loong Run Industrial Company Limited ("LRI").

Assessment of impairment of non-financial assets

Please refer to Notes 3(b), 3(d) and 3(u) on the relevant accounting policies, Note 4(b) and 4(c) on key sources of estimation uncertainties, Note 16 on property, plant and equipment, and Note 18 on goodwill, respectively.

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 31 December 2016, the Group has HK$208.24 million of non-financial assets that were deployed in the ODM/OEM segment which is the key cash-generating unit ("CGU"). These non-financial assets include HK$206.32 million of property, plant and equipment and HK$1.92 million of goodwill relating to ODM/OEM segment CGU. ODM/OEM segment recorded a loss of HK$6.16 million in 2016. This increases the risk that non-financial assets attributable to this CGU may be impaired. These assets are reviewed for indications of impairment. If such indicators exist, an impairment test is performed. Where an asset is impaired, it is written down to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs of disposal. The value in use calculation requires significant judgements by directors about the future results of ODM/OEM segment.	Our procedures in relation to this matter included: • challenging the reasonableness of the assumptions underlying management's cash flow forecasts based on our knowledge of the business and industry; • involving our valuation specialist in assessing the reasonableness of the discount rate adapted by management and in assessing the integrity of management's value in use model; • reconciling input data to supporting evidence such as approved budgets and considering the accuracy of previous budgets; and • reviewing the adequacy of the disclosures in this area.

COMBINE WILL

INDEPENDENT **AUDITORS' REPORT** (cont'd)

Other Information

Management is responsible for the Other Information. The Other Information comprises all of the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

RSM Chio Lim LLP
Public Accountants and Chartered Accountants

8 Wilkie Road,
#03-08 Wilkie Edge,
Singapore 228095

30 March 2017

Engagement partner: Ng Thiam Soon

RSM Hong Kong
Certified Public Accountants

29th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay,
Hong Kong

30 March 2017

Engagement partner: Liu Eugene

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		HK$'000	HK$'000
Revenue	8	**1,190,929**	1,967,649
Cost of sales		**(1,125,294)**	(1,797,440)
Gross profit		**65,635**	170,209
Other income	9	**23,843**	42,334
Selling and distribution expenses		**(17,228)**	(25,920)
Administrative expenses		**(93,767)**	(144,509)
(Loss)/profit from operations		**(21,517)**	42,114
Finance costs	10	**(15,061)**	(20,916)
(Loss)/profit before tax		**(36,578)**	21,198
Income tax expense	11	**(1,015)**	(4,199)
(Loss)/profit for the year, net of tax	12	**(37,593)**	16,999
(Loss)/profit for the year attributable to:			
Owners of the Company		**(35,472)**	17,539
Non-controlling interests		**(2,121)**	(540)
		(37,593)	16,999
Basic (loss)/earnings per share (HK cents)	15	**(109.12)**	53.47

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	HK$'000	HK$'000
(Loss)/profit for the year, net of tax	**(37,593)**	16,999
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(50,827)**	(33,015)
Other comprehensive income for the year, net of tax	**(50,827)**	(33,015)
Total comprehensive income for the year	**(88,420)**	(16,016)
Total comprehensive income for the year attributable to:		
Owners of the Company	**(86,039)**	(15,476)
Non-controlling interests	**(2,381)**	(540)
	(88,420)	(16,016)

STATEMENTS OF **FINANCIAL POSITION**

AT 31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	**2016**	2015
		HK$'000	HK$'000	**HK$'000**	HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	16	**219,293**	217,491	**–**	–
Investments in subsidiaries	17	**–**	–	**461,263**	461,263
Goodwill	18	**1,927**	2,417	**–**	–
Available-for-sale financial assets	19	**–**	–	**–**	–
Total non-current assets		**221,220**	219,908	**461,263**	461,263
Current assets					
Current tax assets		**6,025**	4,560	**–**	–
Inventories	20	**495,853**	513,217	**–**	–
Trade and bills receivables	21	**278,927**	357,355	**–**	–
Prepayments, deposits and other receivables	22	**115,776**	179,500	**–**	–
Pledged bank deposits	23	**–**	431,321	**–**	–
Bank and cash balances	23,33	**43,389**	54,943	**1,125**	109
Total current assets		**939,970**	1,540,896	**1,125**	109
Total assets		**1,161,190**	1,760,804	**462,388**	461,372
LIABILITIES AND EQUITY					
Non-current liabilities					
Deferred tax liabilities	25	**2,650**	3,140	**–**	–
Total non-current liabilities		**2,650**	3,140	**–**	–
Current liabilities					
Current tax liabilities		**10,381**	15,350	**–**	–
Trade and bills payables	26	**129,674**	205,268	**–**	–
Amount due to subsidiaries	17	**–**	–	**11,319**	–
Accruals and other payables	27	**109,661**	133,736	**–**	–
Term loans	28	**–**	448,500	**–**	–
Short-term borrowings	29	**347,616**	276,591	**–**	–
Current portion of long-term borrowings	24	**–**	18,397	**–**	–
Total current liabilities		**597,332**	1,097,842	**11,319**	–
Total liabilities		**599,982**	1,100,982	**11,319**	–
Equity attributable to owners of the Company					
Share capital	30	**242,456**	246,000	**242,456**	246,000
Reserves	31	**309,320**	402,009	**208,613**	215,372
		551,776	648,009	**451,069**	461,372
Non-controlling interests		**9,432**	11,813	**–**	–
Total equity		**561,208**	659,822	**451,069**	461,372
Total liabilities and equity		**1,161,190**	1,760,804	**462,388**	461,372

COMBINE WILL

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company								
	Share capital	Share premium	Statutory reserves (note)	Capital redemption reserve	Foreign currency translation reserve	Retained earnings	Total	Non–controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	246,000	26,488	2,033	–	64,485	324,479	663,485	12,448	675,933
Total comprehensive income for the year	–	–	–	–	(33,015)	17,539	(15,476)	(540)	(16,016)
Disposal of a subsidiary	–	–	–	–	–	–	–	(95)	(95)
Changes in equity for the year	–	–	–	–	(33,015)	17,539	(15,476)	(635)	(16,111)
At 31 December 2015 and 1 January 2016	246,000	26,488	2,033	–	31,470	342,018	648,009	11,813	659,822
Total comprehensive income for the year	–	–	–	–	(50,567)	(35,472)	(86,039)	(2,381)	(88,420)
Dividend paid	–	–	–	–	–	(8,315)	(8,315)	–	(8,315)
Repurchase and cancellation of shares (note 30)	(3,544)	–	–	1,665	–	–	(1,879)	–	(1,879)
Changes in equity for the year	(3,544)	–	–	1,665	(50,567)	(43,787)	(96,233)	(2,381)	(98,614)
At 31 December 2016	242,456	26,488	2,033	1,665	(19,097)	298,231	551,776	9,432	561,208

