



# Sailing

## Above The Challenge

ANNUAL REPORT 2017



COMBINE WILL



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## 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

## CORPORATE PROFILE



# COMBINE WILL TRANSFORMING IDEAS INTO INNOVATION!

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 25 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 production 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 clientele 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 fast moving 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 plan in Indonesia.

## 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 conceptualize 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 utilize 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. Besides tooling business, we can also supply part production to customers upon request. Internship with on-job training programs will continue with paradigm technical institutes. Recruiting new staff is replenishing fuel to the company growth.

Based on our expertise and know-how, we are certified tooling supplier for some specific technical tools by world known automotive companies and 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.





# Maximizing Productivity

As a leading manufacturer of customized engineering solutions, we employ advanced automation technologies and enhanced manufacturing execution systems (MES) to optimize our labour resources and meet stringent Key Performance Indicators (KPIs). We are also dedicated to train and upskill our employees, offering dynamic working environments and improved productivity.

## CHAIRMAN'S MESSAGE



Combine Will delivered four straight quarters of profit, with the strongest performance in 4Q FY2017, reporting a strong turnaround with a net profit of HK\$12.1 million for FY2017 on the back of a 14.5% increase in turnover to HK\$1.4 billion.

### Dear Shareholders

Despite the challenges in FY2016, the Group took bold steps to enhance operational productivity through strategic in-process re-engineering and extend our competitive edge, further strengthening our fundamentals and making Combine Will a stronger player in the manufacturing of corporate premiums, toys and consumer products.

The Group engages with core customers earlier in the value chain, getting more directly involved at the product design and development stage. This early involvement allows the Group to better manage both the process engineering and production processes, resulting in greater manufacturing efficiencies. Higher automation and closer attention to manufacturing methodology enable the Group to employ leaner production processes with more effective use of labour hours to meet more stringent KPIs on processing costs. Enhanced MES for capacity planning also help to lower manufacturing costs.

Other measures include team building, work improvement initiatives, training,

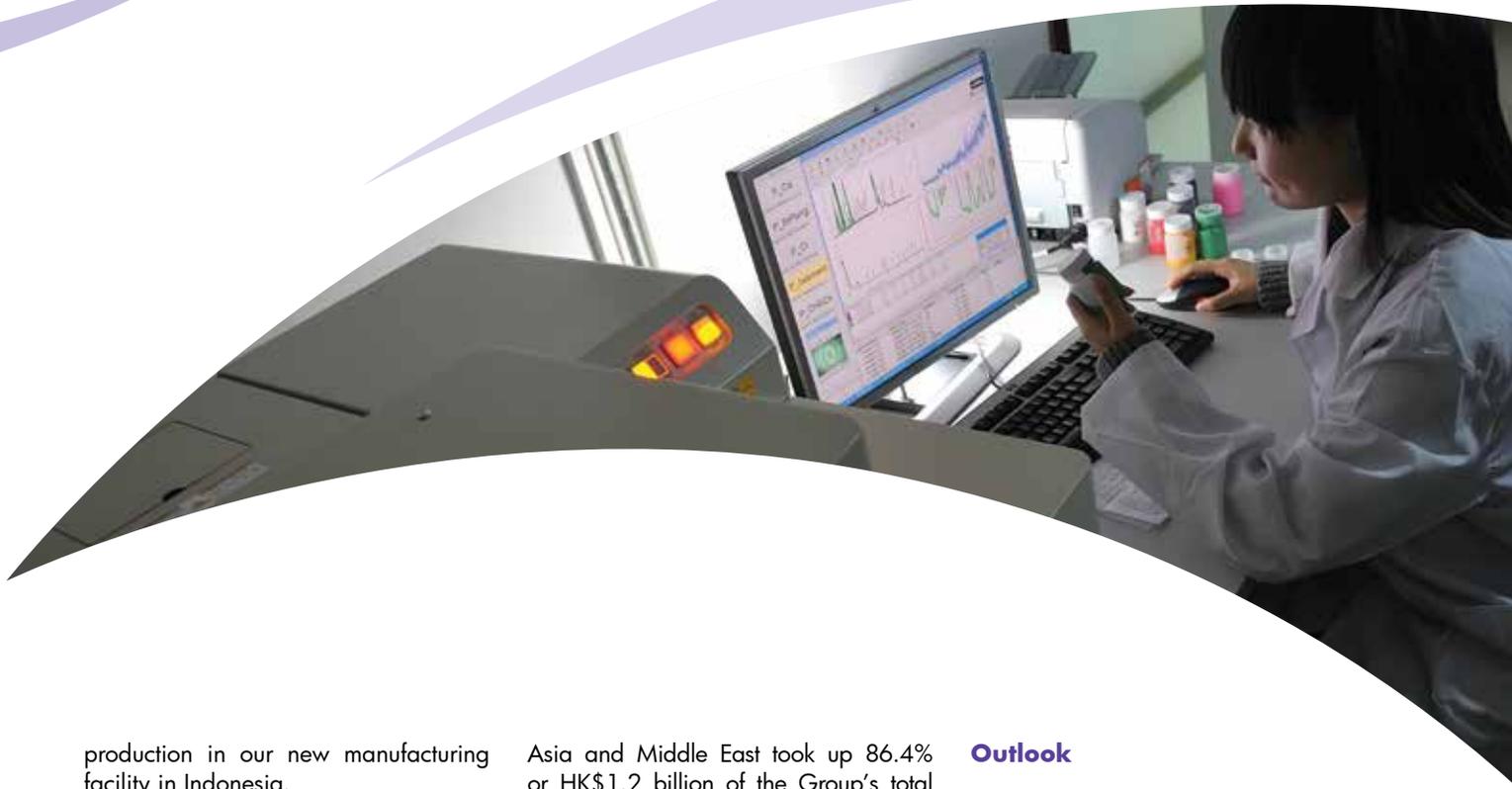
R&D innovation, enhanced workers' welfare and CSR programmes.

All these concerted efforts during the year contributed to lower costs and higher output, resulting in overall improved performance.

In addition, the Group continues with its plans to diversify its manufacturing to lower cost regions. With strong customer endorsement from our core customers, all of whom had visited our new plant in Sragen, Indonesia, production commenced in November last year and the first output shipped to customers in January this year.

Groundwork for our new manufacturing facility in Guangxi Province, China is underway and on track to complete by September this year, with production scheduled to start before 2019.

Our concerted efforts to increase sales have also yielded positive results, with the Group obtaining priority ranking from our core customers and securing more orders earlier. These enabled the Group to better plan capacity utilization, especially as we ramp up



production in our new manufacturing facility in Indonesia.

### Financial Review

As a result of the above, Combine Will delivered four straight quarters of profit, with the strongest performance in 4Q FY2017, reporting a strong turnaround with a net profit of HK\$12.1 million for FY2017 on the back of a 14.5% increase in turnover to HK\$1.4 billion.

Our largest business segment, ODM/OEM accounted for HK\$1.1 billion of the Group's total revenue, Machine Sales contributed HK\$170.9 million whilst Moulds & Tooling added HK\$59.9 million.

Asia and Middle East took up 86.4% or HK\$1.2 billion of the Group's total sales whilst Europe represented 11.9% or HK\$162.0 million. Whilst North America's contribution was small, with HK\$23.4 million representing only 1.7% of total revenue.

The Group's concerted efforts to increase sales and lower costs have paid off, resulting in its gross profit increasing by 61.8% or HK\$40.6 million to HK\$106.2 million, generating gross profit margin of 7.8%.

As at 31 December 2017, the Group had a low gearing of 37% and a comfortable cash-flow of HK\$73.1 million.

### Outlook

The four straight quarters of continuing profitability in FY2017 attest that our multi-pronged strategy in strategic re-engineering, both in earlier involvement (at the design and development stage) in the production value chain with our core customers and in process engineering of our manufacturing, has worked well in improving our margins, thereby enhancing the Group's bottom-line performance.

In Indonesia, the shipment of our first output to customers in January augurs well for our geographical diversification strategy to better serve our customers all around the world.



Groundwork for the construction of our new production facility in Cangwu County Industrial Park, Guangxi Province, the People's Republic of China has begun and we expect the plant to be ready by September 2018 with production commencing before 2019. This lower-cost county, coupled with ample labour supply and attractive municipal government incentives and subsidies, will further improve the Group's cost efficiencies and enhance our competitive advantage.

On the sales front, our ongoing efforts to strengthen customer relationships are also producing results. We expect our order-book, particularly from our core customers, to improve in tandem.

Together with low gearing and a comfortable cash position, we believe the Group is in a fundamentally sound position to continue to deliver profitable results.

### **Acknowledgements**

I must take this opportunity to thank all our shareholders for their confidence in Combine Will and their patience and understanding as we faced the challenges. We are glad we have succeeded in crossing the hurdles and are firmly back on the path of profitability.

I would also like to thank our customers, suppliers and business associates for their continuing support. To our management and staff, I would like to acknowledge their commitment to work together as a team to deliver. To my fellow directors, I would like to record my appreciation for their guidance and wise counsel.

