

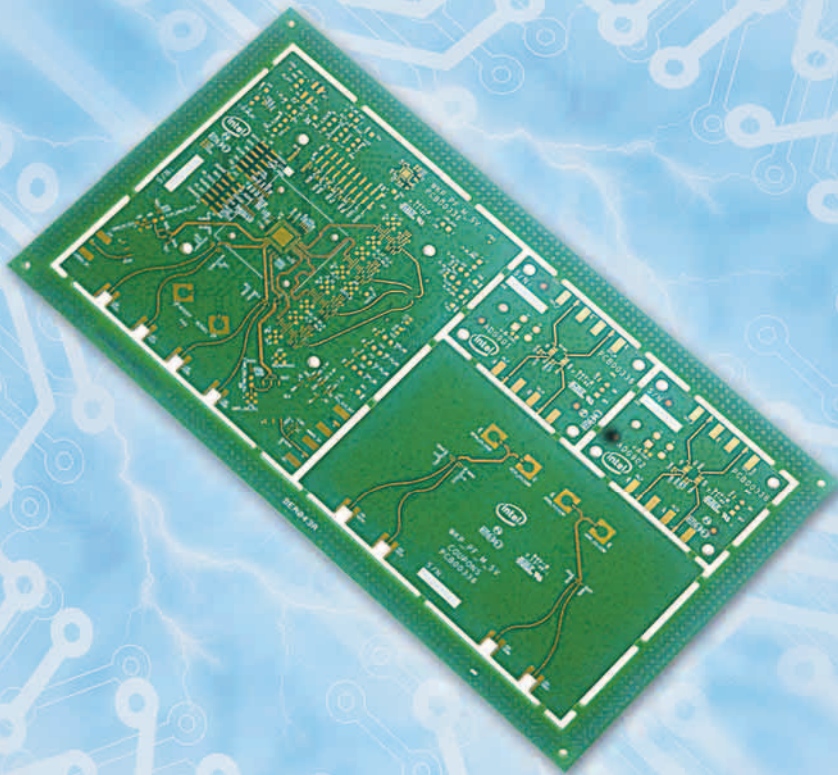


**Elec & Eltek 依利安達**

**ELEC & ELTEK INTERNATIONAL COMPANY LIMITED**  
**依利安達集團有限公司\***

*(Incorporated in the Republic of Singapore with Limited Liability)*

Stock Code: 1151



**LISTING BY  
WAY OF  
INTRODUCTION**

SOLE SPONSOR

\* For identification purpose only

Standard  
Chartered

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## IMPORTANT

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IMPORTANT: If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.



**Elec & Eltek 依利安達**

**Elec & Eltek International Company Limited**

**依利安達集團有限公司\***

*(Incorporated in the Republic of Singapore with Limited Liability)*

**LISTING BY WAY OF INTRODUCTION ON THE MAIN BOARD  
OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**Stock Code: 1151**

**Sole Sponsor**

**Standard Chartered Securities (Hong Kong) Limited**



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This document is published in connection with the listing by way of introduction on the main board of the Stock Exchange of the entire issued share capital of Elec & Eltek International Company Limited (the “**Company**”), a company that is presently listed on the Singapore Exchange Securities Trading Limited. This document contains particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to the Company and its subsidiaries.

**This document does not constitute an offer of, nor is it calculated to invite offers for, the shares or other securities of the Company, nor have any such shares or other securities been allotted with a view to any of them being offered for sale to or subscription by members of the public. No shares in the share capital of the Company (the “Shares”) will be allotted to and issued in connection with, or pursuant to, the publication of this document.**

Information regarding the proposed arrangement for the listing and registration of and for dealings and settlement of dealings in the Shares following the Listing is set out in the section headed “Listings, Registration, Dealings and Settlement” in this document.

\* For identification purpose only

June 30, 2011

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## EXPECTED TIMETABLE

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*We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English), the Hong Kong Economic Times and Wen Wei Po (in Chinese) if there is any change in the following expected timetable of the Listing.*

Daily announcement released on the Stock Exchange and the SGX-ST, disclosing previous day closing price of the Shares on the SGX-ST, and development and updates, if any, with regard to the bridging arrangements described in the section headed “Listing, registration, dealings and settlement” in this document . . . . . July 5, 2011 to July 7, 2011  
and not later than  
8:30 a.m. on July 8, 2011

Dealings in Shares on the Stock Exchange expected to commence on\* . . . . . July 8, 2011

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*\* Note: All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the Listing, including its conditions, are set out in the section headed “Information about this Document and the Listing” in this document.*

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## CONTENTS

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You should rely only on the information contained in this document to make your investment decision.

We have not authorized anyone to provide you with information that is different from what is contained in this document.

Any information or representation not made in this document must not be relied on by you as having been authorized by our Company, the Sole Sponsor, any of our or their respective directors, officers or representatives, or any other person or party involved in the Listing.

Please note that the totals set out in the tables in this document may differ from the sum of individual items in such tables due to rounding.

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### *IMPORTANT NOTICE*

*This document is issued by Elec & Eltek International Company Limited solely in connection with the Listing by way of Introduction and does not constitute an offer to sell or a solicitation of an offer to buy any security. This document may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Shares or the distribution of this document in any jurisdiction.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety, including our financial statements and the accompanying notes, before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in our Shares. Various expressions used in this summary are defined in the section headed “Definitions” in this document.*

*Prospective investors and/or Shareholders should refer to Appendix IV — “Summary of the Constitution of the Company and Salient Provisions of the Laws of Singapore” to this document for details of salient provisions of the laws of Singapore applicable to the Company and the Shareholders.*

*Singapore laws and regulations differ in some respects from comparable Hong Kong laws and regulations and prospective investors and/or Shareholders should consult their own legal advisors for specific legal advice concerning their legal obligations in Singapore.*

### **BUSINESS OVERVIEW**

We are an established manufacturer of PCBs and PCB materials with a significant presence in the PRC and strategically-located manufacturing facilities in Hong Kong and Thailand. Our Company is a subsidiary of Kingboard, the world’s largest laminate manufacturer by revenue among publicly-listed laminate manufacturers (according to the PrismaMark Printed Circuit Report released for third quarter 2010). We currently have seven offices worldwide and 14 production facilities across Asia (with one in Hong Kong, two in Thailand and 11 in the PRC). We were named “PCB Company of the Year” by Frost & Sullivan, an independent global consulting company, in 2009.

We first commenced our operations in 1972 and our Shares have been listed on the SGX-ST since 1994. In late 2004, we were acquired by Kingboard, our Controlling Shareholder, as part of its expansion to have a stronger presence in the PCB industry. Kingboard and its subsidiaries now operate more than 60 manufacturing plants, with business activities ranging from chemicals and property development in the PRC, to laminates and PCBs. In 2010, Kingboard was named by Forbes Magazine as one of the Global 2000 leading companies and by Bloomberg Businessweek as one of the leading Tech 100 companies.

We provide a full spectrum of integrated, value-added products and services to some of the world’s major OEM manufacturers, who market products under their own brand names, and leading CMS providers, who provide proprietary products for OEMs. This includes the manufacturing and distribution of double-sided, multi-layer and HDI PCBs. Our PCBs have product applications in the communication and networking sector, such as mobile phones, handheld devices and networking products, computers and computer peripherals sector, automotives and other electronic products. Fabrication of PCBs is customized according to designs provided by our OEM customers. Our customers include global leaders in different electronics sectors. Our customer base is diversified, with no single customer contributing more than 15% of our total revenue during the Track Record Period.

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## SUMMARY

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With our 11 ISO-certified PCB production facilities located in Hong Kong, the PRC and Thailand, we are able to mass-produce products ranging in complexity from simple 2-layer PCBs to more sophisticated HDI PCBs and 42-layer PCBs that use high-speed specialty materials supplied by the three production facilities in our own in-house laminate division. We also provide small volume QTA services to our customers with turnaround as short as three to four days. As of December 31, 2010, we had an annual PCB production capacity of approximately 60 million sq.ft..

We provide our customers with “one-stop shop” services, from early involvement in their design stage, prototype and QTA services, to initial small batch manufacturing and mass volume production. This strategy has allowed us to successfully expand our customer base, provide solid growth and deliver strong operating results.

For financial reporting purposes, we classify our revenue based on, among others, the following three segments of our PCBs sold:

- *2- to 6- layer:* 2-layer PCBs, usually referred to as double-sided PCBs, are boards with electronic circuits printed on both sides and connected by a PTH while 4-layer and 6-layer PCBs have an inner layer or layers sandwiched in the PCB. Such PCBs are used in lower-end consumer electronics, communication equipment, video games and measuring instruments.
- *8-layer and above:* 8-layer PCBs can accommodate more electronic circuitry in a smaller space. We are able to produce PCBs of up to 42-layers. 8-layer and above PCBs are used in high technology equipment including high-end servers, super computers, automotive and military equipment and are manufactured to higher specifications and precision.
- *HDI:* Our HDI PCBs range from 1- to 4- levels. HDI PCBs are smaller, lighter and thinner, and perform better than conventional PCBs. The circuit density of an HDI PCB is increased not only by layer count but also by the introduction of microvias. A microvia is a small via or hole formed by laser-drilling to a certain depth of the PCB. This allows the circuitry to go through beneath the microvia and therefore increases circuit density. HDI PCBs facilitates the miniaturization of electronic products, especially handheld devices such as smartphones.

We also derive a small portion of our revenue through the sale of surplus laminate and prepreg, to customers in the electronics industry who are Independent Third Parties (though we mostly consume the laminate and prepreg that we produce). In addition, we offer QTA services to our customers.

Our revenue decreased from approximately US\$517.9 million in 2008 to approximately US\$434.6 million in 2009 and increased to approximately US\$598.9 million in 2010. The decrease in revenue in 2009 can be attributed to the global decline in the PCB industry of that year (according to the PrismaMark Printed Circuit Report for fourth quarter 2010). Notwithstanding this, we were able to increase our profit year-on-year during each year of the Track Record Period. Our profit after taxation and non-controlling interests for the year increased from approximately US\$42.6 million in 2008 to approximately US\$45.7 million in 2009, and further increased to approximately US\$81.6 million in 2010. We were able to achieve this increase in profitability due, in part, to our lower upstream material



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## SUMMARY

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costs as a result of our vertically integrated business model and in-house laminate supplies, our labor and production efficiency and our significant presence in the PRC which resulted in a lower cost base relative to our peers in the US, Europe, Japan, South Korea and Taiwan. We believe that our ongoing efforts to improve yields and operational costs will further strengthen our financial performance.

Our goal is to provide our customers with high performance and cost-effective products and services by optimizing our design, engineering and manufacturing facilities, as well as utilizing our research and development expertise. We believe that our breadth of technical expertise as well as strong design and engineering capabilities put us in a favorable position to exploit growth opportunities that arise. The markets in which we operate are highly competitive and one of our strategies is to focus on the development of new products using advanced process technologies while maintaining high quality standards and improving production efficiency.

### OUR LISTING ON THE SGX-ST

We were incorporated in Singapore on January 2, 1993. On February 4, 1994, we changed our name to Elec & Eltek International Company Pte Ltd. We converted to a public limited company and adopted the name of Elec & Eltek International Company Limited on July 12, 1994. Our registered office is at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624 and our principal office in Singapore is at 4 Leng Kee Road, #03-02 SiS Building, Singapore 159088. Our website address is [www.eleceltek.com](http://www.eleceltek.com). The information on our website does not form part of this document.

Our Shares have been listed on the SGX-ST since September 1994. As at the Latest Practicable Date, the trading price of our Shares on the SGX-ST was US\$3.62. We now seek a dual primary listing, by way of introduction, on the Stock Exchange pursuant to this document. Details of the Introduction are contained in the section headed “Information about this Document and the Listing” in this document.

### PRIVATIZATION OF EEIH IN 2005

Shares of EEIH, our direct Controlling Shareholder, were previously listed on the main board of the Stock Exchange in 1985.

In November 2004, Citigroup Global Markets Asia Limited, on behalf of Ease Ever Investments Limited (“**Ease Ever**”), an indirect subsidiary of Kingboard, made a voluntary conditional cash offer in Hong Kong to acquire all of the issued shares (“**EEIH Shares**”) in the capital of and for cancellation of all outstanding options of EEIH (other than those already owned by Ease Ever or parties acting in concert with it) (the “**Share Offer**”). Prior to the Share Offer, Kingboard’s interests in EEIH were treated as investment securities and were held for identified long term strategic purposes. As EEIH is incorporated in Bermuda, pursuant to section 102(1) of the Companies Act 1981 of Bermuda (“**Bermuda Companies Act**”), if the Share Offer is accepted by holders of at least nine-tenths in value of the EEIH Shares, Ease Ever may compulsorily acquire the remaining EEIH Shares within two months of the acquisition of at least nine-tenths in value of the EEIH Shares unless an application is made by dissentient shareholders to the Supreme Court of Bermuda objecting to the compulsory acquisition. Furthermore, under section 103 of the Bermuda Companies Act, Ease Ever may, after the close of the Share Offer, compulsorily acquire all the EEIH Shares not tendered to the Share Offer if

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## SUMMARY

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Ease Ever has received acceptances in respect of such number of EEIH Shares which, when taken together with the EEIH Shares owned, controlled or agreed to be acquired by Ease Ever or parties acting in concert, resulted in Ease Ever and parties acting in concert with it holding 95% of the EEIH Shares. Pursuant to the Share Offer, Ease Ever and parties acting in concert with it held in aggregate more than 95% of the issued share capital of EEIH, Kingboard and Ease Ever decided to privatize EEIH and to effect the compulsory acquisition under the Bermuda Companies Act of EEIH shares pursuant to Rule 6.15 of the Listing Rules and in accordance with and subject to section 103 of the Bermuda Companies Act.

Listing of shares of EEIH on the Stock Exchange was subsequently withdrawn on March 18, 2005.

### **PROPOSED PRIVATIZATION OF OUR COMPANY IN 2009**

In May 2009, our Company and our Controlling Shareholder, Kingboard, jointly announced that Kingboard had made a proposal to seek a proposed privatization of our Company by way of voluntary delisting from the official list of the SGX-ST (the “**Proposed Delisting**”). In July 2009, a joint application was submitted by our Company and Kingboard to the SGX-ST to seek its approval in relation to the Proposed Delisting and the proposed exit offer by DBS Bank Ltd., for and on behalf of Kingboard (the “**Exit Offer**”), for all the then issued ordinary Shares in the capital of our Company, other than those already owned, controlled or agreed to be acquired by Kingboard and its subsidiaries. On August 20, 2009, the SGX-ST informed our Company and Kingboard that the SGX-ST had noted the opinion of DMG & Partners Securities Pte Ltd, being the independent financial advisor to the then independent Directors of our Company, that the financial terms of the Exit Offer, on balance, were neither fair nor reasonable under the then market conditions. Based on this opinion, the SGX-ST considered the Proposed Delisting to be not in compliance with Rule 1309(1) of the Listing Manual, which requires an issuer seeking to delist from the SGX-ST to offer a reasonable exit alternative to the issuer’s shareholders. Accordingly, the SGX-ST was not able to agree to our Company’s delisting application, and Kingboard therefore withdrew the Exit Offer. Our Company remained listed on the SGX-ST as at the Latest Practicable Date; and our Company currently has no intention to be delisted from the SGX-ST.

### **REASONS FOR DUAL PRIMARY LISTING AND THE INTRODUCTION**

Our Directors consider that it is desirable and beneficial for our Company to have dual primary listing status in Singapore and Hong Kong as such status is expected to grant us ready access to these two different equity markets and further increase our visibility in the Asia Pacific region. We believe that listing on both stock exchanges will attract investors with different profiles, thereby widening the investor base of our Company and increasing the liquidity of our Shares. In particular, a dual primary listing enables us to benefit from exposure to a wider range of private and institutional investors.

Our Directors believe that the Introduction will enhance our profile in Hong Kong and in the PRC, facilitate investment by Hong Kong investors in us and enable us to gain access to the investor

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## SUMMARY

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base in Hong Kong's capital markets and to benefit from exposure to a wider range of private and institutional investors. Our Directors consider that this is important for our growth and long-term development, particularly bearing in mind that our operations in the PRC, which is important for our growth and long-term development.

### COMPETITIVE STRENGTHS

We believe we have several principal competitive strengths that provide us with significant potential to grow our business:

- Established manufacturer with significant scale and a strong reputation;
- Significant presence in the PRC with strategic operations in Hong Kong and Thailand;
- Strong statement of financial position with low gearing ratio;
- Extensive product portfolio and high quality standard;
- Access to a stable source of raw materials and vertically integrated business model;
- Diverse customer base including industry leading customers; and
- Experienced and proven management team.

Please see the section headed “Business — Competitive Strengths” in this document for further details.

### BUSINESS STRATEGIES

Our strategies to achieve our goals include the following:

- Increase market share by strengthening relationships with existing customers;
- Develop business relationships with new customers for higher value-added and technology products;
- Continue to enhance production and operational efficiencies using our total quality management system; and
- Take advantage of our technical expertise to expand our product portfolio.

Please see the section headed “Business — Business Strategies” in this document for further details.

## SUMMARY

### SUMMARY HISTORICAL FINANCIAL INFORMATION

The consolidated financial data set forth below presents the selected consolidated financial information of our Group for the three years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011. This information has been prepared in accordance with IFRS. Investors should read these selected consolidated financial data together with the Accountants' Report and the unaudited interim condensed financial information set out in Appendix I and Appendix II to this document, respectively, including the notes thereto, and the discussion under the paragraph headed "Review of Historical Operating Results" in the section headed "Financial Information" in this document.

#### Consolidated Statements of Comprehensive Income

The following table sets out the line items of our Consolidated Statements of Comprehensive Income for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2008	2009	2010	2011
	US\$'000	US\$'000	US\$'000	US\$'000
				(unaudited)
<b>Revenue</b> .....	517,931	434,565	598,853	147,121
Cost of sales .....	(430,231)	(351,757)	(469,264)	(119,861)
<b>Gross profit</b> .....	87,700	82,808	129,589	27,260
Other operating income and gains .....	3,891	3,095	5,357	1,097
Distribution & selling expenses .....	(13,839)	(11,977)	(15,735)	(4,390)
Administrative expenses .....	(27,677)	(22,649)	(25,610)	(6,264)
Other operating expenses and losses .....	(1,668)	(1,928)	(3,871)	(132)
Finance costs .....	(4,820)	(1,729)	(1,310)	(306)
Share of profits of an associate .....	1,550	1,697	—	—
<b>Profit before taxation</b> .....	45,137	49,317	88,420	17,265
Income tax expense .....	(2,626)	(3,419)	(5,858)	(1,162)
<b>Profit for the year</b> .....	<u>42,511</u>	<u>45,898</u>	<u>82,562</u>	<u>16,103</u>
Profit for the year/period attributable to:				
Owners of the Company .....	42,628	45,677	81,622	15,870
Non-controlling interests .....	(117)	221	940	233
	<u>42,511</u>	<u>45,898</u>	<u>82,562</u>	<u>16,103</u>
Dividends paid and payable in respect of the respective financial year .....	<u>36,672</u>	<u>46,460</u>	<u>74,669</u>	<u>—</u>

## SUMMARY

### Consolidated Statements of Financial Position

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	370,746	338,121	326,218	322,169
Prepaid lease payments . . . . .	8,932	8,767	14,817	14,786
Investment properties. . . . .	15,756	19,262	21,300	21,300
Interest in an associate . . . . .	8,388	—	—	—
Deposits for acquisition of plant and equipment . . .	1,664	1,253	1,815	4,602
Deferred tax assets . . . . .	1,446	1,437	1,047	929
	<u>406,932</u>	<u>368,840</u>	<u>365,197</u>	<u>363,786</u>
<b>Current assets</b>				
Inventories. . . . .	39,582	39,738	58,065	60,323
Trade and bills receivables . . . . .	114,574	136,610	154,266	157,506
Deposits, prepayments and other receivables . . . . .	19,675	10,022	10,554	12,108
Prepaid lease payments . . . . .	227	227	242	242
Bank balances and cash. . . . .	68,672	60,054	66,913	69,708
	<u>242,730</u>	<u>246,651</u>	<u>290,040</u>	<u>299,887</u>
<b>Current liabilities</b>				
Trade and bills payables . . . . .	101,207	86,161	112,457	115,469
Accrued expenses and other payables . . . . .	38,620	30,089	36,424	36,309
Taxation payable . . . . .	762	2,044	1,858	2,647
Bank borrowings - amount due within one year. . . . .	100,884	84,837	47,799	48,129
	<u>241,473</u>	<u>203,131</u>	<u>198,538</u>	<u>202,554</u>
Net current assets . . . . .	<u>1,257</u>	<u>43,520</u>	<u>91,502</u>	<u>97,333</u>
Total assets less current liabilities. . . . .	<u>408,189</u>	<u>412,360</u>	<u>456,699</u>	<u>461,119</u>
<b>Non-current liabilities</b>				
Bank borrowings - amount due over one year . . . . .	56,715	32,615	52,666	40,925
Deferred tax liabilities. . . . .	1,998	2,416	2,104	2,023
	<u>58,713</u>	<u>35,031</u>	<u>54,770</u>	<u>42,948</u>
	<u>349,476</u>	<u>377,329</u>	<u>401,929</u>	<u>418,171</u>
<b>Capital and reserves</b>				
Share capital . . . . .	98,656	98,656	114,665	113,390
Treasury shares . . . . .	(1,356)	(1,356)	(1,356)	—
Reserves . . . . .	242,570	270,765	279,204	295,132
Equity attributable to owners of the Company. . . . .	339,870	368,065	392,513	408,522
Non-controlling interests. . . . .	9,606	9,264	9,416	9,649
Total equity . . . . .	<u>349,476</u>	<u>377,329</u>	<u>401,929</u>	<u>418,171</u>

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## SUMMARY

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### **DISCLOSURE REQUIRED UNDER RULE 13.09(2) OF THE LISTING RULES**

We are required to publish quarterly reports containing unaudited financial statements on the SGX-ST in accordance with the Listing Manual. Our Directors confirm that, in order to comply with Rule 13.09(2) of the Listing Rules, we will publish our quarterly financial information in Hong Kong at the same time when such financial information is published in Singapore. Reconciliation of our financial information showing major differences between the Singapore Financial Reporting Standards and IFRS, if any, will be shown in our subsequent reports and quarterly announcements including annual reports, interim reports and quarterly announcements. Deloitte & Touche LLP Singapore is expected to remain as our auditor after the Listing and will perform audits on our annual financial statements under the International Standards on Auditing. We will revert to IFRS or use Hong Kong Financial Reporting Standards if we should no longer be listed on the SGX-ST.

### **DIVIDEND POLICY**

Our Shareholders are entitled to receive dividends declared by us. We expect to declare and pay out a one-tier tax-exempt interim dividend in August 2011. The payment and the amount of any dividends declared and payable will be at the discretion of our Directors and will depend upon our financial results, shareholders' interest, general business conditions and future business prospects, capital requirements and cashflow availability, contractual restrictions and other factors that our Directors deem relevant. The distribution of final dividend for any financial year shall be subject to Shareholders' approval.

Our ability to declare future dividends will also depend upon the amount of distributions, if any, received from our operating subsidiaries. Under the PRC law, dividends may be paid only out of distributable profits, which defined as the retained earnings after tax payments as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiaries. We will not ordinarily pay any dividends in a year in which we do not have any distributable earnings. In the absence of any special circumstances and unforeseen circumstances, and subject to the abovementioned factors, we have during the Track Record Period declared, and intend going forward to declare, an annual dividend of more than 50% of the profits after tax and non-controlling interest. Notwithstanding the foregoing, the past dividend rate should not be used as a reference or a basis for determining the amount of dividends payable in the future.

We can give no assurance that any dividends will be paid. You should consider the risk factors affecting our Group contained in the section headed "Risk Factors" and the cautionary notice regarding forward-looking statements contained in the section headed "Forward-looking Statements" in this document.

### **LISTING BY WAY OF INTRODUCTION**

We were established in 1972 and have been listed on the SGX-ST since 1994. As at the Latest Practicable Date, the trading price of our Shares on the SGX-ST was US\$3.62. Our Directors consider that it is desirable and beneficial for our Company to have dual primary listing status in Singapore and Hong Kong as such status is expected to grant us ready access to these two different equity markets

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## SUMMARY

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and further increases our visibility in the Asia Pacific region. We believe that listing on both stock exchanges will attract investors with different profiles, thereby widening the investor base of our Company and increasing the liquidity of our Shares. In particular, a dual primary listing enables us to benefit from exposure to a wider range of private and institutional investors. Our Directors believe that a listing in Hong Kong is in line with our focus on our operations in the PRC, which is important for our growth and long-term development.

### RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to our Group's operations in the PRC and Thailand; (iv) risks relating to our Group structure; (v) risks relating to the dual primary listing; and (vi) risks relating to statements made in this document. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations. Set forth below is a summary of the risks referred to above. For details, please see the section headed "Risk Factors" in this document.

#### Risks Relating to Our Business

- Our business is highly dependent on the computer and computer peripherals, communications and network equipment and consumer electronics industries which are cyclical in nature.
- Our industry is subject to rapid technological change; if we are unable to develop new technologies which meet our customers' specifications, or develop our production capacity to accurately anticipate future technology trends, our business could be negatively affected.
- If we are unable to provide our customers with high-end technology, high quality products and responsive service or if we are unable to deliver our products to our customers in a timely manner, our results of operations and financial condition may suffer.
- Our production capacity may not correspond precisely to our production demands, and any significant increase in our idle or unutilized production capacity during any particular period may materially and adversely affect our results of operations in that period.
- We may be unable to obtain adequate supplies of quality raw materials in a timely manner and may suffer from an increase in costs of our raw materials which may adversely affect our results of operations.
- We depend on members of the Kingboard Group, the group controlled by our ultimate Controlling Shareholder, to provide certain raw materials, services and equipment for our products.
- We derive a significant portion of our turnover from a small number of direct and indirect OEM customers, and our turnover could decline significantly if any of them reduces purchases of, or fails to pay for, our products and services.

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## SUMMARY

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- We depend on the contract manufacturers of our key indirect OEM customers for a significant portion of our turnover and if we lose these relationships, our turnover could decline. Because we do not have long-term contracts with our customers, we are subject to uncertainties and variability in demand and product mix, which could lead to a decrease in net sales and negatively affect our operating results.
- We maintain limited insurance coverage and any significant product liability claim could have a material and adverse effect on our financial condition.
- We may be unable to secure additional funding in the future.
- We depend on key personnel and could be adversely affected by the loss of their services.
- Our manufacturing process depends on the collective experience of our employees. If these employees were to leave us and take this knowledge with them, our manufacturing process may suffer and we may not be able to compete effectively.
- Due to our lack of back up facilities, our operations may be adversely affected by a shortage of utilities or a discontinuation of priority supply status offered for such utilities.
- Our development plans have significant capital expenditure and financing requirements, which are subject to a number of risks and uncertainties.
- We may not be able to effectively manage our rapid expansion.
- If we are unable to continue to develop high-end, technologically advanced products with high profit margins, we will be subject to greater downward pressure on our margins, which may adversely affect our results of operations.
- Our products need to comply with existing and evolving government and industry standards and regulations.
- Our subsidiaries operating in the PRC may be required to comply with PRC occupational disease laws.
- Our production facilities are located in the PRC, Hong Kong and Thailand and the relocation of our principal customers or suppliers to other developing PCB markets could adversely affect our business.
- We are subject to order and shipment uncertainties, any significant cancellations or deferrals of purchase orders or default settlement could adversely affect our results of operations.
- If disruptions in our transportation network occur or our shipping costs substantially increase, we may be unable to sell our products and our operating expenses could increase.



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## SUMMARY

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- Gross profit margins for different products and services we provide vary substantially and any deterioration in the gross profit margins for our principal products and services will have a material and adverse effect on our results of operations.
- We are currently involved in litigation that, if decided adversely to us, could materially affect our results of operations and profitability.
- We may not be able to register our trademarks.
- Historical dividends are not indicative of future dividends.

### **Risks Relating to Our Industry**

- The industry in which we operate is highly competitive.
- We are subject to significant environmental regulations.
- Changes in current or future laws or regulations or the imposition of new laws or regulations affecting the industries in which we operate could impede the sale of our products or otherwise harm our business.

### **Risks Relating to Our Group's Operations in the PRC and Thailand**

- The PRC's economic, political and social conditions, as well as government policies, could adversely affect the financial markets in China and our business.
- Our operations are subject to the uncertainties of the PRC legal system.
- The PRC economy may experience inflationary pressure, which may lead to an increase in interest rates and a slowdown in economic growth.
- The value of RMB may fluctuate and appreciation of RMB may adversely affect our business.
- Foreign exchange transactions and the convertibility of RMB into foreign currencies are subject to certain limitations.
- We may encounter difficulties in our operations in the PRC.
- Thailand's economic, political and social conditions, as well as government policies, could adversely affect the financial markets in Thailand and our business.

### **Risks Relating to Our Group Structure**

- We are controlled by Kingboard whose interests may not be aligned with those of our other Shareholders.

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## SUMMARY

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- We are a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries.
- We are subject to the potential risk of increased income taxes in the different countries where we operate.
- We are subject to risks presented by fluctuations in foreign currencies.
- You may experience difficulties in enforcing your shareholder rights because we are incorporated in Singapore, and the rights of non-controlling shareholders may not enjoy the same level of protection as pursuant to the laws of Hong Kong or your own jurisdiction.
- You may experience difficulties in effecting service of legal process and enforcing judgments against us.

### **Risks Relating to the Dual Primary Listing**

- The stock markets of Singapore and Hong Kong have different characteristics and the historical prices of the Singapore Shares may not be indicative of the performance of the Hong Kong Shares after the Listing.
- The time lag for the transfer of Shares between the Hong Kong and Singapore markets may be longer than expected, and Shareholders may not be able to settle or effect any share sale during this period.
- The liquidity of our Shares on the Stock Exchange may be limited and the effectiveness of the bridging arrangements is subject to limitations.
- Our Company may incur additional costs and require additional resources to comply with both the Listing Manual and the Listing Rules.
- The industry data and estimates in this document have been derived from various official third-party publications.
- Our Share price may be affected if Shares are sold by our substantial shareholders or Controlling Shareholders or are issued by us.
- You may experience dilution because of the issuance of Shares pursuant to the awards or options granted under the Share Option Schemes.

### **Risks Relating to Statements Made in this Document**

- Forward-looking information included in this document may not be accurate.
- You should not rely on any information contained in press articles or other media regarding our Company and the Listing.

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## SUMMARY

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### SPECIAL ARRANGEMENTS TO FACILITATE TRANSFERS PRIOR TO THE LISTING

Special arrangements have been made to facilitate transfers of Shares prior to the Listing. In connection with the Listing, the Singapore Share transfer agent and the Hong Kong branch registrar will provide three batch-transfers of Singapore-listed Shares for Shareholders seeking to transfer their Shares to the Hong Kong share register prior to the Listing.

The key dates in relation to such batch-transfer exercises (the “**Batch-Transfers**”) are set out below:

<u>Events</u>	<u>First Batch-Transfer</u>	<u>Second Batch-Transfer</u>	<u>Third Batch-Transfer</u>
Final date to submit a request for withdrawal of securities form to CDP and a CDP Removal Request Form to the Singapore Share transfer agent. . . . .	June 22, 2011	June 29, 2011	July 11, 2011
Shares certificates available for collection from the Hong Kong branch registrar’s office. . . . .	July 6, 2011	July 13, 2011	July 25, 2011

The Singapore Share transfer agent and the Hong Kong branch registrar have agreed to waive their charges to Shareholders in respect of the Batch-Transfers. CDP’s existing charges will still apply, together with any other costs to be levied by Shareholders’ own brokers, nominees or custodians (where relevant). Please refer to the section headed “Listings, Registration, Dealings and Settlement — Special Arrangements to Facilitate Transfers Prior to Listing” in this document for details.

### BRIDGING ARRANGEMENTS

In connection with the Introduction, the Bridging Dealer has been appointed as bridging dealer and intends to implement the bridging arrangements described in the section headed “Listings, Registration, Dealings and Settlement — Bridging Arrangements” in this document. The bridging arrangements are intended to facilitate the migration of Shares to the Hong Kong Share Register in order for an open market in Shares to develop in Hong Kong following the Introduction.

In connection with the bridging arrangements, the Bridging Dealer entered into: (i) a Sale and Repurchase Agreement with EEIH (as vendor) under which the Bridging Dealer purchased from EEIH a total of approximately 1% of our Shares in issue, and EEIH shall repurchase the equivalent number of Shares it sold at the same price as such Shares were sold, no later than 15 Business Days after the expiry of the Bridging Period; and (ii) a Stock Borrowing and Lending Agreement with EEIH under which EEIH will make available to the Bridging Dealer Share lending facilities up to a total of approximately 5% of our Shares in issuance at the time of such request to the Bridging Dealer, on one or more occasions, subject to the applicable laws, rules and regulations in Singapore and Hong Kong, including without limitation that the lending and the subsequent acceptance of redelivery of any Shares by EEIH, and the borrowing and the subsequent redelivery of any Shares by the Bridging Dealer, will not lead to either party being obliged to make a mandatory general offer under the

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## SUMMARY

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Takeovers Code and/or the Singapore Code. Such Shares will be used for settlement in connection with the arbitrage trades carried out by the Bridging Dealer in Hong Kong. Prospective investors should refer to the section headed “Listings, Registration, Dealings and Settlement — Bridging Arrangements” in this document for further details.

### INVESTOR EDUCATION

Prior to the Listing, our Company and the Sole Sponsor will cooperate to inform the investor community of general information about our Company, as well as the developments and or changes to the bridging arrangements as disclosed in this document. The following measures will be taken to enhance the transparency of our Company and the bridging arrangements: media briefings and press interviews; analyst briefings; investor relation activities, such as a non-deal road show; information factsheets about our Company and the Share transfer procedures will be posted on the website of our Company; and information, including our previous day closing price, trading volume and other relevant historical data will be disclosed on the website of our Company. Please refer to the section headed “Listings, Registration, Dealings and Settlement — Investor Education” in this document for further details.

### LISTING RULES AND LISTING MANUAL

A summary of the principal differences between the continuing obligations pursuant to the Listing Rules and the Listing Manual is set out in the section headed “Major differences between the SGX Listing Manual and the Hong Kong Listing Rules and certain applicable Singapore and Hong Kong laws and regulations” in Appendix V to this document.

### TAKEOVER OBLIGATIONS UNDER THE SFO, SFA, TAKEOVERS CODE AND SINGAPORE CODE

A comparison of the principal requirements of the takeover obligations applicable to listed companies under the SFO, SFA, Takeovers Code and Singapore Code is set out in the sections headed “Section 270 of the SFO; Section 218 and 219 SFA” and “Takeover Obligations” in Appendix V to this document.