Note:

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 until the reserve balance reaches 50% of the registered capital. 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 2016

	Note	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(36,578)**	21,198
Adjustments for:			
Depreciation		**46,929**	55,783
Gain on disposals of property, plant and equipment		**(11)**	(60)
Allowance of trade receivables		**5,586**	2,455
Bad debts written off		**301**	422
Interest income		**(1,906)**	(14,859)
Impairment of property, plant and equipment		**–**	5,698
Impairment of goodwill		**490**	–
Finance costs		**15,061**	20,916
Operating profit before working capital changes		**29,872**	91,553
(Increase)/decrease in inventories		**(15,409)**	43,929
Decrease in trade and bills receivables		**72,027**	48,061
Decrease in prepayments, deposits and other receivables		**63,724**	26,435
Decrease in trade and bills payables		**(67,636)**	(130,722)
Decrease in accruals and other payables		**(24,075)**	(21,987)
Cash generated from operations		**58,503**	57,269
Interest paid		**(15,061)**	(20,916)
Income taxes paid		**(7,950)**	(663)
Net cash generated from operating activities		**35,492**	35,690
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in pledged bank deposits		**431,321**	(148,290)
Net cash outflow from disposal of a subsidiary	32	**–**	(272)
Purchases of property, plant and equipment		**(71,631)**	(46,538)
Proceeds from disposal of property, plant and equipment		**540**	208
Interest received		**1,906**	14,859
Net cash generated from/(used in) investing activities		**362,136**	(180,033)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of terms loans		**–**	250,000
Repayment of long-term borrowings		**(18,397)**	(29,413)
Repayment of term loans		**(448,500)**	(99,000)
Net advance of trust receipt and import loans		**71,025**	22,001
Repurchase of the Company's shares		**(1,879)**	–
Dividends paid to owners		**(8,315)**	–
Net cash (used in)/generated from financing activities		**(406,066)**	143,588
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(8,438)**	(755)
Net effect of exchange rate changes on cash and cash equivalents held		**(3,116)**	1,838
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**54,943**	53,860
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	33	**43,389**	54,943

NOTES TO THE **FINANCIAL STATEMENTS**

1. GENERAL INFORMATION

Combine Will International Holdings Limited (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 Ind. 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 financial statements of the Company and of the Group for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

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

In the opinion of management of the Company, 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 all applicable International Financial Reporting Standards ("IFRSs"), which include all applicable International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and the Interpretations. Significant accounting policies adopted by the Group are disclosed below.

International Accounting Standards Board ("IASB") has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The following paragraphs provide information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further information on the Group's borrowing and banking facilities is given in note 29 and 34 to the financial statements respectively.

(a) Application of new and revised IFRSs

IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2016. Of these, the following new or revised IFRSs are relevant to the Group.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative
The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

2. STATEMENT OF COMPLIANCE (CONT'D)

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

IFRS 9 Financial Instruments

The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from IAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

IFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in IAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in IAS 39 are carried forward largely unchanged.

2. STATEMENT OF COMPLIANCE (CONT'D)

(b) New and revised IFRSs in issue but not yet effective (cont'd)

IFRS 9 Financial Instruments (cont'd)

IFRS 9 substantially overhauls the hedge accounting requirements in IAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in IFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting IFRS 15 on the consolidated financial statements. The Group is unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

Certain of the Group's factory premises leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 35, the Group's future minimum lease payments under non-cancellable operating leases for its factory premises amounted to HK$27,813,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in IFRS 16 and the effects of discounting.

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

The preparation of these financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The 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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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

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

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. Separately from the equity of the owners of the Company. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any 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 sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

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.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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 the Company's functional and the presentation currency.

(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.

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency translation (cont'd)

(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 are translated at average exchange rates for the period (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 other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

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

(d) Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land (classified as finance leases), held for use in the production or supply of goods and services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over the estimated useful lives. 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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charges for the current and future periods are adjusted.

(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, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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.

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial assets

Financial assets 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.

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and 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 and accumulated in the investment revaluation reserve, 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 reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments that do not have an active market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(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.

(l) 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.

(m) Trade and other payables

Trade and other payables are recognised 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.

(n) Equity instruments

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

(o) Treasury shares

The cost of treasury shares purchased is shown as a deduction from equity in the consolidated statement of financial position. When treasury shares are sold or reissued that are credited to equity. As a result, no gain or loss on treasury shares is charged to profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) 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.

Revenue from the sales of goods is 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.

(q) 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 at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Borrowing costs

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

(s) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) 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 of items of income or expense that are taxable or deductible in other years and 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 consolidated 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.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset / CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset / CGU whose impairment is being measured.

Impairment losses for CGU are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(v) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occured after the initial recognition, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Segment reporting

The Group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(x) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value at the end of reporting period.

The resulting gain or loss is recognised in profit or loss immediately.

(y) 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.

(z) 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. KEY SOURCES OF ESTIMATION UNCERTAINTIES

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.

The carrying amount of property, plant and equipment as at 31 December 2016 was HK$219,293,000 (2015: HK$217,491,000).

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

4. KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONT'D)

(b) Impairment of property, plant and equipment

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of CGUs if applicable is measured based on the fair value less costs of disposal or value in use calculations. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset or class of assets at the end of the reporting year affected by the assumption is HK$206,316,000 (2015: HK$14,744,000).

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$1,927,000 (2015: HK$2,417,000) after an impairment loss of HK$490,000 (2015: HK$Nil) was recognised during the year. Details of the impairment loss calculation are provided in note 18 to the consolidated financial statements.

(d) 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, in particular of a loss event, 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.

As at 31 December 2016, accumulated impairment loss for bad and doubtful debts amounted to HK$11,740,000 (2015: HK$6,154,000).

(e) Determination of functional currency

In determining the functional currencies of the reporting entity judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. The functional currencies of each reporting entity is measured based on management's assessment of the economic environment in which the reporting entity operates and the reporting entity's process of determining sales price.

(f) Deferred tax estimation

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Group making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

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 monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2016, if the HK$ had weakened 1 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been HK$462,000 higher (2015: consolidated profit after tax for the year HK$541,000 lower), arising mainly as a result of the net foreign exchange loss (2015: loss) on pledged bank deposits, bank and cash balances, mould and trade deposits received, trade and bills payables and accruals and other payables denominated in RMB. If the HK$ had strengthened 1 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been HK$462,000 lower (2015: consolidated profit after tax for the year HK$541,000 higher), arising mainly as a result of the net foreign exchange gain (2015: gain) on pledged bank deposits, bank and cash balances, mould and trade deposits received, trade and bills payables and accruals and other payables denominated in RMB.