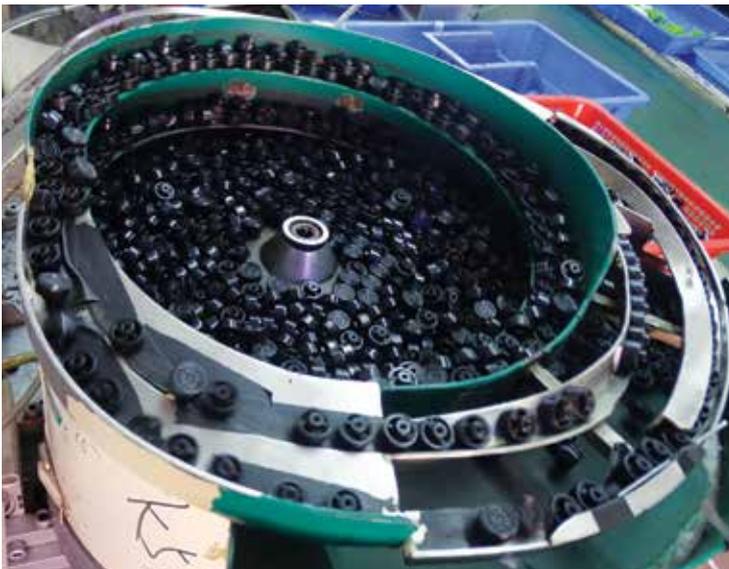
Working together with all our stakeholders, I believe we are now poised to move ahead towards higher growth on stronger fundamentals.

Thank you.

**Dominic Tam**  
Executive Chairman & CEO

In Indonesia, the shipment of our first output to customers in January augurs well for our geographical diversification strategy to better serve our customers all around the world.





# OPERATIONAL REVIEW



## Segmental Revenue

All three business segments recorded increases in sales in FY2017, bringing the Group's total revenue in FY2017 higher by 14.5% or HK\$173.0 million, from HK\$1.2 billion in FY2016 to HK\$1.4 billion.

The Group's major division, ODM/OEM business segment which accounted for 83.1% of total revenue, grew by 8.1% or HK\$85.0 million in sales to HK\$1.1 billion, mainly due to increased orders placed by our core customers and on time delivery for the shipments for this period.

The Moulds and Tooling segment registered a hefty 48.5% or HK\$19.6 million increase in sales to HK\$60.0 million, attributed to customers' increased orders.

The Group's Machine Sales segment chalked up the largest increase of 66.8% or HK\$68.5m to HK\$ 171.0 million, also due to the increased orders and delivery of products.

Asia and Middle East took up 86.4% or HK\$1.2 billion of the Group's total sales whilst Europe represented 11.9% or HK\$162.0 million. Although North America's contribution was small, with HK\$23.4 million representing only 1.7% of total revenue.

## Gross Profit and Profit Margin

In FY2017, the Group's gross profit increased by 61.8% or HK\$40.6 million, generating a gross profit margin of 7.8%, 41.8% higher than the 5.5% achieved in FY2016.

The year on year segment profit of ODM/OEM business segment increased by HK\$34.8 million mainly due to increase in sales orders from customers as well as our constant focus on productivity enhancements.

Even though both the Moulds and Tooling and Machine business segments are the smaller business segments, the year on year segment profit for these segments increased by HK\$4.1 million and HK\$11.1 million respectively.

## Process Re-Engineering for Higher Productivity

In order to improve efficiencies and increase productivity, the Group focused on delivering "value yield per worker". With earlier upstream involvement at product design stage, the Group is able to optimise the use utilization of our plant and machineries as well as employ leaner production processes. This re-engineering of our process work allows the Group to enjoy higher manufacturing efficiencies. Together with our investment in more equipment to improve enterprise automation, the Group is able to reduce overall manufacturing costs.

## New Plants in Indonesia and Guangxi, China

Our new plant in Indonesia is ramping up steadily. Production is in order and first shipment to our customer was made in January this year. Currently, we have over 1,200 workers. Under Phase 2 of our planned investment, we will increase our production capacity by investing more injection machines by mid-year. We will enjoy higher economic of scale as we continue to step up our operations.

Our Guangxi plant broke ground in November last year and construction has begun. The new plant is on track to complete by September this year, with production scheduled to start by end of 2018.

Meanwhile, to minimize any disruption on order deliveries, an experienced team has been formed to manage the transition, with plans put in place to monitor construction progress, handle human resource re-planning and production capacity management.

## Key Account Management

The Group's dedicated customer-oriented key account management team, led by product engineers, plays an important role in strengthening customer relationships. At any one time, our R&D team works closely with core customers to jointly develop new products. This value-added service gives Combine Will a strong competitive edge in the market.

Combine Will is currently one of the strategic vendors for a core customer who is a global leader in the restaurant premium toys. We have attained this status with the Group's continued dedication in product quality, product delivery, high standards on corporate social responsibility and innovation: position Combine Will as a leading ODM/OEM manufacturer of corporate premiums, toys and consumer products in the industry.

# CORPORATE DEVELOPMENTS AND CORPORATE SOCIAL RESPONSIBILITY



With the development of economic globalization, especially in the past two decades, multinational corporations in Europe and America have shifted their labor-intensive product bases to developing countries and regions which have lower labor costs. This business model of “global sourcing and global sales” has tremendously reduced costs and achieved enormous development.

In the past decade or so, more and more people in developed countries in Europe and America were aware of the close connection between labor standards and trade. More consumers were concerning about the labor issues, asking more and more questions on the production condition of the products. They wanted to know whether the product they purchased were produced by child labor or forced labor, and whether the manufacturing company has complied with the basic labor standard. They also requested the multinational companies to take further steps in monitoring the labor condition of the contracted companies overseas.

As a major supplier for clients from various brands, in addition to ISO9000, QC080000, ICTI, GSV, two factories in China have met the Responsible Business Alliance-RBA standards in 2017. This set of standards actively improves factory management in terms of labor, health and safety, environment, ethics and management

systems, strengthens internal and external company management and continuously promotes the level of social responsibility.

With the expansion of the Group’s manufacturing operations in Indonesia, our social responsibility team also provides immediate assistance to train and assist the social responsibility department and various department managers of Indonesian factories to increase their awareness of social responsibility. This is to ensure the operating method of the factories in Indonesia can be in compliance with local laws as well as fulfilling the expectations of clients. In November 2017, the factory in Indonesia has successfully obtained GSV certification, and is targeted to obtain ICTI, RBA and ISO1 certification in 2018, integrating the culture and philosophy of Combine Will into Indonesian team.

In 2017, we have continued our effort in training, promoted and deployed resources to enhance the leadership and innovation development of the teams, and promoted continuous improvement of the Group’s factories. A total of 491,724 hours training were completed throughout the year. In addition, the Work Improvement Team formed by various departments and positions have gathered 188 members and completed 181 process improvement and efficiency improvement projects. In addition to promoting self-sufficiency and improving efficiency, the corporate

spirit is also consolidated. This year, Combine Will is awarded the Learning Enterprise Award by Professional Validation Council of Hong Kong Industries in recognition of our efforts in promoting continuous learning and staff development.





# Boosting Competitiveness

To stay market-competitive, we place a strong emphasis on our cutting-edge in-house design capabilities and Research and Development (R&D) functions. This helps future-proof our operations and ensures a nimble workforce, enabling us to develop new innovative products as well as deliver cost-effective solutions for our clients.

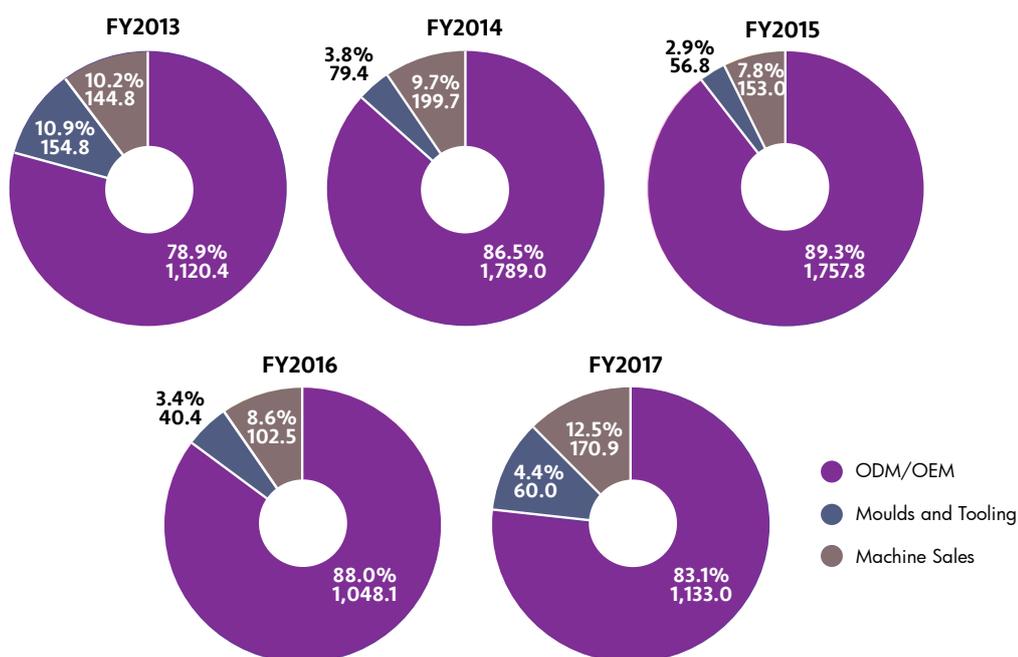
# FINANCIAL HIGHLIGHTS

For the year (HK\$'mil)	FY2013	FY2014	FY2015	FY2016	FY2017
Revenue	1,420.0	2,068.1	1,967.6	1,190.9	<b>1,363.9</b>
Gross Profit	78.9	167.8	170.2	65.6	<b>106.2</b>
Profit/(loss) before Tax	5.5	22.7	21.2	(36.6)	<b>15.9</b>
Profit/(loss) Attributable to Shareholders	7.3	18.6	17.5	(35.5)	<b>10.5</b>
Basic Earnings/(loss) per Share (HK cents)	22.2	56.8	53.5	(109.1)	<b>32.5</b>