### DISCLOSURE OF SUBSTANTIAL INTEREST REQUIREMENTS UNDER THE ARTICLES AND THE LISTING MANUAL

The Articles provide that, for so long as our Shares are listed on the SGX-ST, any Shareholder (other than CDP or a clearing house recognized by the laws of the jurisdiction in which our Shares are listed or quoted on a stock exchange in such jurisdiction) is required to give the secretary of our Company a notice in writing within two business days:

- (a) after the Shareholder becomes a substantial Shareholder;

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## SUMMARY

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- (b) for so long as the Shareholder remains a substantial Shareholder after the date of a change in the percentage level of his interest or interests in our Company; or
- (c) after the date the Shareholder ceases to be a substantial Shareholder.

For the purposes of this requirement, a substantial Shareholder is a person who holds or acquires not less than 5% (whether deemed or direct) in the issued Shares.

Pursuant to the Listing Manual, our Company is required to immediately announce any notice of substantial Shareholders' interests in our Company's securities or changes thereof received by our Company.

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## DEFINITIONS

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*In this document, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in the section headed “Glossary” in this document.*

“2002 Share Option Scheme” .....	the 2002 Elec & Eltek Employees’ Share Option Scheme, which was terminated upon its expiry without affecting the rights of the holders of any options granted and outstanding under the 2002 Share Option Scheme. The principal terms of which are summarized in the section headed “Appendix VI – Statutory and General Information – D. Other Information – 1. 2002 Share Option Scheme” in this document
“2008 Share Option Scheme” .....	the 2008 Elec & Eltek Employees’ Share Option Scheme, which was adopted by the Company on May 9, 2008. The principal terms of which are summarized in the section headed “Appendix VI – Statutory and General Information – D. Other Information – 2. 2008 Share Option Scheme” in this document
“Articles of Association” or “Articles” .....	our articles of association, as adopted on June 14, 2011, and as amended from time to time, a summary of which is contained in Appendix IV to this document
“ASEAN” .....	acronym for Association of Southeast Asian Nations, a socio-economic multinational organization which comprises the following ten countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
“associates” .....	has the meaning ascribed to it under the Listing Rules
“Audit Committee” .....	the audit committee of our Board
“Board of Directors” or “Board” .	our board of Directors
“Bridging Dealer” .....	Standard Chartered Securities (Hong Kong) Limited
“Bridging Period” .....	being the 30-day period from and including the Listing Date
“Business Day” .....	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are normally open for normal banking business
“BVI” .....	the British Virgin Islands
“CAAGR” .....	compound average annual growth rate

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## DEFINITIONS

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“CCASS” .....	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant” ....	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant” ..	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant” .....	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant” .....	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDP” .....	The Central Depository (Pte) Limited
“China” or “PRC” .....	the People’s Republic of China, which for the purpose of this document and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Companies Act” .....	the Companies Act (Cap. 50, Singapore Statutes), as amended from time to time
“Companies Ordinance” .....	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company” .....	Elec & Eltek International Company Limited (依利安達集團有限公司*), a company incorporated in Singapore as a private limited liability company on January 2, 1993, converted into a public company limited by shares on July 12, 1994 and has been listed on the main board of the SGX-ST since September 5, 1994
“connected person” .....	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)” .....	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Kingboard and EEIH
“Director(s)” .....	the director(s) of our Company
“EEIH” .....	Elec & Eltek International Holdings Limited (依利安達國際集團有限公司), a company incorporated in Bermuda, our direct Controlling Shareholder and a subsidiary of Kingboard

\* for identification purpose only

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## DEFINITIONS

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“Employees’ Share Option Scheme Committee” .....	the employees’ share option scheme committee of our Board
“Euros” or “€” .....	Euro, the lawful currency of the member countries of the European Union who have adopted the European Monetary Union
“GAAP” .....	acronym for generally accepted accounting principles; a standard framework of guidelines for financial accounting used in a given jurisdiction
“GFA” .....	acronym for gross floor area, a real estate term referring to the total floor area inside the building envelope, including the external walls, and excluding the roof
“Group” or “our Group” or “we” or “us” .....	our Company and our subsidiaries at the relevant point of time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company
“HKSCC” .....	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees” .....	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” or “HK dollars” and “HK cents” .....	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong” .....	the Hong Kong Special Administrative Region of the PRC
“IFRS” .....	International Financial Reporting Standards
“Independent Third Party(ies)” .....	an individual or company who or which is not connected with (within the meaning of the Listing Rules) any Directors, chief executives or substantial shareholders (within the meaning of the Listing Rules) of our Company, our subsidiaries or any of their respective associates
“INED(s)” .....	independent non-executive Director(s) of our Company
“Introduction” .....	the listing of Shares on the main board of the Stock Exchange by way of introduction pursuant to the Listing Rules
“Kingboard” .....	Kingboard Chemical Holdings Limited (stock code: 148), a company incorporated in the Cayman Islands whose shares are listed on the main board of the Stock Exchange and one of our Controlling Shareholders



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## DEFINITIONS

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“Kingboard Copper Foil” .....	Kingboard Copper Foil Holdings Limited, a company incorporated in Bermuda whose shares are listed on the SGX-ST and a subsidiary of Kingboard Laminates
“Kingboard Group” .....	Kingboard and its subsidiaries (other than our Group) at the relevant point of time or, where the context so requires, in respect of the period before Kingboard became the holding company of its present subsidiaries, the present subsidiaries of Kingboard
“Kingboard Laminates” .....	Kingboard Laminates Holdings Limited (stock code: 1888), a company incorporated in the Cayman Islands whose shares are listed on the main board of the Stock Exchange and a subsidiary of Kingboard
“Ksq.ft” .....	square feet in thousands
“Latest Practicable Date” .....	June 23, 2011, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
“Listing” .....	listing of Shares on the main board of the Stock Exchange by way of introduction
“Listing Committee” .....	the listing committee of the Stock Exchange
“Listing Date” .....	the date on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Manual” .....	listing rules of the SGX-ST which set out the requirements applicable to issuers relating to, <i>inter alia</i> : (a) the manner in which securities are to be offered; and (b) the continuing obligations of issuers (as amended from time to time)
“Listing Rules” .....	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Macau” .....	the Macau Special Administrative Region of the PRC
“Memorandum of Association” .....	our memorandum of association, as adopted on October 13, 2006, and as amended from time to time, a summary of which is contained in Appendix IV to this document
“MEP” .....	the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部), formerly known as the State Environmental Protection Administration of the PRC (中華人民共和國國家環境保護總局)

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## DEFINITIONS

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“MIIT” .....	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), formerly known as the Ministry of Information Industry
“mm” .....	millimeters
“MOFCOM” .....	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“National Bureau of Statistics of China” .....	the China Industrial Information Issuing Center of the National Bureau of Statistics of China (國家統計局中國行業信息發佈中心)
“New Enterprise Income Tax Law” .....	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) promulgated by the National People’s Congress on March 16, 2007 which became effective on January 1, 2008
“Nominating Committee” .....	the nominating committee of our Board
“Prismark” .....	Prismark Partners LLC, an Independent Third Party and electronics industry consulting firm that publishes, among other publications, the Printed Circuit Report, a quarterly review of business and technology developments in the world’s major printed circuit (PCB) producing region. Prismark was founded in 1994 and operates out of offices in New York, USA and Taipei, Taiwan
“Remuneration Committee” .....	the remuneration committee of our Board
“RMB” .....	Renminbi Yuan, the lawful currency of the PRC
“S\$” or “SGD” .....	Singapore dollars, the lawful currency of Singapore
“SAFE” .....	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Sale” .....	the sale of 1,868,454 Shares (representing approximately 1% of our Shares in issue by EEIH as vendor to the Bridging Dealer on or before the Bridging Period), at a sale price of US\$3.61 per Share, being the closing price of our Shares quoted on the SGX-ST on the date of the Sale and Repurchase Agreement

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## DEFINITIONS

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“Sale and Repurchase Agreement” .....	the sale and repurchase agreement dated June 15, 2011 as specifically described in the section headed “Listings, Registration, Dealings and Settlement — Bridging Arrangements — Intended Arbitrage Activities during the Bridging Period” in this document
“SFA” .....	the Securities and Futures Act (Cap. 289, Singapore Statutes), as amended from time to time
“SFC” .....	the Securities and Futures Commission of Hong Kong
“SFO” .....	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGX-ST” .....	Singapore Exchange Securities Trading Limited
“Share(s)” .....	ordinary share(s) in the issued share capital of our Company
“Share Option Schemes” .....	the 2002 Share Option Scheme and the 2008 Share Option Scheme, the principal terms of which are summarized in the paragraphs headed “2002 Share Option Scheme” and “2008 Share Option Scheme”, respectively in Appendix VI to this document
“Shareholder(s)” .....	holder(s) of Shares
“Singapore Code” .....	Singapore Code on Takeovers and Mergers
“Sole Sponsor” .....	Standard Chartered Securities (Hong Kong) Limited
“sq.ft.” .....	square feet
“sq.m.” .....	square meters
“Stock Borrowing and Lending Agreement” .....	the stock borrowing and lending agreement dated June 29, 2011 as specifically described in the section headed “Listings, Registration, Dealings and Settlement — Bridging Arrangements — Intended Arbitrage Activities during the Bridging Period” in this document
“Stock Exchange” .....	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries” .....	has the meaning ascribed to it under the Listing Rules
“substantial shareholder” .....	a person entitled to exercise, or control the exercise of 10% or more of the voting power at any of our general meetings

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## DEFINITIONS

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“Takeovers Code” .....	the Hong Kong Code on Takeovers and Mergers
“Thai baht” .....	Thai baht, the lawful currency of Thailand
“Track Record Period” .....	the period comprising the three years ended December 31, 2010
“United States” or “US” .....	the United States, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “US dollars” ....	United States dollars, the lawful currency of the United States
“VAT” .....	value added tax
“%” .....	per cent.

*All times refer to Hong Kong time.*

*If there is any inconsistency between the Chinese name of the PRC laws and regulations or PRC entities mentioned in this document and their English translation, the Chinese version shall prevail.*

*In this document, references to years are to calendar years unless otherwise stated.*

*Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for reference only.*

*Unless expressly stated or otherwise required by the context, all data are as at the Latest Practicable Date. Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of options pursuant to the Share Option Schemes. Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

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## GLOSSARY

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*This glossary of technical terms contains terms used in this document in connection with our Group. As such, these terms and their meanings may not correspond to standard industry meaning or usage of these terms.*

“AOI” .....	acronym for automatic optical inspection, an automated process which visually inspects the circuit board by using a machine scanner to assess workmanship quality
“AQL” .....	acronym for acceptable quality level, the standard by which our Group judges raw material and our products for quality assurance purposes
“CEM laminates” .....	acronym for composite epoxy material which consists of different grades, two grades are widely used in the PCB industry and consists of either a paper core or a mat glass core with woven glass cloth on the surface, both impregnated with a flame retardant epoxy resin
“CM” .....	acronym for contract manufacturers, the provision of contract design, manufacturing and related product support services to OEMs — the design will be owned by the OEM while the products will be sold under the OEM’s or other brand name
“CMS” .....	acronym for contract manufacturing services; providers of contract manufacturing services are companies that manufacture a product which will ultimately be branded by another firm for sale
“dry film” .....	a form of photoresists that is hot rolled onto the copper clad laminate before circuit image exposure
“ERP system” .....	acronym for enterprise resources planning, part of our Group’s inventory management system to monitor the consumption of raw materials, works-in-progress and finished goods
“FPC” .....	acronym for flexible printed circuit, a patterned arrangement of printed wiring utilising flexible base material with or without flexible cover layers
“HDI” .....	acronym for high density interconnects, a type of PCB employing ultra-fine circuit patterns and microvia interconnections between PCB layers to achieve high wiring density and to minimize size and weight of end-user electronic products while maximizing performance

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## GLOSSARY

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“IC” .....	acronym for integrated circuit, a semiconductor device that combines a number of transistors and electronic circuits onto a piece of silicon
“IP” .....	acronym for internet protocol
“ISO” .....	acronym for a series of quality management and quality assurance standards published by the International Organization for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organizations
“ISO 14000” .....	a standard that represents a series of international standards on environmental management, providing a framework for the development of an environmental management system and supporting audit system
“ISO 14001” .....	a standard for environmental management which is primarily concerned with what an organization does to minimize the harmful effects on the environment caused by its activities and which sets requirements for what an organization must do to manage processes influencing the impact of its activities on the environment; also known as “ISO 14001 Environment Management System — Regulations and User Guide”
“ISO/TS 16949” .....	an ISO technical specification for the design, development, production, installation, and servicing of automotive-related products
“ISO 9001” .....	a standard used for certification or registration and contractual purposes by organisations seeking recognition of their quality management, which specifies the requirement for quality management systems for any organization that needs to demonstrate its ability to consistently provide products that meet its requisite standards
“lamine” .....	the plastic material usually reinforced by glass or paper that supports the copper cladding from which circuit traces are created, being a base material that is used for fabricating PCBs
“LGA” .....	land grid array, a type of surface mount connector which connects electrical components to the PCB
“MPEG” .....	acronym for Moving Pictures Experts Group, a family of international standards used for coding audio-visual information in a digitally compressed format, which includes MPEG-1, MPEG-2 and MPEG-4

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## GLOSSARY

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“OEM” .....	acronym for original equipment manufacturer, a manufacturer that markets and sells electronics under its own brand or outsources the manufacture of the electronic product it sells to a contract manufacturing services provider
“PCB” .....	acronym for printed circuit board, a flat panel composite with alternating layers of printed conductors and electrical insulation, typically interconnected by conductive holes; PCBs provide platforms to connect semiconductors and other electronic, optical or mechanical devices to form a circuit or functional system
“PDA” .....	acronym for personal digital assistant, a handheld device that combines computing, telephone/fax, internet and networking features
“photoresists” .....	photoresists are light-sensitive materials that, after processing, resist action of certain chemicals in the desired area and is used to form a patterned coating on a surface
“prepreg” .....	a prepreg is an intermediate material of PCBs and consists of glass fabric impregnated with resin that is cured and is used for bonding inner layers together to form a basic multi-layer PCB
“PTH” .....	acronym for plated through hole, a mechanically drilled hole with copper chemically deposited and plated that is used to connect different layers or sides of PCBs together
“QTA” .....	acronym for quick turnaround, quick turnaround services provide PCBs within a short timeframe and is often associated with the new product introduction stage of a PCB
“STB” .....	acronym for set-top box, a device that connects to a television and some external source of signal, and turns the signal into content which is then displayed on the screen
“total quality management” .....	our Group’s management approach to quality assurance with regard to the monitoring and improvement of processes, products, services and inventory management for long-term customer satisfaction
“UL Certification” .....	product assurance certificate granted by Underwriters Laboratories Inc.

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## FORWARD-LOOKING STATEMENTS

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This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. These forward-looking statements include, but are not limited to, statements relating to:

- our operations and business prospects;
- future developments, trends and competition in the computer and computer peripherals, communication and networking, consumer electronics and automotive industries in the US, Europe, Southeast Asia, the PRC and elsewhere;
- products under development or planning;
- our strategy, business plans, objectives and goals;
- our dividend distribution plans;
- our future financial condition and results of operations;
- the amount and nature of, and potential for, future development of our business;
- general economic conditions in the US, Europe, Southeast Asia, the PRC and elsewhere;
- changes to regulatory and operating conditions in the markets in which we operate; and
- other statements in this document that are not historical fact.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. All statements other than statements of historical facts included in this document, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.



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## FORWARD-LOOKING STATEMENTS

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Furthermore, these forward-looking statements merely reflect our current views with respect to future events and such statements are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including but not limited to factors disclosed under the section headed “Risk Factors” in this document and elsewhere in this document and the following:

- demand for new PCB products, particularly in the PRC;
- changes in the general operating environment of the global PCB industry;
- general economic, market and business conditions in the US, Europe, Southeast Asia, the PRC and globally;
- effects of competition on the demand for and the prices of our products;
- the development of new products or technologies affecting our current or future business;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

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## RISK FACTORS

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*Investing involves certain risks. Prior to making an investment decision, you should carefully consider all of the information in this document, including but not limited to, the risk factors described below. Our business could be materially adversely affected by any of the risks and uncertainties described below. The trading price of our Shares could decline due to any of these risks and uncertainties, causing you to lose all or part of your investment.*

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to our Group's operations in the PRC and Thailand; (iv) risks relating to our Group structure; (v) risks relating to the dual primary listing; and (vi) risks relating to statements made in this document. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

### RISKS RELATING TO OUR BUSINESS

**Our business is highly dependent on the computer and computer peripherals, communications and network equipment and consumer electronics industries which are cyclical in nature.**

Our business is highly dependent on our customers who operate in the highly volatile computer and computer peripherals, communications and network equipment and consumer electronics industries. These industries are characterized by rapidly changing customer demand patterns and intense industry-wide competition for market share, resulting in aggressive pricing practices and declining margins. Our results of operations could be adversely affected by changes in the spending patterns of consumers, which in turn are subject to prevailing economic conditions and other factors beyond our control. Our customers' industries are also cyclical in nature and have in the past experienced recurring downturns and it is expected that these recurring cyclical downturns will continue in the future. We could experience difficulties in securing comparable levels of orders from other customers to compensate for the loss of revenue in reduced orders or prices for our products. Due to the cyclical nature of these markets, there can be no assurance that sales of our products will continue to improve or will be maintained at current levels. A downturn in the industries we serve could have a significant impact on the selling prices and quantity sold of our products and on our results of operations.

**Our industry is subject to rapid technological change; if we are unable to develop new technologies which meet our customers' specifications, or develop our production capacity to accurately anticipate future technology trends, our business could be negatively affected.**

The market for our products is characterized by rapidly changing technology and continuing process development. The success of our business will depend, to a large extent, on our ability to maintain and enhance our technological capabilities in order to be able to respond quickly and accurately to our customers' changing product requirements. We must also be able to develop and market products and services that meet changing customer demands, to successfully anticipate or respond to product and technological trends and to develop the required products and technologies on a cost-effective and timely basis. We may not be able to accurately predict what technologies will be

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## RISK FACTORS

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required by our customers in the future, and therefore may not be able to utilize suitable capital expenditures to expand our production capability with technology necessary for our customers. Conversely, we may misjudge the market and expand our capacity with technologies for which the customer base is small or demand is low. In addition, our growth in production capacity may not correspond to a growth in demand for our products, resulting in under-utilization of our expanded and new facilities. There can be no assurance that we will effectively respond to the technological requirements of the changing market, including having sufficient cash flow to make additional capital expenditures that may be required as a result of such changes. To the extent we are unable to respond to these technological requirements, it may have a negative effect on our results of operations and financial condition.

**If we are unable to provide our customers with high-end technology, high quality products and responsive service or if we are unable to deliver our products to our customers in a timely manner, our results of operations and financial condition may suffer.**

In order to maintain our existing customer base and win business from new customers, we must demonstrate our ability to produce our products at the level of technology, quality, responsiveness of service, timeliness of delivery and at costs that our customers require. If (i) our products are of substandard quality; (ii) they are not delivered on time; (iii) we are not responsive to our customers' demands; or (iv) we cannot meet our customers' technological requirements, our reputation as a reliable supplier of PCB products may be damaged. If we are unable to meet these product and service standards, we may be unable to win new contracts or keep existing customers, and this could have a material adverse effect on our results of operations and financial condition. Additionally, in line with industry practice, we are liable to our customers for component, material, labor or other costs in connection with any shipped products which fail to meet our customers' quality standards or specifications. If we are unable to maintain these standards and specifications, our results of operations and financial condition may be adversely affected.

**Our production capacity may not correspond precisely to our production demands, and any significant increase in our idle or unutilized production capacity during any particular period may materially and adversely affect our results of operations in that period.**

Given the high fixed costs of our operations, decreases in capacity utilization rates can have a significant effect on our business. Accordingly, our ability to maintain or enhance our gross margins will continue to depend, in part, on maintaining satisfactory capacity utilization rates for our PCB plants. We plan the utilization of our production capacity based primarily on our projected orders from our customers. We cannot guarantee the accuracy of our internal projections for demands of our products and the effectiveness of our planning for production capacity utilization. If our projections are inaccurate, there may be periods when we will have idle production capacity for all or some types of our products. Any significant increase in our idle production capacity during any particular period may materially and adversely affect our results of operations for that period.

In addition, in the event that a customer reduces or cancels orders unexpectedly after we have invested in increasing production capacity, our gross profit and operating income may be adversely affected because we may not be able to recover our expenditures for inventory purchased in preparation for customer orders and we may not be able to realize optimal asset utilization of our production facilities.

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## RISK FACTORS

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Furthermore, since none of our purchase agreements with our key customers contains firm purchase commitments by such customers, these customers are not obligated to purchase any minimum amount of our products. We cannot guarantee that these customers or any other customers will place orders with us in the future at the same levels as in prior periods. Similarly, there is no assurance that any of these or other present or future customers will not terminate their agreements with us or significantly change, reduce or delay orders placed with us. Such circumstances could lead to a significant increase in our idle production capacity and have a material adverse effect on our business, financial condition, results of operations and future prospects.

**We may be unable to obtain adequate supplies of quality raw materials in a timely manner and may suffer from an increase in costs of our raw materials which may adversely affect our results of operations.**

Our production process requires certain quality raw materials that are procured from suppliers. Our largest supplier, the Kingboard Group, accounted for approximately 41.9%, 47.3% and 42.4% of our total orders for raw materials for the years ended December 31, 2008, 2009 and 2010, respectively. Our five largest suppliers in the years ended December 31, 2008, 2009 and 2010 supplied approximately 50.9%, 60.9% and 54.2%, respectively, of our total orders for raw materials. Reliance on suppliers, as well as industry supply conditions, generally involves several risks, including the inability to obtain quality raw materials for the production of high-end products, a shortage of raw materials, the possibility of defective products, increases in raw material costs and reduced control over delivery schedules, any or all of which could adversely affect our financial condition. Over the last two years, the PCB industry has experienced large increases in the price of some raw materials such as copper foil and precious metals, as well as an increase in the demand for PCB products, which has led to shortages in the supply of certain raw materials such as copper clad laminates. We expect such price and supply fluctuations to be periodic and cyclical. There is no assurance that there would not be any sudden shortage of supply, or any fluctuations in prices due to changes in market conditions which would lead to price increases in the future. Such price fluctuations may not increase the overall cost of our production, and any significant increases in the cost of raw materials which we are not able to transfer to our customers may erode our profit margins. There is also no guarantee that members of the Kingboard Group will continue to provide us with a reliable supply of raw materials necessary for PCB production in the future. Where alternative sources are available, qualification of the alternative suppliers and establishment of reliable supplies of raw materials from such sources may result in delays and could adversely affect our manufacturing processes and results of operations. If we are unable to obtain adequate supplies of our required raw materials in a timely or cost effective manner, it could have a material adverse effect on our results of operations and financial condition.

**We depend on members of the Kingboard Group, the group controlled by our ultimate Controlling Shareholder, to provide certain raw materials, services and equipment for our products.**

In addition to being our ultimate Controlling Shareholder, Kingboard provides us, and causes members of the Kingboard Group such as Kingboard Laminates to provide us, with raw materials, services and equipment that are necessary for the production of PCBs through contractual arrangements that are necessary or desirable for our business activities, including but not limited to

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## RISK FACTORS

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the sale and supply of certain chemicals, glass yarn, glass fabric, bleached kraft paper, copper foil and epoxy resin. During the Track Record Period, the Kingboard Group was our largest supplier. For the years ended December 31, 2008, 2009 and 2010, purchases from the Kingboard Group accounted for approximately 41.9%, 47.3% and 42.4%, of the total purchases of our Group, respectively.

We believe a termination of such relationships with the Kingboard Group could result in disruption of our business and could increase future costs for such materials, services and equipment. We therefore expect to continue to maintain similar contractual arrangements with the Kingboard Group after the Listing. For further information on these connected transactions, please see the section headed “Connected Transactions” in this document. If, in the future, members of the Kingboard Group, particularly Kingboard Laminates, choose not to provide, or procure the provision of, such materials, services and equipment to us on terms acceptable to us, we will have to relocate or seek alternative means of securing comparable materials, services and equipment, which may be on terms that are not as favorable as our current terms.

**We derive a significant portion of our turnover from a small number of direct and indirect OEM customers, and our turnover could decline significantly if any of them reduces purchases of, or fails to pay for, our products and services.**

A significant portion of our turnover is derived from a small number of direct and indirect OEM customers. Our five largest customers for the years ended December 31, 2008, 2009 and 2010 accounted for approximately 38.9%, 36.5%, and 33.5%, respectively, of our turnover. Our results of operations and financial condition will continue to depend on (i) our ability to continue to obtain orders from these customers; (ii) the financial condition and commercial success of these customers; and (iii) factors that affect the development of the various industries in which our customers operate.

We cannot assure you that we will be able to retain any of our largest customers or any other key customers in the future. Any material delay, cancellation or reduction of orders from our major customers could cause our net sales to decline significantly, and in such event, our results of operations may be materially and adversely affected. We do not have long-term purchase orders or commitments from any of these customers, and these customers are not obligated to purchase any minimum amount of our products or to provide us with binding order forecasts for any period. We have also in the past been, and may in the future be requested to reduce prices during periods of industry downturn and order cancellations may be expected. We cannot assure you that these customers will place orders with us in the future at the same levels as in prior periods, or that any of these or future customers will not terminate their purchase agreement with us or significantly change, reduce, delay or cancel the products ordered from us. If any of the foregoing events occurs, especially with respect to our largest customers, there would be a materially adverse effect on our business, results of operations and financial condition.

Our results of operations and financial condition also depend on the financial condition and commercial success of these customers. If one or more of our customers were to become insolvent or otherwise unable to pay for the products supplied by us, our business, results of operations and financial condition may be materially and adversely affected.

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## RISK FACTORS

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In addition, one or more of our key customers may reorganize by means of a corporate spin-off, merger or otherwise. Any such reorganization could disrupt, slow down or otherwise materially affect their business and operations and, therefore, our revenue. Moreover, the entities resulting from such reorganization may change suppliers or sourcing policies. If any of our key customers decides to significantly change its procurement policies for PCBs, or otherwise reduces or eliminates the purchase of our products, our revenue will decline significantly.

**We depend on the contract manufacturers of our key indirect OEM customers for a significant portion of our turnover and if we lose these relationships, our turnover could decline. Because we do not have long-term contracts with our customers, we are subject to uncertainties and variability in demand and product mix, which could lead to a decrease in net sales and negatively affect our operating results.**

A substantial portion of our turnover is derived from our PCB products that have been incorporated into products that are manufactured on behalf of our key indirect OEM customers by contract manufacturers. In such cases, we generally attain product qualification with our key indirect OEM customers who then in turn direct their contract manufacturers to purchase PCBs products from us. If we do not maintain strong relationships with the contract manufacturers, this could indirectly have an adverse effect on our relationships with our OEM customers.

As is common in our industry, we generally do not have long-term contracts with our OEM customers or any other customers, and, consequently, our turnover is subject to short-term variability because of fluctuations in demand for our products. Customers have no obligation to order from us and may cancel, reduce or delay orders for a variety of reasons. The level and timing of orders placed by our customers vary due to:

- (i) customer satisfaction with the level of service we provide;
- (ii) fluctuation in demand for our customers' products;
- (iii) customers' inventory management;
- (iv) changes in customers' manufacturing strategies, such as a decision by a customer to either diversify or consolidate the number of PCB suppliers; and
- (v) changes in customers' requirement for quick-turn and premium services.

We have in the past experienced terminations, reductions and delays in our customers' orders. Further, terminations, reductions or delays in our customers' orders, an inability to substitute new orders for cancelled ones or any problem in collecting amounts receivable from our customers could lower our production capacity utilization, which would lower our gross profit margins, decrease our turnover and negatively affect our results of operations and financial condition.

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## RISK FACTORS

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**We maintain limited insurance coverage and any significant product liability claim could have a material and adverse effect on our financial condition.**

The products we manufacture may contain defects that are detected only when the products are in use. We and our customers may experience defects which could require significant product recalls, reworks and/or repairs which could consume a substantial amount of time, effort and expense to resolve. Such defects could have a serious impact on our customers, which could harm our customer relationships and expose us to liability. There is no assurance that there will not be any material product liability claims against us in relation to our products in the future. We may expend significant resources and time to defend ourselves if legal proceedings are brought against us. If any such claims are made, our reputation may also be adversely affected, which may lead to loss of future business and may adversely affect our financial condition. If any of such claims were to be decided against us, we may be required to pay substantial damages.

Furthermore, we cannot assure you that we will not experience any major accidents in the course of our operations, which may cause significant property damage and personal injuries. The occurrence of any such accidents and their consequential losses may not be adequately covered, or at all, by our insurance policies currently in place. Any such losses not covered by insurance will be charged directly against our profits. Losses incurred, or payments we may be required to make, may have a material and adverse effect on our financial condition.

**We may be unable to secure additional funding in the future.**

From time to time, our plans may change due to changing circumstances, the development of our business, unforeseen contingencies or new opportunities. If our plans do change, we may need to obtain additional external financing to meet our capital expenditure plans, which may include commercial bank borrowings or the sale of equity or debt securities. As at the Latest Practicable Date, we have unutilized banking facilities in the amount of approximately US\$75.4 million. If we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations may increase, and we may be subject to additional covenants imposed by the relevant financial institution, which could limit our ability to access cash flows from operations. There can be no assurance that we will be able to raise adequate financing to fund our future capital requirements on acceptable terms, in time, or at all. Our failure to obtain sufficient financing could result in the delay or abandonment of our development and expansion plans and may have a material adverse effect on our business and financial condition.

**We depend on key personnel and could be adversely affected by the loss of their services.**

Our success depends to a significant extent on, among other factors, the continued services of our skilled technical personnel and production managers and on our ability to continue to attract, retain and motivate such personnel, including our executive Directors and other members of our senior management, details of which have been set out in the section titled “Director and Senior Management” of this document. We must be able to continue attracting such employees in conjunction with our growth. The talents, efforts, knowledge and leadership of our personnel are critical to our operations and financial performance. Our business could suffer if we lose the services of any of these personnel and cannot adequately replace them. There is intense competition for the services of



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experienced executive officers and skilled technicians in the growing PCB industry in the PRC and Thailand. Failure to retain the necessary personnel or the loss of a significant number of employees at any time could harm our business and future prospects. In addition, our future success envisions the continued growth of our business and will depend on our ability to identify, attract, hire, train and retain suitably skilled and qualified employees.

The success of our operations further requires the availability of manual labor at rates acceptable to us. The competition for personnel is particularly intense in the Guangdong province and the southern parts of the PRC where we operate. In the event that the shortage of labor continues or intensifies in the future, we may have difficulties recruiting or retaining labor at relatively low costs for our production facilities in the PRC. As a result, we may need to increase employee compensation levels in order to attract and retain our existing employees as well as hire new employees. In such event, our business and results of operations may be adversely affected.

**Our manufacturing process depends on the collective experience of our employees. If these employees were to leave us and take this knowledge with them, our manufacturing process may suffer and we may not be able to compete effectively.**

We rely on the collective experience of our technically skilled employees, primarily the technical personnel and production manager, in our PCB manufacturing process to ensure that we continuously evaluate and adopt new technologies to meet our customers' needs. If a significant number of our skilled employees involved in manufacturing were to leave our employment and we were not able to replace these people with new employees with comparable experience, our manufacturing process could suffer as we may be unable to keep up with technological innovations in the industry or the demands of our customers. Additionally, because we do not protect any of our manufacturing processes, production know-how or other intellectual property with patents, employees who leave us may take their experience to any one of our competitors, and our competitors could develop an advantage over us in the sophistication of their manufacturing techniques. As a result, we may not be able to continue competing effectively with our competitors which would have a material and adverse effect on our results of operations and financial condition.

**Due to our lack of back up facilities, our operations may be adversely affected by a shortage of utilities or a discontinuation of priority supply status offered for such utilities.**

The manufacturing of PCBs requires consumption of significant quantities of electricity and water. We purchase substantially all of the electrical power for our production facilities in the PRC from local power plants. Because the PRC's economy is currently in a state of rapid growth, the strain on the nation's power plants is increasing which has led to continuing power outages in various parts of the country. We believe there may be times when we may not be able to obtain adequate sources of electricity to meet our production requirements. Given that we currently do not maintain any back-up power generation facilities, if we were to lose power at any of our production facilities, we would be required to cease operations until power was restored. As our operations run on a 24-hour production cycle, any stoppage of power could adversely affect our ability to meet our customers' orders in a timely manner, thus potentially resulting in a loss of business and an increase in costs of manufacturing. In addition, the sudden cessation of power supply could damage our equipment, resulting in the need for costly repairs or maintenance as well as damage to products in production,



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resulting in an increase in scrapped products. Similarly, the sudden cessation of the water supply to our facilities could adversely affect our ability to fulfill orders in a timely manner, potentially resulting in a loss of business and under-utilization of capacity. Various regions in the PRC have in the past experienced shortages of both electricity and water and unexpected interruptions of power supply. There can be no assurance that our production facilities in the PRC will not experience material interruptions in the future, which could have a material adverse effect on our results of operations and financial condition.

**Our development plans have significant capital expenditure and financing requirements, which are subject to a number of risks and uncertainties.**

Our business is capital intensive. The ability to increase our turnover, profit and cash flow depends upon continued capital spending. There can be no assurance as to whether, or at what cost, our capital projects will be completed, if they will be completed on schedule or as to the success of these projects if completed. In addition, we may be unable to generate sufficient cash flow from operations or obtain necessary external financing to finance our capital expenditures and investments. Further, our ability to obtain external financing in the future is subject to the cost of financing and the condition of financial markets.

We expect to have substantial capital expenditure in connection with the expansion of our production capacity from time to time. We cannot assure you that any required additional financing will be available to us on satisfactory terms, if at all. If adequate funds are not available on satisfactory terms, we may be forced to defer our expansion plans, which could result in a loss of customers, the inability to successfully implement our business strategy and limitations on the growth of our business.

**We may not be able to effectively manage our rapid expansion.**

To meet the needs of our customers, we have expanded our production capacity from approximately 56.6 million sq.ft. in 2008 to approximately 60.3 million sq.ft. in 2010 and, in conjunction with the execution of our strategy, we may continue to develop new products and to expand our market in terms of geographical coverage, customers and manufacturing services. During the Track Record Period, we significantly increased the scope of our operations, moving increasingly into the HDI PCB and high-layer count PCB market as well as building a new production facility in Yangzhou and we have increased our revenue from approximately US\$517.9 million for the year ended December 31, 2008 to approximately US\$598.9 million for the year ended December 31, 2010. Our business expansion has, and will continue to, put pressure on our managerial, technical, financial, production, operational and other resources. We cannot guarantee that any future expansion plans will not adversely affect our existing operations, since execution of expansion plans often involves challenges. For example, we may be required to manage relationships with new or a greater number of suppliers, customers, equipment vendors and other third parties. Further, we may experience issues such as shortages of production equipment, raw materials or components, capacity constraints, construction delays, difficulties in ramping up production at new facilities or upgrading or expanding

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existing facilities and training an increasing number of personnel to manage and operate those facilities. Such challenges could make it difficult to implement our expansion plans successfully or in a timely manner, which could, among other things, adversely affect our ability to satisfy customer demands and maintain product quality.