(b) Interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank loans. It is the Group's policy to convert a proportion of its variable-rate debt to fixed-rate debt. In the current year, the Group has been using interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows.

At 31 December 2016, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been HK$1,415,000 lower (2015: consolidated profit after tax for the year HK$3,024,000 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 loss after tax for the year would have been HK$1,415,000 higher (2015: HK$3,024,000 lower), arising mainly as a result of higher interest expense on bank loans.

(c) Credit risk

The carrying amount of the bank and cash balances, 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 acceptable credit-ratings assigned by international credit-rating agencies.

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Liquidity risk

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

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2016					
Trade and bills payables	**–**	**129,674**	**–**	**–**	**–**
Accruals and other payables	**–**	**109,661**	**–**	**–**	**–**
Short-term borrowings	**350,886**	**–**	**–**	**–**	**–**
At 31 December 2015					
Trade and bills payables	–	205,268	–	–	–
Accruals and other payables	–	133,736	–	–	–
Term loans	–	453,507	–	–	–
Short-term borrowings	278,250	–	–	–	–
Long-term borrowings	–	18,626	–	–	–

(e) Categories of financial instruments at 31 December 2016

	2016	2015
	HK$'000	HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**386,464**	971,594
Financial liabilities:		
Financial liabilities at amortised cost	**558,446**	1,075,655

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the statement of financial position approximate their respective fair values.

6. SEGMENT INFORMATION

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

Principal activities are as follows:

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

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

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

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

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include corporate income or expenses. Segment assets do not include bank and cash balances, pledged bank deposits, goodwill and corporate assets. Segment liabilities do not include borrowings, current tax liabilities, deferred tax liabilities and corporate liabilities. Segment non-current assets do not include corporate assets.

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

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

6. 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 2016				
Revenue from external customers	**1,048,089**	**40,373**	**102,467**	**1,190,929**
Intersegment revenue	**–**	**3,795**	**–**	**3,795**
Segment loss	**(6,158)**	**(1,648)**	**(7,182)**	**(14,988)**
Interest revenue	**1,885**	**3**	**18**	**1,906**
Interest expense	**13,500**	**944**	**617**	**15,061**
Depreciation	**37,510**	**8,790**	**629**	**46,929**
Income tax expense/(credit)	**5,882**	**(4,329)**	**(538)**	**1,015**
Additions to segment non-current assets	**66,543**	**4,545**	**543**	**71,631**
As at 31 December 2016				
Segment assets	**1,006,878**	**52,645**	**46,861**	**1,106,384**
Segment liabilities	**183,434**	**36,037**	**19,864**	**239,335**
Year ended 31 December 2015				
Revenue from external customers	1,757,788	56,774	153,087	1,967,649
Intersegment revenue	–	4,992	1	4,993
Segment profit/(loss)	78,114	(29,950)	(473)	47,691
Interest revenue	14,833	5	21	14,859
Interest expense	18,669	1,242	1,005	20,916
Depreciation	38,853	16,579	351	55,783
Income tax expense/(credit)	6,261	(2,856)	794	4,199
Additions to segment non-current assets	37,767	8,646	125	46,538
As at 31 December 2015				
Segment assets	1,161,595	53,803	46,292	1,261,690
Segment liabilities	274,700	33,204	29,256	337,160

6. SEGMENT INFORMATION (CONT'D)

Reconciliations of reportable segment revenue and profit or loss:

	2016	2015
	HK$'000	HK$'000
Revenue		
Total revenue of reportable segments	1,194,724	1,972,642
Elimination of intersegment revenue	(3,795)	(4,993)
Consolidated revenue	1,190,929	1,967,649
Profit or loss		
Total profit or loss of reportable segments	(14,988)	47,691
Staff costs	(1,153)	(1,609)
Interest expense	(15,061)	(20,916)
Other profit or loss	(6,391)	(8,167)
Consolidated (loss)/profit for the year	(37,593)	16,999

Reconcilation of segment assets and liabilities:

	2016	2015
Assets		
Total assets of reportable segments	1,106,384	1,261,690
Pledged bank deposits	–	431,321
Bank and cash balances	43,389	54,943
Other assets	11,417	12,850
Consolidated total assets	1,161,190	1,760,804
Liabilities		
Total liabilities of reportable segments	239,335	337,160
Terms loans	–	448,500
Short-term borrowings	347,616	276,591
Long-term borrowings	–	18,397
Other liabilities	13,031	20,334
Consolidated total liabilities	599,982	1,100,982
Other material items		
Depreciation	46,929	55,783
Interest expense	15,061	20,916
Additions of property, plant and equipment	71,631	46,538

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

6. SEGMENT INFORMATION (CONT'D)

Geographical information:

The Group's revenue from external customers by location of operation and information about its non-current assets by location of assets are detailed below:

	Revenue		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Asia				
Greater China (including PRC, Hong Kong, Macau and Taiwan)	**652,335**	858,217	**197,733**	219,908
Singapore	**–**	744,939	**–**	–
Indonesia	**–**	–	**23,487**	–
Other countries	**2,972**	1,050	**–**	–
	655,307	1,604,206	**221,220**	219,908
Middle East				
Dubai	**329,349**	–	–	–
	329,349	–	–	–
America				
United States	**24,747**	14,162	**–**	–
	24,747	14,162	**–**	–
Europe				
Germany	**86,855**	142,502	**–**	–
Other countries	**94,671**	206,779	**–**	–
	181,526	349,281	**–**	–
Consolidated total	**1,190,929**	1,967,649	**221,220**	219,908

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

6. SEGMENT INFORMATION (CONT'D)

Revenue from major customers:

	2016	2015
	HK$'000	HK$'000
ODM/OEM		
Customer a	**449,226**	744,939
Customer b	**329,349**	545,284

7. 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

	2016	2015
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**12,924**	13,257

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

	2016	2015
	HK$'000	HK$'000
Remunerations of directors of the Company	**4,480**	5,490
Fees to directors of the Company	**1,144**	1,172

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.

8. REVENUE

	2016	2015
	HK$'000	HK$'000
Sales of goods	**1,190,929**	1,967,649

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

9. OTHER INCOME

	2016	2015
	HK$'000	HK$'000
Interest income on bank deposits	**1,906**	14,859
Government grants (note)	**–**	49
Miscellaneous receipts	**10,314**	7,459
Mould engineering income, net	**7,700**	12,639
Rebate from suppliers	**1,851**	6,081
Rental income	**407**	420
Sales of scrap materials	**1,654**	767
Gain on disposals of property, plant and equipment	**11**	60
	23,843	42,334

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

10. FINANCE COSTS

	2016	2015
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**15,061**	20,916

11. INCOME TAX EXPENSE

	2016	2015
	HK$'000	HK$'000
Current tax expenses		
- Hong Kong	**–**	–
- The PRC	**1,864**	3,935
(Over)/under-provision in prior years	**(359)**	264
	1,505	4,199
Deferred tax (note 25)	**(490)**	–
	1,015	4,199

11. INCOME TAX EXPENSE (CONT'D)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year ended 31 December 2016 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.