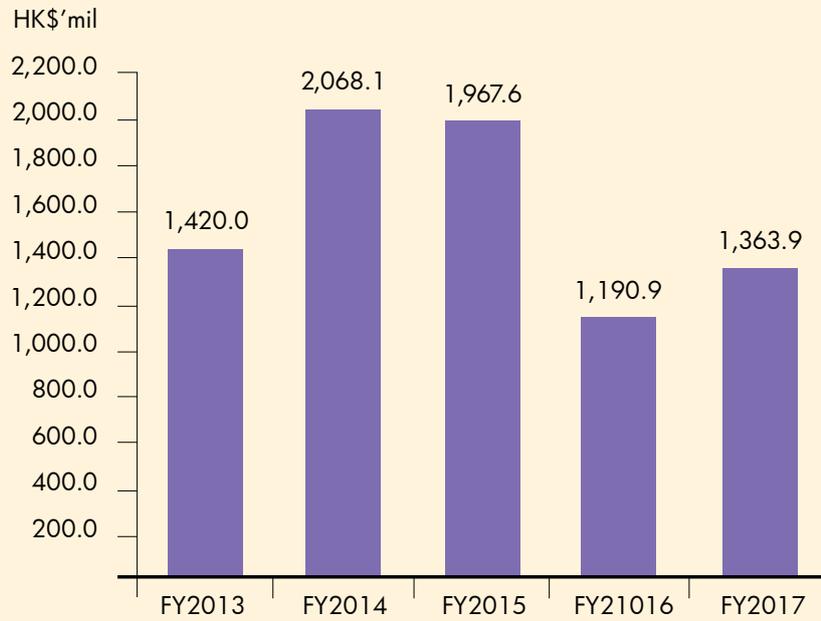
<sup>1</sup> Adjusted for the share consolidation exercise completion in April 2011, pursuant to which every 10 existing shares were consolidated into one share

As at 31 December (HK\$'mil)	FY2013	FY2014	FY2015	FY2016	FY2017
Total Assets	2,178.2	1,782.4	1,760.8	1,161.2	<b>1,248.5</b>
Total Liabilities	1,515.7	1,106.4	1,101.0	600.0	<b>649.3</b>
Total Equity	662.6	675.9	659.8	561.2	<b>599.2</b>
Net Cash Generated from Operating Activities	20.4	116.3	35.7	35.5	<b>216.0</b>
Cash and Cash Equivalents	67.5	53.9	54.9	43.4	<b>73.1</b>

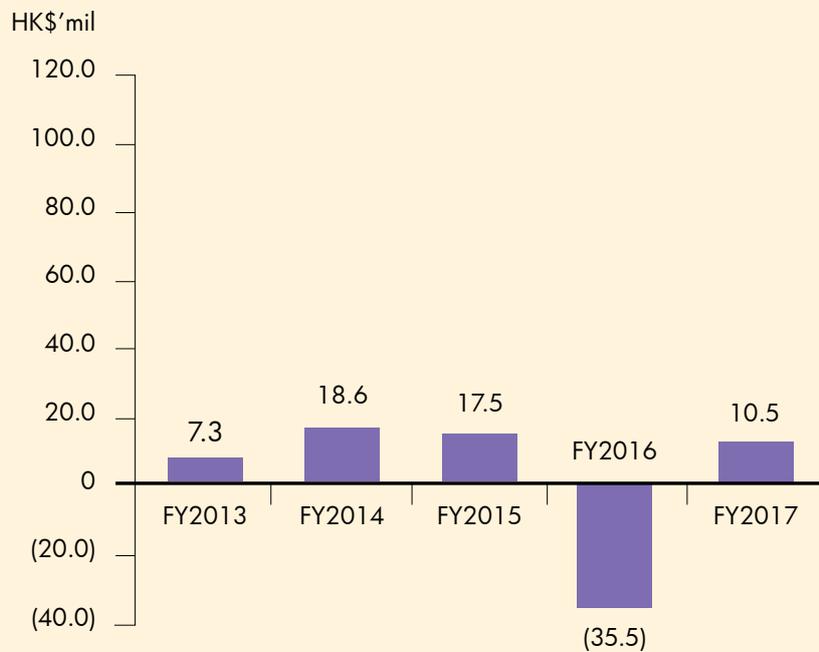
## REVENUE BY SEGMENTS (HK\$'MIL)



## REVENUE



## PROFIT ATTRIBUTABLE TO SHAREHOLDERS







## **Strategizing Growth**

With a track record of over 25 years, we have forged a deep understanding of our clients' needs. To better serve their requirements, we offer end-to-end solutions by fully integrating our design, manufacturing, production and delivery processes. We also achieve greater cost-efficiencies through our footprints in both low-cost and highly-skilled geographical markets.

## BOARD OF DIRECTORS



**MR. TAM JO TAK, DOMINIC, 63**

**Role:** Executive Chairman and Chief Executive Officer

**Date of first appointment as director:** 27 December 2007

**Date of last re-election as a director:** 25 April 2017

**Length of service as a director (as at 31 December 2017):**  
Approximately 10 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 2017):**

**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 2015 to 31 December 2017):** 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 35 years of experience in toy product development and manufacturing. 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, LJM 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, 58**

**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 2017):**  
Approximately 10 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 2017):**

**Listed Companies:** Nil

**Others:** Eastern Glory Financial Advisor and Investment Limited, DJKS Holdings Limited

**Major Appointments (other than Directorships):** Nil

**Past Directorships in listed companies held over the preceding three years (from 1 January 2015 to 31 December 2017):** 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 Eastern Glory Financial Advisor and Investment 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.



**MR. LI HIN LUN, ALAN, 54**

**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 2017):**  
Approximately 1 year and 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 2017):**

**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 2015 to 31 December 2017):** 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, 53**

**Role:** Non-Executive and Lead Independent Director

**Date of first appointment as director:** 28 March 2008

**Date of last re-election as a director:** 25 April 2017

**Length of service as a director (as at 31 December 2017):**  
Approximately 9 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 2017):**

**Listed Companies:** Shanghai Turbo Enterprises Limited

**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 2015 to 31 December 2017):** Titan Petrochemicals Group Limited

Mr. Cheung Hok Fung, Alexander has over 25 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, 57**

**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 2017):**  
Approximately 9 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 2017):**

**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 2015 to 31  
December 2017):** 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, 54**

**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 2017):**  
Approximately 8 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 2017):**

**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 2015 to 31  
December 2017):** 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 Mechnonics 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 Leepport 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 Quantitative 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.

# 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 Zhen, 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  
29th Floor, Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
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. Goh Swee Hong  
(With effect from FY2017)

## 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 2017 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 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 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 2017 are disclosed in the Directors' Statement for the financial year ended 31 December 2017.

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.

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 Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**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.

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 in person or by means of teleconference, video conferencing or audio visual equipment.

## I. BOARD MATTERS (cont'd)

### Board Committees (cont'd)

The Board also receives documents on matters requiring its consideration prior to and in advance of each meeting and for circular resolutions. Where appropriate or necessary, the relevant Board committee will also be asked to review and provide its recommendations to the Board. 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 2017 the number of meetings held by the Board and the Board committees and the details of attendance are as follows:

Name of Directors	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended
Tam Jo Tak, Dominic	4	4	-	-	-	-	-	-
Chiu Hau Shun, Simon	4	4	4 <sup>(a)</sup>	4 <sup>(a)</sup>	1 <sup>(a)</sup>	1 <sup>(a)</sup>	1 <sup>(a)</sup>	1 <sup>(a)</sup>
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 meeting 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 35 years of experience in toy product development and manufacturing.

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 and as appropriate, 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 Director who is newly appointed by the Board to fill a vacancy or as additional member of the Board will have to submit himself for retirement and election at the next annual general meeting following his appointment;
- 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 Board 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.

## **I. BOARD MATTERS (cont'd)**

### **Board Membership (cont'd)**

A newly appointed director will be briefed on the Group's business and governance practices and will attend formal courses conducted by the Singapore Institute of Directors (or other professional or training institutes or organisations) to familiarize himself with the regulatory environment in Singapore and the roles and responsibilities as a director of a listed company.

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

### **Board Performance**

The NC reviews the criteria for evaluating the Board's performance 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 with the attendance of the Company Secretary (or the Company's legal advisers) 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 legal or professional advice, after consultation with the Chairman, such expenses will be borne by the Company.