In addition, our strategy to expand our presence in the global markets subjects us to the risk that business or market disruptions will result in delays and/or increased costs in production or delivery. We cannot assure you that we will be able to manage our future expansion effectively and our profitability may be adversely affected. Future expansion may result in production problems due to capacity constraints, construction delays, or difficulties in upgrading or expanding production facilities.

**If we are unable to continue to develop high-end, technologically advanced products with high profit margins, we will be subject to greater downward pressure on our margins, which may adversely affect our results of operations.**

As a result of short end-product life cycles due to rapid technological advances in the industries we service, the price of our products tend to decline over the course of their life cycles, reflecting decreased demand as well as increased competition as more manufacturers are able to produce similar products in volume. Rapid and continual technological innovation in end-products also results in decreasing profit margins for manufacturers of lower end, older technology products. If we are unable to continue to develop high-end, technologically-advanced products with higher profit margins, we will be subject to greater downward pressure on our profit margins, which may adversely affect our results of operations. In addition, if we fail to maintain a diverse customer base, our business may become dependent on a small number of customers in certain volatile industries, such as computer and computer peripherals, communications and network equipment and consumer electronics industries. Consequently, our results of operations would be correspondingly volatile and we may experience diminishing profit margins.

We plan our operating expense levels based primarily on estimated turnover levels. Because these expenses are relatively fixed in the short term, a shortfall in turnover could lead to operating results being below expectations. As competition in our industry increases, our success will depend on our ability to produce, and position ourselves as a reliable producer of, high-end PCB products which have a higher profit margins as well as our ability to expand and penetrate into new markets.

**Our products need to comply with existing and evolving government and industry standards and regulations.**

We produce our products in compliance with a significant number of international and domestic industry standards and regulations, some of which are evolving as new technologies are deployed. For instance, the United States Federal Communications Commission, or FCC, issues certain regulations which affect us, including safety and testing standards for the networking industry established by the International Electrotechnical Commission. With regard to European markets, we are, among others, required to comply with RoHS (Restriction of Hazardous Substances) Directive, which requires manufacturers of electrical and electronic products to ensure that products manufactured by such manufacturers and destined for sale in Europe must be free of six hazardous substances, including lead

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and mercury. Our products that are manufactured for the European markets must also comply with standards such as the Electromagnetic Compatibility, or EMC, and the Electromagnetic Interference or EMI, standards and other standards established by the European Committee for Electrotechnical Standardization, the European Committee for Standardization and the European Telecommunications Standards Institute.

In emerging markets such as the PRC, our products are required to comply with standards such as those established by the MIIT. The MIIT and seven other PRC governmental authorities have jointly published a regulation similar to the RoHS that came into effect on March 1, 2007. This regulation requires all electronic products that are (i) manufactured and sold in; or (ii) imported into China, to comply with standards that severely restrict the content of six hazardous substances, including lead and mercury, in such products. The failure of our products to comply or any delays in compliance with the various existing and evolving standards could negatively affect our ability to sell our products.

**Our subsidiaries operating in the PRC may be required to comply with PRC occupational disease laws.**

We may be required by the Law on the Prevention and Treatment of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》) to comply with certain formalities (including the filing of occupational disease reports) if our operations generate powder or dust, or emit radioactive, toxic or harmful substances. We have not been required by the local governmental authorities to submit such report as the local authorities currently do not strictly enforce such law on PCB manufacturers. We cannot assure you that we would not be required to file occupational disease reports in the future or that we will not be subject to fines or other penalties which may have a material adverse effect on our results of operations and financial condition. See the sections headed “Business — Health and Safety Issues” and “Risk Factors — Our operations are subject to the uncertainties of the PRC legal system” in this document for further details.

**Our production facilities are located in the PRC, Hong Kong and Thailand and the relocation of our principal customers or suppliers to other developing PCB markets could adversely affect our business.**

Our production facilities are located in the PRC, Hong Kong and Thailand, and for the year ended December 31, 2010, approximately 58.6% of our revenue was from products delivered to locations within the PRC. To the extent that other cost-competitive regions begin to enter into the PCB industry and start to draw foreign investment into their domestic PCB industry or establish domestic markets for PCB products, we may face greater competition for our products. Correspondingly, if conditions in the markets for PCBs in China, Hong Kong and Thailand deteriorate, particularly for reasons such as increases in labor or other costs, migration of the supply chain outside of China and Hong Kong or decreases in domestic demand for PCBs, then production and consumption of PCBs may shift to these other cost-competitive regions. If we are unable to shift our production facilities to these low-cost regions accordingly, we may experience a material adverse effect on our results of operations and financial condition.

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**We are subject to order and shipment uncertainties, any significant cancellations or deferrals of purchase orders or default settlement could adversely affect our results of operations.**

We typically sell products pursuant to purchase orders that customers can generally, before shipment of the orders, cancel or defer on short notice without incurring a significant penalty. As our products are made-to-order according to designs provided by our customers, we cannot sell finished goods to other customers in cases of cancellations and such cancellations or deferrals, if significant, could materially and adversely affect our business, results of operations and financial condition. In addition, significant cancellations or deferrals could result in excess inventory of certain raw materials supplied for the cancelled product for which we have taken delivery and which could reduce our profit margins if these inventories become obsolete in the future.

We recognize our revenue upon shipment of goods, when the customers have accepted the products and collectability of the related receivables is reasonably reliable and assured. If a customer does not pay for our products in a timely manner, our working capital could decrease or we could incur significant changes against our income, which could materially and adversely affect our results of operations. Please refer to the section headed “Financial Information — Critical Accounting Policies and Judgment — Revenue recognition” in this document for further details.

**If disruptions in our transportation network occur or our shipping costs substantially increase, we may be unable to sell our products and our operating expenses could increase.**

We are highly dependent upon the transportation systems we use to ship our products, including surface and air freight. Our attempts to closely match our inventory levels to our product demand intensifies the need for our transportation systems to function effectively and without delay. The transportation network is subject to disruption due to a variety of causes, including labor disputes, port strikes, acts of war, terrorism and natural disasters. If our delivery times increase unexpectedly for these or any other reasons, our ability to deliver products on time would be materially and adversely affected and result in delayed or lost revenue. We may also face claims from our customers as a result of these delays. In addition, if global fuel prices were to increase, our transportation costs would likely to increase further. Moreover, the cost of shipping our products by air freight is greater than that of other methods. From time to time, we have shipped products using air freight to meet unexpected spikes in demand or to bring new product introductions to market quickly. If we rely more heavily upon air freight to deliver our products, our overall shipping costs will increase. Moreover, we do not hedge against rising transport prices. A prolonged transportation disruption or a significant increase in the cost of freight could severely disrupt our business and harm our results of operations.

**Gross profit margins for different products and services we provide vary substantially and any deterioration in the gross profit margins for our principal products and services will have a material and adverse effect on our results of operations.**

Gross profit margins for different products and services we provide vary substantially and all of our products and services have been subject to downward pricing pressure over their life cycles due to short product life cycles and rapidly changing technology. In addition, the gross profit margins for a number of our products have fluctuated significantly from year to year. Due to the rapidly changing

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technology and evolving industry standards, our historical gross profit margin is not an accurate measure for estimating our future gross profit margins. Any deterioration in the gross profit margins for our principal products and services will have a material and adverse effect on our results of operations.

**We are currently involved in litigation that, if decided adversely to us, could materially affect our results of operations and profitability.**

We are currently involved in various litigation matters. For more information on the litigation matters, please see the section headed “Business — Legal Proceedings and Compliance” in this document. The results of these litigation matters cannot be determined. Adverse outcomes for us in these litigation matters could require significant expenditures by us and could have a material adverse effect on our results of operations and profitability.

**We may not be able to register our trademarks.**

During the Track Record Period, EEIH was the registered owner of the trademark “” which is registered in Hong Kong and “ Etec & Eltek 依利安達” which is registered in Hong Kong and Singapore (collectively, the “Trademarks”). These Trademarks are used by us as well as other subsidiaries of EEIH in the course of businesses. In order to ensure there is operational independence of our Group, we entered into three trademark assignment deeds with EEIH on June 4, 2011 pursuant to which EEIH, as the registered owner of the Trademarks, assigned its ownership in the Trademarks to us. As at the Latest Practicable Date, EEIH has filed the necessary applications (the “Applications”) to the Trade Marks Registry in Hong Kong and the Intellectual Property Office of Singapore, respectively, to register the assignments of the Trademarks by EEIH to us. Please refer to the paragraph headed “Intellectual property rights” under the section headed “Further information about the business of our Group” in Appendix VI to this document for further details. However, there is no assurance that the Applications will eventually be approved. If the Trademarks could not be registered under our own name, we may not be able to protect our intellectual property rights effectively and our business, prospects, results of operations and financial condition may be materially and adversely affected.

**Historical dividends are not indicative of future dividends.**

Our past dividend rates should not be used as a reference or basis to determine the amount of dividends we will pay in the future. In view of our substantial future capital requirements, our Directors may decide to retain any profits available for dividends within our Company, until such time as they believe there is sufficient cash available to pay dividends. Please refer to the section headed “Financial Information — Dividend Policy” in this document for a description of our dividend policy.

Furthermore, the amount of dividends actually distributed to our Shareholders will depend on, among others, our earnings and financial conditions, operating and capital requirements and, in the case of final dividends, Shareholders’ approval. There can be no assurance that our future dividends, if any, will be comparable to dividends declared and paid by other listed companies in the same industry.

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## RISK FACTORS

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### RISKS RELATING TO OUR INDUSTRY

**The industry in which we operate is highly competitive.**

The PCB industry is highly competitive, with multiple global competitors and hundreds of regional and local manufacturers who may have more advanced technology, manufacturing capability, and access to financial and other resources than we do. In addition, some of our principal competitors may have lower costs of operations and may be better able to withstand adverse market conditions and capitalize on opportunities. We could experience increased competition in the future resulting in price reductions, reduced profit margins or loss of market share. Any of these factors could have an adverse effect on our results of operations or financial condition.

**We are subject to significant environmental regulations.**

The manufacturing of our products generates gaseous chemical wastes, liquid wastes, solid wastes, waste water and other industrial wastes and pollutants in various stages of the manufacturing process. Our production sites in the PRC, Hong Kong and Thailand are subject to regulations and periodic monitoring by the relevant environmental protection and/or other relevant authorities, including those governing the use, storage, discharge, and disposal of hazardous substances in the ordinary course of our manufacturing process.

There can be no assurance that we will at all times be in complete compliance with such laws, regulations, permits and conditions. If we violate or fail to comply with the requirements, we could be fined or otherwise sanctioned by regulators. In some instances, such a fine or sanction could be material. If more stringent environmental requirements are imposed, or if our operating facilities are responsible for the release of hazardous substances based on future testing, we may be subject to additional remediation liability. New regulations could require us to acquire costly equipment or to incur other significant expenses. Further, if additional environmental matters arise in the future at sites where no problem is currently known or at sites that we may acquire in the future, we may need to incur additional costs to clean up such sites, which would in turn increase our operating costs and could harm our business and profitability.

**Changes in current or future laws or regulations or the imposition of new laws or regulations affecting the industries in which we operate could impede the sale of our products or otherwise harm our business.**

Certain regulatory bodies in the domestic and international markets that we serve have broad authority or an indirect impact over the regulation of our products and our industry in such markets. Even current regulations in these jurisdictions which are not directly applicable to our products, may apply to many of the end-products into which our products are incorporated and regulate the industries in which our customers operate. Our failure to comply with any of such present or future regulatory requirements or contractual obligations could result in suspension of production, prohibitions on sales or product recalls, or in our being directly or indirectly liable for costs, civil or criminal fines or penalties and third-party claims. In addition, such regulations could jeopardize our ability to conduct business in the jurisdictions implementing them or require us to incur significant expenses associated with compliance, including electronic waste management costs. Changes in current laws or regulations

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## RISK FACTORS

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or the imposition of new laws and regulations in the PRC, Hong Kong, Thailand or elsewhere could also materially and adversely affect our business; for instance, environmental regulations in the PRC increasingly impose costly compliance burdens on our Group. Additionally, foreign governments may impose tariffs, duties and other import restrictions on raw materials that we obtain from non-domestic suppliers and may impose export restrictions on products that we sell internationally. The imposition of regulations, tariffs, duties or restrictions could materially and adversely affect our business, results of operations and financial condition.

### **RISKS RELATING TO OUR GROUP'S OPERATIONS IN THE PRC AND THAILAND**

**The PRC's economic, political and social conditions, as well as government policies, could adversely affect the financial markets in China and our business.**

The majority of our assets are located in the PRC, as a result, a large proportion of our turnover and earnings is derived from our operations in the PRC. We expect this to continue in the medium to long term. Accordingly, our business, financial condition, results of operations and prospects are and will continue to be subject to the risks of future economic, political and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of capital reinvestment, growth rate, control of foreign exchange, allocation of resources and balance of payments position. Following the adoption of the Open Door Policy by the PRC government, the PRC economy has been transitioning from a planned economy to a more market-oriented economy. Nevertheless, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies, including allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Measures adopted by the PRC government are at times unprecedented or experimental and growth has been uneven, both geographically and among various sectors of the economy. There is no assurance that the PRC government will continue to pursue such policies or that such policies will not be significantly altered. Our business, results of operations and financial condition may be adversely affected by changes in the political, economic and social environment of the PRC and by changes in the policies of the PRC government on measures to control inflation, the imposition of new taxes, levies and fees and the imposition of additional restrictions on currency conversion and remittance abroad.

Moreover, there can be no assurance that economic reform measures adopted by the PRC government, or other policies adopted in the future, will be effective or consistently applied. Furthermore, some of these measures and policies may have a negative impact on our business. For example, our results of operations and financial condition may be adversely affected by government control over capital investments or changes in tax regulations applicable to us.



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### **Our operations are subject to the uncertainties of the PRC legal system.**

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, precedent court cases may be cited for reference but have limited value for application to any new or impending cases. In 1979, the PRC government promulgated a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements are relatively new and due to the limited volume of published cases and their non-binding nature, their interpretation and enforcement involve uncertainties and inconsistencies among the different provinces in which our PRC subsidiaries operate. These uncertainties limit the reliability of legal protections available to us and we cannot predict the effect of future developments in the PRC legal system. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future operations, which may not be obtainable in a timely fashion or at all. An inability to obtain such permits or authorizations may have a material adverse effect on our business and results of operations.

### **The PRC economy may experience inflationary pressure, which may lead to an increase in interest rates and a slowdown in economic growth.**

In response to concerns regarding the PRC's high growth rates in industrial production, bank credit, fixed investments and liquidity, the People's Bank of China has been taking measures to regulate economic growth. Since 2008, the PRC government has implemented a number of measures designed to prevent the economy from overheating. Among the measures that the PRC government have adopted are restrictions on bank loans. These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity and a reduction in the demand for consumer goods which may consequently have an adverse impact on our business, results of operations and financial condition.

### **The value of RMB may fluctuate and appreciation of RMB may adversely affect our business.**

The value of the RMB fluctuates and is subject to various factors such as changes in the PRC's political and economic conditions. The official exchange rate for the conversion of RMB into US dollars has generally been stable prior to 2005. On July 21, 2005, RMB was revalued upwards by approximately 2% against the US\$ when the People's Bank of China announced the change in the RMB exchange regime from a US\$ peg system to a managed floating exchange rate regime based on a basket of currencies. Since the change, RMB has been trending upwards and has strengthened against the US dollar. We currently conduct a substantial part of our business in the PRC and many of our expenses are denominated in RMB while we receive a substantial part of our revenue in US dollars. As such, any appreciation in the value of RMB against the US dollar will adversely affect our business, profit margin and price competitiveness. There is no assurance that the value of RMB will remain at the current level against the US dollar or any other foreign currency and we may be unable to pass increased costs from RMB appreciation to our customers. Should RMB continue to strengthen against the US dollar or any other foreign currency, our business and results of operations may be adversely affected.



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**Foreign exchange transactions and the convertibility of RMB into foreign currencies are subject to certain limitations.**

The PRC imposes control over the convertibility of RMB into foreign currencies. In July 2009, the Administration Rules on the Pilot Program for RMB Settlement of Cross-border Trade Transactions (《跨境貿易人民幣結算試點管理辦法》) was jointly promulgated by the People’s Bank of China, the Ministry of Finance, MOFCOM, the General Administration of Customs, the State Administration of Tax and the China Banking Regulatory Commission, which marked the formal implementation of the pilot scheme allowing PRC and foreign enterprises to use RMB to clear cross-border trade transactions, a practice which was previously not permitted. The pilot scheme as it currently exists limits the practice of clearing cross-border transactions with RMB to transactions between designated PRC entities located in designated areas including Shanghai, Jiangsu province and Guangdong province, on the one hand, and foreign entities located worldwide, on the other hand. As a result of the pilot scheme, certain of our PRC subsidiaries have been able to use RMB to settle transactions with our trading parties in Hong Kong or Macau in RMB since July 2009, which has helped us mitigate the adverse financial impact from the US\$/RMB exchange rate. We cannot be sure if the pilot program will be modified or cease to exist in the future nor can we predict the convertibility of RMB in the future.

**We may encounter difficulties in our operations in the PRC.**

In recent years, many of our OEM and contract manufacturer customers have moved part or all of their manufacturing operations to the PRC in order to reduce labor and other manufacturing costs. These companies typically source their raw material requirements locally to reduce raw material costs and shorten delivery times. We have established plants in various locations in the PRC, with a plant currently under construction in Yangzhou, for the production of PCBs and related raw materials. We also plan to expand our production capacities for these products in the near future. For more information on our existing plants and expansion plans, please see the section headed “Business — Production Facilities” in this document. There can be no assurance that we will not experience significant problems in the PRC with respect to our operations. The occurrence of such problems may have a material adverse effect on our business, results of operations and prospects.

**Thailand’s economic, political and social conditions, as well as government policies, could adversely affect the financial markets in Thailand and our business.**

Our business and operations are subject to the changing economic and political conditions prevailing from time to time in Thailand. The Thai government has implemented policies to manage the Thai economy and has occasionally made significant policy changes. The Thai government’s policies have included, among other things, wage and price controls and limits on imports. In addition, Thailand has experienced political unrest in the last few years. Our business, financial condition, results of operations and prospects may be adversely affected by changes in the Thai government’s policies and political stability in Thailand.

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Factors that may adversely affect the Thai economy include:

- exchange rate fluctuations;
- changes in taxation;
- natural disasters, including tsunamis, earthquakes, fires, floods, drought and similar events;
- political tension and public protests against the government;
- other regulatory, political or economic developments in or affecting Thailand; and
- recent and threatened terrorist activities in Southeast Asia, including continued violence in the southern parts of Thailand.

We cannot be certain that the Thai economy will meet our current projections or continue to improve in the future. Any downturn in the Thai economy may have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, any future political instability in Thailand may have an adverse effect on our business. There can be no assurance that the political environment in Thailand will be stable or that the current or any future government will adopt economic policies conducive to sustained economic growth or which do not impact adversely on the regulatory environment for PCB manufactures.

### **RISKS RELATING TO OUR GROUP STRUCTURE**

**We are controlled by Kingboard whose interests may not be aligned with those of our other Shareholders.**

Approximately 69.17% of our Shares are held directly and/or indirectly by Kingboard. As the single largest shareholder, Kingboard is able to control and influence the composition of our Board of Directors as well as direct our management policies, operations and other potentially significant corporate actions. Additionally, an affiliate controlled by Kingboard, Kingboard Laminates, is our largest supplier while various other affiliates or subsidiaries controlled by Kingboard are PCB producers which compete against us. The interests of Kingboard could conflict with the interests of our other Shareholders and there can be no assurance that Kingboard will not take actions to pursue its own interests or views and which may not be in accordance with the interests or views of our other Shareholders.

**We are a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries.**

We are a holding company. Our ability to pay dividends is dependent upon the earnings of our subsidiaries and their distributions of funds to us, primarily in the form of dividends. The ability of our subsidiaries to make distributions to us depends upon, among other things, their distributable earnings. Under PRC law and PRC accounting standards and regulations, payment of dividends is only

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permitted out of accumulated profits after first making up losses of previous years, setting aside at least 10% to the reserve fund each year until the aggregate amount of our fund reaches 50% of the registered capital, setting aside a certain amount for the staff welfare fund as determined by the enterprise, and paying a dividend withholding tax before remittance is approved. Other factors such as cash flow conditions, restrictions on distributions contained in our subsidiaries' articles of association and other arrangements will also affect the ability of our subsidiaries to make timely earnings distributions to us. These factors could reduce the amount of distributions that we receive from our subsidiaries, which in turn would restrict our ability to fund group operations and pay dividends on the Shares.

**We are subject to the potential risk of increased income taxes in the different countries where we operate.**

Our tax position may be subject to review and possible challenge by tax authorities and to possible change in law, which may have retroactive effect. We have obtained tax preferences, tax exemptions or other tax incentives where available in a number of countries, including Thailand and China.

In China, the rate of income tax chargeable on companies may vary depending on the availability of preferential tax treatment or subsidies. Previously, foreign-invested enterprises enjoyed preferential enterprise income tax treatment under then applicable PRC tax related laws and regulations. On January 1, 2008, the New Enterprise Income Tax Law came into effect and imposed a unified income tax rate of 25% for both domestic enterprises and foreign-invested enterprises. The Notification of the State Council on Carrying out the Transitional Preferential Policies concerning the Enterprise Income Tax (《國務院關於實施企業所得稅過渡優惠政策的通知》) which was promulgated and became effective on December 26, 2007 further clarified that starting from January 1, 2008, enterprises that enjoyed a “two year exemption and three year half payment” of the enterprise income tax under the Enterprise Income Tax Law for Foreign Invested Enterprise and Foreign Enterprise of the PRC (《中華人民共和國外商投資企業和外國企業所得稅法》) and certain other tax deductions or exemptions within a specified period according to the then applicable tax laws, regulations and relevant rules may, after the enactment of the New Enterprise Income Tax Law, continue to enjoy such benefits until the expiration of the applicable period. Enterprises whose preferential treatment period have not commenced due to the fact that no profits had been generated in previous years shall enjoy such preferential tax treatment from January 1, 2008 until the expiry of relevant period. However, our taxes will increase when at the end of the transition period, failed to record with or failed to obtain approval from competent tax authority for certain preferential tax treatment or if tax rates applicable to us are otherwise increased. Increased tax liabilities could have a material adverse effect on our net profit and earnings per Share.

In addition, our tax position may be subject to review and possible challenge by tax authorities in the PRC and/or Thailand who may not agree with the tax filings made or to be made by us or the tax treatment for our transactions, including intra-group or related-party transactions. We can provide no assurance to investors that we will not become subject to challenges or disagreements by or with

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the tax authorities and claims of additional taxation in the PRC and/or Thailand. Furthermore, as we have an integrated operation, if a tax authority regards certain income generated by members of our Group which are incorporated outside such jurisdiction to be taxable, this may result in us becoming subject to claims of additional taxation.

**We are subject to risks presented by fluctuations in foreign currencies.**

We maintain our subsidiaries' accounts, other than our laminate division, in our functional currency of US dollars and we report our consolidated results in US dollars. Nevertheless, the majority of operating expenses of all our subsidiaries are in RMB and Thai baht which are subject to the fluctuation of their respective exchange rates against the US dollar. During the Track Record Period, we have not been, and are currently not, a party to any exchange rate risk management transaction. Fluctuations in exchange rates, primarily those involving the US dollar against the RMB may affect our reported operating results in US dollars terms and our cash flow.

**You may experience difficulties in enforcing your shareholder rights because we are incorporated in Singapore, and the rights of non-controlling shareholders may not enjoy the same level of protection as pursuant to the laws of Hong Kong or your own jurisdiction.**

We were incorporated in Singapore under the Companies Act as a private limited company in January 1993 and we converted into a public limited company in July 1994. The laws of Singapore differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the rights of non-controlling shareholders may not enjoy the same level of protection as pursuant to the laws of Hong Kong or your own jurisdiction.

Our corporate affairs are governed by our Memorandum and Articles of Association, the Companies Act and common law principles applicable in Singapore. The rights of shareholders to take legal action against our Directors and us, actions by non-controlling shareholders and the fiduciary responsibilities of our Directors to us are to a large extent governed by the laws of Singapore. The common law principles applicable in Singapore are derived in part from judicial precedent in Singapore as well as from English common law, which has persuasive, but not binding, authority on a court in Singapore.

As a result of all of the above, our Shareholders may have greater difficulty in protecting their interests in the face of actions taken by our management, Directors or substantial shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

**You may experience difficulties in effecting service of legal process and enforcing judgments against us.**

The majority of our assets are located in the PRC and Thailand. As a result, it may not be possible for investors to effect service of process or enforce judgment within the United States, the United Kingdom, Japan, Singapore or other countries upon such persons or us or to enforce against them or us judgments obtained in such courts.

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Furthermore, we have been advised that neither the PRC nor Thailand has any treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by the courts of the United States, the United Kingdom, Japan and Singapore, among others. As a result, recognition and enforcement in the PRC of judgments of a court in any of the jurisdiction mentioned above may be difficult or impossible. While in Thailand, a separate legal action must be brought in the courts of Thailand.

### RISKS RELATING TO THE DUAL PRIMARY LISTING

**The stock markets of Singapore and Hong Kong have different characteristics and the historical prices of the Singapore Shares may not be indicative of the performance of the Hong Kong Shares after the Listing.**

Our Shares are currently listed and are quoted for dealing on the SGX-ST (the “**Singapore Shares**”) and following the Listing, it is our Company’s current intention that the Singapore Shares will continue to be traded on the SGX-ST. The SGX-ST and the Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading price of the Singapore Shares and the Hong Kong Shares may not be the same. Furthermore, fluctuations in the Singapore Share price could materially and adversely affect the Hong Kong Share price and vice versa. Due to the different characteristics of the stock markets of Singapore and Hong Kong, the historical prices of the Singapore Shares may not be indicative of the performance of the Hong Kong Shares after the Listing. Investors should therefore not place undue reliance on the prior trading history of the Singapore Shares when evaluating an investment in our Company.

**The time lag for the transfer of Shares between the Hong Kong and Singapore markets may be longer than expected, and Shareholders may not be able to settle or effect any share sale during this period.**

As there is no direct trading or settlement between the stock markets of Singapore and Hong Kong, the time required to shunt shares between the CDP and the Hong Kong branch registrar may vary and there is no certainty of when the shunted shares will be available for trading or settlement. To enable the migration of Shares between the two stock exchanges, Shareholders are required to comply with specific procedures and bear the necessary costs including removal fees, re-registration fees and share certificate issuance fees. For more information, please refer to the section headed “Listings, Registration, Dealings and Settlement — Bridging Arrangements” in this document. Under normal circumstances and assuming that there are no deviations from the usual share transfer procedures, Shareholders can expect a normal transfer to be completed within 15 Business Days from CDP to the Hong Kong branch registrar and 15 Business Days from the Hong Kong branch registrar to CDP depending on whether our Shares are registered under CCASS or in the name of our Shareholders. However, there is no assurance that the transfer of Shares will be completed in accordance with this time line. There may be unforeseen market circumstances or other factors which delay the transfer, thereby preventing Shareholders from settling or effecting the sale of their Shares.

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## RISK FACTORS

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**The liquidity of our Shares on the Stock Exchange may be limited and the effectiveness of the bridging arrangements is subject to limitations.**

Our Shares have not been traded on the Stock Exchange before the Introduction and there may be limited liquidity in our Shares on the Stock Exchange. Shareholders will be able to transfer the registration of our Shares from Singapore to Hong Kong, and vice versa, but there is no certainty as to the number of Shares that Shareholders may elect to transfer to Hong Kong. This may adversely affect investors' ability to purchase or liquidate Shares on the Stock Exchange. Accordingly, there is no guarantee that the price at which Shares are traded on the Stock Exchange will be substantially the same as or similar to the price at which Shares are traded on the SGX-ST or that any particular volume of Shares will trade on the Stock Exchange.

Throughout the Bridging Period, the Bridging Dealer intends to carry out arbitrage activities between the Singapore and Hong Kong markets (as set out in the section headed "Listings, Registration, Dealings and Settlement — Bridging Arrangements" in this document). Such arbitrage activities are intended to contribute to the liquidity of our Shares on the Hong Kong market by facilitating the migration of Shares to the Hong Kong share register to develop an open market in our Shares in Hong Kong following the Listing. You should be aware, however, that the bridging arrangements are subject to the Bridging Dealer's ability to sell our Shares or obtain sufficient number of Shares for settlement on the Hong Kong market, as well as the existence of adequate price differentials between the Hong Kong and Singapore markets.

There is no guarantee that the bridging arrangements will attain and/or maintain liquidity in our Shares at any particular level on the Stock Exchange, nor is there assurance that an open market will in fact develop. The bridging arrangements will also terminate and cease to continue beyond the Bridging Period.

The bridging arrangements do not create any obligation on the Bridging Dealer to undertake any arbitrage or other transactions in our Shares. Accordingly, there is no guarantee that the price at which our Shares are traded on the Stock Exchange will be substantially the same as or similar to the price at which our Shares are traded on the SGX-ST or that any particular volume of our Shares will trade on the Stock Exchange. The bridging arrangements being implemented in connection with the Introduction are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering. In addition, the Bridging Dealer is not acting as a market maker and does not undertake to create or make a market in our Shares on the Stock Exchange.

**Our Company may incur additional costs and require additional resources to comply with both the Listing Manual and the Listing Rules.**

Being a listed company on the SGX-ST, our Company is required to comply with the Listing Manual. Upon Listing, our Company will also be required to comply with the Listing Rules unless an exemption is available or a waiver has been obtained. Accordingly, our Company may incur additional costs and require additional resources to comply with the Listing Manual and the Listing Rules.

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## **RISK FACTORS**

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**The industry data and estimates in this document have been derived from various official third-party publications.**

This document includes industry data and estimates derived from various official third-party publications or reports which were not commissioned by us. Accordingly, independent verification of the data from such third-party sources, or of the underlying economic assumptions relied upon in such sources, have not been undertaken by us or any of the affiliates or advisors or by the Sole Sponsor or any party involved in the Listing or their respective affiliates or advisors. As such, we make no representation as to the accuracy of such information. While we are not aware of any misstatements regarding our industry data presented in this document, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed elsewhere in this “Risk Factors” section.

**Our Share price may be affected if Shares are sold by our substantial shareholders or Controlling Shareholders or are issued by us.**

We cannot assure you that our substantial shareholders or Controlling Shareholders will not dispose of the Shares held by them or that we will not issue Shares in the future. We cannot predict the effect, if any, that any future sales of Shares by our substantial shareholders or the Controlling Shareholders, or the availability of Shares for sale by our substantial shareholders or Controlling Shareholders, or the issuance of Shares by our Company may have on the market price of our Shares. Sales or issuance of substantial amounts of Shares by the substantial shareholders, Controlling Shareholders or us, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of our Shares.

**You may experience dilution because of the issuance of Shares pursuant to the awards or options granted under the Share Option Schemes.**

We have granted share options to eligible participants under the 2002 Share Option Scheme, and may grant share options under the 2008 Share Option Scheme, including employees and directors of our Company and our subsidiaries. Further details of the Share Option Schemes are summarized in “Appendix VI — Statutory and General Information — D. Other Information — 1. 2002 Share Option Scheme” and “Appendix VI — Statutory and General Information — D. Other Information — 2. 2008 Share Option Scheme” in this document. The granting of Shares under the Share Option Schemes and the exercise of share options by the eligible grantees would result in, an increase in the number of Shares in issue, and may result in dilution to the percentage of ownership of our Shareholders, and the earnings per Share and the net asset value per Share.

### **RISKS RELATING TO STATEMENTS MADE IN THIS DOCUMENT**

**Forward-looking information included in this document may not be accurate.**

This document contains certain forward-looking statements and information relating to our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “anticipate”, “believe”, “consider”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”,



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## RISK FACTORS

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“should”, “plan”, “seek”, “will”, “would”, and similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the other risk factors described in this document. The risks and uncertainties which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and competition in the computer and computer peripherals, communication and networking, consumer electronics and automotive industries in the US, Europe, Southeast Asia, the PRC and elsewhere;
- products under development or planning;
- our strategy, business plans, objectives and goals;
- our dividend distribution plans;
- our future financial condition and results of operations;
- the amount and nature of, and potential for, future development of our business;
- general economic conditions in the US, Europe, Southeast Asia, the PRC and elsewhere;
- changes to regulatory and operating conditions in the markets in which we operate; and
- other statements in this document that are not historical fact.

Investors should note that one or more of these risks or uncertainties may materialize, or one or more of the underlying assumptions may prove to be incorrect.

**You should not rely on any information contained in press articles or other media regarding our Company and the Listing.**

Prior to the publication of this document, there may be certain press and media coverage regarding our Company and the Listing which may include certain financial information, industry comparisons, profit forecasts and other information about our Company that does not appear in this document. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Prospective investors should not rely on any such information and should only rely on information included in this document in making any decision as to whether to invest in the Shares.



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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### **Issuance of securities and consequential deemed-disposal of Shares**

Rule 10.08 of the Listing Rules prohibits the issue of further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) or the forming of the subject of any agreement to such an issue within six months from the date on which securities of the listed issuer first commence dealing on the Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing), except for certain circumstances specified in Rule 10.08 of the Listing Rules. Rule 10.07(1)(a) of the Listing Rules prohibits the Controlling Shareholders in the period from the date on which disclosure of the shareholding of the Controlling Shareholders is made in the listing document and ending on the date which is six months from the date on which dealings in the Shares on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any option, rights, interests or encumbrances in respect of, and of the Shares in respect of which they are shown by the listing document to be the beneficial owners.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the restrictions on further issue of securities within the first six months following the Listing under Rule 10.08 of the Listing Rules and a consequential waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules in respect of the deemed disposal of Shares by the Controlling Shareholders upon issue of securities by our Company within the first six months of the Listing on the following conditions:-

- (1) any issue of new Shares (or convertible securities) or the entering into of an agreement in this regard by our Company during the first six months after the Listing must be either (i) for cash to fund a specific acquisition; (ii) as partial or full consideration for a specific acquisition; or (iii) in relation to the exercise of the share option rights by those grantees pursuant to the 2002 Share Option Scheme as mentioned below;
- (2) such acquisition must be for assets or businesses which will contribute to the growth of the Group's operations; and
- (3) any such issue of new Shares (or convertible securities) will not result in the Controlling Shareholders ceasing to hold more than 30% of the issued share capital of our Company as a result of the dilution of their holdings of Shares (i.e. deemed disposal of Shares) upon the issue of securities by our Company within the first 12 months of the Listing.