For the years ended 31 December 2016 and 2015, the applicable PRC enterprise income tax rates is 25%.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is HK$5,581,000 (2015: HK$5,764,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

The income tax expense varied from the amount of income tax expense determined by applying the Hong Kong Profits Tax rate of 16.5% (2015: 16.5%) to (loss)/profit before tax as a result of the following differences:

	2016	2015
	HK$'000	HK$'000
(Loss)/profit before tax	**(36,578)**	21,198
Income tax (benefit)/expense at Hong Kong Profits Tax rate	**(6,035)**	3,498
Tax effect of income that is not taxable	**(2,259)**	(7,122)
Tax effect of expenses that are not deductible	**563**	491
Tax effect of temporary differences not recognised	**(599)**	(21)
Tax effect of utilisation of tax losses not previously recognised	**(83)**	(139)
Tax effect of tax losses not recognised	**9,475**	8,189
Effect of different tax rates of subsidiaries	**312**	(961)
(Over)/under-provision of current tax expense in prior years	**(359)**	264
Income tax expense	**1,015**	4,199

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

12. (LOSS)/PROFIT FOR THE YEAR

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

	2016	2015
	HK$'000	HK$'000
Allowance of trade receivables	**5,586**	2,455
Bad debts written off	**301**	422
Depreciation expenses	**46,929**	55,783
Gain on disposals of property, plant and equipment	**(11)**	(60)
Exchange loss	**2,377**	29,555
Operating lease expenses	**20,132**	22,142
Impairment of property, plant and equipment	**–**	5,698
Impairment of goodwill	**490**	–

13. EMPLOYEE BENEFITS EXPENSES

	2016	2015
	HK$'000	HK$'000
Employee benefits expenses including directors	**376,761**	549,910
Contributions to defined contribution scheme	**41,950**	39,345
Employee benefits expenses	**418,711**	589,255

14. DIVIDENDS

	2016	2015
	HK$'000	HK$'000
2015 Final of SGD0.045 (2015: 2014 Final SGD Nil) per ordinary share	**8,315**	–

No dividend has been declared by the Company during the year (2015: SGD0.045 per share).

15. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earning per share is calculated by dividing the loss for the year attributable to owners of the Company of approximately HK$35,472,000 (2015: profit for the year attributable to owners of the Company of approximately HK$17,539,000) by the weighted average number of ordinary shares of 32,508,660 (2015: 32,800,000) in issue during the year.

No diluted (loss)/earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2016 and 2015.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings	Plant and machinery	Toolings	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At 1 January 2015	85,618	561,395	64,644	71,248	15,354	–	798,259
Additions	–	41,481	2,733	700	1,624	–	46,538
Disposals	–	(931)	(14)	(1,036)	(934)	–	(2,915)
Disposal of a subsidiary	–	(1,407)	–	(398)	–	–	(1,805)
Exchange differences	(1,635)	(13,240)	(26,941)	(19,909)	(221)	–	(61,946)
At 31 December 2015 and 1 January 2016	83,983	587,298	40,422	50,605	15,823	–	778,131
Additions	–	43,423	2,277	649	1,026	24,256	71,631
Transfer from inventories	–	–	–	1,138	–	–	1,138
Disposals	–	(8,565)	–	–	(1,227)	–	(9,792)
Exchange differences	(2,529)	(22,339)	(10,041)	(1,167)	(373)	(769)	(37,218)
At 31 December 2016	81,454	599,817	32,658	51,225	15,249	23,487	803,890
Accumulated depreciation and impairment							
At 1 January 2015	78,056	346,385	50,641	63,013	13,299	–	551,394
Charge for the year	221	49,163	2,380	3,013	1,006	–	55,783
Impairment losses	–	5,698	–	–	–	–	5,698
Disposals	–	(817)	(9)	(1,036)	(905)	–	(2,767)
Disposal of a subsidiary	–	(747)	–	(335)	–	–	(1,082)
Exchange differences	(438)	(5,360)	(21,972)	(20,354)	(262)	–	(48,386)
At 31 December 2015 and 1 January 2016	77,839	394,322	31,040	44,301	13,138	–	560,640
Charge for the year	362	41,183	2,077	2,085	1,222	–	46,929
Disposals	–	(8,052)	–	–	(1,211)	–	(9,263)
Exchange differences	(2,529)	(8,613)	(1,390)	(924)	(253)	–	(13,709)
At 31 December 2016	75,672	418,840	31,727	45,462	12,896	–	584,597
Carrying amount							
At 31 December 2016	5,782	180,977	931	5,763	2,353	23,487	219,293
At 31 December 2015	6,144	192,976	9,382	6,304	2,685	–	217,491

The depreciation expense is charged as follows:

	Cost of sales	Administrative expenses	Total
	HK$'000	HK$'000	HK$'000
Financial year ended 31 December 2016	42,108	4,821	46,929
Financial year ended 31 December 2015	43,040	12,743	55,783

In 2015, certain plant and machinery of Moulds and Tooling segment were assessed to be idled and no longer use by the Group. The Group recognised impairment losses of HK$5,698,000 accordingly.

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	2015
	HK$'000	HK$'000
Unlisted investments, at cost	**310,205**	310,205
Loans to subsidiaries	**151,058**	151,058
	461,263	461,263

The loans to subsidiaries are non-interest bearing and not expected to be repaid in the foreseeable future. The loans are therefore deemed to form part of the Company's interest in subsidiaries.

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2016 are as follows:

Name	Date and place of incorporation/ establishment	Principal activities	Issued and paid-up / registered capital		Effective interests held by the Group	
			2016	2015	**2016**	2015
Directly held					%	%
Combine Will Holdings Limited*	19 September 2000 Cayman Islands	Investment holding	**HK$1,000**	HK$1,000	**100**	100
APT International Holdings Limited*	4 August 2009 Cayman Islands	Investment holding	**USD2,100,000**	USD2,100,000	**100**	100
Faith and Hope Holdings Limited*	4 August 2009 Cayman Islands	Investment holding	**USD1**	USD1	**100**	100
Indirectly held						
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**	HK$14,000,000	**100**	100
联志玩具礼品(东莞)有限公司 (Lian Zhi Toys Gift (Dongguan) Co., Ltd.)***	7 November 2001 Dongguan, Guangdong, PRC	Manufacturing of plastic toys, die casting and premium items on OEM basis	**HK$100,000,000**	HK$94,893,520	**100**	100
Triple Wise Co., Ltd.*	3 August 2000 British Virgin Islands	Investment holding	**USD1**	USD1	**100**	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**	HK$100,000	**100**	100
东莞联弘玩具有限公司 (Dongguan Loong Run Toys Company Limited)***	21 August 2002 Dongguan, Guangdong, PRC	Manufacturing of plastic toys, die casting and premium items on OEM basis	**HK$14,500,000**	HK$14,500,000	**100**	100
Legacy Giftware Limited**	6 August 1996 Hong Kong	Inactive/Dormant	**HK$3,100,000**	HK$3,100,000	**100**	100
Combine Will Industrial (Overseas) Company Limited*	25 October 2000 British Virgin Islands	Investment holding	**USD2**	USD2	**100**	100
Million Favour Inc.*	8 August 2000 Samoa	Investment holding and trading of electronics parts for the toys	**USD100**	USD100	**70**	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**	HK$25,361,000	**70**	70
Sunstone Company Limited **	3 February 1994 Hong Kong	Trading of premium items	**HK$100,000**	HK$100,000	**100**	100
Altrust Precision Tooling Company Limited**	12 November 1996 Hong Kong	Investment holding	**HK$10,100,000**	HK$10,100,000	**100**	100