# CORPORATE GOVERNANCE REPORT (cont'd)

## II REMUNERATION MATTERS

(Principles 7, 8 and 9 of the Code)

### **Procedures for Developing Remuneration Policies**

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 responsible for the following:

- recommending to the Board a framework of remuneration for the Directors and key executives, and determining specific remuneration packages for the Chief Executive Officer and each Executive Director. The recommendations of the RC are submitted for endorsement by the entire Board. Each member of the RC is to abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package. As such, no Director is involved in deciding his own remuneration; and
- reviewing and administering the Company's compensation schemes from time to time including executive share option or share performance plans that are or may be put in place ("**Schemes**"). As part of its review, the RC shall ensure that all aspects of the Schemes 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.

## II REMUNERATION MATTERS (cont'd)

### Disclosure of Remuneration

The remuneration of the Directors for the financial year ended 31 December 2017 is disclosed below:

Name	Salary / Directors fees (%)	Bonus (%)	Benefits in kind (%)	Share Options (%)	Share-based incentives (%)	Other long-term incentives (%)	Total Compensation (S\$'000)
<b>Executives Directors</b>							
Tam Jo Tak, Dominic	100.0	-	-	-	-	-	227
Chiu Hau Shun, Simon	100.0	-	-	-	-	-	227
Li Hin Lun, Alan	100.0	-	-	-	-	-	178
<b>Non-executive Directors</b>							
Cheung Hok Fung, Alexander	100.0	-	-	-	-	-	70
Chia Seng Hee, Jack	100.0	-	-	-	-	-	70
Ning Li	100.0	-	-	-	-	-	60

The remuneration of the key executives (who are not Directors) for the financial year ended 31 December 2017 is disclosed below:

Name	Salary / Directors fees (%)	Bonus (%)	Benefits in kind (%)	Share Options (%)	Share-based incentives (%)	Other long-term incentives (%)	Total Compensation (S\$'000)
<b>Key Executives (who are not Directors)</b>							
Zheng Naqiao, Koulman	100.0	-	-	-	-	-	320
Qiu Guo Lian, David	100.0	-	-	-	-	-	212
Hung Kam Tim, Samuel	100.0	-	-	-	-	-	277
Tang Kai Man, Nicholas	100.0	-	-	-	-	-	186
Xu Nan Yun, Steven	100.0	-	-	-	-	-	78

The total remuneration paid to the top five key executives (who are not Directors) is S\$1,073,000.

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\$1,905,000.

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 2017.

## 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.

# CORPORATE GOVERNANCE REPORT (cont'd)

## III ACCOUNTABILITY AND AUDIT (cont'd)

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;
- 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;

### III ACCOUNTABILITY AND AUDIT (cont'd)

#### Audit Committee (cont'd)

- 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.

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. Xu Nan Yun, Steven, 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.

# CORPORATE GOVERNANCE REPORT (cont'd)

## II REMUNERATION MATTERS (cont'd)

### 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\$1,677,000, with the fees paid for its provision of audit and non-audit services amounting to HK\$1,112,000 and HK\$565,000 respectively; and
- (b) RSM Chio Lim LLP amounted to S\$88,000, with the fees paid for its provision of audit services

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.

### 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 absentia 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 Annual General Meeting of the Company ("**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 financial year ended 31 December 2017 after taking into consideration the fact that the Company has just recovered from the previous financial year of recording losses and the Group's need to retain internal resources to meet the Group's funding requirements for the near-term relocation of the Group's production facilities as well as the Group's working capital.

### **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.

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.

# CORPORATE GOVERNANCE REPORT (cont'd)

## IV. 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 1207(19), 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.

## V. 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.

## VI. 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.

## VII. 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 2017.

# FINANCIAL STATEMENTS

# STATEMENT BY DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 80, 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 2017 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 28 February 2018, 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

9 April 2018

# INDEPENDENT AUDITORS' REPORT

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

## 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 2017, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other 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 2017, 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.

### Recoverability of trade receivables

Please refer to Notes 3(i) and 3(v) on the relevant accounting policies, Notes 4(d) on key sources of estimation uncertainties, Note 21 on trade and bills receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>As at 31 December 2017, the Group has trade and bills receivables with aggregate value of HK\$272.13 million before the allowance for doubtful debts of HK\$11.34 million. The Group generally allows credit period about 90 days for its customers. As at 31 December 2017, the trade and bills receivables of HK\$95.61 million were past due but not impaired. This has increased the risk that the carrying values of trade receivables may be impaired.</p> <p>During the year, no allowance of doubtful debts was charged to profit or loss.</p> <p>Management concluded that there is no further impairment in respect of the trade receivables. This conclusion required significant management judgement in assessing the recoverability of past due trade receivables.</p>	<p>Our procedures in relation to this matter included:</p> <ul style="list-style-type: none"><li>• Obtaining confirmations from debtors on a sample basis to verify the accuracy of the debtor balances;</li><li>• Re-computing the accuracy of the ageing analysis on a sample basis;</li><li>• Reviewing the receipt of cash after the year end for significant debtors balances;</li><li>• Assessing the impairment allowance made by management after taking account of the past collection experience of the Group;</li><li>• Discussing with management the credit status of those debtors with overdue balances including any collection actions planned and loss provision made; and</li><li>• Assessing the adequacy of the credit risk disclosures in relation to trade receivables.</li></ul>

# INDEPENDENT AUDITORS' REPORT (cont'd)

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

## 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 IFRSs, 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.

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.

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

- 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

9 April 2018

Engagement partner: Goh Swee Hong

RSM Hong Kong  
Certified Public Accountants

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

9 April 2018

Engagement partner: Liu Eugene

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>			
Cost of sales	8	<b>1,363,944</b> <b>(1,257,715)</b>	1,190,929 (1,125,294)
<b>Gross profit</b>		<b>106,229</b>	65,635
Other income	9	<b>22,373</b>	23,843
Selling and distribution expenses		<b>(18,995)</b>	(17,228)
Administrative expenses		<b>(81,139)</b>	(93,767)
<b>Profit/(loss) from operations</b>		<b>28,468</b>	(21,517)
Finance costs	10	<b>(12,612)</b>	(15,061)
<b>Profit/(loss) before tax</b>		<b>15,856</b>	(36,578)
Income tax expense	11	<b>(3,775)</b>	(1,015)
<b>Profit/(loss) for the year, net of tax</b>	12	<b>12,081</b>	(37,593)
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		<b>10,489</b>	(35,472)
Non-controlling interests		<b>1,592</b>	(2,121)
		<b>12,081</b>	(37,593)
<b>Basic earnings/(loss) per share (HK cents)</b>	15	<b>32.45</b>	(109.12)

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>Profit/(loss) for the year, net of tax</b>	<b>12,081</b>	(37,593)
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>25,877</b>	(50,827)
<b>Other comprehensive income for the year, net of tax</b>	<b>25,877</b>	(50,827)
<b>Total comprehensive income for the year</b>	<b>37,958</b>	(88,420)
<b>Total comprehensive income for the year attributable to:</b>		
Owners of the Company	<b>36,213</b>	(86,039)
Non-controlling interests	<b>1,745</b>	(2,381)
	<b>37,958</b>	(88,420)

# STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Note	Group		Company	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	16	207,501	219,293	-	-
Investments in subsidiaries	17	-	-	461,263	461,263
Goodwill	18	1,927	1,927	-	-
Available-for-sale financial assets	19	-	-	-	-
<b>Total non-current assets</b>		<b>209,428</b>	221,220	<b>461,263</b>	461,263
<b>Current assets</b>					
Current tax assets		925	6,025	-	-
Inventories	20	525,127	495,853	-	-
Trade and bills receivables	21	260,793	278,927	-	-
Prepayments, deposits and other receivables	22	135,679	115,776	-	-
Bank and cash balances	23,32	73,064	43,389	1,125	1,125
		<b>995,588</b>	939,970	<b>1,125</b>	1,125
<b>Assets classified as held for sale</b>	24	<b>43,446</b>	-	-	-
<b>Total current assets</b>		<b>1,039,034</b>	939,970	<b>1,125</b>	1,125
<b>Total assets</b>		<b>1,248,462</b>	1,161,190	<b>462,388</b>	462,388
<b>LIABILITIES AND EQUITY</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	25	2,650	2,650	-	-
<b>Total non-current liabilities</b>		<b>2,650</b>	2,650	-	-
<b>Current liabilities</b>					
Current tax liabilities		6,096	10,381	-	-
Trade and bills payables	26	212,657	129,674	-	-
Amount due to subsidiaries	17	-	-	11,319	11,319
Accruals and other payables	27	212,598	109,661	-	-
Short-term borrowings	28	215,295	347,616	-	-
<b>Total current liabilities</b>		<b>646,646</b>	597,332	<b>11,319</b>	11,319
<b>Total liabilities</b>		<b>649,296</b>	599,982	<b>11,319</b>	11,319
<b>Equity attributable to owners of the Company</b>					
Share capital	29	242,456	242,456	242,456	242,456
Reserves	30	345,533	309,320	208,613	208,613
		<b>587,989</b>	551,776	<b>451,069</b>	451,069
Non-controlling interests		11,177	9,432	-	-
<b>Total equity</b>		<b>599,166</b>	561,208	<b>451,069</b>	451,069
<b>Total liabilities and equity</b>		<b>1,248,462</b>	1,161,190	<b>462,388</b>	462,388