The reasons for application for the above waivers are as follows:

- (1) the Listing is not a fund-raising exercise and it does not involve any issue of new Shares. As such, the Listing itself would not result in any dilution of the existing Shareholders' interests in our Company;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (2) one of the purposes of the Listing is to create a strong Hong Kong shareholder base and liquidity for the Shares in Hong Kong. Existing Shareholders and new investors would be prejudiced if our Company is restricted from issuing Shares in the first six months after the Listing since further expansion of our Company would require additional funds and any fund raising exercise of our Company would have to be put on hold, delayed or renounced due to restrictions under Rule 10.08 of the Listing Rules which may involve the issuance of new Shares, which in turn will affect the business development of our Company and is not in the interests of the existing Shareholders and new investors;
- (3) whilst our Board currently has not concluded any fund raising plan, there may be windows of opportunity for our Company which may involve issuance of new Shares within the first six months after the Listing. By making the waiver applications, our Company will not miss any window or opportunity which may involve issuance of new Shares in order to capture business opportunities;
- (4) our Company is deemed to be a new listing applicant only by reason of the Listing whereas the Shareholders remain the same and there is no change to their respective shareholding interests in our Company, save that our Shares will be listed on the main board of the Stock Exchange as well as the SGX-ST. The existing Shareholders should have already gained awareness and knowledge of our Company;
- (5) according to the 2002 Share Option Scheme, share options were granted to several eligible participants as defined in the 2002 Share Option Scheme. As at the Latest Practicable Date, there were 149,200 share options outstanding and the latest date for the grantees to exercise such share option rights will be on or before November 12, 2011. The strict compliance with Rule 10.08 of the Listing Rules will deprive the above grantees to exercise their share option rights according to the 2002 Share Option Scheme;
- (6) the interests of our Shareholders are well protected since any further issuance of Shares after the Listing will have to be conducted under the general mandate (the “**General Mandate**”) which was obtained on April 6, 2011. Pursuant to the General Mandate, the aggregate number of issued Shares in the capital of our Company excluding treasury Shares (if any), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing Shareholders of our Company shall not exceed 20% of the total number of issued Shares in the capital of our Company. The General Mandate will also comply with the shareholders’ approval requirement as applicable under Rule 13.36 of the Listing Rules. The General Mandate is valid until the conclusion of the next annual general meeting or the date by which the next annual general meeting is required by law or the Articles of our Company to be held, whichever is the earlier; and
- (7) as at the Latest Practicable Date, Kingboard, being the single largest ultimate Shareholder of our Company holding approximately 69.17% of our Company’s issue share capital (directly or indirectly through its wholly-owned subsidiaries), had demonstrated its consistent commitment to our Company.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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### **Further share disposal restriction**

Rule 10.07(1) of the Listing Rules prohibits the Controlling Shareholders in the period from the date on which disclosure of the shareholding of the Controlling Shareholders is made in the listing document and ending on the date which is six months from the date on which dealings in the Shares on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any option, rights, interests or encumbrances in respect of, any of the Shares in respect of which they are shown by the listing document to be the beneficial owners.

EEIH entered into the Stock Borrowing and Lending Agreement pursuant to which EEIH shall upon request by the Bridging Dealer who will be responsible for the bridging arrangements for transferring the Shares from the Singapore share register to the Hong Kong share register lend up to approximately 5% of the Shares in issue at the time of such request to the Bridging Dealer, on one or more occasions. The Bridging Dealer shall return an equivalent number of Shares to EEIH within a specified period after Bridging Period (being the 30-day period from and including the Listing Date), subject to applicable laws, rules and regulations in Singapore and Hong Kong, including without limitation that the lending and the subsequent acceptance of redelivery of any Shares by EEIH, and the borrowing and the subsequent redelivery of any Shares by the Bridging Dealer, will not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. Additionally, EEIH and the Bridging Dealer have also entered into the Sale and Repurchase Agreement for the Sale. Conditional upon the Bridging Dealer acquiring our Shares under the Sale, the Bridging Dealer shall sell and EEIH shall repurchase the equivalent number of Shares it sold under the Sale, at the same price as such Shares were sold, no later than 15 Business Days after the expiry of the Bridging Period (being the 30-day period from and including the Listing Date). Further particulars of such stock borrowing arrangements and the Sale and Repurchase Agreement are set out in the section headed “Listings, Registration, Dealings and Settlement — Bridging Arrangements — Intended Arbitrage Activities during the Bridging Period” in this document. Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.07 of the Listing Rules in respect of EEIH’s disposal of its interests pursuant to the Stock Borrowing and Lending Agreement and the Sale and Repurchase Agreement and the deemed disposal of Shares by EEIH upon issue of securities by the Company within the first six months of the Listing on the following conditions:

- (1) the arrangements under the Stock Borrowing and Lending Agreement and the Sale and Repurchase Agreement are solely for facilitating the Bridging Dealer’s arbitrage trades in circumstances as described in this document;
- (2) the same number of Shares borrowed by the Bridging Dealer from EEIH (up to approximately 5% of our Shares in issue) shall be returned to EEIH not later than 15 Business Days after the expiry of the Bridging Period;
- (3) the maximum number of Shares to be sold by EEIH to the Bridging Dealer is up to 1% of our Shares in issue, and such Shares will be repurchased by EEIH shortly after the expiry of the Bridging Period;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (4) the Stock Borrowing and Lending Agreement and the Sale and Repurchase Agreement comply with all applicable laws, rules and regulations;
- (5) no payment will be made to EEIH by the Bridging Dealer in relation to the stock borrowing arrangements; and
- (6) other than the Stock Borrowing and Lending Agreement and the Sale and Repurchase Agreement, EEIH will comply with the restrictions on disposal of Shares under Rule 10.07 of the Listing Rules.

Since the Kingboard Group's acquisition of a controlling stake in our Company in early 2005 and up to the Latest Practicable Date, no member within the Kingboard Group has disposed of any Shares.

### Dealings by connected persons

Rule 9.09(b) of the Listing Rules provides that there must be no dealing in the securities for which listing is sought by any connected person of our Company from four clear business days before the expected hearing date for the Introduction until the Listing is granted (the "**Relevant Period**").

To the best of our Company's knowledge, as at the Latest Practicable Date, Kingboard and its wholly-owned subsidiaries, namely, EEIH, Elitelink Holdings Limited and Kingboard Investments Limited held approximately 0.31%, 48.56%, 18.37% and 1.93% of the total issued share capital of our Company, respectively. They would be regarded as substantial shareholders and hence connected persons of our Company according to the Listing Rules and are therefore subject to the restrictions under Rule 9.09(b) of the Listing Rules.

In addition, as our Company's Shares are already publicly traded on the SGX-ST, there may be Shareholders who currently hold less than 10% of the total issued Shares but who may acquire further Shares during the Relevant Period and thereby become new substantial shareholders (the "**New Substantial Shareholders**") of our Company, which will be regarded as connected persons of our Company according to the Listing Rules and are therefore subject to the restrictions under Rule 9.09(b) of the Listing Rules.

Our Company considers that it would be unfair to our Company if the non-compliance by any New Substantial Shareholders or their respective associates with the dealing restrictions under Rule 9.09(b) of the Listing Rules is to jeopardize our Company's listing application as our Company is not in the position to control dealings in our Shares by the New Substantial Shareholders and their respective associates. Accordingly, our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in respect of any dealings in our Shares by the New Substantial Shareholders and their respective associates during the Relevant Period, on the following conditions:

- (1) the New Substantial Shareholders and their respective associates have not been and will not be involved in our Group's management and administration nor in the Listing;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (2) our Company and our management do not have control over the investment decisions of the New Substantial Shareholders, their respective associates or the public investors;
- (3) our Company will release any price sensitive information to the public in accordance with all the applicable laws, rules and regulations so that anyone who may deal in our Shares under this waiver will not possess any price sensitive information which has not been released to the public;
- (4) our Company has procured and will procure that none of Kingboard, EEIH, Elitelink Holdings Limited, Kingboard Investments Limited, our Directors or executive officers of our Company or their respective associates have dealt and will deal in our Shares during the Relevant Period; and
- (5) our Company shall notify the Stock Exchange if there is any dealing or suspected dealing by any connected persons during the Relevant Period.

### Material contracts

Under paragraph 53(2) of Part A of Appendix I to the Listing Rules (“**Paragraph 53(2)**”), our Company is required to make available, for a reasonable period of time (being not less than 14 days), copies of all material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within two years immediately preceding the issue of this document for potential investors and Shareholders to inspect.

Our Company has applied to the Stock Exchange for waivers from strict compliance with Paragraph 53(2) so as to enable details in relation to (i) the names of the nine common customers served by our Group and the Kingboard Group as at December 31, 2010; (ii) the sales amount of PCBs sold to each of the nine common customers by our Group and the Kingboard Group during the Track Record Period; (iii) the names of the existing non-common end customers of our Group (with annual sales amount of USD100,000 or above) as at December 31, 2010; and (iv) the names of the existing non-common end customers of the Kingboard Group (with annual sales amount of USD100,000 or above) as at December 31, 2010 (the “**Information**”) to be redacted from the deed of non-competition which is available for public inspection.

Our Company has applied for the waiver on the grounds that:

- (1) the waiver would not prejudice the interests of the investing public and the Shareholders;
- (2) the Information to be redacted as mentioned above would be commercially sensitive and the disclosure of which would be inappropriate and unduly burdensome and would have adverse effect on the business and operations of our Group and our Group may lose competitiveness in sales and marketing and/or strategic planning in the future;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (3) it is difficult and burdensome for our Company to ask for consent from each and every of those customers which will be disclosed in the deed of non-competition (which total to approximately 150 customers) for making the deed of non-competition containing the Information available for public inspection; and
- (4) sufficient information has been disclosed in this document for the investing public and the Shareholders. For the avoidance of doubt, the shipment locations of the nine common customers served by our Group and the Kingboard Group as at December 31, 2010 will be included (without revealing their actual names) in the deed of non-competition which is available for public inspection.

Our Directors confirm that in their opinion, the material terms of the deed of non-competition in respect of which waiver is sought are sufficiently disclosed in this document to enable a reasonable person to understand the arrangements effected by the deed of non-competition and therefore to form a valid and justifiable opinion of our Company. As a result, our Directors are of the view that the grant of the waiver requested will not prejudice the interests of the investing public and the Shareholders. On the contrary, for the reasons set out above, our Directors are of the view that full disclosure of the Information contained in the deed of non-competition would prejudice the interests of our Company, and therefore, the investing public and the Shareholders.

The Stock Exchange has granted a partial waiver from strict compliance with Paragraph 53(2) for the reasons set out above. The partial waiver has been granted in respect of the deed of non-competition set out in the above on the condition that a copy of every material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VI to this document (except in relation to the deed of non-competition, the omission of details in relation to (i) the names of the nine common customers served by our Group and the Kingboard Group as at December 31, 2010; (ii) the sales amount of PCBs sold to each of the nine common customers by our Group and the Kingboard Group during the Track Record Period; (iii) the names of the existing non-common end customers of our Group (with annual sales amount of USD100,000 or above) as at December 31, 2010; and (iv) the names of the existing non-common end customers of the Kingboard Group) are made available for inspection in accordance with the section headed “Documents Available for Inspection” in Appendix VII to this document.

### **Joint company secretaries**

Rule 8.17 of the Listing Rules provides that the secretary of our Company must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of a company secretary and is either (i) a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Cap. 159 of the Laws of Hong Kong) or a professional accountant; or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging those functions.

We have appointed Ms. Marian Ho Wui Mee as one of our joint company secretaries. Ms. Ho was admitted to the Singapore Bar in 1991 and admitted as a solicitor in England and Wales in 2003. She

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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has been one of our joint company secretaries since December 2006 and has been handling the corporate secretarial matters as well as other legal matters for our Company since then. However, Ms. Ho is not ordinarily resident in Hong Kong and therefore may not be able to solely fulfil the requirements of a company secretary as stipulated under Rule 8.17 of the Listing Rules.

Ms. Claudia Heng Nguan Leng, the other joint company secretary of our Company was appointed in February 1997. Ms. Heng is ordinarily resident in Hong Kong. She is also a non-practising fellow member of the Institute of Certified Public Accountants of Singapore and a Fellow Certified Public Accountant of CPA Australia.

As mentioned above, Ms. Ho does not possess all the requirements of a company secretary as stipulated under Rule 8.17 of the Listing Rules. Having considered the rationale of Rule 8.17 of the Listing Rules, we acknowledge the importance of having a company secretary reside in Hong Kong. This requirement is satisfied by virtue of Ms. Heng being one of the joint company secretaries of our Company. As mentioned above, Ms. Heng is ordinarily resident in Hong Kong and possesses all the necessary qualifications of a company secretary as stipulated under Rule 8.17 of the Listing Rules. However, as our Company was incorporated in Singapore and has been listed on the SGX-ST since September 1994, we are subject to Singapore laws and regulations, *inter alia*, the Companies Act and the Listing Manual. As such, our Directors are of the view that Ms. Ho is a suitable person to act as our company secretary with her respective qualifications and experience and her presence in Singapore enables her to attend to the day-to-day corporate secretarial matters concerning our Company, from the perspective of Singapore laws. In view of the above, our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.17 of the Listing Rules, on the condition that:

- (1) our Company will ensure we will have at least one company secretary who is ordinarily resident in Hong Kong and possesses the requirements of a company secretary as stipulated under Rule 8.17 of the Listing Rules at all times;
- (2) the above waiver is granted for a period of three years commencing from the Listing Date. Also, if Ms. Heng ceases to provide assistance to Ms. Ho, the waiver will be revoked by the Stock Exchange with immediate effect; and
- (3) at the end of the three year period as mentioned above, the Stock Exchange will revisit the situation. Our Company should then demonstrate to the Stock Exchange's satisfaction that Ms. Ho, having had the benefit of Ms. Heng's assistance for three years, would have acquired the relevant experience within the meaning of Rule 8.17(3) of the Listing Rules so that a further waiver would not be necessary.

### **Continuing connected transactions**

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted waivers, in relation to certain continuing connected transactions between our Group and the Kingboard Group under Chapter 14A of the Listing Rules. Please refer to the section headed "Connected Transactions" in this document for further details.



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## INFORMATION ABOUT THIS DOCUMENT AND THE LISTING

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### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this document misleading.

### LISTINGS AND DEALINGS

#### Application for Listing on the Stock Exchange

Our Shares are currently listed on the SGX-ST. Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and any Shares which may be issued pursuant to the exercise of options under the Share Option Schemes as mentioned herein on the main board of the Stock Exchange pursuant to Rule 8.05(1) of the Listing Rules. Our listings on both the Stock Exchange and the SGX-ST will be dual primary listings. Consequently, unless otherwise agreed by the SGX-ST or, as the case may be, the Stock Exchange, our Company must comply with the Listing Rules and the Listing Manual and any other relevant regulations and guidelines in Hong Kong and Singapore which are applicable to us. In the event where there is a conflict or inconsistency between the requirements of the listing rules of the two stock exchanges, the listing rules with the more onerous requirements shall prevail. Our Directors will use their best endeavors to ensure that no release of information will be made in Singapore unless a simultaneous release is made in Hong Kong and vice versa.

Our Directors confirmed that our Company has been in compliance with relevant applicable laws and listing rules of Singapore since its listing on the SGX-ST. In addition, each of our Directors has confirmed that he/she has been in compliance with relevant applicable laws and listing rules of Singapore since the listing of our Company on the SGX-ST.

As Shareholders' approval is required for the proposed Introduction and the proposed amendments to the Articles to, amongst other things, comply with the requirements of the Listing Rules and the Listing Manual, a circular in relation to such matters was submitted to the SGX-ST for clearance on March 28, 2011. On May 16, 2011, our Company received the requisite clearance for the contents of the circular and such circular was dispatched by our Company on May 23, 2011 to our Shareholders. An extraordinary general meeting of our Company was consequently held on June 14, 2011 whereby resolutions were passed for, inter alia, the approval of the proposed Introduction and the proposed amendments to the Articles. Save as disclosed aforesaid, no approval from the SGX-ST is required for the proposed Introduction.

Details of the arrangement for the removal of Shares from the principal share register to the Hong Kong share register or from the Hong Kong share register to the principal share register are set out in the section headed "Listings, Registration, Dealings and Settlement" in this document.



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## INFORMATION ABOUT THIS DOCUMENT AND THE LISTING

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### **Commencement of Dealings in our Shares**

Dealings in our Shares on the main board of the Stock Exchange are expected to commence on July 8, 2011. Our Shares will be traded on the main board of the Stock Exchange in board lots of 1,000 Shares each.

### **Conditions of the Introduction**

The Introduction is subject to the fulfillment of the conditions that, among other things, the Listing Committee grants the listing of, and permission to deal in, on the main board of the Stock Exchange, our Shares presently in issue and listed on the SGX-ST as well as the approval of our Shareholders of the resolutions relating to the proposed Introduction and the adoption of the proposed amendments to the Articles at our extraordinary general meeting held on June 14, 2011.

### **Reasons for the Introduction**

Our Shares have been traded on the SGX-ST since September 5, 1994. Our Directors consider that it is desirable and beneficial for our Company to have dual primary listing status in both Singapore and Hong Kong so that our Company can have ready access to these different equity markets in the Asia Pacific region when the opportunity arises. We believe the two markets attract different investor profiles, thereby widening the investor base of our Company and increasing the liquidity of our Shares. In particular, it enables us to benefit from our exposure to a wider range of private and institutional investors. Our Directors believe that a listing in Hong Kong is in line with our focus on our operations in the PRC, which is important for our growth and long-term strategic development.

### **Shares Will be Eligible for Admission into CCASS**

Subject to the granting of the approval for the listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or on any other date as maybe determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the CCASS Rules in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisors.

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## INFORMATION ABOUT THIS DOCUMENT AND THE LISTING

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### PROFESSIONAL TAX ADVICE

Potential investors are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in our Shares. None of us, the Sole Sponsor, any of their respective directors or any other person or party involved in the Listing accepts responsibility for any tax effects on, or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, or dealing in, our Shares.

### HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, Boardroom Corporate & Advisory Services Pte. Ltd. in Singapore and our Company's branch register of members will be maintained by our branch registrar in Hong Kong, Tricor Investor Services Limited. Further details of the transfer, trading and removal of Shares between the Singapore principal share register and Hong Kong branch share register are set out under the section headed "Listings, Registration, Dealings and Settlement" in this document.

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in US dollars in respect of our Shares will be paid to our Shareholders listed on our Company's Hong Kong branch share register, by ordinary post, at the Shareholder's risk, to the registered address of each Shareholder.

### ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE LISTING

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### DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Chadwick Mok Cham Hung (莫湛雄)	4A, 20 Babington Path Hong Kong	Chinese
Li Muk Kam (李木金)	Flat E, 14/F Block 2, Bayview Garden 633 Castle Peak Road Tsuen Wan New Territories Hong Kong	Chinese
Philip Chan Sai Kit (陳世傑)	4D, Block 4, Beverly Villas 16 La Salle Road Kowloon Hong Kong	Chinese
Clement Sun (孫道藩)	Flat C, 50/F, Block 1 Vision City 1 Yeung Uk Road Tsuen Wan New Territories Hong Kong	Chinese
Claudia Heng Nguan Leng (王玩玲)	Flat G, 14/F, Block 8 Site 11 Whampoa Garden Bauhinia Mansion 6 Tak Hong Street Hung Hom Kowloon, Hong Kong	Singaporean/ Hong Kong permanent resident
Li Chiu Cheuk (李超卓)	5 Tin Wan Street 2/F Front Portion Aberdeen Hong Kong	Chinese
Chan Wai Leung (陳偉樑)	8B, Claymore Garden No. 3 Lok Fung Path Fotan, Shatin New Territories Hong Kong	Chinese
Ng Hon Chung (吳漢鐘)	Room B, 19/F, Tower 7 38 Ma Sik Road Noble Hill, Sheung Shui New Territories Hong Kong	Chinese

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**DIRECTORS AND PARTIES INVOLVED IN THE LISTING**

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<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
<i>Non-executive Directors</i>		
Cheung Kwok Wing (張國榮)	House B, Kam On Garden 2-12 Ma On Path Kau To Shan Shatin Hong Kong	Chinese
Chan Wing Kwan (陳永錕)	Flat A, 8/F, Claymore Garden No. 3 Lok Fung Path Fotan Shatin Hong Kong	Chinese
Chang Wing Yiu (鄭永耀)	House 25, 16th Street Hong Lok Yuen Tai Po New Territories Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
Lai Chong Tuck (黎忠德)	18 Jalan Lembah Thomson New Soo Chow Garden Singapore 577489	Singaporean
Raymond Leung Hai Ming (梁海明)	Unit 5, 11/F, Westlands Centre 20 Westlands Road Quarry Bay Hong Kong	Chinese
Stanley Chung Wai Cheong (鍾偉昌)	Flat F, 41/F, Tower 3 Sorrento, 1 Austin Road Kowloon Hong Kong	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE LISTING

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### PARTIES INVOLVED IN THE LISTING

**Sole Sponsor** Standard Chartered Securities (Hong Kong) Limited  
15/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

**Legal advisors to our Company**

*as to Hong Kong law:*

Mallesons Stephen Jaques  
13/F, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

*as to PRC law:*

Commerce & Finance Law Offices  
6th Floor, NCI Tower  
A12 Jianguomenwai Avenue  
Chaoyang District  
Beijing 100022  
PRC

*as to Singapore law:*

Rodyk & Davidson LLP  
80 Raffles Place  
#33-00 UOB Plaza 1  
Singapore 048624

*as to Thai law:*

Nishizawa Consulting Co., Ltd.  
4th Floor, Room 401, 56 Yada Building  
Silom Rd, Suriyawong, Bangrak  
Bangkok 10500  
Thailand

*as to Macanese law:*

Ricardo Morgado Igreja of  
Jorge Neto Valente, Advogados e Notários Privados  
Avenida Dr Mario Soares, 25 Edif, Montepio AP25-2  
Macau

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## DIRECTORS AND PARTIES INVOLVED IN THE LISTING

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<b>Legal advisors to the Sole Sponsor</b>	<i>as to Hong Kong law:</i>  Skadden, Arps, Slate, Meagher & Flom 42/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong  <i>as to PRC law:</i>  Jingtian & Gongcheng 34/F Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing 100025 PRC  <i>as to Macanese law:</i>  Henrique Saldanha of A&N (Advogados & Notários) Av. da Praia Grande, nº 429, 25º andar Macau
<b>Reporting accountants</b>	Deloitte Touche Tohmatsu Certified Public Accountants 35th Floor, One Pacific Place 88 Queensway Hong Kong
<b>Auditors</b>	Deloitte & Touche LLP Public Accountants and Certified Public Accountants 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809
<b>Property valuer</b>	B.I. Appraisals Limited Unit 1301, 13/F, Tung Wai Commercial Building #109-111 Gloucester Road Wanchai Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office in Singapore</b>	80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624
<b>Headquarters and principal place of business in Hong Kong</b>	1/F., Harbour View 1 No. 12 Science Park East Avenue Phase II, Hong Kong Science Park Shatin New Territories Hong Kong
<b>Principal office in Singapore</b>	4 Leng Kee Road #03-02 SiS Building Singapore 159088
<b>Company website</b>	<a href="http://www.eleceltek.com">http://www.eleceltek.com</a> <i>(this website address and its contents do not form part of this document)</i>
<b>Joint company secretaries</b>	Ms. Claudia Heng Nguan Leng, <i>FCPA (Singapore), FCPA (Australia)</i> Flat G, 14/F, Block 8 Site 11 Whampoa Garden Bauhinia Mansion 6 Tak Hong Street Hung Hom, Kowloon Hong Kong  Ms. Marian Ho Wui Mee, <i>Solicitor (Singapore, England and Wales)</i> 16 Shan Road #02-02 Pinnacle 16 Singapore 328107
<b>Authorized representatives</b>	Mr. Chadwick Mok Cham Hung 4A, 20 Babington Path Hong Kong  Ms. Claudia Heng Nguan Leng Flat G, 14/F, Block 8 Site 11 Whampoa Garden Bauhinia Mansion 6 Tak Hong Street Hung Hom, Kowloon Hong Kong

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## CORPORATE INFORMATION

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<b>Compliance advisor</b>	Investec Capital Asia Limited Suite 606 6/F., Bank of America 12, Harcourt Road Central Hong Kong
<b>Audit committee</b>	Mr. Lai Chong Tuck (Chairman) Prof. Raymond Leung Hai Ming Mr. Stanley Chung Wai Cheong Mr. Chan Wing Kwan
<b>Remuneration committee</b>	Prof. Raymond Leung Hai Ming (Chairman) Mr. Lai Chong Tuck Mr. Stanley Chung Wai Cheong Mr. Chan Wing Kwan
<b>Nominating committee</b>	Prof. Raymond Leung Hai Ming (Chairman) Mr. Lai Chong Tuck Mr. Stanley Chung Wai Cheong Mr. Chan Wing Kwan
<b>Employees' Share Option Scheme Committee</b>	Mr. Cheung Kwok Wing Mr. Chan Wing Kwan Mr. Chang Wing Yiu
<b>Principal bankers</b>	Standard Chartered Bank Macau Branch: Unit 807, 8/F Office Tower, Macau Landmark, Avenida da Amizade, Z.A.P.E., Macau  The Hongkong and Shanghai Banking Corporation Limited Hong Kong Main Office: 1 Queen's Road Central, Hong Kong Macau Office: P.O. Box 476, 639 Avenida Da Praia Grande, Macau  Hang Seng Bank Limited Macau Branch: Avenida do Infante D. Henrique, no.43, Macau Square, 11th Floor, Macau  Citic Bank International 232 Des Voeux Road Central, Hong Kong



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## CORPORATE INFORMATION

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DBS Bank Ltd  
Macau Branch:  
Nos. 5 a 7 E Da Rue De  
Santa Clara, Edif. Ribeiro, Loja C e D  
Macau

Bank of America, N.A.  
42/F Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

Citibank, N.A.  
Citibank Tower, Citibank Plaza  
3 Garden Road  
Hong Kong

**Principal share registrar and transfer office in Singapore** Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623

**Branch share registrar and transfer office in Hong Kong** Tricor Investor Services Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

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## INDUSTRY OVERVIEW

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*Certain information and statistics set out in this section and elsewhere in this document relating to the PCB industry is derived from various official sources. No independent verification has been carried out on such information and statistics. Reasonable care has been exercised by our Directors in the exercise of extracting and repeating such information and statistics. However, neither our Company, the Sole Sponsor, their respective directors and advisors nor any other party involved in the Listing make any representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with each other or with other information.*

All information in the paragraphs headed “The Global PCB Industry”, “Trends in the PCB Industry”, “Factors Driving Growth of the Global PCB Industry” and “Pricing Trends” (including forecasts up to 2015) in this section are extracted from the quarterly subscribed Prismark Printed Circuit Report.

Prismark is an Independent Third Party and electronics industry consulting firm that publishes, among other publications, the Printed Circuit Report, a quarterly review of business and technology developments in the world’s major printed circuit (PCB) producing region. It was founded in 1994 and operates out of offices in New York, USA and Taipei, Taiwan.

Neither our Group, our connected persons nor the Sole Sponsor has commissioned the information in the Prismark Printed Circuit Report. A Prismark Printed Circuit Report for the (i) first quarter of the year is published in May of that year, (ii) second quarter of the year is published in August of that year, (iii) third quarter of the year is published in November of that year, and (iv) fourth quarter of the year is published in February of the following year.

### PRINTED CIRCUIT BOARDS

Printed circuit boards, or PCBs, are products which contain specific circuitry designed to provide the necessary electrical connection among various electrical components or parts that are mounted onto it to make electronic products function as per their design. PCBs consist of a pattern of electrical traces etched from copper laminated on an insulated base that is typically composed of rigid fiberglass or thin flexible circuits. PCBs are typically customized for specific industry applications and are sold to manufacturers of electronic equipment in volumes that range from small quantities of pre-production units to large quantities for volume production. PCBs are integral to almost all electronic products and are used in a wide range of industry applications including communications equipment, cellular phones, computer and computer peripherals, consumer electronics, automotive components, medical and industrial equipment. There are two major types of PCBs, rigid PCBs and flexible PCBs. Rigid PCBs are normally constructed out of copper clad epoxy glass laminate sheets while flexible PCBs are constructed from flexible laminate sheets which consists of a material known as polyimide plastic dielectric bonded to metal conductors, typically copper, using an acrylic or epoxy adhesive. Rigid PCBs have wide application in products which do not need to bend such as personal computers, notebooks, calculators, servers, data storage systems and smartphones. Flexible PCBs are used where flexibility, space savings, or production constraints limit the serviceability of rigid PCBs. Electrical connections where the assembly is required to flex during its normal use, such as folding cell phones, or tightly assembled electronic packages where electrical connections are required in

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## INDUSTRY OVERVIEW

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three axes such as cameras. In addition to cameras and folding cell phones, a common application of flexible PCBs is in computer keyboard manufacturing. For the purpose of this document, unless otherwise stated, the terms “laminates” and “PCBs” refer to rigid laminates and rigid PCBs, respectively.

Rigid PCBs can be classified into several categories: (a) single-sided; (b) double-sided; (c) multi-layer; (d) high density interconnect or HDI; and (e) IC substrates.

- Single-sided PCBs are the simplest type of PCB. They have been an integral part of the electronics industry since the 1950s. They are still being used predominantly in the consumer electronics industry and are found in low-technology electronic devices such as digital clocks, calculators, telephones, radios, audio equipment and visual equipment.
- Double-sided PCBs have circuitry on both sides of the board, of which each side is connected by metal deposited on the walls of holes. Double-sided PCBs allow electronics manufacturers to place components on both sides, thus increasing the circuitry density and decreasing the overall space for assembly. This minimizes the length of cross-linking circuitry and allows significant board area savings as compared to single-sided boards. Double-sided PCBs are widely used in the manufacture of medium-technology electronic goods such as simple computer peripherals, communications equipments, video game consoles, automotive components and measuring instruments.
- Multi-layer PCBs can accommodate even more complicated interconnections which allow for more functionalities than double-sided boards. Multi-layer PCBs are created by constructing several conductive layers of circuitry inside a single board, separated and supported by layers of insulating material which are then laminated together. Multi-layer PCBs, particularly those with layer counts of eight and above are often used for high-technology products including notebook computers, computer workstations and servers, communications equipments and systems, high-end consumer electronic goods, and industrial and medical equipment.
- HDI PCBs are a more recent technological advancement than the conventional single-sided, double-sided and multi-layer PCBs. HDI PCBs have a higher wire density per unit area than the conventional multi-layer PCBs. They also have a smaller hole diameter, higher line density and greater connecting density with more connecting points per square inch as compared to conventional PCB technology. HDI PCBs are used to reduce size and weight, as well as to enhance electrical performance. Other terms, such as “microvia technology” and “sequential build-up” (used in the US) and “build-up board” (used in Japan), refer to the same technology as “HDI” and these terms are often used interchangeably. HDI PCBs are widely used for high-technology products including cellular phones, digital still cameras, digital video cameras and handheld consumer products.
- IC substrates, also known as IC carriers, require the most advanced technology among all types of PCBs. IC substrates, are highly miniaturized circuits manufactured by a process that is largely similar to that for PCBs but which require the use of ultra-thin materials and

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## INDUSTRY OVERVIEW

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micron scale features. IC substrates form the packaging for integrated circuits to transpose their minute wiring to a larger scale for assembly into electronic products such as memory modules, cellular phones, digital cameras, automotive global positioning systems and engine controls.

PCB manufacturers today continue to strive to create higher-end PCBs, the designs for which are driven by the evolving needs of the customers. With the continued development of end-user products, manufacturers of electronic products are placing a premium value on miniaturization, increased functionality and complexity, lower weight and higher reliability. As a result, high-end PCB producers continue to develop higher-technology PCBs such as higher layer count multi-layer PCBs, multi-level HDI PCBs and IC substrates.

### THE GLOBAL PCB INDUSTRY

#### Industry Background

Historically, original equipment manufacturers, or OEMs, used captive PCB manufacturing facilities to support internal PCB requirements. During industry downturns in the early 1990s, OEMs found that it was more economical to outsource their manufacturing requirements to electronic manufacturing services, or EMS, providers and independent PCB manufacturers, which generally run at a lower cost than captive manufacturing facilities. As electronics products become smaller and more complex, the manufacture of PCBs required increasingly advanced technology, sophisticated engineering, manufacturing expertise and substantial capital investment. This trend caused OEMs to rely more heavily on independent PCB manufacturers and to reduce dependence on captive fabrication and assembly facilities. Major OEM companies include Hewlett Packard, Dell, Acer, IBM, Apple, Toshiba, NEC, Sony, Matsushita, Phillips, Motorola, Samsung, Nokia, Alcatel Lucent, Ericsson and Siemens.