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Particulars of the subsidiaries as at 31 December 2016 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	
			2016	2015	**2016**	2015
Indirectly held (cont'd)					%	%
Kam Hing Product Design and Development Company Limited**	12 February 1997 Hong Kong	Trading of models and moulds	**HK$10,100,000**	HK$10,100,000	**100**	100
Altrust Precision Tooling Company Limited*	29 June 1999 Samoa	Investment holding and trading of moulds	**USD1**	USD1	**100**	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**	HK$89,196,920	**100**	100
Unifaith Machine Tools Company Limited**	22 March 2000 Hong Kong	Trading of machinery and tools	**HK$1,000,000**	HK$1,000,000	**60**	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**	HK$4,000,000	**60**	60
Hopewell Precision Machine Tools Company Limited**	8 October 2001 Hong Kong	Trading of machinery	**HK$1,000,000**	HK$1,000,000	**60**	60
明望精机贸易 (深圳) 有限公司 (Hopewell Precision Trading (Shenzhen) Company Limited***	23 January 2014 Shenzhen, Guangdong, PRC	Trading of machinery	**HK$500,000**	HK$500,000	**60**	60
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$60,000,000**	HK$55,000,000	**100**	100
Luke Medical Company Limited**	4 August 2011 Hong Kong	Investment holding	**HK$10,000**	HK$10,000	**100**	100
联志电子玩具制品(梧州) 有限公司***** (Combine Will Electronics Toys (Wuzhou) Co., Ltd.)	19 July 2012 Wuzhou, Guangxi, PRC	Manufacturing and trading of plastic toys	**HK$10,000,000**	HK$10,000,000	**100**	100
东莞联健医疗器材有限公司 (Dongguan Luke Medical Company Limited)******	6 January 2013 Dongguan, Guangdong, PRC	Inactive	**HK$2,000,000**	HK$2,000,000	**100**	100
PT. Combine Will Industrial Indonesia	23 March 2016 Indoneisa	Not yet commence business	**USD6,000,000**	N/A	**100**	N/A

All the subsidiaries are audited by RSM Hong Kong for the purpose of consolidation.

* Not required to be audited according to the laws of country of incorporation.

** The statutory financial statements for the year ended 31 December 2016 were audited by RSM Hong Kong.

*** The statutory financial statements for the year ended 31 December 2016 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 2016 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.

***** The statutory financial statements for the year ended 31 December 2016 prepared in accordance with generally accepted accounting principles in the PRC, were audited by 梧州市信拓会计师事务所for tax filing and annual registration purposes.

****** The statuory financial statements for the year ended 31 December 2016 prepared in accordance with generally accepted accounting principles in the PRC, were audited by大信会计师事务所for tax filing and annual registration purposes.

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The following table shows information of subsidiaries that have material non-controlling interests ("NCI") to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Unifaith Machine Tools Company Limited		Hopewell Precision Machine Tools Company Limited		Million Favour Inc.	
	2016	2015	**2016**	2015	**2016**	2015
Principal place of business/ country of incorporation	**PRC/Hong Kong**		**PRC/Hong Kong**		**PRC/Samoa**	
% of ownership interests / voting rights held by NCI	40%/40%		40%/40%		30%/30%	
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 31 December:						
Non-current assets	**1,507**	772	**587**	276	**4,067**	4,345
Current assets	**112,459**	59,408	**23,976**	27,009	**8,395**	11,956
Non-current liabilities	**–**	–	**–**	–	**–**	–
Current liabilities	**(77,321)**	(21,616)	**(38,457)**	(35,239)	**(11,357)**	(17,737)
Net assets/(liabilities)	**36,645**	38,564	**(13,894)**	(7,954)	**1,105**	(1,436)
Accumulated NCI	**14,658**	15,425	**(5,557)**	(3,181)	**331**	(431)
Year ended 31 December:						
Revenue	**69,363**	103,222	**34,405**	50,109	**47,442**	56,318
(Loss)/profit	**(1,487)**	1,592	**(5,772)**	(3,908)	**2,612**	1,652
Total comprehensive income	**(1,919)**	1,629	**(5,940)**	(3,965)	**2,541**	983
(Loss)/profit allocated to NCI	**(767)**	652	**(2,376)**	(1,586)	**762**	295
Dividends paid to NCI	**–**	–	–	–	**–**	–
Net cash (used in)/generated from operating activities	**(11,152)**	7,292	**(18,174)**	5,847	**372**	988
Net cash used in investing activities	**(41)**	(138)	**(485)**	(1)	**(370)**	(327)
Net cash generated from financing activities	**–**	–	**12,633**	–	**–**	–
Exchange difference	**(432)**	30	**(100)**	(57)	**(323)**	(275)
Net (decrease)/increase in cash and cash equivalents	**(11,625)**	7,184	**(6,126)**	5,789	**(321)**	386

As at 31 December 2016, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to HK$8,356,092 (2015: HK$16,710,000). 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.

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

18. GOODWILL

	Group
	HK$'000
Cost	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	2,417
Accumulated impairment losses	
At 1 January 2015, 31 December 2015 and 1 January 2016	–
Impairment loss recognsied in the current year	490
At 31 December 2016	490
Carrying amount	
At 31 December 2016	1,927
At 31 December 2015	2,417

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the segment of ODM/OEM of HK$1,927,000 (2015: ODM/OEM of HK$1,927,000 and trading of HK$490,000).

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method 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 ODM/OEM segment CGU's 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 discount rate and the growth rate of 12% and 5% respectively (2015: 12% and 5%). The Group estimated with the recoverable amount of net assets and goodwill of ODM/OEM segment CGU, HK$287 million. This rate does not exceed the average long-term growth rate for the relevant markets.