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company								
	Share capital	Share premium	Statutory reserve (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 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 29)	(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 and 1 January 2017	242,456	26,488	2,033	1,665	(19,097)	298,231	551,776	9,432	561,208
Total comprehensive income for the year	-	-	-	-	25,724	10,489	36,213	1,745	37,958
Changes in equity for the year	-	-	-	-	25,724	10,489	36,213	1,745	37,958
At 31 December 2017	242,456	26,488	2,033	1,665	6,627	308,720	587,989	11,177	599,166

## 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 2017

	Note	2017 HK\$'000	2016 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		15,856	(36,578)
Adjustments for:			
Depreciation		44,633	46,929
Loss/(gain) on disposals of property, plant and equipment		88	(11)
Allowance of trade receivables		-	5,586
Bad debts written off		560	301
Interest income		(57)	(1,906)
Impairment of goodwill		-	490
Finance costs		12,612	15,061
Operating profit before working capital changes		73,692	29,872
Increase in inventories		(13,901)	(15,409)
Decrease in trade and bills receivables		20,002	72,027
(Increase)/decrease in prepayments, deposits and other receivables		(19,903)	63,724
Increase/(decrease) in trade and bills payables		77,183	(67,636)
Increase/(decrease) in accruals and other payables		94,606	(24,075)
Cash generated from operations		231,679	58,503
Interest paid		(12,612)	(15,061)
Income taxes paid		(3,048)	(7,950)
Net cash generated from operating activities		216,019	35,492
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in pledged bank deposits		-	431,321
Purchases of property, plant and equipment		(56,356)	(71,631)
Proceeds from disposal of property, plant and equipment		-	540
Interest received		57	1,906
Net cash (used in)/generated from investing activities		(56,299)	362,136
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term borrowings		-	(18,397)
Repayment of term loans		-	(448,500)
Net (repayment)/advance of trust receipt and import loans		(133,647)	71,025
Repurchase of the Company's shares		-	(1,879)
Dividends paid to owners		-	(8,315)
Net cash used in financing activities		(133,647)	(406,066)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>26,073</b>	<b>(8,438)</b>
Net effect of exchange rate changes on cash and cash equivalents held		3,602	(3,116)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>43,389</b>	<b>54,943</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	32	<b>73,064</b>	<b>43,389</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

## 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 2017 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 banking 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 28 and 33 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 2017. Of these, the following new or revised IFRSs are relevant to the Group:

#### **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided this information in note 31.

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)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 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 2017. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019

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. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied.

#### IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's financial statements as follows:

#### (a) Impairment

IFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would be similar with that recognised under IAS 39.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

## 2. STATEMENT OF COMPLIANCE (cont'd)

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

#### IFRS 15 Revenue from Contracts with Customers (cont'd)

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

##### (a) Timing of revenue recognition

Currently, revenue from the ODM/OEM services, moulds & toolings and trading is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. IFRS 15 identifies 3 situations in which control of the promised goods or service is regarded as being transferred over time:

- a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group is still 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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office and factory property 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 34, the Group's future minimum lease payments under non-cancellable operating leases for its office and factory properties amounted to HK\$30,846,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 2. STATEMENT OF COMPLIANCE (cont'd)

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

#### IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation of IAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

## 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (a) Consolidation (cont'd)

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

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

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

#### (b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The 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 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Foreign currency translation (cont'd)

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

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

#### (iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses 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)**

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

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.

#### **(h) Financial assets**

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (h) Financial assets (cont'd)

#### (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.

### (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) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell.

### (l) 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (m) 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.

#### (n) 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.

#### (o) Equity instruments

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

#### (p) 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.

#### (q) 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.

#### (r) 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (s) Borrowing costs

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

### (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.

### (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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

#### **(u) Impairment of non-financial assets (cont'd)**

Impairment losses for CGUs 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 occurred 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.

#### **(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) 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.

#### **(y) 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 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 2017 was HK\$207,501,000 (2016: HK\$219,293,000).

### (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 is affected by the assumption is HK\$Nil (2016: HK\$206,316,000).

### (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 (2016: HK\$1,927,000) after accumulated impairment loss of HK\$490,000 (2016: HK\$490,000) was recognised. Details of the impairment loss calculation are provided in note 18 to the 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 2017, accumulated impairment loss for bad and doubtful debts amounted to HK\$11,336,000 (2016: HK\$11,740,000).

### (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.

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTIES (cont'd)

##### (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 Indonesian Rupiah ("IDR") 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 2017, if the HK\$ had weakened 1 per cent against the RMB with all other variables held constant, consolidated profit after tax for the year would have been HK\$1,276,000 lower (2016: consolidated loss after tax for the year HK\$462,000 higher), arising mainly as a result of the net foreign exchange loss (2016: loss) on 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 profit after tax for the year would have been HK\$1,276,000 higher (2016: consolidated loss after tax for the year HK\$462,000 lower), arising mainly as a result of the net foreign exchange gain (2016: gain) on 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.

At 31 December 2017, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been HK\$848,000 higher (2016: consolidated loss after tax for the year HK\$1,415,000 lower), arising mainly as a result of lower interest expense on bank loans. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK\$848,000 lower (2016: consolidated loss after tax for the year HK\$1,415,000 higher), arising mainly as a result of higher interest expense on bank loans.

##### (c) Credit risk

The carrying amount of the bank and cash balances (note 23), and trade and other receivables (notes 21 and 22) 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)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 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 HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
<b>At 31 December 2017</b>					
Trade and bills payables	-	<b>212,657</b>	-	-	-
Accruals and other payables	-	<b>212,598</b>	-	-	-
Short-term borrowings	<b>217,030</b>	-	-	-	-
<b>At 31 December 2016</b>					
Trade and bills payables	-	129,674	-	-	-
Accruals and other payables	-	109,661	-	-	-
Short-term borrowings	350,886	-	-	-	-

### (e) Categories of financial instruments at 31 December 2017

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
<b>Financial assets:</b>		
Loans and receivables (including cash and cash equivalents)	<b>390,811</b>	386,464
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	<b>591,472</b>	558,446

### (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.

## 6. SEGMENT INFORMATION (cont'd)

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, 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.

### 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
<b>Year ended 31 December 2017</b>				
Revenue from external customers	<b>1,133,049</b>	<b>59,948</b>	<b>170,947</b>	<b>1,363,944</b>
Intersegment revenue	-	<b>3,072</b>	-	<b>3,072</b>
Segment profit	<b>28,657</b>	<b>2,456</b>	<b>3,084</b>	<b>34,197</b>
Interest revenue	<b>41</b>	<b>4</b>	<b>12</b>	<b>57</b>
Interest expense	<b>11,436</b>	<b>903</b>	<b>273</b>	<b>12,612</b>
Depreciation	<b>40,904</b>	<b>3,107</b>	<b>622</b>	<b>44,633</b>
Income tax expense/(credit)	<b>7,844</b>	<b>(5,374)</b>	<b>1,305</b>	<b>3,775</b>
Additions to segment non-current assets	<b>61,106</b>	<b>3,553</b>	<b>30</b>	<b>64,689</b>
<b>As at 31 December 2017</b>				
Segment assets	<b>1,054,793</b>	<b>73,203</b>	<b>41,204</b>	<b>1,169,200</b>
Segment liabilities	<b>356,112</b>	<b>44,737</b>	<b>24,406</b>	<b>425,255</b>
<b>Year ended 31 December 2016</b>				
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
<b>As at 31 December 2016</b>				
Segment assets	1,006,878	52,645	46,861	1,106,384
Segment liabilities	183,434	36,037	19,864	239,335

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 6. SEGMENT INFORMATION (cont'd)

### Reconciliations of reportable segment revenue and profit or loss:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Total revenue of reportable segments	<b>1,367,016</b>	1,194,724
Elimination of intersegment revenue	<b>(3,072)</b>	(3,795)
Consolidated revenue	<b>1,363,944</b>	1,190,929
<b>Profit or loss</b>		
Total profit or loss of reportable segments	<b>34,197</b>	(14,988)
Staff costs	<b>(1,174)</b>	(1,153)
Interest expense	<b>(12,612)</b>	(15,061)
Other profit or loss	<b>(8,330)</b>	(6,391)
Consolidated profit/(loss) for the year	<b>12,081</b>	(37,593)
<b>Reconciliation of segment assets and liabilities:</b>		
<b>Assets</b>		
Total assets of reportable segments	<b>1,169,200</b>	1,106,384
Bank and cash balances	<b>73,064</b>	43,389
Other assets	<b>6,198</b>	11,417
Consolidated total assets	<b>1,248,462</b>	1,161,190
<b>Liabilities</b>		
Total liabilities of reportable segments	<b>425,255</b>	239,335
Short-term borrowings	<b>215,295</b>	347,616
Other liabilities	<b>8,746</b>	13,031
Consolidated total liabilities	<b>649,296</b>	599,982
<b>Other material items</b>		
Depreciation	<b>44,633</b>	46,929
Interest expense	<b>12,612</b>	15,061
Additions of property, plant and equipment	<b>64,689</b>	71,631