#### Growth in the Global PCB Industry

The global PCB industry has been traditionally cyclical and has experienced several global downturns. For example, the peak of 2000 was followed by a significant decline in 2001 which turned out to be one of the most severe contractions in the history of the PCB industry. The PCB market did not return to positive growth until the last quarter of 2002. In 2009, the global financial downturn resulted in another serious and extended contraction of the PCB industry, with a year-on-year decline of -14.7% from 2008 to 2009 according to Prismark (Prismark Printed Circuit Report for fourth quarter 2010). Positive growth returned the next year with a year-on-year increase of 23.6% from 2009 to 2010 (Prismark Printed Circuit Report for fourth Quarter 2010). Prismark forecasts that the global PCB industry will grow at 6.5% CAAGR from 2010 to 2015. Prismark also forecasts that all growth is to benefit Asia (excluding Japan), with particularly strong growth in the PRC, and with all other regions declining over the five-year period amid heavy Chinese competition. The significant growth recorded in the PCB market in the PRC has been primarily a result of continued relocation of production facilities of PCB manufacturers to the PRC in order to take advantage of its relatively low labor cost, strong domestic demand and the proximity to electronics manufacturing service providers which have also established their manufacturing bases in the PRC. In the late 1990s, the world PCB market was dominated by the US and Japanese PCB manufacturers which accounted for an aggregate

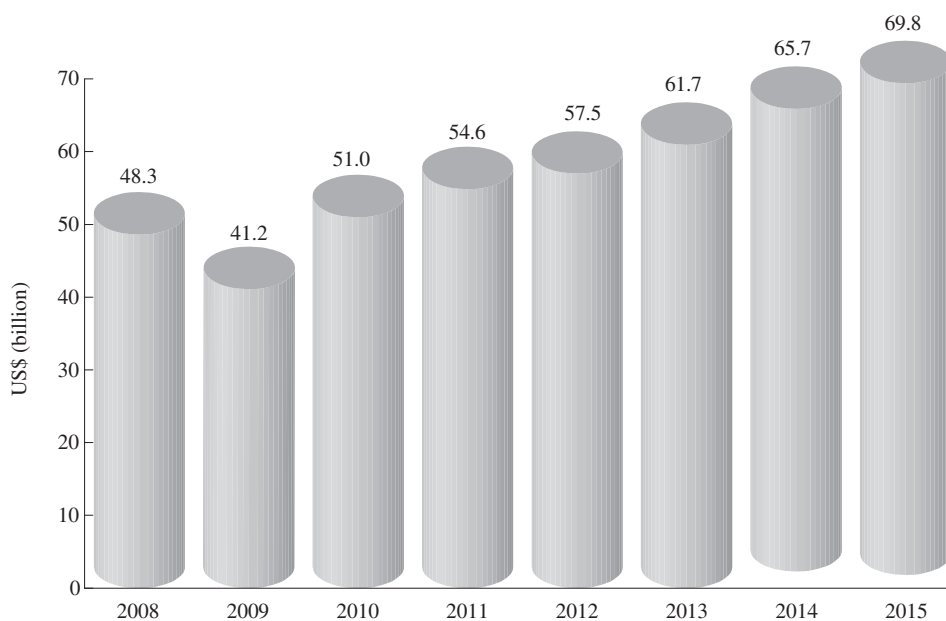
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of more than 50% of world market share. After the downturn in 2001 and again in 2009, both PCB production and the number of PCB manufacturers in the US have continued to decline. According to Prismark, the PCB industry in the Americas faces limited future expansion possibilities and will experience a five-year negative CAAGR (2010-2015) of -1.1%. Prismark's forecast indicates that growing domestic PCB production will be difficult in Japan and expects a contraction of the industry at -1.5% CAAGR (2010-2015). In Europe, Prismark believes the closure or realignment of nearly all volume production facilities has left Europe in a "smaller specialty players only" mode and expects a five-year negative CAAGR (2010-2015) of -1.8%. As such, our Directors believe that the PCB markets in the US and Europe are expected to continue to consolidate further and the trend of migration of the PCB manufacturing base to the PRC is expected to continue in the future.

According to Prismark, the global production value for PCB products will grow from approximately US\$51.0 billion to approximately US\$69.8 billion between 2010 and 2015 at a CAAGR of approximately 6.5%. The following chart shows the production value of the global PCB market from 2008 to 2010 and Prismark's forecasts for 2011 to 2015:



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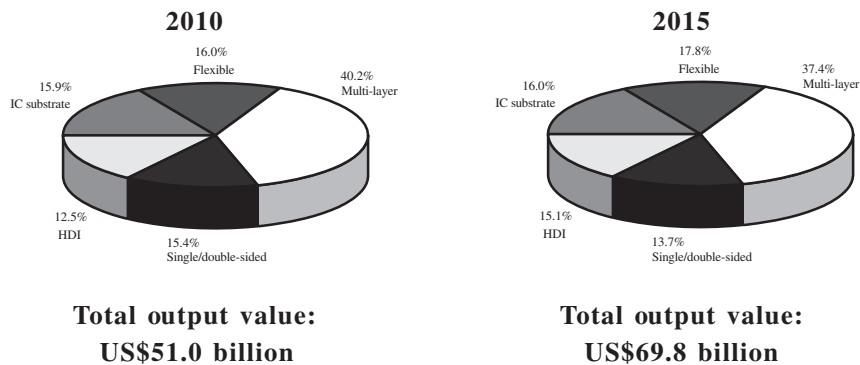
Source: *The Printed Circuit Report for fourth quarter 2010*, Prismark

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The following graphs show the changes in global PCB production expressed in terms of dollar value by board technology as forecast by Prismark:



Source: *The Printed Circuit Report for fourth quarter 2010, Prismark (Modified)*

According to Prismark's estimates, multi-layer PCBs will continue to contribute approximately 37.4% by value of the total global PCB supply in 2015. Prismark believes that PCBs in the 8- to 16-layer range will experience the most growth within the multi-layer PCB segment with a five-year CAAGR in terms of dollar value of 6.0% (2010-2015). Prismark believes that HDI PCBs will experience production output growth with CAAGR (2010-2015) in terms of dollar value of 10.6% and considers this segment to be a major driving force behind the global PCB industry as demand for increasingly sophisticated electronic products grows.

### The PCB Market in Asia (excluding Japan)

As a result of PCB manufacturers continuing to shift their production bases to low-cost manufacturing regions such as the PRC, the PCB market in Asia (excluding Japan) has recorded strong growth in recent years, despite the substantial decline seen in 2009 as a result of the global financial downturn. According to Prismark, the growth of the PCB market in Asia (excluding Japan) in 2010 was estimated to be approximately 25.2%, outpacing the growth in other regions such as Japan, America and Europe. Prismark expects the growth in Asia (excluding Japan) to remain strong over the next few years and forecasts that the PCB market in Asia (excluding Japan) will grow from approximately US\$34.3 billion to approximately US\$54.4 billion between 2010 and 2015. According to Prismark, the production output of PCBs in Asia (excluding Japan) accounted for approximately 67.4% of the world PCB market in 2010. Prismark estimates that this figure will reach approximately 77.9% by 2015.

#### *The PCB Market in the PRC*

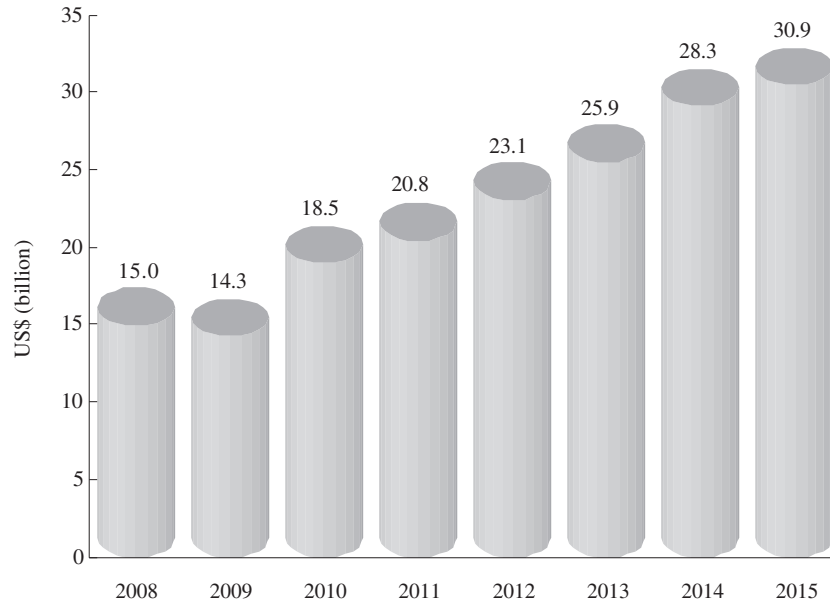
Prismark estimated a dramatic year-on-year growth of approximately 29.6% in the PRC PCB market from 2009 to 2010, the strongest in the Asia Pacific region. According to Prismark, PCB output generated in the PRC represented approximately 53.8% of the total output in Asia (excluding Japan) in 2010 compared with approximately 51.9% in 2009. Prismark projects that the PCB output of the PRC will grow from approximately US\$18.5 billion in 2010, representing approximately 36.3% of the

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estimated world output, to approximately US\$30.9 billion in 2015, representing approximately 44.2% of the estimated global production output. Prismark predicts a CAAGR of approximately 10.8% between 2010 and 2015, compared to a world average of approximately 6.5%. The following chart illustrates the PCB market in the PRC from 2008 to 2010 and shows Prismark's forecast figures for 2011 to 2015:



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Source: *The Printed Circuit Report for fourth quarter 2010, Prismark*

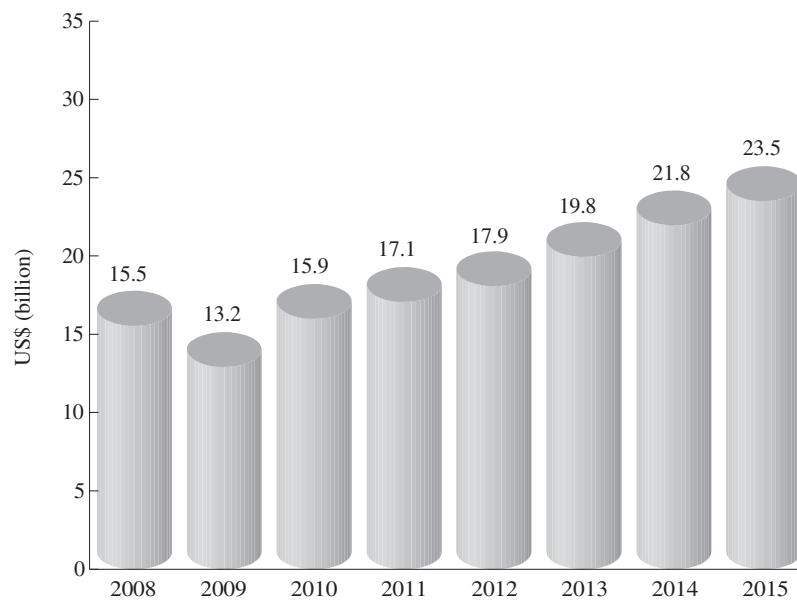
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### *The PCB Market in the rest of Asia (excluding Japan and the PRC)*

Prismark estimated year-on-year growth of approximately 20.4% in the PCB market in Asia (excluding Japan and the PRC) from 2009 to 2010. Prismark has projected that the PCB output generated in Asia (excluding Japan and the PRC) will grow from approximately US\$15.9 billion in 2010, representing approximately 31.1% of the estimated world output, to approximately US\$23.5 billion in 2015, representing approximately 33.7% of the estimated global production output. Prismark estimates a CAAGR of approximately 8.2% between 2010 and 2015, compared to a world average of approximately 6.5%. The following chart illustrates the PCB market in Asia (excluding Japan and the PRC) from 2008 to 2010 and shows Prismark's forecast figures for 2011 to 2015:



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Source: *The Printed Circuit Report for fourth quarter 2010*, Prismark



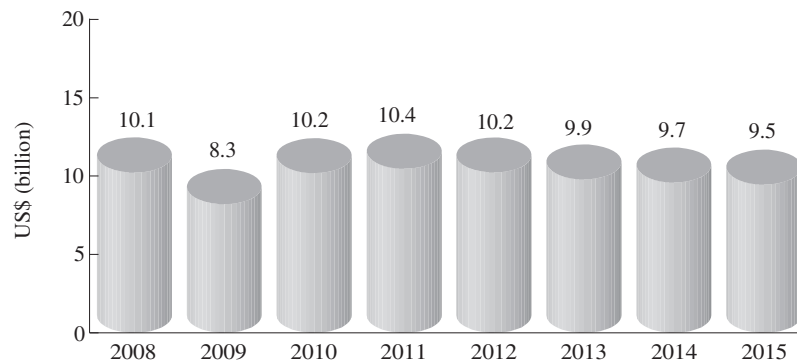
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### The PCB Market in Japan

After declining by 17.7% in 2009 over 2008, the PCB industry in Japan has recovered in dollar value and Prismark estimated year-on-year growth of approximately 23.3% in the PCB market in Japan from 2009 to 2010. Despite this recent growth and the fact that leading PCB suppliers have invested in applications requiring advanced technology, there is increasing competition and capability from competitors in South Korea and Taiwan as well as from off-island Japanese-owned facilities. Prismark has projected that the PCB output generated in Japan will decrease from approximately US\$10.2 billion in 2010, representing approximately 20.1% of the estimated world output, to approximately US\$9.5 billion in 2015, representing approximately 13.6% of the estimated global production output. Prismark anticipates a negative CAAGR of approximately -1.5% between 2010 and 2015. The following chart illustrates the PCB market in Japan from 2008 to 2010 and shows Prismark's forecast figures for 2011 to 2015:



Source: *The Printed Circuit Report for fourth quarter 2010, Prismark*

### The PCB Market in the Americas

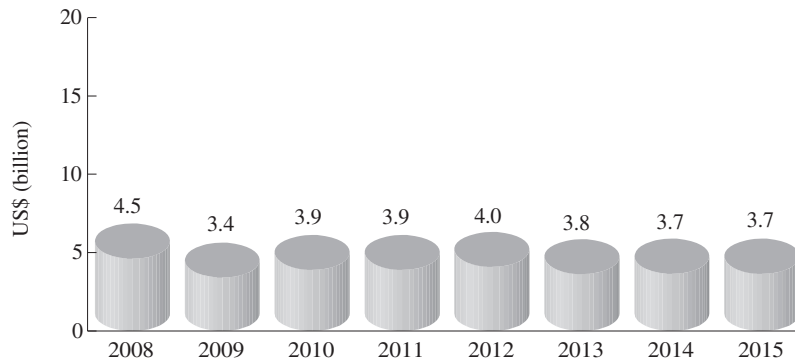
After declining 23.1% in 2009 over 2008, Prismark estimated year-on-year growth of approximately 13.8% in the PCB market in the Americas from 2009 to 2010. In 2010, the growth came from communications and computing infrastructure as well as some pent-up industrial demand. Despite the growth in 2010, Prismark does not expect the PCB industry in the Americas to continue to expand. One of the major stabilizing markets for the Americas has been for government and defence electronics programs. This segment is under strong pressure to cut spending and many companies have built additional sales volume through re-sales of products produced outside the region. In the long term, the PCB industry in the Americas faces relentless outside competition. Prismark has projected that the PCB output generated in the Americas will decrease from approximately US\$3.9 billion in 2010, representing approximately 7.7% of the estimated world output, to approximately US\$3.7

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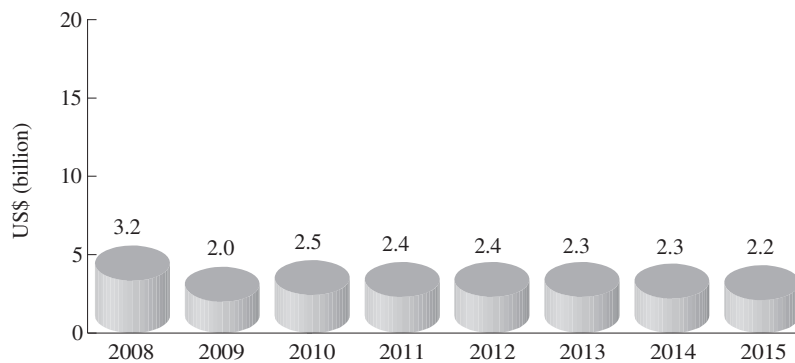
billion in 2015, representing approximately 5.3% of the estimated global production output. Prismark projects a declining CAAGR of approximately -1.1% between 2010 and 2015. The following chart illustrates the PCB market in the Americas from 2008 to 2010 and shows Prismark's forecast figures for 2011 to 2015:



Source: *The Printed Circuit Report for fourth quarter 2010, Prismark*

### The PCB Market in Europe

After declining 36.6% in 2009 over 2008, Prismark estimated year-on-year growth of approximately 9.8% in the PCB market in Europe from 2009 to 2010. The European PCB industry benefited from very strong demand in the alternative power industry (i.e. solar inverters) and within Germany in particular. However, Prismark forecasts a small decline of approximately -1.8% for 2011 over 2010 with the realization that most of the growth in 2010 has come from end-use applications that will likely be re-sourced or be transferred to Asia with increasing volume and lower costs. Prismark has projected that the PCB output generated in Europe will decrease from approximately US\$2.5 billion in 2010, representing approximately 4.8% of the estimated world output, to approximately US\$2.2 billion in 2015, representing approximately 3.2% of the estimated global production output. Prismark anticipates a declining CAAGR of approximately -1.8% between 2010 and 2015. The following chart illustrates the PCB market in Europe from 2008 to 2010 and shows Prismark's forecast figures for 2011 to 2015:



Source: *The Printed Circuit Report for fourth quarter 2010, Prismark*

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### TRENDS IN THE PCB INDUSTRY

According to Prismark, high-technology products such as sophisticated computer servers and communications equipment such as smartphones increasingly use designs that require microvias, which are minute laser-drilled holes used in the production of HDI PCBs (Prismark, The Printed Circuit Report for third quarter 2010). In the past, the use of microvia constructions was not widespread largely due to the fact that infrastructure designers were not yet comfortable with the newer process reliability, preferring instead to stay with conventional through hole layouts (Prismark, The Printed Circuit Report for third quarter 2010).

The global output value of HDI in 2010 exceeded US\$6.3 billion and is forecast to pass US\$7.3 billion in 2011. The regional outlook and history is shown in the table below.

### MICROVIA PRODUCTION AND FORECAST

All numbers in US\$ millions except percentages	2008	Growth '08/'09	2009	Growth '09/'10	2010	Growth '10/'11	2011F	2015E	CAAGR '10 - '15
US	\$204	-17.8%	\$168	10.2%	\$185	3.2%	\$191	\$215	3.0%
Europe	\$267	-49.4%	\$135	-17.8%	\$111	3.0%	\$114	\$129	3.0%
Japan	\$1,343	-26.6%	\$986	18.1%	\$1,164	6.2%	\$1,236	\$1,430	4.2%
Taiwan	\$1,055	-19.0%	\$855	11.8%	\$956	12.9%	\$1,079	\$1,437	8.5%
China	\$2,305	-3.3%	\$2,229	24.7%	\$2,780	23.2%	\$3,425	\$5,179	13.3%
Korea	\$1,035	-6.7%	\$966	6.6%	\$1,030	10.8%	\$1,141	\$1,479	7.5%
Other	\$215	-45.6%	\$117	25.6%	\$147	28.0%	\$188	\$659	35.0%
Total	\$6,425	-15.1%	\$5,456	16.8%	\$6,374	15.7%	\$7,376	\$10,528	10.6%

*Source: The Printed Circuit Report for fourth quarter 2010, Prismark*

*Note: 2011 figures are forecasts*

*2015 figures are estimates*

Manufacturing capacity for HDI at PCB facilities is generally stated using a typical two-plating cycle process. Stacked via-on-via capacity is more difficult to assess since plating machine capability may vary from facility to facility. Product mix plays a large role in the actual achieved capacity at these production facilities (Prismark, The Printed Circuit Report for fourth quarter 2010).

### FACTORS DRIVING GROWTH OF THE GLOBAL PCB INDUSTRY

Our Directors believe that the following key factors have fueled the growth of the global PCB industry:

#### **Advancement in Complexity of Electronics Products**

The growth in demand for more powerful and sophisticated electronics products is one of the key drivers of the demand for underlying electronic components such as complex PCBs. Our Directors believe there is a growing customer demand for small, portable, multi-functional electronic products

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with higher speed and lighter weight. Such high-performance electronic products generally require complex PCBs to accommodate high speed and component densities. Such a growing demand will continue to make it a lucrative market for PCB manufacturers which are capable of producing complex PCBs such as multi-layer PCBs with higher layer counts.

### **Shortening Electronic Product Life Cycle**

The electronics industry is increasingly subject to rapid technological changes, shorter product life cycles and shorter lead-times. These industry characteristics have helped drive the demand for custom-designed PCBs that are delivered in a shorter than normal production lead-time. Due to accelerated production and turnaround times, these orders usually sell at a premium compared to standard lead-time orders. The increase in demand for such products is expected to provide revenue-enhancing opportunities for PCB suppliers, which have the capacity to specialize in this area.

### **Growing Technologies in Wireless Communication Industries**

PCBs are essential components in fast growing technologies such as wireless infrastructure, data networking, voice-over IP and network security. The proliferation of wireless communication products and the expansion of data networking infrastructure are driving the demand for complex multi-layer PCBs. Our Directors believe that demand for PCB products will remain strong in the wireless communication markets given the continuous advancements in technologies, greater bandwidth and the increasing content and complexity of product features.

### **Increase in IT Spending**

An increase in IT spending by enterprises on hardware products such as servers, mainframes and storage equipment will also drive the demand for PCB products as the OEMs of these hardware products make purchases from PCB suppliers.

### **Expanding End-user Industries**

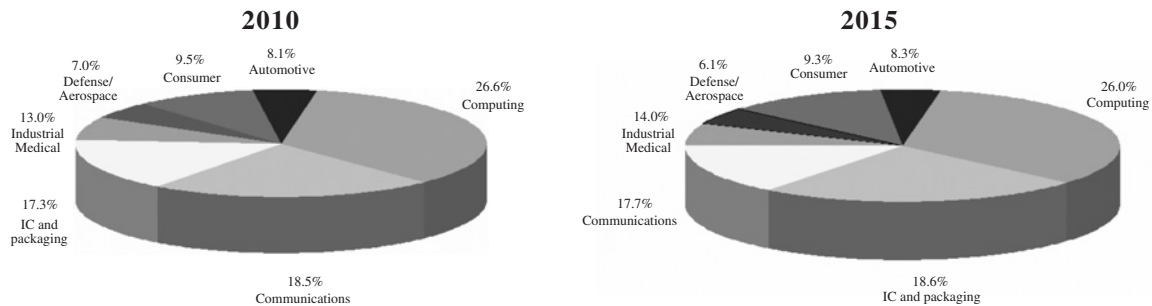
The growth of the global electronics industry is one of the key factors in the growth of PCB and PCB materials providers. According to Prismark, the total shipment value of the global electronics industry in 2010 was approximately US\$1.74 trillion and it is expected to reach approximately US\$2.32 trillion by 2015. PCBs are used in a variety of industry applications such as computing (including computers, computer peripherals, and storage systems), communications and IC and packaging (including integrated circuits and semiconductors). These three applications accounted for approximately 62.4% of the worldwide production of electronics in 2010 and Prismark expects these applications to remain as the three largest industry applications in 2015, accounting for an aggregate of approximately 62.3% of the worldwide electronics production. Computing was the largest application in the global electronics industry in 2010, accounting for approximately 26.6% of the worldwide production, followed by communications electronics and IC and packaging electronics with a share of approximately 18.5% and approximately 17.3% respectively. Prismark expects computing to remain as the largest application in 2015 and account for approximately 26.0% of the worldwide electronics production while IC and packaging electronics is expected to move up to the second largest

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application in 2015, accounting for approximately 18.6% of the worldwide production. Prismark believes that communications electronics will be the third largest application in 2015, accounting for approximately 17.7% of the worldwide production. The following charts show the world electronics production by application:



\* 2015 figures are forecast figures

Source: *The Printed Circuit Report for fourth quarter 2010*, Prismark

Note: Computing include computers, computer peripherals and storage systems. Communications include wired and wireless infrastructure equipments and cellular phones.

### LAMINATES

Laminates are a fundamental component material used in the production of PCBs, consequently, demand for laminates is closely correlated to demand for PCBs and electronics products. Since the reliability, precision and consistency of electronics components are of vital importance to the proper functioning of electronics products, laminates must conform to stringent specifications in relation to their mechanical, thermal, electrical and other properties.

#### Development of Laminates

The development of the laminate industry has, to a large extent, corresponded with the development of the PCB industry and been driven by the needs and development of electronics products. For instance, more innovative and increasingly sophisticated electronics products such as computers and telecommunications equipment have driven the demand for thinner laminates that are capable, amongst other things, of tolerating higher stress and strain. As new electronics products have grown smaller and more complex, their designs have required laminates to provide, amongst other things, greater heat tolerance and electro-magnetic resistance.

Since its beginning, the laminate industry has responded to developments in electronics with incremental changes in resins and reinforcing materials. However, despite improvements in resins and reinforcing materials and refinements in production techniques, the production processes and the practical applications of laminates have remained largely unchanged.

#### Types of Laminates

Laminates can be broadly categorized into rigid laminates and flexible laminates. Rigid laminates are widely used in electronic products where flexibility is not important. Flexible laminates

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are most commonly used in applications where a thin layer of insulation is required. These applications generally require the material to be bent, formed, or simply punched into a shape that fits into a confined space. Typical applications include insulation in transformer coils, motors and power generators.

While several types of reinforcing materials may be used in the production of laminates, nearly all laminates are constructed from reinforcing materials made of glass fabric, bleached kraft paper or a combination of glass fabric and paper known as composite epoxy material, or CEM. Generally, the reinforcing material is impregnated with resin (epoxy resin in the case of glass epoxy laminates and CEM laminates, and phenolic resin in the case of paper laminates) to form a prepreg. A laminate's specifications relating to its mechanical, thermal and electrical properties are generally determined by the resin mix and the type of reinforcing material used in its production. These properties relate to a laminate's ability to insulate against heat, and electric and electromagnetic currents, its glass transition temperature stress and strain tolerance and ultra-violet or UV ray blocking capability.

Laminates are either single-sided or double-sided. Single-sided laminates consist of one layer of copper sheeting, known as copper foil, bonded to prepreg. Double-sided laminates consist of prepreg bonded to and sandwiched between two layers of copper foil. PCB manufacturers etch circuitry patterns onto the exposed copper foil of laminates to create PCBs. In addition, there are also unclad laminates, which consist of a laminate without copper foil.

The table below summarizes the principal reinforcing materials and resins used in the production of the different types of laminates, the corresponding types of PCBs produced and examples of applications of different types of PCBs.

<u>Type of laminate</u>	<u>Reinforcing Material</u>	<u>Resin</u>	<u>Type of PCB</u>	<u>Examples of Applications of PCBs</u>
Glass epoxy laminate . . . .	Glass fabric	Epoxy resin	Single-sided PCBs Double-sided PCBs Multi-layer PCBs	Mobile phones, PDAs, computers and networking telecommunications devices
Paper laminate . . . . .	Bleached kraft paper	Phenolic resin	Single-sided PCBs Double-sided PCBs	Clocks, toys, calculators, Cathode ray tube or CRT televisions, audio and visual proof
CEM laminate . . . . .	Bleached kraft paper and glass fabric	Epoxy resin	Single-sided PCBs Double-sided PCBs	Transformers for televisions and other electronics products, plasma and liquid crystal display (LCD) televisions

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### PRICING TRENDS

#### PCBs Pricing

According to Prismark, prices for PCBs in 2008 were remarkably stable despite the global recession. Prismark noted that the average range of prices for HDI PCBs used in non-mobile phone applications has decreased as more suppliers are addressing these markets, and many now consider this to be a commodity-status application. From the fourth quarter of 2008 through the first quarter of 2009, Prismark reported PCB prices fell as factories tried to fill unused capacity. Prices remained low due to weak demand but stabilized during the second and third quarters of 2009 because most factories were not granted volume orders and were therefore disinclined to give discounts. The fourth quarter of 2009 and the first quarter of 2010 saw moderate volume increases but prices remained stable because there was adequate capacity. Prices in some technologies increased throughout 2010 as factories were more heavily loaded and customers ordered substantial volume to back-fill inventories along the supply chain. Pricing was a function of both volume demand and raw materials cost increases that primarily affected the lower and mid-range conventional multi-layer segments. The pricing in the fourth quarter of 2010 typically increased 5% to 10% since the early part of 2010 in those segments. New capacity is being added to the industry and there may be an oversupply in the first half of 2011 relative to demand with the exception of demand for HDI microvia in any-layer designs used for smartphones. The recent boom in smartphone demand accelerated the growth of the 10-layer microvia segment associated with filled stacked vias. Many companies are adding capacity for this capability with pricing expected to decline as competition increases. Pricing has also been very competitive in the expensive and high-end IC substrates segment of the market as capacity in that segment grows. Profit margins remain tight throughout the PCB industry with the pressure of increased material and labor costs. However, specific types of boards with controlled or approved supplier lists or selected material shortages will force prices to vary in different ways from the global averages and may therefore enjoy higher profit margins. In Asia (excluding Japan), the pricing of PCBs has remained firm throughout the third quarter of 2010. In the Americas, the PCB industry consists of a strong base of specialty and low-volume supporting production facilities that is less vulnerable to pricing pressure. Stronger spot demand, especially for specialized materials and equipment for unique applications such as heavy copper for high current or thermal management, means there has been less pressure on price reduction in the European PCB market.

#### PCB Materials Pricing

PCB materials pricing is dependent on the raw prices of metals (such as copper) or the raw costs of resin and glass fabric that are often tied to the price of oil and energy. All of these commodities experienced wide fluctuations during the Track Record Period. However, local supply and demand for various process components is quite variable and can play a greater role in the current purchase price. The variability of the dollar exchange rate will also drive PCB materials cost higher or lower depending on contractual agreements. According to Prismark, laminate materials for rigid multi-layer PCBs and standard prepreg in Asia were rising during the first quarter of 2008 but average prices began to decline starting from the second quarter of 2008 for laminate and from the third quarter of 2008 for standard prepreg in Asia. Prismark reported that prices for both laminate materials for rigid

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multi-layer PCBs and standard prepreg stabilized starting from the second quarter of 2009. Prismark noted that prices for laminate materials for rigid multi-layer PCBs rose throughout 2010. Prices for standard prepreg in Asia increased during the first quarter of 2010 and then stabilized. The trend has been stable prices for the first quarter of 2011 for both laminate and prepreg.

### COMPETITION

The global PCB industry is highly fragmented. According to Prismark's estimate of global PCB sales of US\$51.0 billion in 2010 (Prismark Printed Circuit Report for first quarter 2011), our Group has a global PCB market share of 1.2%. Based on their respective publicly available financial statements, our competitors have the following global market share: ATIS (1.2%), Compaq Mfg Co. Ltd. (1.4%), Hannstar Board International Holdings Ltd (1.3%), Nan Ya PCB Corporation (2.3%), Tripod Technology Corporation (2.7%), TTM Technologies, Inc. (2.3%) and Unimicron Corporation (4.0%). While most of our competitors do not compete with us in every sector in which we operate, we face competition in many sectors of our business from different PCB manufacturers depending on the type of service or geographical area. Our key competitors consist of Hong Kong, Taiwan and PRC PCB producers who manufacture in the PRC in the lower-layer count PCB market and Japanese, American and Taiwanese PCB producers in the higher-layer count and HDI PCB market. Competitive fronts we face include pricing, delivery times and ability to meet product specifications. We believe we enjoy comparable bargaining power and operating environments with our major competitors. In terms of product specifications and diversifications, we are able to offer PCB products across a broad range of end-users, namely the computer and computer peripherals, communication and networking, consumer electronics and automotive industries. We believe our competitors target a narrower range of end-users. In addition, we are able to provide both lower-layer count PCBs and higher-layer count PCBs or HDI PCBs at competitive prices. We believe our competitors focus on either the lower-layer count PCBs or the higher-layer count PCBs and HDI PCBs. The technological demands for higher-layer count PCBs and HDI PCBs pose a significant barrier to entry to smaller companies.



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## REGULATIONS

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The principal PRC regulations governing our business are:

### LABOR PROTECTION REGULATIONS

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) effective as of January 1, 1995 (amended in 2009) and January 1, 2008, respectively, labor contracts must be concluded if labor relationships are to be established between the employer and the employees. The employer cannot require the employees to work beyond the stipulated time limit without compensation and must timely provide the wages which are no lower than local standards on minimum wages to the employees. The employer must establish and improve their system for labor safety and sanitation, strictly abide by the rules and standards on labor safety and sanitation set by the State, and educate employees in labor safety and sanitation. The employer must provide employees with labor safety and sanitation conditions meeting stipulations of the State and necessary devices of labor protection, and carry out regular health examination for employees engaged in work with occupational hazards.

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) effective as of January 1, 2004 and amended in 2010, the Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》), effective as of January 1, 1995, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), effective as of January 22, 1999, and the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》) effective as of March 19, 1999, enterprises are obliged to undertake registration at the competent authorities of social insurance and provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance.

Pursuant to the Law on the Prevention and Treatment of Occupational Diseases in the PRC (《中華人民共和國職業病防治法》) effective as of May 1, 2002, enterprises that generate powder, dust, radioactive materials and other poisonous and harmful materials in the course of their occupational activities are required to file evaluation reports with the Administrative Department of Health. Such evaluation reports are required to assess the harmful effects that may be caused by occupational diseases associated with the entity's operations. We did not file such evaluation reports during the Track Record Period, as we were informed by the relevant local authorities that they do not strictly enforce this law for PCB manufacturers.

Pursuant to the Regulations on Management of Housing Fund (《住房公積金管理條例》), effective as of April 3, 1999 and amended in 2002, enterprises must undertake registration at the competent administrative center of housing fund and then, upon the examination by such administrative center of housing fund, undergo the procedures of opening the account of housing fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing fund for their employees in full amount.

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## REGULATIONS

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### ENVIRONMENTAL PROTECTION REGULATIONS

We are subject to PRC environmental protection laws and regulations promulgated by central and local governments concerning environmental protection regarding construction projects, use, discharge and disposal of toxic and hazardous materials, and discharge and disposal of waste water, solid waste and waste gases and industrial noise.

The MEP is responsible for the overall supervision and management of environmental protection in the PRC.

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) effective as of December 26, 1989, enterprises that cause environmental pollution and other public nuisances must adopt effective measures to avoid or control the pollution and damage to the environment, including as a result of waste gas, waste water, waste residues, dust and noise generated during manufacturing or other activities. Pollution prevention facilities in the construction project shall be designed, built and put into operation together with the main part of the project. The construction project can only be put into operation after the environmental protection authority has examined and approved their pollution prevention system. Enterprises and institutions discharging pollutants must report to and register with the competent environmental protection authorities in accordance with the provisions of the environmental protection authority under the State Council. Enterprises that manufacture, store, transport, sell or use toxic chemicals and materials containing radioactive substances must comply with the relevant regulations to prevent environmental pollution. The relevant authorities are authorized to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issuance of warning, suspension of operation or installation and use of preventive facilities which are incomplete and fail to meet the prescribed standard, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties.

Pursuant to the Law of the PRC on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》) effective as of September 1, 2003, the PRC government has set up a system to appraise the environmental impact of construction projects, and classify and administer the environmental impact appraisals in accordance with the degree of the environmental impact. If the construction project may have a material impact on the environment, an environmental impact report of appraising thoroughly the environmental impact which may happen is required; if the construction project may have a slight impact on the environment, an environmental impact record of analyzing or appraising the specific environmental impact which may happen is required; and if the construction project may have very little impact on the environment, an environmental impact appraisal is not required but filing an environmental impact form is needed, construction units must prepare an environmental impacts report. The report must be approved by the relevant PRC authority before construction commences.