Followed a review of the Group's business strategy, the directors determined to focus on the Group's core business and downsize the trading of premium products. Consequently, management revised the estimated future cash inflows of this CGU and made a full impairment of goodwill of HK$490,000 to write the CGU down to its recoverable amount of HK$Nil. The discount rate used in the value in use calculations was 10%.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2016	2015
	HK$'000	HK$'000
Unlisted equity securities, at cost	**3,779**	3,779
Less: Impairment loss on available-for-sale financial assets	**(3,779)**	(3,779)
	–	–

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

The above amount is denominated in Singapore dollar ("SGD").

20. INVENTORIES

	Group	
	2016	2015
	HK$'000	HK$'000
Raw materials, consumables and supplies	**91,567**	105,926
Work in progress	**130,197**	274,616
Finished goods	**282,764**	141,350
Less: Allowance for impairment	**(8,675)**	(8,675)
	495,853	513,217

	2016	2015
	HK$'000	HK$'000
The cost of sales includes the following:		
Changes in inventories of finished goods and work in progress	**(3,005)**	(41,948)
Raw materials and consumables used	**492,444**	840,165

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

21. TRADE AND BILLS RECEIVABLES

The average credit period generally granted to non-related trade and bills receivables customers for the year ended 31 December 2016 is about 90 days (2015: 90 days).

The movement of allowance for trade receivables is as follows:

	Group	
	2016	2015
	HK$'000	HK$'000
At 1 January	**6,154**	3,699
Allowance for the year	**5,586**	2,455
At 31 December	**11,740**	6,154

As of 31 December 2016, trade receivables of approximately HK$56,087,000 (2015: HK$74,310,000) 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	
	2016	2015
	HK$'000	HK$'000
Up to 3 months	**29,265**	56,875
Over 3 months	**26,822**	17,435
	56,087	74,310

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

	Group	
	2016	2015
	HK$'000	HK$'000
RMB	**12,333**	6,961
USD	**169,985**	238,167
Euro ("EUR")	**889**	2,809

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2016	2015
	HK$'000	HK$'000
Prepayments	**35,410**	39,207
Trade deposits paid	**9,131**	4,115
Utility and other deposits	**7,087**	8,172
Value added tax receivables	**10,458**	44,425
Advancement to suppliers and subcontractors	**5,692**	10,133
Interest receivables from banks	**–**	12,328
Other receivables	**47,998**	61,120
	115,776	179,500

23. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

As at 31 December 2015 the Group's pledged bank deposits represented deposits pledged to banks to secure term loans as set out in note 28 to the financial statements. The deposits were in RMB and at fixed interest rate ranged from 3.19% to 3.40% per annum as at 31 December 2015.

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

	Group		Company	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**3,475**	8,102	**–**	–
RMB	**13,910**	18,758	**–**	–
JPY	**38**	4,848	**–**	–
EUR	**270**	516	**–**	–
Swiss Franc ("CHF")	**73**	76	**–**	–
SGD	**1,192**	162	**1,122**	109
Indonesian Rupiah	**190**	–	**–**	–

The rate of interest for the cash on interest earning balances ranged from 0.01% to 0.30% (2015: 0.01% to 0.35%) 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.

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

24. LONG-TERM BORROWINGS

The long-term borrowings are repayable as follows:

	Group	
	2016	2015
	HK$'000	HK$'000
Within 1 year	**–**	18,397

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

	Group	
	2016	2015
	HK$'000	HK$'000
HK$	**–**	8,400
USD	**–**	9,997
	–	18,397

The interest rate of the long-term borrowings as at 31 December 2015 ranged from 4.11% to 4.75% 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.

25. DEFERRED TAX LIABILITIES

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

	Excess of net book value of property, plant and equipment over tax value
	HK$'000
At 1 January 2015, 31 December 2015, 1 January 2016	3,140
Credit to profit or loss for the year	(490)
At 31 December 2016	2,650

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

25. DEFERRED TAX LIABILITIES (CONT'D)

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

	Group	
	2016	2015
	HK$'000	HK$'000
Deferred tax liabilities	**2,650**	3,140

At the end of the reporting period the Group has unused tax losses of HK$25,146,000 (2015: HK$25,133,000) available for offset against future profits and no deferred tax asset has been recognised due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

26. TRADE AND BILLS PAYABLES

	Group	
	2016	2015
	HK$'000	HK$'000
Bills payables, secured (note 34)	**3,192**	6,639
Trade payables	**126,482**	198,629
	129,674	205,268

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

	Group	
	2016	2015
	HK$'000	HK$'000
USD	**19,109**	29,625
RMB	**60,992**	128,777
SGD	**3**	4
CHF	**–**	36
EUR	**5,391**	626

The average credit period taken to settle non-related trade payables for the year ended 31 December 2016 is about 30 to 60 days (2015: 30 to 60 days).

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

27. ACCRUALS AND OTHER PAYABLES

	Group	
	2016	2015
	HK$'000	HK$'000
Accruals	**67,212**	81,498
Mould and trade deposits received	**28,505**	19,281
Other payables	**13,944**	32,957
	109,661	133,736

28. TERM LOANS

During the year ended 31 December 2015, term loans were drawn down from 12 January 2015 to 9 May 2015, secured by the pledged deposits of the Group (note 23) and repayable within one year. The interest rate of the term loans as at 31 December 2015 is from 1.32% to 1.47% per annum. The Group entered into contracts with the banks to use interest rate swaps (note 37) to manage its exposure to interest rate movements on the term loans as at 31 December 2015.

29. SHORT-TERM BORROWINGS

	Group	
	2016	2015
	HK$'000	HK$'000
Trust receipt and import loans, secured (note 34)	**347,616**	276,591

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

	Group	
	2016	2015
	HK$'000	HK$'000
USD	**4,241**	–
JPY	**5,703**	–
EUR	**6,930**	–

The average interest rates at 31 December were as follows:

	Group	
	2016	2015
Trust receipt and import loans, secured	**3.20%**	2.47%

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

30. SHARE CAPITAL

	Company	
	Number of shares	Amount
		HK$
Authorised:		
Ordinary shares of HK$7.50 (2015: HK$7.50) each		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	100,000,000	750,000,000
Issued and fully paid:		
Ordinary shares of HK$7.50 (2015: HK$7.50) each		
At 1 January 2015, 31 December 2015, 1 January 2016	32,800,000	246,000,000
Shares repurchased and cancelled	(472,600)	(3,544,500)
At 31 December 2016	32,327,400	242,455,500

The Company acquired 472,600 (2015: Nil) shares of the Company from the open market and cancelled them during the year. The total amount paid to acquire the shares was approximately SGD342,000 (equivalents to approximately HK$1,879,000) (2015: SGD Nil) and this was presented as a component within shareholders' equity.