## 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	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia				
Greater China (including PRC, Hong Kong, Macau and Taiwan)	<b>970,130</b>	652,335	<b>148,778</b>	197,733
Indonesia	-	-	<b>60,650</b>	23,487
Other countries	<b>5,598</b>	2,972	-	-
	<b>975,728</b>	655,307	<b>209,428</b>	221,220
Middle East				
Dubai	<b>202,767</b>	329,349	-	-
	<b>202,767</b>	329,349	-	-
America				
United States	<b>23,420</b>	24,747	-	-
	<b>23,420</b>	24,747	-	-
Europe				
Germany	<b>99,949</b>	86,855	-	-
Other countries	<b>62,080</b>	94,671	-	-
	<b>162,029</b>	181,526	-	-
Consolidated total	<b>1,363,944</b>	1,190,929	<b>209,428</b>	221,220

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

### Revenue from major customers:

	2017	2016
	HK\$'000	HK\$'000
ODM/OEM		
Customer a	<b>656,295</b>	449,226
Customer b	<b>220,593</b>	329,349

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>11,595</b>	12,924

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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Remunerations of directors of the Company	<b>3,694</b>	4,480
Fees to directors of the Company	<b>1,174</b>	1,144

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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Sales of goods	<b>1,363,944</b>	1,190,929

## 9. OTHER INCOME

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interest income on bank deposits	<b>57</b>	1,906
Miscellaneous receipts	<b>11,801</b>	10,314
Mould engineering income, net	<b>7,394</b>	7,700
Rebate from suppliers	<b>198</b>	1,851
Rental income	<b>371</b>	407
Sales of scrap materials	<b>2,552</b>	1,654
Gain on disposals of property, plant and equipment	<b>-</b>	11
	<b>22,373</b>	23,843

## 10. FINANCE COSTS

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<b>12,612</b>	15,061

## 11. INCOME TAX EXPENSE

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Current tax expenses		
- The PRC	<b>3,647</b>	1,864
Under/(over)-provision in prior years	<b>128</b>	(359)
	<b>3,775</b>	1,505
Deferred tax (note 25)	-	(490)
	<b>3,775</b>	1,015

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year ended 31 December 2017 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 2017 and 2016, 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\$6,226,000 (2016: HK\$5,581,000). 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% (2016: 16.5%) to profit/(loss) before tax as a result of the following differences:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Profit/(loss) before tax	<b>15,856</b>	(36,578)
Income tax expense/(benefit) at Hong Kong Profits Tax rate	<b>2,616</b>	(6,035)
Tax effect of income that is not taxable	<b>(878)</b>	(2,259)
Tax effect of expenses that are not deductible	<b>116</b>	563
Tax effect of temporary differences not recognised	<b>(436)</b>	(599)
Tax effect of utilisation of tax losses not previously recognised	<b>(545)</b>	(83)
Tax effect of tax losses not recognised	<b>1,411</b>	9,475
Effect of different tax rates of subsidiaries	<b>1,363</b>	312
Under/(over)-provision of current tax expenses in prior years	<b>128</b>	(359)
Income tax expense	<b>3,775</b>	1,015

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 12. PROFIT/(LOSS) FOR THE YEAR

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

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Allowance of trade receivables	-	5,586
Bad debts written off	<b>560</b>	301
Depreciation expenses	<b>44,633</b>	46,929
Loss/(gain) on disposals of property, plant and equipment	<b>88</b>	(11)
Exchange loss	<b>3,531</b>	2,377
Operating lease expenses	<b>19,949</b>	20,132
Impairment of goodwill	-	490

## 13. EMPLOYEE BENEFITS EXPENSES

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Employee benefits expenses including directors	<b>407,796</b>	376,761
Contributions to defined contribution scheme	<b>36,782</b>	41,950
Employee benefits expenses	<b>444,578</b>	418,711

## 14. DIVIDENDS

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
2016 Final of SGD Nil (2016: 2015 Final SGD 0.045) per ordinary share	-	8,315

No dividend has been declared by the Company during the year (2016: SGD Nil per share).

## 15. EARNINGS/(LOSS) PER SHARE

Basic earning/(loss) per share is calculated by dividing the profit for the year attributable to owners of the Company of approximately HK\$10,489,000 (2016: loss for the year attributable to owners of the Company of approximately HK\$35,472,000) by the weighted average number of ordinary shares of 32,327,400 (2016: 32,508,660) in issue during the year.

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2017 and 2016.

## 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
<b>Cost</b>							
At 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 and 1 January 2017	81,454	599,817	32,658	51,225	15,249	23,487	803,890
Additions	515	57,716	3,994	1,661	803	-	64,689
Transfer from construction in progress	23,487	-	-	-	-	(23,487)	-
Disposals	-	(5,584)	-	-	(863)	-	(6,447)
Transfer to assets classified as held for sale (note 24)	(75,368)	(121,926)	-	-	-	-	(197,294)
Exchange differences	1,908	12,293	6,819	711	225	-	21,956
At 31 December 2017	31,996	542,316	43,471	53,597	15,414	-	686,794
<b>Accumulated depreciation and impairment</b>							
At 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 and 1 January 2017	75,672	418,840	31,727	45,462	12,896	-	584,597
Charge for the year	221	39,752	1,886	1,649	1,125	-	44,633
Disposals	-	(5,496)	-	-	(863)	-	(6,359)
Transfer to assets classified as held for sale (note 24)	(72,986)	(80,862)	-	-	-	-	(153,848)
Exchange differences	1,633	7,557	478	429	173	-	10,270
At 31 December 2017	4,540	379,791	34,091	47,540	13,331	-	479,293
<b>Carrying amount</b>							
At 31 December 2017	27,456	162,525	9,380	6,057	2,083	-	207,501
At 31 December 2016	5,782	180,977	931	5,763	2,353	23,487	219,293

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The depreciation expense is charged as follows:

	Cost of sales	Administrative expenses	Total
	HK\$'000	HK\$'000	HK\$'000
Financial year ended 31 December 2017	41,972	2,661	44,633
Financial year ended 31 December 2016	42,108	4,821	46,929

## 17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	HK\$'000	HK\$'000
Unlisted investments, at cost	<b>310,205</b>	310,205
Loans to subsidiaries	<b>151,058</b>	151,058
	<b>461,263</b>	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.

Particulars of the subsidiaries as at 31 December 2017 are as follows:

Name	Date and place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital		Effective interests held by the Group	
			2017	2016	2017	2016
					%	%
<u>Directly held</u>						
Combine Will Holdings Limited*	19 September 2000 Cayman Islands	Investment holding	<b>HK\$1,000</b>	HK\$1,000	<b>100</b>	100
APT International Holdings Limited*	4 August 2009 Cayman Islands	Investment holding	<b>USD2,100,000</b>	USD2,100,000	<b>100</b>	100
Faith and Hope Holdings Limited*	4 August 2009 Cayman Islands	Investment holding	<b>USD1</b>	USD1	<b>100</b>	100

## 17. INVESTMENTS IN SUBSIDIARIES (cont'd)

Particulars of the subsidiaries as at 31 December 2017 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	
			2017	2016	2017	2016
					%	%
<u>Indirectly held</u>						
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	<b>HK\$14,000,000</b>	HK\$14,000,000	<b>100</b>	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	<b>HK\$82,552,400</b>	HK\$100,000,000	<b>100</b>	100
Triple Wise Co., Ltd.*	3 August 2000 British Virgin Islands	Investment holding	<b>USD1</b>	USD1	<b>100</b>	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	<b>HK\$100,000</b>	HK\$100,000	<b>100</b>	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	<b>HK\$14,500,000</b>	HK\$14,500,000	<b>100</b>	100
Legacy Giftware Limited**	6 August 1996 Hong Kong	Inactive/Dormant	<b>HK\$3,100,000</b>	HK\$3,100,000	<b>100</b>	100
Combine Will Industrial (Overseas) Company Limited*	25 October 2000 British Virgin Islands	Investment holding	<b>USD2</b>	USD2	<b>100</b>	100
Million Favour Inc.*	8 August 2000 Samoa	Investment holding and trading of electronics parts for the toys	<b>USD100</b>	USD100	<b>70</b>	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	<b>HK\$25,361,000</b>	HK\$25,361,000	<b>70</b>	70
Sunstone Company Limited**	3 February 1994 Hong Kong	Trading of premium items	<b>HK\$100,000</b>	HK\$100,000	<b>100</b>	100

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 17. INVESTMENTS IN SUBSIDIARIES (cont'd)