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## REGULATIONS

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### FOREIGN CURRENCY EXCHANGE

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administrative Regulations (《中華人民共和國外匯管理條例》) (the “**Regulations**”), promulgated by the State Council on January 29, 1996 and amended on January 14, 1997 and August 5, 2008. Under the Regulations, the RMB is freely convertible for current account items, including the dividend distribution, interest payments and trade and service related foreign exchange transactions. However, for capital account items, such as direct investments, loans, repatriating investments and investments in securities outside the PRC, the prior approval of the SAFE is required.

Under the Administration Rules of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), promulgated by the People’s Bank of China on June 20, 1996 and relevant regulation, enterprises in the PRC generally may purchase foreign exchange without the approval or review of SAFE for trade and service related foreign exchange transactions by providing commercial documents evidencing these transactions. Foreign-invested enterprises in the PRC may also retain foreign exchange, subject to a cap determined by SAFE, under current account items. However, the relevant PRC government authorities may limit or eliminate the ability of foreign invested enterprises to purchase and retain foreign currency in the future. Foreign invested enterprises are permitted to remit their profits or dividends in foreign currencies out of their foreign exchange accounts or exchange RMB for foreign currency through banks authorized to conduct such business.

### Foreign Trade and Customs Regulations

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) enacted on January 22, 1987, and amended on July 8, 2000 by the Standing Committee of the National People’s Congress and implemented since January 1, 2001, unless otherwise provided, all imported and exported goods shall be declared and duties on them paid by their consignor or consignee, or by a declaration enterprise entrusted by the consignor or consignee and registered with the customs. If a declaration enterprise entrusted by the consignor or consignee and handling the declaration in the name of the client, such declaration enterprise shall submit to the customs a power of attorney signed by the entrusting party, and comply with all the provisions applicable to the entrusting party under the Customs Law of the PRC and relevant regulations. If a declaration enterprise entrusted by the consignor or consignee, but the handling of the declaration is in its own name, the declaration enterprise shall bear the same legal responsibility as that of the consignor or consignee. Where the consignor or consignee or the declaration enterprise handle the declaration, they shall register with the customs office in accordance with relevant laws. The person handling the declaration shall obtain the qualification for declaration in accordance with relevant laws. No enterprises or persons can make declarations without registering with customs or obtaining the relevant qualifications for declaration in accordance with the laws.

Pursuant to the Measures for the Registration and Record of Foreign Trade Dealers (《對外貿易經營者備案登記辦法》) promulgated on June 25, 2004 and implemented since July 1, 2004 by the MOFCOM, foreign trade operators engaging in the import and export of goods shall register with the MOFCOM or agency appointed by the MOFCOM for record, and obtain the Registration Form of Record for Foreign Trade Operators with a seal indicating filing and registration. Save for those not

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## REGULATIONS

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required for registration under the laws, administrative regulations or by the MOFCOM, should a foreign trade dealer fails to register, the declaration procedures for import and export will be subject to refusal by the General Administration of Customs of the PRC (中華人民共和國海關總署, the “GAC”).

Pursuant to the Provisions of the Customs of the PRC for the Administration of Registration of Declaration Entities (《中華人民共和國海關對報關單位注冊登記管理規定》) promulgated on March 31, 2005 and implemented since June 1, 2005 by the GAC, a declaration activity refers to (a) complying with the provisions pertaining to truthfully declaring commodity codes, the actual traded price, the place of origin and the code of the corresponding preferential trade agreement in relation to the imported or exported goods, filling declaration lists, submitting declaration documents and handling other declaration related matters; (b) applying for payment of taxes, tax refund or supplement of tax; (c) applying for filing, modification or cancellation of contracts for processing trade, and tax supervision of bonded areas; (d) applying for tax reduction and exemption, etc. for imported and exported goods; (e) dealing with inspection or customs clearance of imported and exported goods; and (f) other declarations that should be made by declaration entities. A consignor or consignee of import or export goods shall register with the declaration entity at the local customs, and to obtain the Declaration Registration Certificate for Consignor or Consignee of Import or Export Goods by the Customs of the PRC, which is valid for three years. The consignor or consignee shall apply for exchange of certificate at the local customs office within 30 days prior to the expiry of the validity.

## TAXATION

### Enterprise Income Tax

The Enterprises Income Tax Law (《企業所得稅法》) (the “EIT Law”), which took effect on January 1, 2008, imposes a uniform income tax rate of 25% on all enterprises in the PRC (including foreign-invested enterprises) and revokes many the tax exemptions, reductions and preferential treatments applicable to foreign-invested enterprises before January 1, 2008. According to the EIT Law and the Regulation on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) (the “Implementation Rules”) which took effect on January 1, 2008 and relevant tax regulations, there will be a transition period for enterprises, whether foreign-invested or domestic, that is currently receiving preferential tax treatment under former applicable laws and regulations. Enterprises subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower rate and gradually transit to the new tax rate within five years after the effective date of the EIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

Under the EIT Law, enterprises are classified as either resident enterprises or non-resident enterprises. A resident enterprise is an enterprise that is incorporated under PRC law or that is incorporated under the law of a jurisdiction outside the PRC with its de facto management organization located within the PRC. Under the Implementation Rules, “de facto management organization” is defined as the organization of an enterprise with substantial and comprehensive management and control over the manufacturing and business operations, personnel, accounting and

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## REGULATIONS

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properties of the enterprise. A non-resident enterprise is an enterprise that is incorporated under the law of a jurisdiction outside the PRC with its de facto management organization located outside of the PRC, but which has either set up institutions or establishments in the PRC or has income originating from the PRC without setting up an institution or establishment in the PRC.

The EIT Law and the Implementation Rules permit certain “high and new technology enterprises strongly supported by the State” which hold independent ownership of core intellectual property and simultaneously meet a list of other criteria, financial or non-financial, as stipulated in the Implementation Rules and other relevant regulations, to enjoy a reduced 15% enterprise income tax rate. The Ministry of Science and Technology, the Ministry of Finance and State Administration of Taxation jointly issued the Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Printing and Distributing the Administrative Measure for the Determination of High and New Tech Enterprises (《科學技術部、財政部、國家稅務總局關於印發〈高新技術企業認定管理辦法〉的通知》) delineating the specific criteria and procedures for the “high and new technology enterprises” certification on April 14, 2008, which became effective retrospectively from January 1, 2008.

### **Value-added Tax**

Pursuant to the Provisional Regulation of the PRC on Value-added Tax (2008 Revision) (the “**VAT Regulation**”) (《中華人民共和國增值稅暫行條例》) (2008修訂) promulgated by the State Council of the PRC in 1993, amended in 2008 and effective as of January 1, 2009, all units and individuals engaged in the sale of goods, provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC are taxpayers of value-added tax (“**VAT**”), and must pay VAT in accordance with the VAT Regulation. According to the VAT Regulation, a VAT tax rate of 13% or 17% applies to the PRC enterprises unless otherwise exempted or reduced according to the VAT Regulation and other relevant regulations.

## **CHEMICAL USAGE REGULATIONS**

### **Use of Dangerous Chemicals and Poisonous Chemicals**

Pursuant to the Measures for the Administration of Registration of the Dangerous Chemicals (《危險化學品登記管理辦法》) promulgated by the National Economic and Trade Commission (中華人民共和國國家經濟貿易委員會 (the “**NETC**”), which was abolished in 2003 and whose responsibilities were assumed by MOFCOM and the NDRC), effective as of November 15, 2002, enterprises that use poisonous chemicals and dangerous chemicals that constitute major hazard installations must register the dangerous chemicals with the competent offices in charge of the registration of dangerous chemicals. The use of dangerous chemicals and poisonous chemicals shall also comply with other laws and regulations such as the Regulations on the Safety Administration of Dangerous Chemicals (《危險化學品安全管理條例》) implemented on March 15, 2002.

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## REGULATIONS

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### Use of Precursor Chemicals

Pursuant to the Administrative Regulations regarding Precursor Chemicals (《易製毒化學品管理條例》) implemented on November 1, 2005 by the State Council, enterprises must obtain the permit to purchase precursor chemicals from or record with competent governmental authority, and shall abide by other administrative rules during the use and purchase precursor chemicals. Precursor chemicals include, without limitation, hydrochloric acid (鹽酸) and acetone (丙酮).

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## HISTORY AND DEVELOPMENT

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### OVERVIEW

Our Group was founded in 1972 in Hong Kong as a manufacturer and distributor of PCBs. Over the years, our Group's business has grown and expanded both in size and scale. Throughout the years, we established production facilities in the PRC, Hong Kong and Thailand.

Our Company was incorporated in Singapore as a private limited company in January 1993. In 1994, EEIH, our holding company, underwent a restructuring exercise, pursuant to which EEIH transferred its entire PCB business to our Group. In connection with EEIH's restructuring, our Company was converted into a public limited company in July 1994. Since September 1994, our Shares have been listed on the SGX-ST.

### OUR CORPORATE HISTORY AND BUSINESS DEVELOPMENT

#### Establishment of production facilities in Hong Kong, Thailand and the PRC

Our Group first started our business as a small local company in Hong Kong, primarily engaging in the manufacture and distribution of double-sided, PTH PCBs. In 1980, we commenced our production of multi-layered PCBs and high density PCBs.

To further expand our Group's scope of business, our Group pursued our first overseas direct investment in 1987 by setting up of a fabrication plant in Pathumthani, Thailand. Our Thailand production facilities are mainly responsible for the manufacture of PCB products. In 1989, our Group further expanded our Thailand production capacities by setting up a second production plant which was mainly responsible for the production of intermediate raw materials which are used in the manufacture of PCBs, including prepregs, laminates and mass laminates.

We started to establish our production facilities in the PRC in September 1992 when we established 開平依利安達電子有限公司 (Kai Ping Elec & Eltek Company Limited) in Kaiping, Guangdong province, the PRC as a joint venture with an Independent Third Party. We further expanded our production capacities in November 1993 by entering into a second joint venture in Guangzhou, Guangdong province, the PRC with an Independent Third Party which later transferred its interests to 廣州開發區建設發展集團有限公司 (Guangzhou Development Zone Construction Development Corporation (formerly known as 廣州經濟技術開發區建設開發總公司 (Construction Development Corp. of GETDD))), an Independent Third Party, pursuant to which 依利安達(廣州)電子有限公司 (Elec & Eltek (Guangzhou) Electronic Company Limited) was established. To meet the increasing demand in the PCB industry in the eastern part of the PRC, our Group established a PCB manufacturer, 南京依利安達電子有限公司 (Nanjing Elec & Eltek Electronic Co., Ltd.), in Nanjing, the PRC, in November 1994, with an Independent Third Party, which further strengthened our local presence in the PRC. In 1995, our Group further expanded our production capabilities by increasing our investment in highly automated production facilities in Guangzhou, Guangdong province, the PRC. In the same year, we acquired 深圳太平洋絕緣材料有限公司 (Shenzhen Pacific Insulating Material Co., Ltd.), a laminate facility in Shenzhen, the PRC to secure a steady supply of prepreg and copper clad laminates for our own PCB production in the PRC as well as to meet with market demand for laminates. To enhance our research and development capabilities, our Group entered into a joint venture with 廣州開發區建設發展集團有限公司 (Guangzhou Development Zone Construction Development



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## HISTORY AND DEVELOPMENT

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Corporation (formerly known as 廣州經濟技術開發區建設開發總公司 (Construction Development Corp. of GETDD))), an Independent Third Party, in 1998, pursuant to which 依利安達(廣州)電子科技有限公司 (Elec & Eltek (Guangzhou) Technology Company Limited) was established with its principal business being conducting research, manufacturing, developing and producing high technology PCBs. In 1999, our Group entered into another joint venture with 廣州開發區建設發展集團有限公司 (Guangzhou Development Zone Construction Development Corporation (formerly known as 廣州經濟技術開發區建設開發總公司 (Construction Development Corp. of GETDD))), an Independent Third Party, pursuant to which 廣州依利安達微通科技有限公司 (Guangzhou Elec & Eltek Microvia Technology Limited) was established for the mass production of microvia PCBs in Guangzhou, the PRC. To further enhance our production capacities, we established additional PCB plants in Kaiping, Guangdong province, with an Independent Third Party, and Qingyuan, Guangdong province, by ourselves in the PRC. In 2005, our Group established 開平太平洋絕緣材料有限公司 (Kaiping Pacific Insulating Material Company Limited), a wholly foreign-owned enterprise, in Kaiping, Guangdong province, the PRC, for the manufacture and distribution of high-end PCB material requirements such as copper clad laminates, prepreg, insulating materials to the various PCB plants operated by our Group in Kaiping. In October 2009, our Group established an HDI microvia center in south Kaiping, Guangdong province, the PRC. At present, we have production plants in Kaiping, Nanjing, Guangzhou and Shenzhen, the PRC. To further expand our presence in the PRC, we established 揚州依利安達電子有限公司 (Yangzhou Elec & Eltek Electronic Company Limited), a wholly foreign-owned enterprise, in May 2010. This new PCB plant at Yizheng Industrial Park, Yangzhou, Jiangsu province, the PRC, is still under the phase 1 construction, and is expected to commence trial production by the end of 2011. This new facility, once fully in operation in 2012, will offer room for further expansion in our production capacity. Among those facilities, one of our joint ventures, Kaiping Elec & Eltek No.3 Company Limited, has not yet received capital contribution from the other equity holder, which is an Independent Third Party, when the statutory time-limit for contribution of registered capital has already passed. According to the relevant regulations, we can require such Independent Third Party to assume the liability of breach and to demand compensation from the breaching party. If such breach continues, we are obligated to apply to the original approval authority for a remedy, such as a change of the joint venture partner. Competent authorities may put penalties on the joint venture if no remedy as stipulated by the regulations is taken.

### **Acquisition by the Kingboard Group**

In 2004, the Kingboard Group, through its indirect wholly-owned subsidiary, Elitelink Holdings Limited (“**Elitelink**”), made a mandatory unconditional cash offer pursuant to the Chain Principle in Note 6 of Rule 14.1 of the Singapore Code, to acquire all the remaining issued and paid-up Shares other than those already owned, controlled or agreed to be acquired by Elitelink or parties acting in concert with it and those owned by EEIH (the “**Acquisition**”). After completion of the Acquisition in early 2005, the Kingboard Group obtained a controlling stake of approximately 69.72% of the shareholding interests in our Company and has been a Controlling Shareholder of our Company since then.



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## HISTORY AND DEVELOPMENT

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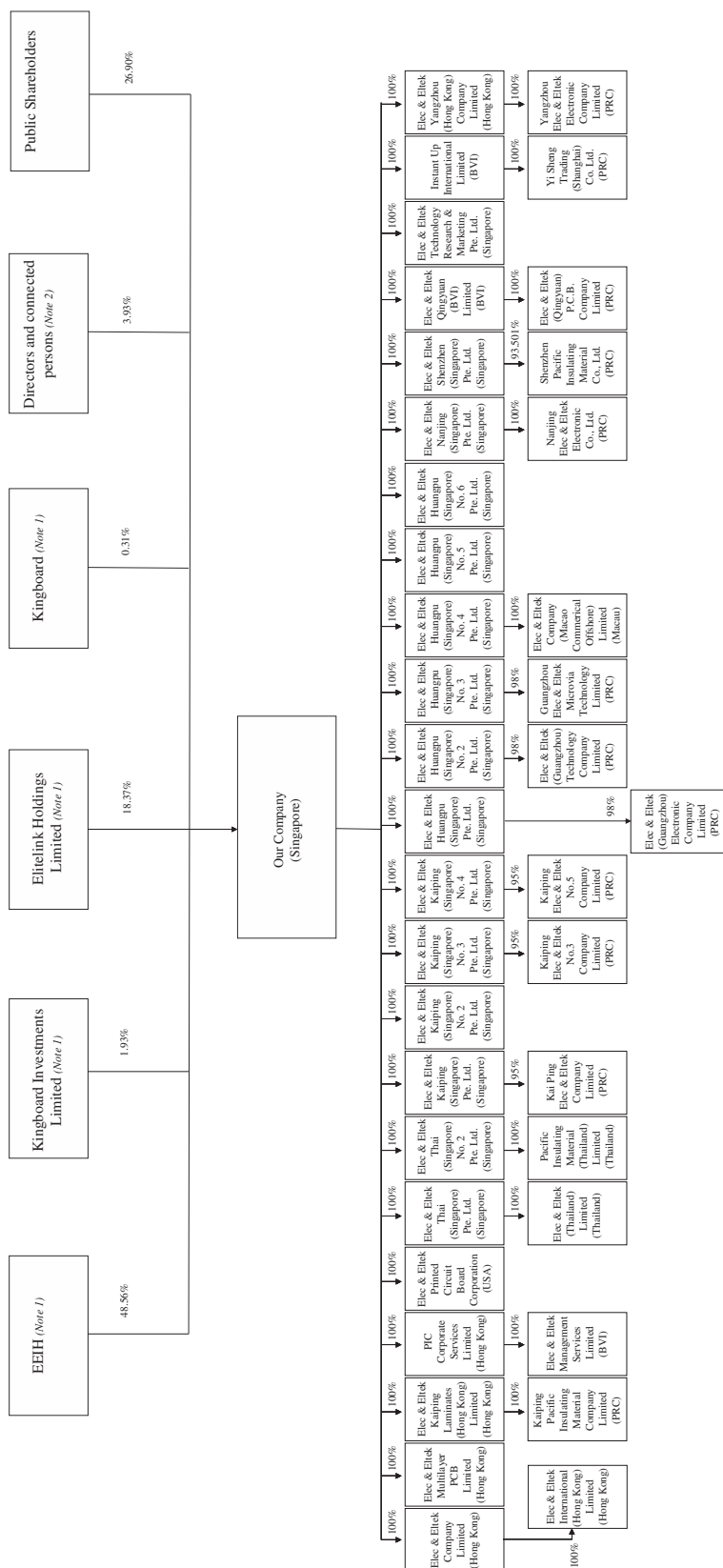
### **Proposed privatization of our Company in Singapore**

In May 2009, our Company and our Controlling Shareholder, Kingboard, jointly announced that Kingboard had made a proposal to seek for a proposed privatization of our Company by way of voluntary delisting from the official list of the SGX-ST (the “**Proposed Delisting**”). In July 2009, a joint application was submitted by our Company and Kingboard to the SGX-ST to seek its approval in relation to the Proposed Delisting; and the proposed exit offer by DBS Bank Ltd., for and on behalf of Kingboard, (the “**Exit Offer**”) for all the then issued ordinary Shares in the capital of our Company, other than those already owned, controlled or agreed to be acquired by Kingboard and its subsidiaries. On August 20, 2009, the SGX-ST informed our Company and Kingboard that the SGX-ST had noted the opinion of DMG & Partners Securities Pte Ltd, being the independent financial advisor to the then independent Directors of our Company, that the financial terms of the Exit Offer, on balance, were neither fair nor reasonable under the then market conditions. Based on this opinion, the SGX-ST considered the Proposed Delisting to be not in compliance with Rule 1309(1) of the Listing Manual, which requires an issuer seeking to delist from the SGX-ST to offer a reasonable exit alternative to the issuer’s shareholders. Accordingly, the SGX-ST was not able to agree to our Company’s delisting application, and Kingboard therefore withdrew the Exit Offer. Our Company remained listed on the SGX-ST as at the Latest Practicable Date; and our Company currently has no intention to be delisted from the SGX-ST.

# HISTORY AND DEVELOPMENT

## CORPORATE STRUCTURE

The diagram below sets out our corporate and shareholding structure of our Group immediately following the Listing:



**Notes:**

- (1) As at the Latest Practicable Date, EEIH was owned as to approximately 77.34% by Ease Ever Investments Limited, approximately 11.59% by Kingboard and approximately 11.07% by Kingboard Investments Limited. Both Elitelink Holdings Limited and Ease Ever Investments Limited are direct wholly-owned subsidiaries of Kingboard Investments Limited. Kingboard Investments Limited is a direct wholly-owned subsidiary of Jamplan (BVI) Limited, a direct wholly-owned subsidiary of Kingboard. Kingboard was owned as to approximately 31.07% by Hallgain Management Limited.
- (2) As at the Latest Practicable Date, Mr. Cheung Kwok Wing, Mr. Chadwick Mok Cham Hung, Mr. Li Muk Kam, Mr. Philip Chan Sai Kit, Mr. Clement Sun, Ms. Claudia Heng Nguan Leng, Mr. Chan Wing Kwan, Mr. Chang Wing Yiu, Mr. Chan Wai Leung, Mr. Li Chiu Cheuk, Mr. Li Hon Chung and Mr. Lai Chong Tuck held approximately 0.78%, 0.60%, 0.97%, 0.39%, 0.06%, 0.25%, 0.54%, 0.26%, 0.02%, 0.01%, 0.03% and 0.02% shareholding interests in our Company.

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## BUSINESS

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### OVERVIEW

We are an established manufacturer of PCBs and PCB materials with a significant presence in the PRC and strategically-located manufacturing facilities in Hong Kong and Thailand. Our Company is a subsidiary of Kingboard, the world's largest laminate manufacturer by revenue among publicly-listed laminate manufacturers (according to the Prismark Printed Circuit Report released for third quarter 2010). We currently have seven offices worldwide and 14 production facilities across Asia (with one in Hong Kong, two in Thailand and 11 in the PRC). We were named "PCB Company of the Year" by Frost & Sullivan, an independent global consulting company, in 2009.

We first commenced our operations in 1972 and our Shares have been listed on the SGX-ST since 1994. In late 2004, we were acquired by Kingboard, our Controlling Shareholder, as part of its expansion to have a stronger presence in the PCB industry. Kingboard and its subsidiaries now operate more than 60 manufacturing plants, with business activities ranging from chemicals and property development in the PRC, to laminates and PCBs. In 2010, Kingboard was named by Forbes Magazine as one of the Global 2000 leading companies and by Bloomberg Businessweek as one of the leading Tech 100 companies.

We provide a full spectrum of integrated, value-added products and services to some of the world's major OEM manufacturers, who market products under their own brand names, and leading CMS providers, who provide proprietary products for OEMs. This includes the manufacturing and distribution of double-sided, multi-layer and HDI PCBs. Our PCBs have product applications in the communication and networking sector, such as mobile phones, handheld devices and networking products, computers and computer peripherals sector, automotives and other electronic products. Fabrication of PCBs is customized according to designs provided by our OEM customers. Our customers include global leaders in different electronics sectors. Our customer base is diversified, with no single customer contributing more than 15% of our total revenue during the Track Record Period.

With our 11 ISO-certified PCB production facilities located in Hong Kong, the PRC and Thailand, we are able to mass-produce products ranging in complexity from simple 2-layer PCBs to more sophisticated HDI PCBs and 42-layer PCBs that use high-speed specialty materials supplied by the three production facilities in our own in-house laminate division. We also provide small volume QTA services to our customers with turnaround as short as three to four days. As of December 31, 2010, we had an annual PCB production capacity of approximately 60 million sq.ft..

We provide our customers with "one-stop shop" services, from early involvement in their design stage, prototype and QTA services, to initial small batch manufacturing and mass volume production. This strategy has allowed us to successfully expand our customer base, provide solid growth and deliver strong operating results.

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## BUSINESS

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For financial reporting purposes, we classify our revenue based on, among others, the following three segments of our PCBs sold:

- *2- to 6- layer:* 2-layer PCBs, usually referred to as double-sided PCBs, are boards with electronic circuits printed on both sides and connected by a PTH while 4-layer and 6-layer PCBs have an inner layer or layers sandwiched in the PCB. Such PCBs are used in lower-end consumer electronics, communication equipment, video games and measuring instruments.
- *8-layer and above:* 8-layer PCBs can accommodate more electronic circuitry in a smaller space. We are able to produce PCBs of up to 42-layers. 8-layer and above PCBs are used in high technology equipment including high-end servers, super computers, automotive and military equipment and are manufactured to higher specifications and precision.
- *HDI:* Our HDI PCBs range from 1- to 4- levels. HDI PCBs are smaller, lighter and thinner, and perform better than conventional PCBs. The circuit density of an HDI PCB is increased not only by layer count but also by the introduction of microvias. A microvia is a small via or hole formed by laser-drilling to a certain depth of the PCB. This allows the circuitry to go through beneath the microvia and therefore increases circuit density. HDI PCBs facilitates the miniaturization of electronic products, especially handheld devices such as smartphones.

We also derive a small portion of our revenue through the sale of surplus laminate and prepreg, to customers in the electronics industry who are Independent Third Parties (though we mostly consume the laminate and prepreg that we produce). In addition, we offer QTA services to our customers.

Our revenue decreased from approximately US\$517.9 million in 2008, to approximately US\$434.6 million in 2009 and increased to approximately US\$598.9 million in 2010. The decrease in revenue in 2009 can be attributed to the global decline in the PCB industry of that year (according to the Prismark Printed Circuit Report for fourth quarter 2010). Notwithstanding this, we were able to increase our profit year-on-year during each year of the Track Record Period. Our profit after taxation and non-controlling interests for the year increased from approximately US\$42.6 million in 2008 to approximately US\$45.7 million in 2009, and further increased to approximately US\$81.6 million in 2010. We were able to achieve this increase in profitability due, in part, to our lower upstream material costs as a result of our vertically integrated business model and in-house laminate supplies, our labor and production efficiency and our significant presence in the PRC which resulted in a lower cost base relative to our peers in the US, Europe, Japan, South Korea and Taiwan. We believe that our ongoing efforts to improve yields and operational costs will further strengthen our financial performance.

Our goal is to provide our customers with high performance and cost-effective products and services by optimizing our design, engineering and manufacturing facilities, as well as utilizing our research and development expertise. We believe that our breadth of technical expertise as well as

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## BUSINESS

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strong design and engineering capabilities put us in a favorable position to exploit growth opportunities that arise. The markets in which we operate are highly competitive and one of our strategies is to focus on the development of new products using advanced process technologies while maintaining high quality standards and improving production efficiency.

### **COMPETITIVE STRENGTHS**

We believe we have several principal competitive strengths that provide us with significant potential to grow our business:

#### **Established manufacturer with significant scale and a strong reputation**

We have a total annual production capacity of approximately 60 million sq. ft. from our facilities in Hong Kong, the PRC and Thailand as at December 31, 2010. We believe our PCB operations have a significant scale advantage and effective cost management. We first commenced operations 39 years ago and we believe we have established our reputation in the PCB industry as a quality manufacturer with strong in-house product design and development capabilities. We are well-known for maintaining a high standard of quality and timely delivery in the manufacture of PCBs as evidenced by the awards presented to us from our customers. In 2010, Hitachi Global Storage Technologies presented us with the Excellent Partner Award in recognition of our excellent support while in 2009, Cal-Comp Electronics (Thailand) Public Co. Ltd. presented us with The Best Quality PCB Award. In addition, Frost & Sullivan, an independent global consulting company established for more than 40 years, presented us with the 2009 Asia Industrial Technologies Award as the PCB Company of the Year.

#### **Significant presence in the PRC with strategic operations in Hong Kong and Thailand**

We have a significant presence in the PRC, with approximately 49.1 million sq. ft. of total annual production capacity from our PRC facilities as at December 31, 2010. Our production capacity in China grants us significant scale advantage and we further boost our profit margins with the lower direct labor, engineering, management and overhead costs that we enjoy relative to our peers in other parts of the world due to our significant presence in China.

We believe that the PRC domestic market will continue to require locally-produced PCBs from low-end to very high-end product ranges, providing promising business opportunities for PCB manufacturers in China. According to Prismark, the PCB industry in China is predicted to grow at a CAAGR of approximately 10.8% between 2010 and 2015, compared to a world average of approximately 6.5%, and higher than any other region of the world (Prismark Printed Circuit Report for fourth quarter 2010).

Our existing fabrication facilities are concentrated in the southern parts of China, with 11 production facilities located in China, two production facilities in Thailand and one production facility in Hong Kong. With our PRC facilities' close proximity to Hong Kong's logistical support, we are able to provide faster turnaround times and deliveries to our overseas customers. Our Hong Kong facility serves as the technology hub of our Group and we benefit from its proximity to customers and cooperation in technology research with various universities and research institutes. In addition, the past ten years has seen an active outsourcing trend being established by major OEMs and there has

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been an increase in manufacturing facilities being established by OEMs and CMS in both China and Southeast Asia. Thailand is quickly becoming an important manufacturing base in Southeast Asia and our proximity to our key customers and suppliers there enables us to swiftly react to market changes.

### **Strong statement of financial position with low net gearing ratio**

We have a strong statement of financial position with low net gearing ratio. During the global economic downturn of 2009, many of our suppliers offered to cut prices in return for faster payment of goods. Unlike some of our competitors, we were able to take advantage of this offer due to our strong statement of financial position. Our net gearing ratio (computed as net debt divided by total equity) improved to approximately 8.3% for the year ended December 31, 2010 as compared to 15.2% for the year ended December 31, 2009. We improved our cash flow through close monitoring of trade receivable collection rates and disciplined management of inventory and capital expenditures. Our average trade receivables turnover days improved to approximately 84 days in 2010 from 100 days in 2009. Our strict management of working capital and strong financial performance have contributed to positive net operating cash flow of approximately US\$126.3 million for the year ended December 31, 2010, representing a significant increase from approximately US\$58.9 million for the year ended December 31, 2009. We observe our loan covenants closely and did not experience any problems with our principal bankers during the global economic downturn in 2009. We are confident that our past experience in weathering economic downturns will enable our Group to emerge even stronger in the face of any future challenges.

Our strong statement of financial position and low net gearing ratio also allow us to declare and pay out high dividends to our Shareholders, as evidenced by the dividends declared by us during the Track Record Period. In 2008, we paid out an ordinary dividend of US 20.5 cents per Share, representing a total payout of approximately US\$36.7 million or 86.0% of profit after tax and non-controlling interests for fiscal year 2008. We declared and paid out an ordinary dividend of US 25.0 cents per Share in fiscal year 2009, representing a total payout of approximately US\$46.5 million or 101.7% of profit after tax and non-controlling interests for fiscal year 2009. In April 2011, our Company declared and paid out an ordinary final dividend of US 25.0 cents per Share for fiscal year 2010. This, together with the ordinary interim dividend of US 15.0 cents per Share paid in August 2010, represents an ordinary full year dividend of US 40.0 cents per Share or a total payout of approximately US\$74.7 million or 91.5% of profit after tax and non-controlling interests for fiscal year 2010. Our dividend yield computed as total dividend paid per share divided by closing share price as of the last trading day of the relevant year, as at December 31, 2008, 2009 and 2010 was approximately 21.6%, 13.8% and 12.4%, respectively.

### **Extensive product portfolio and high quality standard**

Our diversified product mix allows us to satisfy our customers' demands across their entire product range. We believe our strong commitment to product innovation and research and development has been critical in establishing our product portfolio. We have developed an extensive PCB product portfolio ranging from simple 2-layer PCBs to highly complex 42-layer PCBs and HDI PCBs. With our QTA services, we are able to deliver PCBs with quick turnaround and at competitive costs. We

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believe our broad-based product portfolio sets us apart from our competitors, who tend to focus on either the mid-to-low layer count or mid-to-high layer count PCBs, while we are able to offer “one-stop shop” services, thereby helping our customers save time, effort and cost. We believe this in turn helps us to strengthen our relationships with our customers, thereby allowing us to capture additional market share.

We have implemented various quality control measures at key stages of the production process and adopted international practices in our quality assurance system throughout the entire production process to ensure high standards of product quality. We have received awards and accreditations including the ISO 9001 certification for our total quality management system in the manufacture of PCBs and the ISO/TS 16949 certification, the manufacturing process certification standard that is increasingly adopted by diverse industries in recognition for reaching internationally recognized quality standards. By focusing on our quality assurance systems, we are able to reduce the amount of wasted materials and increase yield rates, thereby enhancing operating efficiencies.

### **Access to a stable source of raw materials and vertically integrated business model**

We began to produce our own laminate materials in 1990 when we established our first laminate materials plant to start supplying prepreg and copper clad laminate, two critical intermediate raw materials used in the manufacture of PCBs. We currently have three such laminate materials plants in Shenzhen, Kaiping and Thailand that collectively produce enough laminate materials to meet most of our PCB production demands. As a result of our vertical integration strategy, we are able to secure a reliable internal supply of quality laminates and prepreg even in periods of critical shortages. This stable and secured supply of key intermediate raw materials enables us to respond faster and more flexibly to changing customer demands as well as reinforces our commitment to quality. Producing our own laminate materials also helps us more effectively manage our costs and reduces production bottlenecks.

We also enjoy the support of our sister company, Kingboard Laminates. Kingboard Laminates and its subsidiaries supply a wide range of raw materials to us, such as glass fabric, copper foil, epoxy, drill bits, laminate and prepreg allowing us to achieve better control of our supply, quality of raw materials and production schedules. This in turn ensures the quality of our PCBs and enables us to fulfill and capture new customer product opportunities quickly. Apart from a stable supply of core materials from Kingboard Laminates and its subsidiaries, we believe that we have been able to obtain better payment terms and more competitive pricing on other raw materials and equipment as a result of stronger bargaining power when negotiating with common suppliers of our Group and Kingboard Group.

### **Diverse customer base including industry leading customers**

We have developed a strong customer base comprised of leading OEM providers of computers and computer peripherals, communications and networking equipment, consumer electronics and automotive products. We are one of the few PCB manufactures which produce a wide product range of PCBs with such a diverse array of end-use applications. This diversified customer base with reputable industry names stabilizes our revenue stream and cash flow, making us less vulnerable to downturns in a particular industry. Our strong relationships with our customers have allowed us to



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obtain various certifications and qualifications from our customers as their approved vendor. Many of our OEM customers require their vendors to be certified and some have lengthy qualification programs to certification which serves as an entry to barrier as it makes it more difficult for our competitors to quickly replace us as suppliers.

### **Experienced and proven management team**

We have an experienced, dynamic and committed management team. Our Directors and senior management collectively bring together strong technical expertise and business experience in the PCB industry. Our stable core management team is comprised of experienced engineers and senior management personnel and most have been with our Group for more than 10 years. We believe that key members of our engineering and marketing teams have established track records in the PCB industry of delivering revenue and product growth, penetrating new markets, improving customers relationship and streamlining supply chains in the North American, European and Asian markets. As a result, our Group has emerged stronger after various economic cycles. Strict cost management practice is evidenced by the fact that our cost of goods sold and selling, general and administrative costs has been decreasing as a percentage of revenue during the Track Record Period. We believe the expertise and experience of our Directors and senior management team enhances our ability to develop and implement our strategies efficiently, as well as to react to changes in market conditions proactively.