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 pledged bank deposits and 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	
	2016	2015
	HK$'000	HK$'000
Total debt	**347,616**	743,488
Less: Pledged bank deposits	**–**	(431,321)
Cash and cash equivalents (note 33)	**(43,389)**	(54,943)
Net debt	**304,227**	257,224
Total equity	**561,208**	659,822

COMBINE WILL

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

30. SHARE CAPITAL (CONT'D)

	Group	
	2016	2015
Debt-to-adjusted capital ratio	**54%**	39%

The externally imposed capital requirements for the Group are: (i) to maintain its listing on the SGX-ST it has to have a public float of at least 10% of the total issued shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

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 2016, 25.5% (2015: 26.5%) of the total issued shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowing. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 December 2016 and 2015.

31. RESERVES

(a) The Group

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

(b) The Company

	Share premium	Contributed surplus	Capital redemption reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(note 31(c)(i))	(note 31(c)(ii))	(note 31(c)(iii))		
At 1 January 2015	26,488	130,205	–	58,679	215,372
Profit for the year	–	–	–	–	–
At 31 December 2015 and 1 January 2016	26,488	130,205	–	58,679	215,372
Loss for the year	–	–	–	(109)	(109)
Dividends paid	–	–	–	(8,315)	(8,315)
Repurchase and cancellation of shares	–	–	1,665	–	1,665
At 31 December 2016	26,488	130,205	1,665	50,255	208,613

31. 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) Capital redemption reserve

Where shares are redeemed or purchased wholly out of profits available for distribution a sum equal to the amount by which the Company's share capital is diminished on cancellation of the shares (there nominal value of the shares) should be transferred to the capital redemption reserve.

(iv) Foreign currency translation reserve

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

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Disposal of a subsidiary

On 31 December 2015, the Group disposed of its subsidiary, Headonway Industrial Company Limited.

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	**723**
Trade and other receivables	**5,059**
Bank and cash balances	**272**
Other payables	**(5,815)**
Net assets disposal of	**239**
Non-controlling interests	**(95)**
Gain on disposal of a subsidiary	**–**
Total consideration - satisfied by other receivables	**144**

Net cash outflow arising on disposal:

Cash consideration received	**–**
Cash and cash equivalents disposal of	**(272)**
	(272)

33. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank and cash balances	**43,389**	54,943	**1,125**	109

34. BANKING FACILITIES

	Group	
	2016	2015
	HK$'000	HK$'000
Total granted banking facilities, secured	**1,208,012**	2,023,631

The above banking facilities are secured by cross corporate guarantees executed by the group companies.

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) to the financial statemens. As at 31 December 2016 none (2015: none) of the covenants relating to drawn down facilities had been breached.

35. OPERATING LEASE PAYMENT COMMITMENTS

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

	Group	
	2016	2015
	HK$'000	HK$'000
Not later than one year	**16,689**	21,841
Later than one year and not later than five years	**11,124**	7,105
Later than five years	**–**	1,867
	27,813	30,813

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.

NOTES TO THE **FINANCIAL STATEMENTS** (cont'd)

36. CAPITAL COMMITMENTS

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

	Group	
	2016	2015
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	**7,723**	1,178
Authorised but not contracted for	**200,034**	235,840
	207,757	237,018

37. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps:

The entity uses interest rates swaps to manage its exposure to interest rate movements on the term loans and its long term borrowings. Contracts with nominal values of HK$258.4 million and USD1.29 million have fixed interest payments at an average rate of 1.75% 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 1.1% to London Interbank Offer Rate plus 3.5%.

At 31 December 2015, the fair value loss of the interest rate swaps has not recognised as the amount was immaterial.

STATISTICS OF **SHAREHOLDINGS**

AS AT 13 MARCH 2017

SHARE CAPITAL

Authorised share capital	:	HK$750,000,000
Issued and fully paid-up capital	:	HK$242,455,500
Number of Shares	:	32,327,400
Class of Shares	:	Ordinary share
Voting rights	:	one vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.25	1	0.00
100 - 1,000	164	41.10	94,800	0.29
1,001 - 10,000	166	41.61	714,299	2.21
10,001 - 1,000,000	65	16.29	3,800,900	11.76
1,000,001 AND ABOVE	3	0.75	27,717,400	85.74
TOTAL	**399**	**100.00**	**32,327,400**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HL BANK NOMINEES (SINGAPORE) PTE LTD	24,926,400	77.11
2	PHILLIP SECURITIES PTE LTD	1,411,900	4.37
3	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,379,100	4.27
4	OCBC SECURITIES PRIVATE LIMITED	549,400	1.70
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	425,100	1.31
6	JONATHAN VINCENT CHAN	279,400	0.86
7	GOH CHOON WEI OR GOH SOON POH	245,000	0.76
8	LIM KIM CHIN	177,500	0.55
9	RAFFLES NOMINEES (PTE) LIMITED	172,000	0.53
10	LIEW WING ONN	150,000	0.46
11	CIMB SECURITIES (SINGAPORE) PTE. LTD.	82,500	0.26
12	TAN ENG HONG	75,100	0.23
13	KAM TEOW CHONG	70,600	0.22
14	YEO AH TOH	70,000	0.22
15	SIOW CHER LIANG	61,000	0.19
16	HOH FUNG LING	60,000	0.19
17	SEE SHUN SHENG	60,000	0.19
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	59,900	0.19
19	KOH CHUAN LAI	58,000	0.18
20	HENG KOK HUAT@YHENG KOK HUAT	49,500	0.15
	TOTAL	30,362,400	93.94

STATISTICS OF **SHAREHOLDINGS** (cont'd)

AS AT 13 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
DJKS Holdings Limited [1]	24,100,000	74.55	-	-
Tam Jo Tak, Dominic [2] [3]	-	-	24,100,000	74.55
Yau Hing Wah, John [2] [3]	-	-	24,100,000	74.55

Notes:

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

(2) *Mr. Tam Jo Tak, Dominic and Mr. Yau Hing Wah, John 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.*

(3) *As at 21 January 2017 (the 21st day after the end of the financial year), the direct and deemed interest of each of Mr. Tam Jo Tak, Dominic and Mr. Yau Hing Wah, John is the same as at 13 March 2017, and both Mr. Tam and Mr. Yau do not have any direct or deemed interest in convertible securities. Save as disclosed, none of the directors has any direct or deemed interest in the shares and convertible securities of the Company as at 21 January 2017.*

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF PUBLIC

Based on the information available to the Company as at 13 March 2017, 25.45% (representing 8,227,400 shares) of the issued shares of the Company is held by the public and therefore Rule 723 of the SGX Listing Manual is complied with.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 10 Collyer Quay, #27-00, Ocean Financial Centre, Singapore 049315 on 25 April 2017 at 10 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Director's Statement, Audited Financial Statements and the Auditor's Report of the Company for the financial year ended 31 December 2016. **(Resolution 1)**