Particulars of the subsidiaries as at 31 December 2017 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	
			2017	2016	2017 %	2016 %
<u>Indirectly held</u> (cont'd)						
Altrust Precision Tooling Company Limited**	12 November 1996 Hong Kong	Investment holding	<b>HK\$10,100,000</b>	HK\$10,100,000	<b>100</b>	100
Kam Hing Product Design and Development Company Limited**	12 February 1997 Hong Kong	Trading of models and moulds	<b>HK\$10,100,000</b>	HK\$10,100,000	<b>100</b>	100
Altrust Precision Tooling Company Limited*	29 June 1999 Samoa	Investment holding and trading of moulds	<b>USD1</b>	USD1	<b>100</b>	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	<b>HK\$84,075,270</b>	HK\$89,196,920	<b>100</b>	100
Unifaith Machine Tools Company Limited**	22 March 2000 Hong Kong	Trading of machinery and tools	<b>HK\$1,000,000</b>	HK\$1,000,000	<b>60</b>	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	<b>HK\$4,000,000</b>	HK\$4,000,000	<b>60</b>	60
Hopewell Precision Machine Tools Company Limited**	8 October 2001 Hong Kong	Trading of machinery	<b>HK\$1,000,000</b>	HK\$1,000,000	<b>60</b>	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	<b>HK\$500,000</b>	HK\$500,000	<b>60</b>	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	<b>HK\$60,000,000</b>	HK\$60,000,000	<b>100</b>	100
Luke Medical Company Limited**	4 August 2011 Hong Kong	Investment holding	<b>HK\$10,000</b>	HK\$10,000	<b>100</b>	100

## 17. INVESTMENTS IN SUBSIDIARIES (cont'd)

Particulars of the subsidiaries as at 31 December 2017 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	
			2017	2016	2017 %	2016 %
<u>Indirectly held</u> (cont'd)						
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	<b>HK\$10,000,000</b>	HK\$10,000,000	<b>100</b>	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	<b>HK\$2,000,000</b>	HK\$2,000,000	<b>100</b>	100
PT. Combine Will Industrial Indonesia	23 March 2017 Indoneisa	Not yet commence business	<b>USD6,000,000</b>	USD6,000,000	<b>100</b>	100
东莞忠信企业管理 有限公司 (Dongguan Zhong Xin Business Management Co., Ltd.)	24 April 2017 Dongguan, Guangdong, PRC	Inactive/Dormant	<b>HK\$5,121,650</b>	N/A	<b>100</b>	N/A
东莞联志企业管理 有限公司 (Dongguan Lian Zhi Business Management Co., Ltd.)	24 April 2017 Dongguan, Guangdong, PRC	Inactive/Dormant	<b>HK\$17,447,600</b>	N/A	<b>100</b>	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 2017 were audited by RSM Hong Kong.
- \*\*\* The statutory financial statements for the year ended 31 December 2017 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 2017 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 2017 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 statutory financial statements for the year ended 31 December 2017 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.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 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.	
	2017	2016	2017	2016	2017	2016
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
<b>At 31 December:</b>						
Non-current assets	1,092	1,507	412	587	2,962	4,067
Current assets	69,526	112,459	14,867	23,976	19,614	8,395
Non-current liabilities	-	-	-	-	-	-
Current liabilities	(27,658)	(77,321)	(33,238)	(38,457)	(18,654)	(11,357)
Net assets/(liabilities)	42,960	36,645	(17,959)	(13,894)	3,922	1,105
Accumulated NCI	17,184	14,658	(7,184)	(5,557)	1,177	331
<b>Year ended 31 December:</b>						
Revenue	132,900	69,363	39,002	34,405	50,774	47,442
Profit/(loss)	5,796	(1,487)	(4,288)	(5,772)	3,295	2,612
Total comprehensive income	6,314	(1,919)	(4,065)	(5,940)	2,816	2,541
Profit/(loss) allocated to NCI	2,318	(595)	(1,715)	(2,309)	989	783
Total comprehensive income allocated to NCI	2,526	(767)	(1,626)	(2,376)	845	762
Dividends paid to NCI	-	-	-	-	-	-
Net cash (used in)/generated from operating activities	(13,859)	(11,152)	12,809	(18,174)	6,586	372
Net cash (used in)/generated from investing activities	(20)	(41)	3	(485)	(70)	(370)
Net cash generated from/(used in) financing activities	12,268	-	(12,633)	12,633	-	-
Exchange difference	515	(432)	224	(100)	(99)	(323)
Net (decrease)/increase in cash and cash equivalents	(1,096)	(11,625)	403	(6,126)	6,417	(321)

As at 31 December 2017, the bank and cash balances of the Group' subsidiaries in the PRC denominated in RMB amounted to HK\$9,838,154 (2016: HK\$8,356,092). 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.

## 18. GOODWILL

	<b>Group HK\$'000</b>
<b>Cost</b>	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	<u>2,417</u>
<b>Accumulated impairment losses</b>	
At 1 January 2016	-
Impairment loss recognised for the year	<u>490</u>
31 December 2016 and 1 January 2017 and 31 December 2017	<u>490</u>
<b>Carrying amount</b>	
At 31 December 2017 and 31 December 2016	<u>1,927</u>

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 (2016: ODM/OEM of HK\$1,927,000).

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 (2016: 12% and 5%). This rate does not exceed the average long term growth rate for the relevant markets.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>Group</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Unlisted equity securities, at cost	-	3,779
Less: Impairment loss on available-for-sale financial assets	-	(3,779)
	<b>-</b>	<b>-</b>

As at 31 December 2016, 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

	<b>Group</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Raw materials, consumables and supplies	<b>80,974</b>	91,567
Work in progress	<b>303,941</b>	130,197
Finished goods	<b>148,887</b>	282,764
Less: Allowance for impairment	<b>(8,675)</b>	(8,675)
	<b>525,127</b>	495,853

	<b>Group</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
The cost of sales includes the following:		
Changes in inventories of finished goods and work in progress	<b>39,867</b>	(3,005)
Raw materials and consumables used	<b>590,961</b>	492,444

## 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 2017 is about 90 days (2016: 90 days).

The movement of allowance for trade receivables is as follows:

	<b>Group</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>11,740</b>	6,154
Allowance for the year	-	5,586
Allowance written off	<b>(404)</b>	-
At 31 December	<b>11,336</b>	11,740

## 21. TRADE AND BILLS RECEIVABLES (cont'd)

As of 31 December 2017, trade receivables of approximately HK\$95,611,000 (2016: HK\$56,087,000) 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	
	2017	2016
	HK\$'000	HK\$'000
Up to 3 months	<b>35,725</b>	29,265
Over 3 months	<b>59,886</b>	26,822
	<b>95,611</b>	56,087

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	
	2017	2016
	HK\$'000	HK\$'000
RMB	<b>26,265</b>	12,333
USD	<b>114,596</b>	169,985
Euro ("EUR")	<b>1,383</b>	889

## 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2017	2016
	HK\$'000	HK\$'000
Prepayments	<b>21,918</b>	35,410
Trade deposits paid	<b>21,756</b>	9,131
Utility and other deposits	<b>35,051</b>	7,087
Value added tax receivables	<b>6,854</b>	10,458
Advancement to suppliers and subcontractors	<b>6,064</b>	5,692
Other receivables	<b>44,036</b>	47,998
	<b>135,679</b>	115,776

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 23. BANK AND CASH BALANCES

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	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USD	4,334	3,475	-	-
RMB	10,316	13,910	-	-
Japanese Yen ("JPY")	53	38	-	-
EUR	249	270	-	-
Swiss Franc ("CHF")	77	73	-	-
SGD	1,198	1,192	1,122	1,122
IDR	547	190	-	-

The rate of interest for the cash on interest earning balances ranged from 0.01% to 0.30% (2016: 0.01% to 0.30%) per annum. These approximate the effective interest rates.

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

## 24. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2017	2016
	HK\$'000	HK\$'000
Land and building	2,382	-
Plant and machinery	41,064	-
	43,446	-

During the year, the Group entered into two share transfer agreements with an independent third party to dispose two parcels of land and building and plant and machinery with a carrying amount of HK\$43,446,000 by disposal the entire equity interests of two newly incorporated subsidiaries in 2017 which only held the above-mentioned land and building and plant and machinery for a consideration of RMB160 million. The assets are located in Xin Cheng Ind. District, Heng Li Zhen, Dongguan, Guangdong Province, the PRC and are currently used for the Group's ODM/OEM and moulds and tooling operations. The sale is expected to be completed in the next 12 months. No impairment loss was recognised neither at the time of reclassification of the assets as held for sale, nor at 31 December 2017 as the management expects that the fair value less costs to sell will be higher than the carrying amount. More details of the transactions are disclosed in the Group's announcement dated 30 October 2017.

## 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 2016	3,140
Credit to profit or loss for the year	(490)
At 31 December 2016, 1 January 2017 and 31 December 2017	2,650

## 25. DEFERRED TAX LIABILITIES (cont'd)

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

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

	<b>Group</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Deferred tax liabilities	<b>2,650</b>	2,650

At the end of the reporting period the Group has unused tax losses of HK\$30,394,000 (2016: HK\$25,146,000) 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

	<b>Group</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Bills payables, secured (note 33)	<b>17,528</b>	3,192
Trade payables	<b>195,129</b>	126,482
	<b>212,657</b>	129,674

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

	<b>Group</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
USD	<b>27,794</b>	19,109
RMB	<b>104,407</b>	60,992
SGD	<b>65</b>	3
EUR	<b>-</b>	5,391

The average credit period taken to settle non-related trade payables for the year ended 31 December 2017 is about 30 to 60 days (2016: 30 to 60 days).