### **BUSINESS STRATEGIES**

We seek to maximize shareholder value by enhancing our position in the development and production of PCBs and PCB materials and QTA service. We seek to combine low-cost production with advanced technology to enhance our position as a leading supplier of PCBs. To this end, we have developed a business strategy with the following principal elements:

#### **Increase market share by strengthening relationships with existing customers**

We seek to deepen and capitalize on our relationships with our existing customers, as this will likely offer us additional cross-selling opportunities. The PCB industry is fragmented and we believe we can increase our market share by developing new products and services with our customers. We place special emphasis on customer relations and dedicate particular sales personnel to each of our key customers. This has also helped us to solidify the relationship with our customers. We seek to establish and maintain long-term partnerships with such customers by:

- being involved in the early stages of product design and development with our clients;
- emphasizing collaboration between our sales and marketing team and agents and our engineering teams to provide optimal services;
- providing QTA manufacturing services;



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- developing global supply chain management and distribution solutions for customers; and
- offering after-sales support services to our customers.

### **Develop business relationships with new customers for higher value-added and technology products**

We believe our strategic relationships with our existing customers will help us expand our customer base, as our relationships with our existing customers demonstrate our technological capabilities, cost competitiveness, quality of products and services and production capacities. Members of our Group's technology department have regular meetings with customers for the purpose of providing development support and research results sharing. This has enabled us to get involved in the early stages of our customers' product development cycle, which in turn makes it more likely for customers to place high-volume orders with us. This strategy allows us to keep track of changing customer needs and to modify our product mix accordingly. This strategy also allows us to strive for higher value-added and high-technology products that have higher gross profit margins. In particular, we intend to focus on high-speed, high-density and high-complexity products, such as HDI PCBs and other higher technology PCBs. We believe that our reputation as a cost-effective and high-quality manufacturer provides us with the ability to attract new customers in the markets we serve.

### **Continue to enhance production and operational efficiencies using our total quality management system**

We seek to improve our cost structure and achieve cost reductions at every stage of our production process. We will continue enhancing production and operational efficiencies as well as improving yield rates by investing in state-of-the-art machinery and equipment, developing more efficient production processes and moving our operations towards increased automation as labor costs rise, especially in Guangdong province where most of our PRC facilities are located. In addition to automation, we intend to optimize our product mix for profits sustainability. As the scale of our operations grows, we also expect to further benefit from our increased economies of scale and increase our bargaining power over raw material and equipment suppliers, thereby further reducing our product costs.

### **Take advantage of our technical expertise to expand our product portfolio**

A key objective of our growth strategy is to expand the scope of our business by taking advantage of our technical expertise to broaden our product portfolio to more complex PCB products in order to make the most of new opportunities, particularly in the perceived business potential for PCBs in the tablets PC and smartphone end-use applications. We expect demand for these products to form the fastest growing market in the consumer electronics and cellular phone segments in the next few years. The technological demands for such products is significantly higher than for other PCBs and would pose a significant barrier to entry for our smaller competitors. We plan to continue our cooperation with universities and research institutes to upgrade engineering skills of our staff and move our Company up the technology value chain.

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### OUR PRODUCTS AND SERVICES

We offer a wide range of PCB products including conventional PCBs and HDI PCBs. As a vertically integrated PCB manufacturer, we also produce laminate materials, such as prepregs and copper clad laminates which are the basic building blocks for PCBs, for our own use and for sale to third-party manufacturers. Our principal products are multi-layer PCBs.

We also offer certain value-added services to support our customers' needs, such as design for manufacturability support during new product introduction stages and QTA services. By providing value-added services to our customers, we are able to provide them with "one-stop shop" services, which we believe helps to enhance our relationships with our customers and provides us with opportunities for rapid technology advancement.

Our main products and services are summarized in the following table:

<b>Products/Services</b>	<b>Specifications</b>	<b>Major applications</b>
<b>PCB products</b>		
Conventional PCBs . . . . .	We are able to produce conventional PCBs with layers ranging from two-layers to 42-layers.	Electronic products for the communications, computer and computer peripherals, consumer electronics, automotive components, industrial and medical equipment industries.
HDI PCBs . . . . .	We are able to produce HDI PCBs ranging from one-level to four-levels.	Handheld consumer electronic devices, cellular phones and handheld medical equipment.
<b>PCB materials</b> . . . . .	We are able to produce prepreg and copper clad laminate ranging from various thicknesses.	Prepreg and laminate are intermediate raw materials for the production of PCBs.
<b>QTA services</b> . . . . .	We are able to produce PCBs within a reduced timeframe to meet customers' time-to-market requirements.	QTA services are often used in prototype production and at the new product introduction stage to reduce the time-to-market of a product.

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The following table sets forth our turnover by main products and services and the percentage of total turnover for the years ended December 31, 2008, 2009 and 2010, respectively. The amount of revenue derived from provision of QTA services has historically been quite small, as a result, QTA services are not independently reported and are subsumed under the segments for 2-to 6-layer PCBs and 8-layer and above PCBs:

	Year ended December 31					
	2008		2009		2010	
	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)					
<b>Turnover</b>						
<b>PCBs</b>						
Conventional PCBs						
two to six layers . . . . .	333,684	64.4	284,247	65.4	364,621	60.9
eight layers and above. . . . .	152,841	29.5	107,067	24.6	132,435	22.1
Conventional PCBs subtotal . . . . .	486,525	93.9	391,314	90.0	497,056	83.0
HDI PCBs . . . . .	14,356	2.8	25,716	6.0	57,807	9.7
PCBs total . . . . .	500,881	96.7	417,030	96.0	554,863	92.7
Prepreg and laminate . . . . .	17,050	3.3	17,535	4.0	43,990	7.3
Total . . . . .	517,931	100.0	434,565	100.0	598,853	100.0

### Printed circuit boards or PCBs

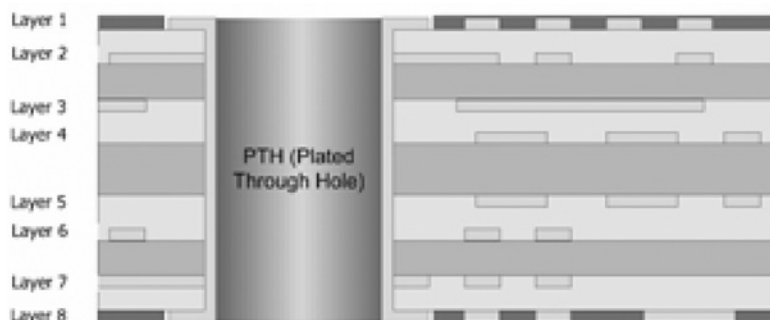
We sell a variety of PCB products, including conventional PCBs and HDI PCBs. We believe that our capacity to produce a wide range of PCB products, the variety of applications in which each type of PCB can be used and our ability to provide “one-stop shop” services to customers ensures that we have a diversified customer base and protects us from fluctuations affecting a particular industry. For the years ended December 31, 2008, 2009 and 2010, we had the average monthly available capacity to produce a maximum of approximately 4.7 million, 4.7 million, and 5.0 million sq.ft. per month of PCB products, respectively. A description of our PCB products is set out below.

#### *Conventional PCBs*

A PCB is a board containing a pattern of conducting material, such as copper, which becomes an electrical circuit when electrical components are attached to it. It is the basic platform used to interconnect electronic components and can be found in most electronic products, including computers and computer peripherals, communications equipment, cellular phones, high-end consumer electronics, automotive components and medical and industrial equipment. Conventional PCBs can be classified as single-sided, double-sided and multi-layer boards. We currently focus on the production of rigid, double-sided and multi-layer PCBs.

The following diagram illustrates the structure of a multi-layer PCB, in the example below, of an eight-layer PCB. An eight-layer PCB is comprised of two outer layers with an additional six inner layers.

**Eight layer PCB cross-section**



Multi-layer PCBs account for the largest share of our total turnover of PCB products. A multi-layer PCB can accommodate more complex circuitry than a double-sided PCB. It has more than two copper circuit layers with pieces of laminate bonded by prepreg in between layers. Multi-layer PCBs require more sophisticated production techniques compared to single and double-sided PCBs, as, among other things, they require high precision manufacturing and more stringent quality control. The complexity of the application for which a PCB can be used increases with the number of layers comprising the PCB. For instance, two- to six- layer PCBs are generally used for automotive and computer peripherals, while eight- to 12- layer PCBs are generally used for notebook computers, computer servers and graphic cards. PCBs with 14 layers or more are generally used for networking, communications equipment and high-end computer servers. We also produce backpanel PCBs, which are generally a larger and thicker type of PCB, on which connectors are mounted to connect with other PCBs, IC substrates and other electronic components. The manufacture of backpanel products requires specialized expertise and equipment because of the larger size and thickness of the backpanel relative to other PCBs and the increased complexity of the product. Our backpanel PCBs are mainly used in servers and data communication systems.

We are capable of mass producing commercial quantities of PCBs with up to 42 layers with finished board thicknesses of up to 6.0 mm. Our major multi-layer PCB products include four- to 16- layers which in aggregate accounted for approximately 78.4%, 73.8%, and 69.9% of our PCB sales for the years ended December 31, 2008, 2009 and 2010, respectively.

### ***HDI PCBs***

We produce HDI PCBs, which are PCBs with higher wiring density per unit area and require more sophisticated technology and manufacturing processes for their production than conventional PCB products. HDI PCBs are boards with high-density characteristics including micro holes, or vias (diameter typically less than 0.1 mm), fine lines (line width and spaces typically less than 0.075 mm) and are composed of high performance materials, thereby enabling more connectivity functions per unit area. In general, a board's complexity is a function of density, layer count, material/laminate and surface finishes. Board density represents a key indicator of a PCB's overall complexity. There are

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numerous measurements of a board's density. These include minimum line width (inner and outer layers), minimum line spacing, minimum via size and aspect ratio. In general, the most widely used method for achieving HDI packing density is to build up microvia layers on top of conventional PCB core layers. For example, 1+HDI PCBs are high density PCBs with one microvia layer of build up, while 2+HDI PCBs are high density PCBs with two microvia layers of build up. As the designs for electronic products grow increasingly complex, higher-level HDI PCBs are needed.

As end-products have become smaller and more portable, with higher functionality, demand for HDI PCB products has increased dramatically. Examples of their use can be found in many different consumer products such as handheld electronic devices, gaming consoles, digital cameras, MP3 players and cellular phones with 3G applications.

### **PCB Materials**

PCB materials include prepreg and laminate. Prepreg is primarily glass fabric coated with epoxy resin through a series of chemical reactions and physical processes known as impregnation. Prepreg is mainly used as an insulation material between layers in the manufacture of PCBs. Laminate is formed by bonding together one or more layers of prepreg material by laminating both sides of the prepreg with copper foil. Prepreg and laminate are the principal raw materials used in the manufacturing of PCBs.

Although we do supply prepregs and laminates to external customers, the majority of the prepregs and laminates we produce are for our own use. Sales of prepreg and laminate to our external customers accounted for approximately 3.3%, 4.0% and 7.3% of our total revenue for the years ended December 31, 2008, 2009 and 2010, respectively.

### **QTA services**

Our QTA services are provided by our Hong Kong production facility. We offer both prototype production and "pre-volume production" services, which allows our customers to transition a product from prototype to commercial production. As part of our prototype production services, we produce small batches, of 50 sq.ft. or less, of new products during the design and testing phase, with lead-times ranging from 72 hours to seven days. We also build medium-size batches of a few hundred sq.ft. of "short lead-time" pre-volume production pilot builds, with lead-times ranging from three to 15 days. We receive significant premiums over our standard volume pricing for each of these services depending on lead-times, complexity and layer-counts.

We believe that we can efficiently speed up the transition from prototype design to volume manufacturing of PCBs. Our quick-turn prototype service allows us to provide small test quantities to our customers' product development groups. Our participation in product design and prototyping enables us to strengthen our relationships with customers that require design for manufacturability support services by working together with these customers during the design phase of their production. Providing this service also allows us to enter into long-term relationships with our customers at the early product involvement stage, which can translate into mass production orders for our facilities in the PRC.

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### RAW MATERIALS, SUPPLIERS AND INVENTORY MANAGEMENT

#### Raw Materials

Raw material costs accounted for approximately 48.1%, 40.3% and 45.2% of our revenue for the years ended December 31, 2008, 2009 and 2010, respectively. Our product mix changes over time, as required production volumes change and as new products are introduced into the production cycle and manufacturing of other products is discontinued. As a result, the volume of raw materials and the type of laminate, used might vary from time to time.

Major types of raw materials include metals (such as copper, tin and gold), chemicals (such as sulphuric acid and sodium hydroxide), glass fabric and intermediate raw materials (such as laminate or prepregs). Copper is used in all of our PCB products and is one of the most important cost component in PCB production. Tin is another cost component in PCBs. For certain PCBs, gold is a cost component but this depends on our customer's designs as it is possible to produce PCBs without using any gold at all. Intermediate raw materials pricing is dependent on the raw prices of metals (such as copper) or the raw costs of resin and glass that are often tied to the price of oil and energy.

In order to meet the high quality standards of our customers, we purchase raw materials only from our approved suppliers list. Our purchasing and quality departments assess and qualify our suppliers in various aspects including its overall ability, technical capability, quality control, social and environmental accountability and financial health. We have the right to return incoming materials if it fails our sampling inspection, or exhibits any defect related to product safety and reliability. We have, on limited occasions in the past, identified defects in the raw materials supplied by our suppliers. On those occasions, we were able to obtain replacement raw materials that conformed to the required quality standards from the same supplier in a timely manner and did not suffer any financial loss as a result of the defective raw materials.

#### Suppliers

During the Track Record Period, Kingboard Laminates and its subsidiaries were our largest supplier and supplied our Group with, amongst other things, copper balls, copper foil, drill bits, routers, laminates and prepreg. In addition, other members of the Kingboard Group also act as our suppliers and provide us with chemical solutions used in the production of PCBs. For the years ended December 31, 2008, 2009 and 2010, purchases from Kingboard Laminates, its subsidiaries and other members of the Kingboard Group collectively accounted for approximately 41.9%, 47.3% and 42.4%, of our raw material purchases, respectively, while purchases from the five largest suppliers of our Group, accounted for approximately 50.9%, 60.9% and 54.2% of our raw material purchases, respectively. Our five largest suppliers are all located in the PRC or Macau and have been our suppliers for at least five years.

Other than the common directorships as disclosed in the section headed "Relationship with Our Controlling Shareholders" in this document and the shareholding interests of our Directors as disclosed in Appendix VI to this document, to the best knowledge and belief of our Directors, none of our Directors, their associates or shareholders (which to the knowledge of our Directors, beneficially own more than 5% of our Company's issued share capital) had any interest in any of the

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five largest suppliers of our Group (except for Kingboard, Kingboard Laminates and their respective subsidiaries) during the Track Record Period. Although Kingboard Laminates, its subsidiaries and other members of the Kingboard Group collectively ranked as our largest supplier in each of the years ended December 31, 2008, 2009 and 2010, all of our purchases from the Kingboard Group have been made, and will continue to be made, on normal commercial arm's length terms. Details regarding these purchases can be found in the section headed "Connected Transactions" in this document. The PCB industry has suffered from supply constraints in the past. To maintain competitiveness in our industry, we must obtain from our suppliers, in a timely manner, sufficient quantities of acceptable materials at competitive prices. Please see the section headed "Risk Factors — We may be unable to obtain adequate supplies of quality raw materials in a timely manner and may suffer from an increase in costs of our raw materials which may adversely affect our results of operations" in this document for further details.

Generally, purchases of raw materials from our third party suppliers, including Kingboard Laminates, its subsidiaries and other members of the Kingboard Group, are based on purchase agreements and purchase orders that we sign and issue from time to time. Our purchases are largely made in US dollars and we settle our purchases mainly by way of open account with 15 days to 120 days credit term. We generally purchase raw materials when we receive orders from our customers in order to minimize the risk associated with surplus inventory. Occasionally, we purchase raw materials based on our customers' periodic forecasts. Our Directors confirm that we have not experienced any material shortage of raw materials during the Track Record Period.

### **Inventory Management**

Our inventory which comprise mainly raw materials, work-in-progress, and finished goods, form a key component of our assets and it is therefore important for us to carefully manage our inventory. Our average inventory turnover days during the Track Record Period had been relatively stable, ranging from 29 days to 34 days.

We have adopted the ERP system in our efforts to control inventory and minimize inventory obsolescence. The ERP system recommends materials purchases, based on customers' orders, materials lead-time, on hand inventory, and production capacity, thereby enabling us to maintain the optimum inventory level and to minimize any interruption to the production flow rising from unavailability of materials.

Our work-in-progress are managed by our ERP system which monitors closely work-in-progress movements and detects bottlenecks on a real-time basis. Our work-in-progress management system enables us to reduce production cycles and, as a result, to reduce the inventory level as well.

In addition to our ERP system, our finance department conducts half-yearly stock counts as well as monthly random stock counts to ensure accurate inventory records. As our products are generally customized and built-to-order, all finished products are shipped in accordance with delivery commitments to the designated warehouse unless otherwise rescheduled by our customers.



### **PRODUCTION PROCESSES**

Generally, the production processes for conventional and HDI PCBs are basically the same but the complexity of the production process of PCBs increases with its layer count and there are a few additional steps in HDI PCB production.

Our Group typically obtains product specifications and design from our customers. Upon receipt of this information, the pre-production engineering department will verify the design parameters and use a laser plotter to generate the PCB circuitry artwork. Thereafter, the pre-production engineering department will issue manufacturing instructions to the production department. The following illustrates the principal steps involved in the production process of a standard PCB:

#### **Preparation of Laminate Panel**

This is the first step of the PCB manufacturing process. The laminate is cut into the optimum panel size to accommodate the size of the PCB and then, its surface is cleaned for the subsequent inner layer process.

#### **Inner Layer Processing — print and etch inner layers**

The inner layer process forms the inner layer circuitry of PCBs using UV lithography and etching. It involves a series of processes including photo resist coating, photo-exposure, resist developing, etching unwanted copper, stripping photo resist, quality inspection and copper chemical treatment or oxides.

The pre-cleaned laminate panel is coated with photo resist made of either liquid type (roller coating) or sheet form type (dry film) for photo-exposure processing. This process produces the image of the circuitry pattern onto the photo resist. Developing is required to remove some part of the photo resist to allow the unwanted copper to be chemically etched. All the photo resist is finally stripped to form the inner layer circuitry of PCBs. AOI is then carried out on the panels to assure the quality of the inner layers. The inner layer that has undergone quality inspection then undergoes copper chemical treatment or oxide for purposes of enhancing the bonding strength of the surface for lamination.

#### **Multi-layer Lamination**

Lamination is an essential process in laminating inner layer(s) into multi-layer PCBs and HDI PCBs. First, the layup step piles up the inner layers, and in between any two layers, prepreg material is inserted to serve as bonding and insulation material. Copper foil is usually used for constructing the outer layer. Pressing laminates the pile of the layers together to form the multi-layers or internal core of PCBs under high temperature and pressure condition.

#### **Drilling — via hole formation**

Drilling is a process by which holes are made in the PCB panel so that an electrical connection can be created among the specific layers of circuitry by the following copper plating process.



### **Chemical Copper Deposition Process**

A layer of thin copper is deposited in the holes drilled on the PCBs for electrical connection among the layers of circuitry as well as for further electrolytic copper deposit to plate up the required copper thickness involved in the outer layer process.

### **Outer Layer Process — print and etch core board**

The purpose of the outer layer process for conventional PCBs is to form a layer of circuitry on the surface of the panel. It is similar to that of the inner layer process. After the chemical copper deposition process, the panel is cleaned for the outer layer photo process. Then, a negative pattern conductor image known as a plating mask is formed by UV lithography. Next, the external conductor pattern is plated with copper and tin to form a positive image. Electroplating copper allows us to achieve the copper thickness as set out by our customer requirements. Finally, the tin mask is stripped and the outer layer circuitry is formed. For HDI PCBs, circuit patterns are formed on the core board by a similar process of UV lithography and etching. AOI is then carried out to detect unacceptable defects prior to the solder mask process.

### **Laminate HDI layers**

This step applies only to HDI PCBs. HDI layers (also referred to as HDI levels) are formed in pairs on the core board surface with resin coated copper or laser drillable prepreg and laminated.

### **Microvia Formation**

This step applies only to HDI PCBs. Microvia holes are formed by laser drilling and plating and are significantly smaller than conventional vias. Microvias electrically connect HDI layers and their minuteness allows for more connections in a small area.

### **Print and Etch HDI Layers**

This step applies only to HDI PCBs, circuit patterns are formed on the core board by UV lithography or Laser Direct Imaging and etching. Laser Direct Imaging refers to the use of laser beams to expose each circuit one-by-one from the PCB circuitry artwork onto the core board.

### **Repeat Build-up Process**

For HDI PCBs, the steps above will be repeated to build up additional HDI levels if necessary. We currently produce HDI PCBs of up to 4-levels.

### **Solder Mask Coating**

The solder mask process forms a coat of insulation over the PCB panel to protect against environmental attack and to facilitate subsequent assembly. After cleaning the panel, layers of solder mask are first printed on the panel, and then the same is subject to exposure for developing to create the image of the circuitry pattern.

### **Panel Routing and Surface Finishing**

For conventional PCBs, the PCB panel is then cut into the desired size and geometry and the profile or shape of the PCB may be achieved by punching with a die, routing with machine, or V-cutting for the later breakage by hand and edge-beveling for smooth edges.

The surface finishing process then creates a coating that is essential for bonding the electrical components or parts onto the PCB or over certain parts of the circuitry depending on the design. Component pads, which are soldered onto components to make connections between components, are coated with metallic or organic solderable preservatives. Some types of surface finishing also serve as a protective coating.

### **Final Fabrication**

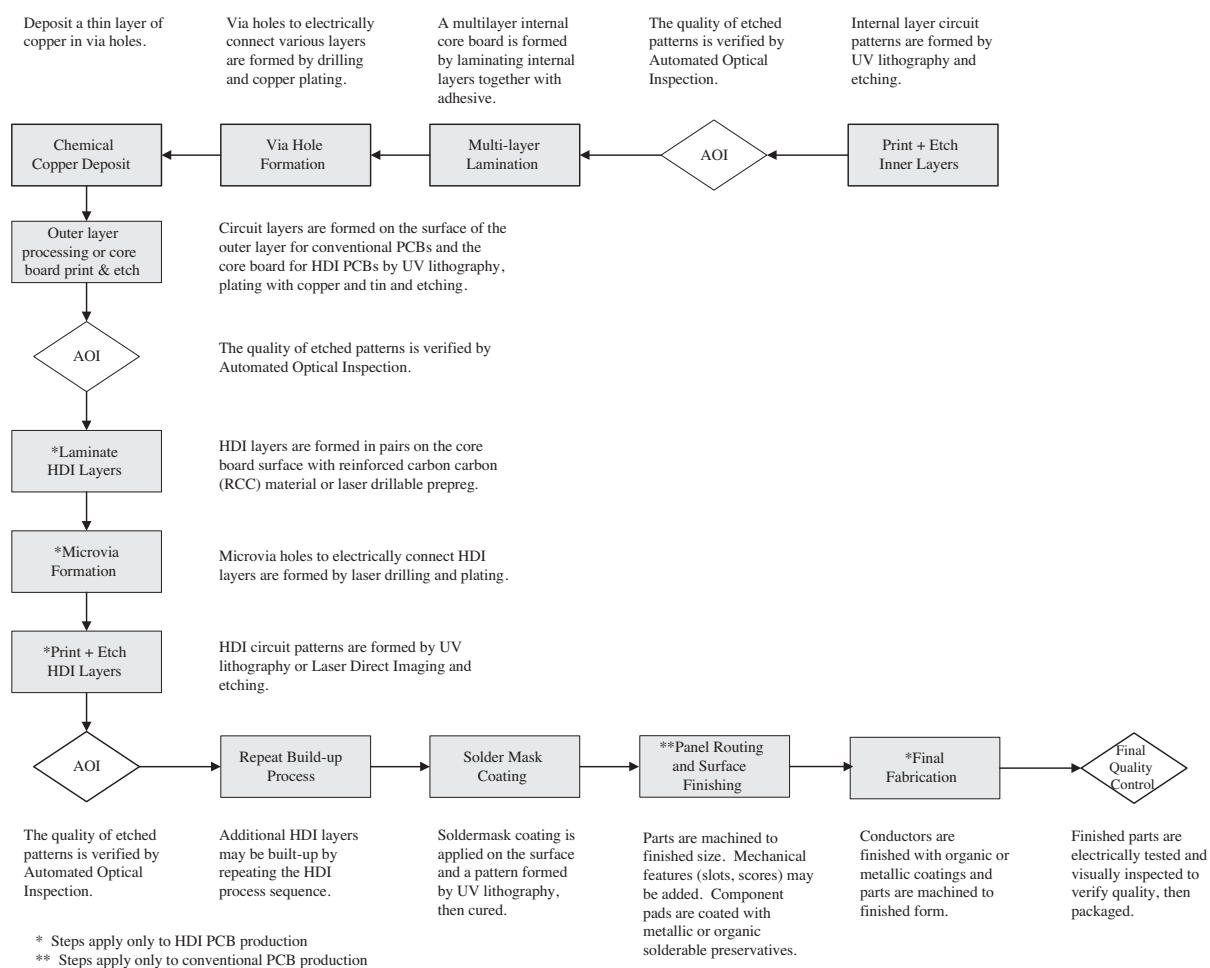
For HDI PCBs, the conductors are first finished with organic or metallic coatings before parts are machined to finished form.

### **Final Inspection**

Before shipment, the PCB panel undergoes a final inspection to ensure that it meets the quality and aesthetic standards of customers. This process includes an electrical test to ascertain the connectivity of specific points on the PCB and hence its functionality, followed by a visual inspection. Thereafter, the PCBs are packaged and shipped to customers.

## BUSINESS

Below is a chart describing our PCB production process:



## PRODUCTION FACILITIES

### Overview

Our production facilities are in Hong Kong, Thailand (Pathumthani) and the PRC (Guangzhou, Kaiping, Nanjing, Shenzhen, with a plant in Yangzhou currently under construction that will commence operations in early 2012). We constructed and own all of our facilities and hold valid land-use rights for our PRC production facilities. All of our facilities under operation are ISO 9001 and ISO 14001 certified. Our production facilities provide quality assurance services by testing our finished goods. In addition, we are able to test incoming materials upon initial delivery from the suppliers to ensure the quality of the raw materials used to manufacture our products meets our required standards. Equipment needs are reviewed annually by each production facility and we also upgrade our equipment in response to technological advances in production processes, product innovation and general wear and tear.

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## BUSINESS

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Depending on the complexity of the PCB products, maximum production capacity varies on the basis of the type of products that are in production at the time. Typically, our high-end products require more complex and lengthy processes to produce and therefore reduce a plant's maximum capacity in terms of square footage of PCBs produced. The maximum capacity cited for each plant is therefore calculated on the basis of the existing product mix. All of our PCB production facilities under operation typically function 24 hours a day on a two-shift basis, except for our Thailand plant which is on a three-shift basis. We do not maintain any back-up power generation facilities though we may, on occasion, rent back-up power generators. During the Track Record Period, we have not experienced any major problems in obtaining adequate sources of electricity to meet our production requirements, any material electricity supply shortage or any unscheduled electricity supply outages.

The following table sets forth the location, size, products and layer count range capability of our production facilities currently under operation:

<u>Facility/ Location</u>	<u>Approximate plant area (sq. m.)</u>	<u>Products</u>	<u>PCB layer count range capability</u>
<b>PCB facilities under operation</b>			
Hong Kong . . . . .	12,456	HDI, conventional PCBs, QTA	2-layers to 42-layers
Guangzhou . . . . .	146,174*	HDI, conventional PCBs	2-layers to 32-layers
Kaiping . . . . .	153,998	HDI, conventional PCBs	2-layers to 22-layers
Nanjing . . . . .	6,559	Conventional PCBs	2-layers to 6-layers
Thailand . . . . .	33,892	Conventional PCBs	2-layers to 12-layers
<b>Laminate materials facilities under operation</b>			
Shenzhen . . . . .	5,121	Copper clad laminate and prepreg	n/a
Kaiping . . . . .	12,966	Copper clad laminate and prepreg	n/a
Thailand . . . . .	10,798	Copper clad laminate and prepreg	n/a

*Notes:*

\* Includes a factory building of 52,800 sq.m. scheduled to be completed by the end of 2011

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The following table sets forth the approximate annual designed production capacity, production and utilization rates of our production facilities during the Track Record Period:

Facility/Location	Year ended December 31,								
	2008			2009			2010		
PCB facilities under operation (in thousand of sq.ft. except percentages)	Designed production capacity footage (approximate)	Production footage	Utilization Rate	Designed production capacity footage (approximate)	Production footage	Utilization Rate	Designed production capacity footage (approximate)	Production footage	Utilization Rate
	Hong Kong . . . . .	1,039	522	50.2%	1,039	519	50.0%	1,039	582
Guangzhou . . . . .	18,706	17,600	94.1%	18,706	17,419	93.1%	23,382	20,612	88.2%
Kaiping . . . . .	21,823	15,434	70.7%	21,823	12,265	56.2%	22,342	19,194	85.9%
Nanjing . . . . .	3,637	2,115	58.2%	3,637	2,533	69.6%	3,377	2,685	79.5%
Thailand . . . . .	11,431	5,925	51.8%	11,431	6,187	54.1%	10,132	7,856	77.5%
PCB Total . . . . .	<u>56,636</u>	<u>41,596</u>	73.4%	<u>56,636</u>	<u>38,923</u>	68.7%	<u>60,272</u>	<u>50,929</u>	84.5%
<b>Laminate materials facilities under operation (in thousands of sheets except percentages)</b>									
Kaiping and Shenzhen . . . . .	4,520	4,390	97.1%	5,000	4,850	97.0%	6,882	6,630	96.3%
Thailand . . . . .	<u>1,320</u>	<u>945</u>	71.6%	<u>1,440</u>	<u>1,040</u>	72.2%	<u>1,440</u>	<u>1,077</u>	74.8%
Laminate materials Total . . . . .	<u>5,840</u>	<u>5,335</u>	91.4%	<u>6,440</u>	<u>5,890</u>	91.5%	<u>8,322</u>	<u>7,707</u>	92.6%

The expected production capacity of the PCB production facility in Yangzhou is 200,000 sq.ft. per month initially before ramping up to 500,000 sq.ft. per month three months after commencement of operations and 1 million sq.ft. per month nine months after commencement of operations.

### Hong Kong

Our Hong Kong facility occupies a floor area of approximately 12,456 sq.m. with a production capacity of approximately 86,000 sq.ft. per month. The Hong Kong plant focuses on QTA services and niche manufacturing such as PCBs with high layer counts, high complexity, high speed and signal integrity, high reliability and special requirements. QTA services accounted for approximately 16% of sales in 2009 and rose to more than 20% of sales in 2010, with niche manufacturing accounting for the rest. Our Hong Kong facility is responsible for our most time-critical and highly complex products and is capable of producing conventional PCBs of up to 42 layers and HDI PCBs of up to 4-levels.

### PRC

Our Guangzhou facility consists of three phases. Production at this facility occupies approximately 146,174 sq.m. of floor area (including a factory building of 52,800 sq.m. scheduled to be completed by the end of 2011) with a designed production capacity of approximately 1.9 million sq.ft. per month. This facility fabricates a wide range of products, from conventional multi-layer PCBs of up to 32 layers to HDI boards and has the capacity to offer QTA services. Targeting the computer

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and computer peripherals, consumer electronics and medical end-application markets, our Guangzhou Phase I/II plants engage in medium-end-high-volume production of PCBs. Our Guangzhou phase III plant focuses on medium- to high-end low volume products with servers, communication, medical and backplanes as the major end markets. The Guangzhou facility is capable of producing PCBs of up to 32 layers.

Our Kaiping facility consists of two sites. The entire facility occupies approximately 153,998 sq.m. of floor area and has a production capacity of approximately 1.9 million sq.ft. per month. Targeting the automotive, computer and computer peripherals, communications, consumer electronics as well as advanced HDI product markets, the Kaiping facility fabricates conventional multi-layer PCBs of up to 22 layers and HDI PCBs.

Our Nanjing facility is situated near Shanghai where many electronics manufacturing companies are located. It occupies a floor area of approximately 6,559 sq.m. with a monthly production capacity of around approximately 281,000 sq.ft.. This facility focuses on lower-layer count PCBs and is capable of producing PCBs of up to six layers.

Our Yangzhou facility is currently under construction and we plan to begin operations in early 2012. Its location gives us access to relatively lower labor costs as labor costs have risen in the Guangdong and Shanghai regions. Upon completion, phase I of the Yangzhou plant will occupy a floor space of approximately 76,968 sq.m. and, when fully ramped up, will have an expected monthly production capacity of approximately 1.0 million sq.ft. per month. This facility will have an initial focus on PCBs for motherboards for use in the computer and computer peripherals segment.

### **Thailand**

Our Pathumthani facility in Thailand occupies approximately 33,892 sq.m. of floor area. This facility produces multi-layer PCBs of up to 12 layers with production capacity of approximately 844,000 sq.ft. per month. It targets computer and computer peripheral, automotive, communication, instrument and equipment markets in the ASEAN region.

### **QUALITY ASSURANCE**

We emphasize quality and reliability in the manufacture of our products. We establish, and continuously improve, quality assurance standards to meet our customers' requirements. Each production facility has a dedicated quality team made up of experienced engineers, supervisors and inspectors which is independent from our operations. We have established various quality-control checkpoints at key stages of our production process to closely monitor the quality of our production and to ensure that our products meet customers' specifications.

Our production facilities provide quality assurance services by testing our finished goods, including with AOI testers. Testing is an important part in the PCB production process and involves using sophisticated test equipment, technological know-how and specialized program to electronically test different performance aspects of the PCB, including functionality, performance in a certain range of temperatures, and reliability.

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In order to meet the high quality standards of our customers, we purchase raw materials only from our approved suppliers list. Additionally, we are able to test incoming materials upon initial delivery from the suppliers to ensure the quality of the raw materials used to manufacture our products meets our required standards. We return incoming material if it fails our AQL sampling inspection, or exhibits any defect related to product safety and reliability. At various stages of the production process, semi-finished products are tested to ensure their quality and defective items are removed before proceeding to the next stage of the process. We perform visual inspection on 100% of our products and a functional electrical test to ensure that all of our customers' specifications are met before shipment. The ability to conduct testing in-house helps to curtail our needs to outsource testing to third party testers, which in turn helps us to control our operating costs.

In recognition of our quality assurance systems, we have numerous quality certifications that are relevant to our operations. All our plants under operation in the PRC, Hong Kong and Thailand are certified as to quality management systems (ISO9001 or ISO/TS16949), environmental management system (ISO14001) and product safety (UL), recognizing the high standards of quality control that our Company has established.

### CUSTOMERS

Many of our key customers are leading companies in their respective industries. The principal markets for our products, based on the destinations to which our products are shipped, are PRC (including Hong Kong), the rest of Asia, followed by Europe and the Americas, which in aggregate accounted for approximately 58.6%, 25.3%, 9.3% and 6.0%, respectively, of our revenue for the year ended December 31, 2010. The percentage of our sales to Japan was immaterial during the Track Record Period and our sales will not be affected by the serious earthquake and the ensuing tsunami and radiation crisis hitting Japan in March 2011.