2. To approve the payment of Directors' Fees of S$200,000 for the financial year ending 31 December 2017 (2016: S$200,000). **[See Explanatory Note (i)]** **(Resolution 2)**

3. To re-elect Mr Tam Jo Tak, Dominic, a Director retiring pursuant to Article 86 of the Company's Articles of Association. **[See Explanatory Note (ii)]** **(Resolution 3)**
4. To re-elect Mr Cheung Hok Fung, Alexander, a Director retiring pursuant to Article 86 of the Company's Articles of Association. **[See Explanatory Note (ii)]** **(Resolution 4)**
5. To re-appoint Messrs RSM Hong Kong and RSM Chio Lim LLP as joint Auditors, and to authorise the directors of the Company to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

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

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

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

NOTICE OF **ANNUAL GENERAL MEETING** (cont'd)

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

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company (the "**AGM**") or the date by which the next AGM of the Company is required by law to be held or the date on which such authority is varied or revoked by the Company in a general meeting, whichever is the earlier. **[see Explanatory Note (iii)].** **(Resolution 6)**

7. **Authority to allot and issue shares under the Combine Will Employee Share Option Scheme**

THAT the Directors of the Company be and are hereby authorized to offer and grant options in accordance with the provisions of the Combine Will Employee Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme, provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of the issued shares (excluding treasury shares) of the Company from time to time. **[see Explanatory Note (iv)]** **(Resolution 7)**

8. **Proposed Renewal of Share Purchase Mandate**

THAT:

(i) pursuant to the Company's Articles, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**") and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**")(the "**Listing Manual**"), approval be and is hereby given for the renewal of the Share Purchase Mandate (as hereinafter defined) and the Directors of the Company be authorised to exercise all the powers of the Company to purchase or otherwise acquire issued ordinary shares of par value HK$7.50 each, fully paid, in the capital of the Company ("**Shares**") 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 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 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) 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 conclusion of the next annual general meeting of the Company ("**AGM**") following the passing of this resolution;

(b) the date by which such AGM is required by law or the Articles to be held;

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

(d) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by ordinary resolution of the Company in 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 per cent (105%) of the Average Closing Price;

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

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

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

"**Day of 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 ten per cent (10%) of the issued ordinary share capital of the Company as at the date of passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies 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 share 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)]** **(Resolution 8)**

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

By Order of the Board

Ng Joo Khin
Company Secretary

Singapore, 10 April 2017

NOTICE OF **ANNUAL GENERAL MEETING** (cont'd)

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 2017 ("FY 2017"). Should any Director hold office for only part of FY 2017 and not the whole of FY 2017, the Director's fee payable to him will be appropriately pro-rated.

(ii) **Resolution 3 and Resolution 4:** Pursuant to Article 86 of the Company's Articles of Association, Mr. Tam Jo Tak, Dominic and Mr Cheung Hok Fung, Alexander will retire at the forth- coming Annual General Meeting and shall be eligible to offer himself for re-election at that meeting.

Details on Mr. Tam Jo Tak, Dominic are as follows:

Mr. Tam Jo Tak, Dominic, 62
Executive Chairman and Chief Executive Officer

Date of first appointment as director: 27 December 2007

Date of last re-election as director: 29 April 2014

Length of service as a director (as of 31 December 2016): Approximately 9 years

Board committees served on:
None

Present directorships (as of 31 December 2016):

Listed companies

None

Others

DJKS Holdings Limited

Past Directorships held over the preceding three years (from 1 January 2014 to 31 December 2016)

None

Other principal commitments, other than directorships:
Current

None

Past

None

Relationships, including immediate family relationships, between Mr Tam Jo Tak, Dominic and the Directors of the Company, the Company or its 10% shareholders:

Mr Tam Jo Tak, Dominic holds 57.14% of the sharehloding interest in DJKS Holdings Limiited("DJKS"), a controlling shareholder of the Company.

Shareholding in the Company and its related corporations:
Mr Tam Jo Tak, Dominic holds 57.14% of the sharehloding interest in DJKS Holdings Limiited("DJKS"), a controlling shareholder of the Company.

Details on Mr Cheung Hok Fung, Alexander are as follows:

Mr Cheung Hok Fung, Alexander, 52
Non-Executive and Lead Independent Director

Date of first appointment as director: 28 March 2008

Date of last re-election as director: 29 April 2014

Length of service as a director (as of 31 December 2016): Approximately 9 years

Board committees served on:

Audit Committee (Chairman)
Nominating Committee (Member)
Remuneration Committee (Member)

Present directorships (as of 31 December 2016):
Listed companies

None

Others

None

Past Directorships held over the preceding three years (from 1 January 2014 to 31 December 2016)

Titan Petrochemicals Group Limited

Other principal commitments, other than directorships:

Current

Barrister (High Court of Hong Kong)
Accredited General Mediator (HKMAAL)

Past

None

Relationships, including immediate family relationships, between Mr Cheung Hok Fung, Alexander and the Directors of the Company, the Company or its 10% shareholders: None

Shareholding in the Company and its related corporations: None

NOTICE OF **ANNUAL GENERAL MEETING** (cont'd)

(iii) **Resolution 6**: 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, provide the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

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

(iv) **Resolution 7**: 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 8**: If passed, this resolution authorizes the Directors of the Company to purchase Shares by way of Market Purchases and/or Off-Market Purchases according to prescribed rules and regulations governed by the Companies Law and/or the Listing Manual of the SGX-ST. Further details are set out in the Appendix enclosed together with the Annual Report.

Notes:

1. A member of the Company entitled to attend and vote at the AGM of the Company is entitled to appoint not more than two proxies to attend in his stead. Where a member appoints more than one proxy, he shall specify the proportion of shares to be represented by each proxy.

2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote at the AGM. A Relevant Intermediary is either:

   a) a banking corporation licensed under the Banking act (Cap 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
   b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap 289) and holds shares in that capacity; or
   c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap 36), in respect of shares purchased on behalf of CPF investors.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy must be deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 not less than 48 hours before the time set for the holding of the Annual General Meeting.

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

6. A Depositor whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) 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.

7. 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.

8. 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.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. It is the Depositor(s)' responsibility to ensure that this Depositor Proxy Form is properly completed. Any decision to reject this Depositor Proxy Form on the grounds that it is incomplete, improperly completed or illegible will be final and binding and neither the Company, CDP nor Boardroom Corporate & Advisory Services Pte. Ltd. accepts any responsibility for the consequences of such a decision. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Depositor, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting or adjourned meeting, as certified by The Central Depository (Pte) Limited to the Company.

By Order of the Board
Ng Joo Khin
Company Secretary
Singapore, 10 April 2017

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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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)