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 27. ACCRUALS AND OTHER PAYABLES

	<b>Group</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Accruals	<b>82,300</b>	67,212
Mould and trade deposits received	<b>49,077</b>	28,505
Other payables	<b>24,730</b>	13,944
Deposit received for assets held for sale	<b>56,491</b>	-
	<b>212,598</b>	109,661

## 28. SHORT-TERM BORROWINGS

	<b>Group</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Trust receipt and import loans, secured (note 33)	<b>215,295</b>	347,616

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

	<b>Group</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
USD	<b>20,923</b>	4,241
JPY	-	5,703
EUR	-	6,930

The average interest rates at 31 December were as follows:

	<b>Group</b>	
	<b>2017</b>	2016
Trust receipt and import loans, secured	<b>3.36%</b>	3.20%

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

## 29. SHARE CAPITAL

	<b>Company</b>	
	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$7.50 (2016: HK\$7.50) each		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	100,000,000	750,000,000
Issued and fully paid:		
Ordinary shares of HK\$7.50 (2016: HK\$7.50) each		
At 1 January 2016	32,800,000	246,000,000
Shares repurchased and cancelled	(472,600)	(3,544,500)
At 31 December 2016, 1 January 2017 and 31 December 2017	32,327,400	242,455,500

During the year ended 31 December 2016, the Company acquired 472,600 shares of the Company from the open market and cancelled them. The total amount paid to acquire the shares was approximately SGD342,000 (equivalents to approximately HK\$1,879,000) 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, including bills payable and short-term loans, less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained earnings and other reserves).

	<b>Group</b>	
	<b>2017</b> HK\$'000	2016 HK\$'000
Total debt	<b>232,823</b>	350,808
Less: Cash and cash equivalents (note 32)	<b>(73,064)</b>	(43,389)
Net debt	<b>159,759</b>	307,419
Total equity	<b>599,166</b>	561,208
	<b>2017</b>	2016
Debt-to-adjusted capital ratio	<b>27%</b>	55%

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 29. SHARE CAPITAL (cont'd)

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 2017, 25.5% (2016: 25.5%) of the total issued shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 December 2017 and 2016.

## 30. 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 HK\$'000 (note 30(c)(i))	Contributed surplus HK\$'000 (note 30(c)(ii))	Capital redemption reserve HK\$'000 (note 30(c)(iii))	Retained earnings HK\$'000	Total HK\$'000
At 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, 1 January 2017 and 31 December 2017	26,488	130,205	1,665	50,255	208,613

### (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 consolidated net asset value of subsidiaries acquired and 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.

### 30. RESERVES (cont'd)

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

(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.

### 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2017	Cash flows	Interest expenses	Others – exchange difference	31 December 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term borrowings (note 28)	347,616	(146,259)	12,612	1,326	215,295

### 32. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank and cash balances	<b>73,064</b>	43,389	<b>1,125</b>	1,125

### 33. BANKING FACILITIES

	Group	
	2017	2016
	HK\$'000	HK\$'000
Total granted banking facilities, secured	<b>1,108,096</b>	1,208,012

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 statements. As at 31 December 2017 none (2016: none) of the covenants relating to drawn down facilities had been breached.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2017

## 34. OPERATING LEASE PAYMENT COMMITMENTS

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

	<b>Group</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Not later than one year	<b>15,991</b>	16,689
Later than one year and not later than five years	<b>14,855</b>	11,124
	<b>30,846</b>	27,813

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.

## 35. CAPITAL COMMITMENTS

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

	<b>Group</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Property, plant and equipment		
Contracted but not provided for	<b>2,542</b>	7,723
Authorised but not contracted for	<b>23,994</b>	200,034
	<b>26,536</b>	207,757

# STATISTICS OF SHAREHOLDINGS

AS AT 12 MARCH 2018

## 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	0.27	1	0.00
100 - 1,000	164	44.32	94,700	0.29
1,001 - 10,000	148	40.00	642,499	1.99
10,001 - 1,000,000	54	14.60	3,594,200	11.12
1,000,001 AND ABOVE	3	0.81	27,996,000	86.60
<b>TOTAL</b>	<b>370</b>	<b>100.00</b>	<b>32,327,400</b>	<b>100.00</b>

## 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	1,694,500	5.24
3	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,375,100	4.25
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	461,500	1.43
5	OCBC SECURITIES PRIVATE LIMITED	448,500	1.39
6	GOH CHOON WEI OR GOH SOON POH	195,000	0.60
7	JONATHAN VINCENT CHAN	190,400	0.59
8	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	178,600	0.55
9	LIM KIM CHIN	177,500	0.55
10	RAFFLES NOMINEES (PTE) LIMITED	171,000	0.53
11	LIEW WING ONN	150,000	0.46
12	KOH CHIN HWA	127,900	0.40
13	KAM TEOW CHONG	106,300	0.33
14	TAN ENG HONG	77,100	0.24
15	YEO AH TOH	70,000	0.22
16	BOEY KWOK CHOON	68,000	0.21
17	DBS NOMINEES (PRIVATE) LIMITED	63,400	0.20
18	SLOW CHER LIANG	61,000	0.19
19	SEE SHUN SHENG	60,000	0.19
20	KOH CHUAN LAI	58,000	0.18
<b>TOTAL</b>		<b>30,660,200</b>	<b>94.86</b>

# STATISTICS OF SHAREHOLDINGS (cont'd)

AS AT 12 MARCH 2018

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
DJKS Holdings Limited <sup>(1)</sup>	24,100,000	74.55	-	-
Tam Jo Tak, Dominic <sup>(2)(3)</sup>	-	-	24,100,000	74.55
Yau Hing Wah, John <sup>(2)(3)</sup>	-	-	24,100,000	74.55

### Notes:

- <sup>(1)</sup> DJKS Holdings is holding the shares through its nominee, HL Bank Nominees (S) Pte Ltd.
- <sup>(2)</sup> 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.
- <sup>(3)</sup> As at 21 January 2018 (the 21<sup>st</sup> 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 12 March 2018, 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 2018.

## PERCENTAGE OF SHAREHOLDINGS IN HANDS OF PUBLIC

Based on the information available to the Company as at 12 March 2018, 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 ("**the AGM**") will be held at 10 Collyer Quay, #27-00, Ocean Financial Centre, Singapore 049315 on 24 April 2018 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 2017. **(Resolution 1)**
2. To approve the payment of Directors' Fees of S\$200,000 for the financial year ending 31 December 2018(2017:S\$200,000). **[See Explanatory Note (i)]** **(Resolution 2)**
3. To re-elect Mr. Chiu Hau Shun, Simon, 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. Li Hin Lun, Alan, 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. 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 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 (iv)] (Resolution 7)**

8. To transact any other business that may properly be transacted at the AGM.

By Order of the Board

**Ng Joo Khin**  
Company Secretary

Singapore, 9 April 2018

# 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 2018 ("**FY 2018**"). Should any Director hold office for only part of FY 2018 and not the whole of FY 2018, 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, each of Mr. Chiu Hau Shun, Simon and Mr. Li Hin Lun, Alan will retire at the forthcoming AGM and shall be eligible to offer himself for re-election at that meeting.

### Details on Mr. Chiu Hau Shun, Simon are as follows:

Mr. Chiu Hau Shun, Simon, 58  
Executive Director

Date of first appointment as director: 8 October 2007

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

Length of service as a director (as of 31 December 2017): Approximately 10 years 2 months

Board committees served on:

*None*

Present directorships (as of 31 December 2017):

Listed companies

*None*

Others

Eastern Glory Financial Advisor and Investment Limited

DJKS Holdings Limited

Past Directorships held over the preceding three years (from 1 January 2015 to 31 December 2017)

*None*

Other principal commitments, other than directorships:

Current

*None*

Past

*None*

Relationships, including immediate family relationships, between Mr. Chiu Hau Shun, Simon and the Directors of the Company, the Company or its 10% shareholders:

Mr. Chiu Hau Shun, Simon holds 14.29% of the shareholding interest in DJKS Holdings Limited ("DJKS"), a controlling shareholder of the Company.

Shareholding in the Company and its related corporations:

Mr. Chiu Hau Shun, Simon holds 14.29% of the shareholding interest in DJKS Holdings Limited("DJKS"), a controlling shareholder of the Company.

Details on Mr. Li Hin Lun, Alan are as follows:

Mr Li Hin Lun, Alan, 54  
Executive Director

Date of first appointment as director: 1 May 2016

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

Length of service as a director (as of 31 December 2017): Approximately 2 years

Board committees served on:

*None*

Present directorships (as of 31 December 2017):

Listed companies

*None*

Others

*None*

Past Directorships held over the preceding three years (from 1 January 2015 to 31 December 2017)

*None*

Other principal commitments, other than directorships:

Current

*None*

Past

*None*

Relationships, including immediate family relationships, between Mr. Li Hin Lun, Alan and the Directors of the Company, the Company or its 10% shareholders:

*None*

Shareholding in the Company and its related corporations:

*None*

**(iii) Resolution 6:** If passed, this resolution will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM 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.

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

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, 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 AGM.
5. If a member is unable to attend the AGM and wishes to appoint a proxy to attend and vote at the AGM 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 AGM.
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 AGM who/which is (i) an individual but is unable to attend the AGM 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 AGM.

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 AGM 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 AGM and who wishes to attend the AGM in person need not take any further action and can attend and vote at the AGM 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 AGM 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, 09 April 2018

#### **PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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)