We divide our sales into PCB fabrication sales and laminate division sales. Our PCB fabrication sales accounted for approximately US\$500.9 million, US\$417.0 million and US\$554.9 million for the years ended December 31, 2008, 2009 and 2010, respectively. In contrast, our laminate division sales accounted for approximately US\$17.1 million, US\$17.5 million and US\$44.0 million during those same time periods, respectively. Our five largest customers, based on their aggregate contribution to turnover for the year ended December 31, 2010, are all independent from us, our Controlling Shareholders, their associates and our Directors. For the years ended December 31, 2008, 2009 and 2010, sales to our largest customer accounted for approximately 10.8%, 10.3% and 8.5% of our total sales, respectively, and sales to our five largest customers accounted for approximately 38.9%, 36.5%, and 33.5% of our total sales, respectively.

A substantial portion of our turnover is derived from our PCB products that have been incorporated into products that are manufactured on behalf of our key indirect OEM customers by contract manufacturers. In general, we discuss terms such as pricing, volume and product specifications with our indirect OEM customer. After such terms are agreed to, the OEM customer will instruct the contract manufacturer to place purchase orders with us. We then discuss such terms as payment terms and details of operations with the contract manufacturer. The contract manufacturer then places the purchase orders with us and we deliver the finished goods to the contract manufacturer according to the shipment schedule. Any amendments to the purchase order or order cancellations are

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handled on a case-by-case basis. Should any disputes arise between the contract manufacturer and us, both parties have the right to refer the issue to the indirect OEM customer. During the Track Record Period, we have experienced instances of terminations, reductions and delays in customers' orders from time to time which we believe is typical for PCB manufacturers. Such terminations, reductions and delays in customers' orders have not had a material adverse financial effect on our operating results during the Track Record Period.

Although certain of our customers are also customers of the Kingboard Group, we negotiate our sales contracts with such customers independently from the Kingboard Group. We do not undertake joint marketing activities with the Kingboard Group, and none of our purchase orders with our customers is contingent upon, or bundled with, purchase orders placed by the same customers with the Kingboard Group. Accordingly, we do not expect our relationships with these customers to change if their relationships with the Kingboard Group change. To the best knowledge and belief of our Directors, none of our Directors, their associates or shareholders (which to the knowledge of our Directors, beneficially own more than 5% of our Company's issued share capital) had any interest in any of our five largest customers during the Track Record Period. The respective share of turnover represented by our largest customer has changed during the Track Record Period, and we expect may continue to change in the future. In addition, we generally work on a wide range of projects and products for each of our largest customers at any given time, at different stages in the product design and manufacturing process.

Our key customers typically provide us on a regular basis with periodic non-binding forecasts of the quantities of the products required. All sales are conducted on the basis of purchase orders, which set out the specific terms for a particular sale. Typically, when our customers wish to develop and produce a new product, the selection of their suppliers will be based on four principal competitive factors: speed, quality, engineering service, and cost. Our pricing policy takes into account a number of factors, including product specification, cost of production, mode of transportation and size of order. Delivery is carried out by third parties, mostly by truck or by air. We generally invoice our customers either at the time of delivery of products (when the products leave our control) or at the time of receipt of products (when our customer receives the products) and we give our customers 30 to 120 days' credit term, although credit terms may vary depending in part on the customer's credit history, payment behavior as well as its business potential. During the Track Record Period, we have not experienced significant instances of delayed payments from our customers and we have not experienced material adverse financial impact as a result of delayed payments.

We do not provide warranties for our PCBs though we do allow for sales returns if the product is defective. For the years ended December 31, 2008, 2009 and 2010, we experienced sales return of approximately US\$1.5 million, US\$1.3 million and US\$1.0 million, respectively, which accounted for approximately 0.3%, 0.3% and 0.2%, respectively, of our total sales during those same periods. We have not experienced any product recalls or lost income from our customers during the Track Record Period. We believe the level of defects in our products is relatively low and conforms to generally accepted industry standards and quality parameters established by our customers.



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### SALES AND MARKETING

Our team of sales people and support staff work in regional teams. Our regions are divided into the Americas, Europe, Southeast Asia, Thailand, the northern part of China, the southern part of China, Taiwan, Japan and Macau. Our Yangzhou operations and HDI PCB operations have their own sales team, stemming from the fact that our Yangzhou plant is not yet completed and HDI PCB is a relatively new product whose market we are actively developing. In addition to the regional sales teams, we also have global account managers who work with our regional teams. Our regional teams serve to maintain customer relationships as well as to solicit potential opportunities. They are not authorized to make sales decisions or transact on our behalf. All of our sales transactions are conducted centrally through our Group's trading company level and a cost estimate is conducted to first assess the profitability of the proposed transaction before our Group enters into a sales contract with a customer. Our sales contracts are usually negotiated annually though some customers prefer bi-annual or quarterly negotiations.

In addition to providing customer services, our sales and marketing team also works to identify business and market opportunities, engage in business networking, organize logistics, deepen relationships with our existing customers and cultivate relationships with potential customers in all regions of the world. The marketing activities conducted by our global sales and marketing team include participation in relevant trade fairs, conferences and industry associations. As of the Latest Practicable Date, our global sales and marketing team is comprised of approximately 130 employees.

We identify and target leading OEM providers of enterprise with whom we believe we can develop long-term relationships. We intend to concentrate our sales efforts on increasing sales to our existing customers, as well as targeting new customers that are emerging industry leaders in the computers, communications and networking, consumer electronic and automotive industries.

In order to fully serve our customers, we have established a sales team dedicated to our key customers and assigned a specific account manager to each customer account. The account manager responsible for a specific customer works closely with both the customer and other employees within our Group, such as staff from our Group's technology department and engineers at our manufacturing facilities, to develop products tailored to meet that customer's specific needs. We believe that the close contact between our staff and our customers further strengthens our relationships with our customers.

### PRICING

We price our products based on a number of factors. The main factor is the costs involved in manufacturing the products. Our price quotations incorporate an amount to cover materials costs, which we base on current prices of materials as quoted to us by our suppliers, plus a "value-added" amount to reflect our expected profit margin, cost of labor, pre-manufacturing costs, research and development expenses, equipment usage, production overheads and selling expenses, general and administration expenses, finance costs and other expenses. For QTA services, we charge our premiums over standard volume pricing based on lead-times, complexity and layer-count with quicker delivery times and higher complexity and layer-counts subject to higher premium. In addition, we may charge tooling costs for QTA services which require special tools, such as soft-cutting tools and positive films

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which are used during prototype production and pre-volume production pilot builds, in order to defray part of our manufacturing costs. We review the estimated costs described in this paragraph periodically with our customers in order to reflect changing market and operational conditions. During times of high market demand or depending on industry pricing trends, we are able to shift price risk to our customers. Prices were sometimes reduced by several percentage points during times of weak market demand in the Track Record Period.

The following table sets forth the average selling price of our products and services for each of the years ended December 31, 2008, 2009 and 2010, respectively.

	Year ended December 31		
	2008	2009	2010
	(US\$ per sq.ft.)		
PCBs			
two, four and six layers . . . . .	9.11	8.15	8.42
eight layers and above . . . . .	35.89	28.40	29.21
HDI PCBs . . . . .	25.82	19.94	18.73
QTA. . . . .	105.03	116.05	108.94
Laminate materials			
prepreg . . . . .	0.21	0.15	0.16
laminate . . . . .	1.84	1.34	1.71

During the Track Record Period, we have occasionally experienced instances of price reductions and order cancellations, which we believe are typical for PCB manufacturers. In situations where market demand is weak, such as during the global recession of 2008 and 2009, we have sometimes offered price reductions to our customers. We did not experience any material order cancellations during the Track Record Period and neither price reductions nor order cancellations have had a material adverse financial effect on our operating results during the Track Record Period.

### COMPETITION

The design and manufacturing industry for PCBs is highly competitive. While most of our competitors do not compete with us in every sector in which we operate, we face competition in many sectors of our business from different PCB manufacturers depending on the type of service or geographical area. Our key competitors consist of Taiwan-based PCB producers who manufacture in the PRC in the low to mid-layer count PCB market and Japanese, American and Taiwanese PCB producers in the higher-layer count and HDI PCB market. Some of our competitors have substantially greater manufacturing, financial, research and development and marketing resources and geographical reach than us. We believe that the principal competitive factors in our industry are:

- service offerings and product quality;
- geographical location and coverage;
- technological capabilities;

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- operational efficiency and cost effectiveness;
- pricing;
- general reputation and reliability in meeting product delivery schedules; and
- flexibility and timeliness in responding to design and schedule changes.

To maintain competitiveness, we aim to continue providing technologically advanced design and manufacturing capability, maintain high quality levels, offer flexible and reliable delivery schedule and provide competitive pricing.

We also understand that a good reputation is important for us to remain competitive, so we strive to maintain a high level of customer satisfaction by undergoing periodic business reviews with our key customers based on the abovementioned factors, which enabled us to compete qualitatively with our competitors. In addition, we continue to build on an extensive distribution network to reach new customers and to find new market niches for our products.

## RESEARCH AND DEVELOPMENT

Research and development activities are crucial to our Group to maintain our competitiveness in the PCB market. We believe in “customer driven application research” which means meeting with our customers’ in-house designers and focusing on process improvement and research on new materials. With certain customers, our collaboration with them begins during the concept phase of the process. With other customers, we begin collaborating with them during the design phase. Our research and development team is located in three locations: Hong Kong, Guangzhou and Kaiping. As of the Latest Practicable Date, there are 30 team members in total. Each team member reports to the manager of our technology department who in turn reports to the site director of the Hong Kong production facility. Several members hold doctorate degrees in fields such as chemical engineering, chemistry, and applied physics. The average relevant experience of this team is approximately seven years and five years for our team members in Hong Kong and Guangzhou, respectively. The relevant experience range is between one to five years for our team members in Kaiping. During the Track Record Period, we focused on manufacturing more complex PCBs with higher hole aspect ratio which means a thicker board with smaller holes. As the thickness of high-end server boards keeps increasing, higher hole aspect ratio is required, and the higher the hole aspect ratio, the more complex is the PCB. PCBs with higher hole aspect ratios must be drilled and plated in a manner that is different from PCBs with lower hole aspect ratios. Therefore, evaluations of different manufacturing techniques and tools, such as drilling spindle speed, feed rate, drilling hit count, concentration of copper plating additives, and plating recipe of reverse pulse plating, were carried out and completed in 2010. We also developed the capacity to manufacture LGA sockets, which require a high degree of surface flatness and quality surface finish. Electrical components are usually soldered onto PCBs using solder paste. LGA sockets permit direct electrical connection between the components and PCBs, eliminating the need for intermediate substances. Such a design allows us to create PCBs of higher density, which is required in higher performance electrical systems. The larger the PCBs using LGA sockets, the higher the complexity of the PCB. Our PCBs with LGA sockets are primarily used for high-end services.

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Through our PCB plant in Hong Kong, we are in co-operation with a local university in Hong Kong in the research and development of optical PCBs, which use light signals instead of the electrical signals used in conventional and HDI PCBs. As the demand for bandwidth grows, the performance of conventional electrical interconnections in PCBs suffers from severe signal integrity problems, such as crosstalk, transmission loss, and increased fabrication cost. To overcome these problems, optical PCBs are a promising choice for potentially enormous bandwidth with low transmission loss. We hope to be able to mass produce optical PCBs in the future as a result of our co-operation. For the years ended December 31, 2008, 2009 and 2010, our research and development expense was approximately US\$882,000, US\$785,000 and US\$785,000, respectively.

### INTELLECTUAL PROPERTY

We own various trademarks, service marks, patents and hold some third-party licenses. Further details of the intellectual property rights of our Group are set out in the paragraph headed “Intellectual Property” under the section headed “Statutory and General Information — B. Further Information About the Business of Our Group — 4. Intellectual Property Rights” in Appendix VI to this document.

#### Trademarks and Service Marks

During the Track Record Period, EEIH was the registered owner of the trademark “” which is registered in Hong Kong and “ Elec & Eltek 依利安達” which is registered in Hong Kong and Singapore (collectively, the “**Trademarks**”). These Trademarks are used by us as well as other subsidiaries of EEIH in the course of businesses. No consideration was paid by our Group to EEIH for each of the years ended December 31, 2008, 2009 and 2010 for the use of the Trademarks. In order to ensure there is operational independence of our Group, we entered into three trademark assignment deeds with EEIH on June 4, 2011 pursuant to which EEIH, as the registered owner of the Trademarks, assigned its ownership in the Trademarks to us at a consideration comprising (i) an aggregate nominal cash consideration of HK\$1.00; and (ii) our Company allowing EEIH and its subsidiaries to continue to use the Trademarks on certain products which are unrelated to our Group’s business. As at the Latest Practicable Date, EEIH has filed the necessary applications to the Trade Marks Registry in Hong Kong and the Intellectual Property Office of Singapore, respectively, in relation to the respective assignments. Please refer to the paragraph headed “Intellectual property rights” under the section headed “Statutory and General Information — B. Further Information About the Business of Our Group — 4. Intellectual Property Rights” in Appendix VI to this document for further details.

#### Patents

As at the Latest Practicable Date, we owned a total of 12 patents in our operations in China. They relate primarily to designs for devices used in the production of PCBs and process technologies. Our employees are required to sign a non-disclosure agreement which prohibits the disclosure of any of our proprietary technologies. As at the Latest Practicable Date, we were not aware that any of our employees had previously disclosed our proprietary technologies in breach of their employment agreements.

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### Third-party licenses

A few of our PRC production facilities employ processes licensed from third parties in the manufacturing of some of our products.

### EMPLOYEES

As at the Latest Practicable Date, we had approximately 12,286 permanent full-time employees worldwide. The following tables show the breakdown of our employees by geographical areas and functions as at the Latest Practicable Date:

Hong Kong .....	280
PRC .....	10,320
Thailand .....	1,653
Others .....	<u>33</u>
<b>TOTAL</b> .....	<u><u>12,286</u></u>
Production .....	7,522
Engineering .....	810
Quality .....	3,143
Administration and Support .....	651
Sales and Marketing .....	130
Group Technology Department .....	<u>30</u>
<b>TOTAL</b> .....	<u><u>12,286</u></u>

The employees in our Thailand PCB facility are unionized. We have not experienced any problems with the Thai labor union. Our commitment to our employees has been accredited, and our PCB facility in Thailand received the TLS8001-2003 Certificate Complete Level from The Department of Labor Protection and Welfare. All of our PRC PCB facilities are also unionized, though only a small percentage of our employees have joined these unions. We have not experienced any problems with the labor unions in our PRC facilities.

None of our other employees are unionized. We believe we have good working relationships with our employees. We believe that our management policies, working environment and the employee development opportunities and benefits extended to employees have contributed to building good rapport with our employees and employee retention. We provide additional benefits to our employees, such as subsidized accommodation and meals for our workers at our PRC manufacturing facilities, accident and medical insurance. We organize regular recreational activities for our employees and we have in the past presented cash, prizes or gifts in-kind to employees on special occasions.

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We strive to equip our employees with the skills and knowledge relevant to their work by providing internal and external training programs as well as technical training programs. We have also implemented programs to recognize employees' efforts to achieve customer satisfaction and our quality goals.

The remuneration package of our employees includes salary, bonuses and allowances. In accordance with the relevant labor and social welfare laws and regulations, we are required to pay in respect of each of our employees certain social insurance premiums which vary depending on the jurisdiction.

In Hong Kong, we are subject to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) and Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong). We provide our employees in Hong Kong with group term life insurance, group medical and outpatient insurance scheme, and group business travel insurance. We operate a mandatory provident fund scheme for our employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations. Contributions to the scheme is made at 5% of the employee's gross monthly salary and matched by the employees. This contribution is accounted for in our Group's consolidated financial accounts as they become payable in accordance with the rules of the scheme and vest fully with the employee when the amounts are contributed by our Group.

As required by PRC regulations, we participate in the social insurance schemes supervised by the relevant local government authorities which include the pension insurance, maternity insurance, medical insurance, unemployment insurance and work-related injury insurance schemes for our workers in China. We also contribute to a housing fund for our workers in China as required by PRC regulations.

We maintain a defined benefit plan for the employees in our Thailand facility in accordance with the Thai Social Security Act. Under the Thai Social Security Act, every employer is required to register itself and its employees with the Thai governmental authorities for the social security purpose. The employer and its employees must contribute equal amounts to the Thai governmental authorities on a monthly basis at the rate of 5% of the employee's salary, with the salary capped at 15,000 Thai baht.

In addition to the Thai Social Security Act, employers and employees may, but are not required to, make contributions for provident fund purposes under the Thai Provident Fund Act. We confirm that we have complied with applicable employment laws and regulations in Hong Kong, the PRC and Thailand in all material respects during the Track Record Period.

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### ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

#### Environmental Issues

We are subject to local and national environmental laws in Hong Kong, the PRC and Thailand. We are committed to following environmentally-responsible practices and abiding by relevant environmental laws and regulations in all aspects of our business. We take steps to ensure that industrial wastes and by-products produced as a result of our operations, such as air pollutants and wastewater, are properly disposed of in accordance with the laws. We have installed various machineries in our facilities, including waste water treatment systems and secured storage for waste products at each of our production facilities, to prevent, reduce or treat the waste generated in our manufacturing process. Periodic audits with regard to environmental protection are conducted by certain of our customers and we have passed all such audits during the Track Record Period. We have adopted the following specific measures to ensure that our operations comply with environmental laws and regulations:

- establishing specific committees which are responsible for both the evaluation of environmental compliance and production safety at each phase of our operations;
- strengthening internal environmental compliance training; and
- installing automatic waste water monitoring devices at our manufacturing facilities.

Some of our customers require that our operations comply with applicable local regulations, including environmental regulations. Our operations are in compliance with their requirements and we have not experienced any penalties or contract cancellations due to these requirements.

During the Track Record Period, our annual cost of compliance with applicable environmental rules and regulations has been approximately US\$3.4 million, US\$3.0 million and US\$3.3 million for the years ended December 31, 2008, 2009 and 2010, respectively. We do not currently foresee any significant increase in such annual cost of compliance going forward and project our annual cost of compliance with environmental rules and regulations for the year ending December 31, 2011 to be approximately US\$3.8 million.

#### *Hong Kong Facility*

In Hong Kong, our manufacturing operations are subject to regulations and periodic monitoring by the Environmental Protection Department and other relevant local government authorities. Our Hong Kong facility has a built-in wastewater treatment system to treat wastewater generated by the facility.

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## BUSINESS

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### *PRC Facilities*

In China, our manufacturing operations are subject to regulations and monitoring by the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) and the relevant local government environmental protection authorities.

Under the relevant PRC laws and regulations, we are required to submit an environmental impact assessment to the local environmental protection bureau for approval before undertaking construction of any new production facility or expansion or renovation of an existing production facility. The pollution control facilities should be designed, constructed and operated at the same time as the primary facilities under construction. The construction project will not be permitted to use the facilities or to commence operations unless the environmental protection administration department which approved the environmental impact assessment has determined these facilities to be satisfactory. If the necessary approvals are not obtained for a facility, relevant PRC governmental authorities may order the suspension of operations at such facility or take regulatory or legal action resulting in the imposition of fines and/or other penalties. We submit an environmental impact assessment for each of our PRC facilities and have obtained pollutant discharge permit for our subsidiaries that discharge pollutants but we have not obtained approval for the completion of environmental protection facilities for our Shenzhen facility. We have established wastewater treatment systems to treat wastewater generated by all of our PRC facilities.

### *Thailand Facility*

In Thailand, our manufacturing operations are subject to regulations and periodic monitoring by Ministry of Industry and the relevant local government environmental protection authorities. Our Thailand facility has a central outdoor wastewater treatment system on the premises to treat wastewater generated by us.

### *Compliance*

If any of our facilities is found to have engaged in activities that severely polluted or endangered the environment, the relevant authorities may impose penalties on us, as well as require us to restore the environment or remedy the effects of the pollution. Any failure to so restore or remedy within the prescribed time could result in our licenses being terminated.

Save as disclosed above, we believe we have complied with applicable laws and regulations on environmental protection in all material respects and that, during the Track Record Period, we were not in material breach of such laws and regulations. As at the Latest Practicable Date, we were not subject to any material fines or legal action involving non-compliance with any relevant environmental regulations. We are currently not aware of any threatened or pending action by any environmental regulatory authority in any of the jurisdictions in which we operate.



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## BUSINESS

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In addition to environmental regulations in Hong Kong, the PRC and Thailand, we must comply with certain international environmental regulations and standards applicable to our customers and their products. In particular, our products which are exported to the European Union must be fully compliant with the European Union's directive on the RoHS (the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations), including that such products do not contain any lead, mercury, cadmium and other hazardous substances. As at the Latest Practicable Date, all of our products that are exported to the European Union have met the requirements under RoHS. We do not expect any difficulties in complying with the RoHS directive in the future. We are even able to exceed the RoHS requirement and are capable of produce halogen-free products for our customers.

### Health and Safety Issues

We have implemented various measures at our production facilities to promote occupational safety and to ensure compliance with applicable laws and regulations. For example, we conduct periodic inspections of our manufacturing facilities to ensure that all parts of our operations are in compliance with existing laws and regulations. As we believe that following safe practices is the best way to ensure employee safety, our safety supervision personnel also conduct regular training sessions for employees on accident prevention and management. We confirm that our operations were in compliance with the applicable safety regulations in all material respects during the Track Record Period.

Some of our customers require that our operations comply with applicable local health and safety regulations, including those concerning employee work environment. Periodic audits with regard to production safety are conducted by certain of our customers and we have passed all such audits during the Track Record Period. Our operations are in compliance with their requirements and we have not experienced any penalties or contract cancellations due to these requirements.

Our operations in Hong Kong are primarily subject to the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), the regulatory authority of which is the Labor Department of the Hong Kong government. We have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, work-related injuries, electricity safety and emergency and evacuation procedures.

Our operations in the PRC are subject to occupational health and safety regulations set by the Ministry of Health of the PRC (中華人民共和國衛生部), the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and the relevant local government occupational health and safety authorities. We may be required by the Law on the Prevention and Treatment of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》) to comply with certain formalities, including the filing of occupational disease reports, if our operations generate powder or dust, or emit radioactive, toxic or harmful substances. See the section headed "Risk Factors — Our subsidiaries operating in the PRC may be required to comply with PRC occupational disease laws" in this document for further details. The production of PCB produces a small amount of powder which, the Directors believe, is not a hazard to employees of our Group. Our Group however, provides face masks to employees engaged in the related production processes which our Directors believe to be protection that is sufficient. We have made inquiries with the relevant local health bureau in the

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## BUSINESS

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PRC and were informed that no occupational disease reports are required to be filed by us, nor are we required to follow other relevant formalities, but we cannot assure you that this implementation is consistent with the application of the law or that the relevant local authorities will not change their implementation of such law. If they do, we may be subject to a maximum monetary penalty of RMB500,000 per offence. Our PRC legal advisor, Commerce & Finance Law Offices, has advised us that if we continue to comply with the requirements of competent governmental authorities and take effective and sufficient protective measures to protect our workers from occupational diseases, the likelihood that any penalty which will materially affect our business is remote. We will continue to liaise with the relevant local health bureau on the interpretation and application of this law, and if we are required to comply with such law (including the filing of occupational disease reports), we will do so going forward. At our PRC facilities, we have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, work-related injuries, electricity safety and emergency and evacuation procedures. We are also required to comply with applicable laws and regulations for production safety. Specifically, we are required to comply with the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the Regulations of Production Safety of Guangdong Province (《廣東省安全生產條例》) and the Regulations of Production Safety of Jiangsu Province (《江蘇省安全生產條例》), which concern issues such as the adequate administration of, and responsibility for, production safety.

Our operations in Thailand are primarily subject to the Thai Building Control Act, which governs workplace health and safety regulations, including building stability, safety and fire protection, public health and the environment, the regulatory authorities of which are the municipality or administrative organization. Another applicable law is the Thai Labor Protection Act which governs the rules and regulations with regard to safety, healthy and the workplace environment. The authority responsible for this law is the Provincial Labor Office. We have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, work-related injuries, electricity safety and emergency and evacuation procedures.

Save as disclosed above, we confirm that our operations in Hong Kong, the PRC and Thailand were in compliance with the applicable safety regulations in all material respects during the Track Record Period. We believe we have established necessary measures to comply with the applicable health and safety laws and regulations in all material respects. We have not encountered any safety-related accidents that had any material impact on our operations during the Track Record Period.

## INSURANCE

We currently maintain various insurance policies including:

- property all risks insurance (covering buildings and their contents, including machinery and stock-in-trade) and business interruption insurance for our manufacturing facilities in Hong Kong, the PRC and Thailand;

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## BUSINESS

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- marine insurance for worldwide coverage of cargo shipments in connection with our global distribution; and
- public liability insurance for third-party losses.

We currently maintain product liability insurance for some of our product range as requested by our customers and we place significant emphasis on quality assurance to control our product liability risks. We did not receive any product liability or third party liability claims from our customers or any other third parties in the past. Our Directors confirm that, to the best of their knowledge and belief, we have sufficient insurance coverage for our assets and products.

### LEGAL PROCEEDINGS AND COMPLIANCE

In September 2009, a trading subsidiary of our Group filed a claim seeking to have the Tribunal De Commerce De Paris issue a Writ of Summons against one of our customers in France for approximately US\$4.2 million after failed attempts to negotiate an amicable settlement with that customer. The claim related to outstanding trade receivables with a QTA premium for orders placed with our Group for PCBs and QTA services provided in late 2006. In February 2010, the customer in France countersued and sought to have the QTA service agreements between the customer and our Group declared null and void. We responded to their claims and a pleading hearing was held on March 16, 2011. On May 5, 2011, the court ordered the customer in France to pay our trading subsidiary the total amount of approximately US\$2.9 million in principal, plus interest on the principal calculated from July 1, 2009 and €10,000.00 in court fees. The court dismissed a portion of our claims for unpaid trade receivables which were delivered to the French customer's Tunisian and Brazilian operating subsidiaries even though the French customer placed the order, stating that the operating subsidiaries are separate legal entities. We intend to pursue these claims directly against the Tunisian and Brazilian operating subsidiaries though we have not yet begun any legal proceedings. The customer in France lodged an appeal on June 17, 2011 and as at the Latest Practicable Date, no date had been fixed for hearing the appeal. We have made full provision for the disputed trade receivable of US\$3,839,911 which is in line with our Company's doubtful debts provision policy that any overdue debts greater than 360 days is subject to general doubtful debts provision of 100%.

One of our subsidiaries in Kaiping ("**KSub**") is currently involved in potential lawsuits, claims and proceedings with one of its PRC customers amounting to approximately RMB30.0 million (approximately US\$4.4 million), arising from some negative feedback from the end users of the assembled products using PCBs supplied by KSub. At the same time, we are now seeking to recover the long overdue trade receivables of approximately RMB1.0 million (approximately US\$0.1 million) from the same customer. In the court hearing on June 17, 2011, the PRC customer submitted evidence to the court which has yet to be examined. As at the Latest Practicable Date, no date has been fixed for the next hearing. Based on the legal advice obtained by our Group, it is premature to assess the potential outcome of the case. Our Board is of the opinion that the abovementioned lawsuit will not have a material adverse financial effect on our Group.

Other than the foregoing, as at the Latest Practicable Date, we were not involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

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## BUSINESS

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### Compliance

Our Directors have confirmed that we have complied with applicable PRC laws and regulations in all material aspects, and have obtained all material licenses, approvals, permits and certificates from appropriate regulatory authorities for our business operations in the PRC. Our Thai legal advisors and our Directors have confirmed that we have complied with applicable Thai laws and regulations in all material aspects, and have obtained all material licenses, approvals, permits and certificates from appropriate regulatory authorities for our business operations in Thailand.

### REAL PROPERTY

The following table summarizes, by categories, the details of material real properties held by our Group: (i) Group I — Properties held and occupied by our Group in Hong Kong; (ii) Group II — Properties held and occupied by our Group in the PRC; (iii) Group III — Property under development by our Group in the PRC; and (iv) Group IV — Properties held and occupied by our Group in Thailand. For further details of real properties held, leased or licensed by our Group, please see the Property Valuation Report in Appendix III to this document.

#### Group I — Properties held and occupied by our Group in Hong Kong

Description	Location	Estimated GFA	Market value in existing as at March 31, 2011
Workshop and ancillary office in No. 94 To Kwa Wan Road	Kowloon, HK	12,456.24 sq.m., total saleable area of 9,452.53 sq.m., and both exclusive of a total flat roof area of 70.94 sq.m.	HK\$199,000,000 (100% interest attributable to our Group)

#### Group II — Properties held and occupied by our Group in the PRC

Description	Location	Total Site Area	Estimated GFA	Land-use Term	Market value as at March 31, 2011
Industrial complex of Elec & Eltek (Guangzhou) Electronic Company Limited (consisting of three parcels of land)	Guangzhou City, Guangdong Province	25,907.19 sq.m.	43,444.20 sq.m.	50 years term for the three parcels set to expire on December 30, 2043, December 31, 2043 and February 10, 2046, respectively	HK\$168,500,000 (98% interest attributable to our Group: HK\$165,130,000
Industrial complex of Shenzhen Pacific Insulating Material Co., Ltd.	Shenzhen City, Guangdong Province	9,063.30 sq.m.	5,120.77 sq.m.	May 15, 1987 to May 14, 2037	HK\$20,700,000 (93.5% interest attributable to our Group: HK\$19,354,500)

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Description	Location	Total Site Area	Estimated GFA	Land-use Term	Market value as at March 31, 2011
Northern area of the industrial complex of Kai Ping Elec & Eltek Company Limited	Kaiping City, Guangdong Province	96,989.64 sq.m.	61,885.16 sq.m.	August 1, 1997 to July 30, 2047	HK\$224,600,000 (95% interest attributable to our Group: HK\$213,370,000)
Industrial complex of Nanjing Elec & Eltek Electronic Co., Ltd.	Nanjing City, Jiangsu Province	13,661.00 sq.m.	6,558.94 sq.m. (excluding ancillary structures of 1,120 sq.m.)	November 28, 2000 to November 27 2050	HK\$26,800,000 (100% interest attributable to our Group)

### Group III — Properties under development by our Group in the PRC

Description	Location	Total Site Area	Estimated GFA	Land-use Term	Market value as at March 31, 2011
Phase I of industrial complex of Elec & Eltek (Guangzhou) Electronic Company Limited	Guangzhou City, Guangdong Province	160,554.00 sq.m.	Currently about 49,929.37 sq.m.; will increase by about 52,800.00 sq.m. upon the completion of a new factory building scheduled by the end of 2011	August 16, 2000 to August 15, 2050	HK\$318,300,000 (98% interest attributable to our Group: HK\$311,934,000)
Southern area of the industrial complex of Kai Ping Elec & Eltek Company Limited (consisting of three parcels of land)	Kaiping City, Guangdong Province	149,425.01 sq.m.	105,078.83 sq.m.	March 16, 2004 to March 15 2054	HK\$228,900,000 (95% interest attributable to our Group: HK\$217,455,000)

*Note:*

Some of our tenancy agreements in the PRC have not yet been filed with competent governmental authority, and we are in the process of making such filings. We have been advised by our PRC legal advisor, Commerce & Finance Law Offices, that although such non-registration by itself will not affect the validity of such tenancy agreements, the relevant local government authority may order the lessor and lessee to rectify non-registration within a prescribed period, and a fine of an amount ranging from RMB1,000 to RMB10,000 maybe imposed by local government authorities for each non-registered tenancy agreements that is not timely rectified.

For some of our leased properties, which are used by us as our employees' dormitories or as warehouses, the lessors have not yet obtained or are not willingly to provide us with the property title certificate. If the relevant lessors do not hold valid title to those properties, we may not be able to use such properties as we expect.

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Furthermore, one of our PRC subsidiaries, Shenzhen Pacific Insulating Material Co., Ltd., is currently using a dormitory building with a gross floor area of 319.99 sq.m. (excluding the area of 313.89 sq.m. for the second level) together with a boiler house with a gross floor area of 140.60 sq.m. and a dormitory room of 77.79 sq.m. for which we do not hold title for either the buildings or the relevant land. In addition, we have not obtained relevant building planning permits or building construction permits for the construction of those buildings. We may be ordered to demolish the relevant buildings and may be subject to other penalties.

One of our PRC subsidiaries, the Kai Ping Elec & Eltek Company, is currently using warehouse with a gross floor area of 2,850 sq.m. without obtaining relevant title certificate, Construction Work Planning Permit and Building Construction Permit. We plan to demolish the relevant warehouse.

We have not yet obtained the relevant Building Construction Permits for certain buildings, which include a canteen with a gross floor area of 1,426.8 sq.m. located on the land of Kai Ping Elec & Eltek Company, two temporary warehouses with a gross floor area of 432 sq.m. and 1,024 sq.m., respectively, and an industrial factory with a gross floor area of 9,631 sq.m. which is under construction located on the land of Kaiping Elec & Eltek No.5 Company Limited, and a boiler house with a gross floor area of 659.6 sq.m. built by Kaiping Pacific Insulating Material Company Limited. We may be subject to certain fines according to relevant laws and regulations. We plan to demolish the two temporary warehouses and we are currently in the process of applying for Building Construction Permits for the remaining buildings, none of which has obtained the relevant permit as of the Latest Practicable Date. On March 30, 2011, the Housing and Urban-Rural Development Bureau of Kaiping City issued confirmations to confirm that it would grant us the relevant Building Construction Permits for such buildings in due course and would not penalize our relevant subsidiaries for initiating the construction work without proper Building Construction Permits for the time being. We also have not obtained the Building Ownership Certificates for the aforementioned buildings. None of the defective properties are, individually or collectively, crucial or material to our operations.

Save as disclosed above and for certain buildings located in the PRC which are in the process of construction or is undergoing the formalities of checking and acceptance for completed constructions and/or issuance of Building Ownership Certificate, we have obtained proper title documents, such as title deeds, land title deeds, Building Ownership Certificates and Land Use Right Certificates, for buildings owned or leased by us.

### Group IV — Properties held and occupied by our Group in Thailand

Description	Location	Total Site Area	Estimated GFA	Market value as at March 31, 2011
Industrial complex of Pacific Insulating Material (Thailand) Limited	Pranakornsiyayutthaya Thailand	17,180 sq.m.	10,798 sq.m.	HK\$40,100,000 (100% interest attributable to our Group)
Industrial complex of Elec & Eltek (Thailand) Limited	Pathumthani, Thailand	82,080 sq.m.	33,892 sq.m.	HK\$130,400,000 (100% interest attributable to our Group)

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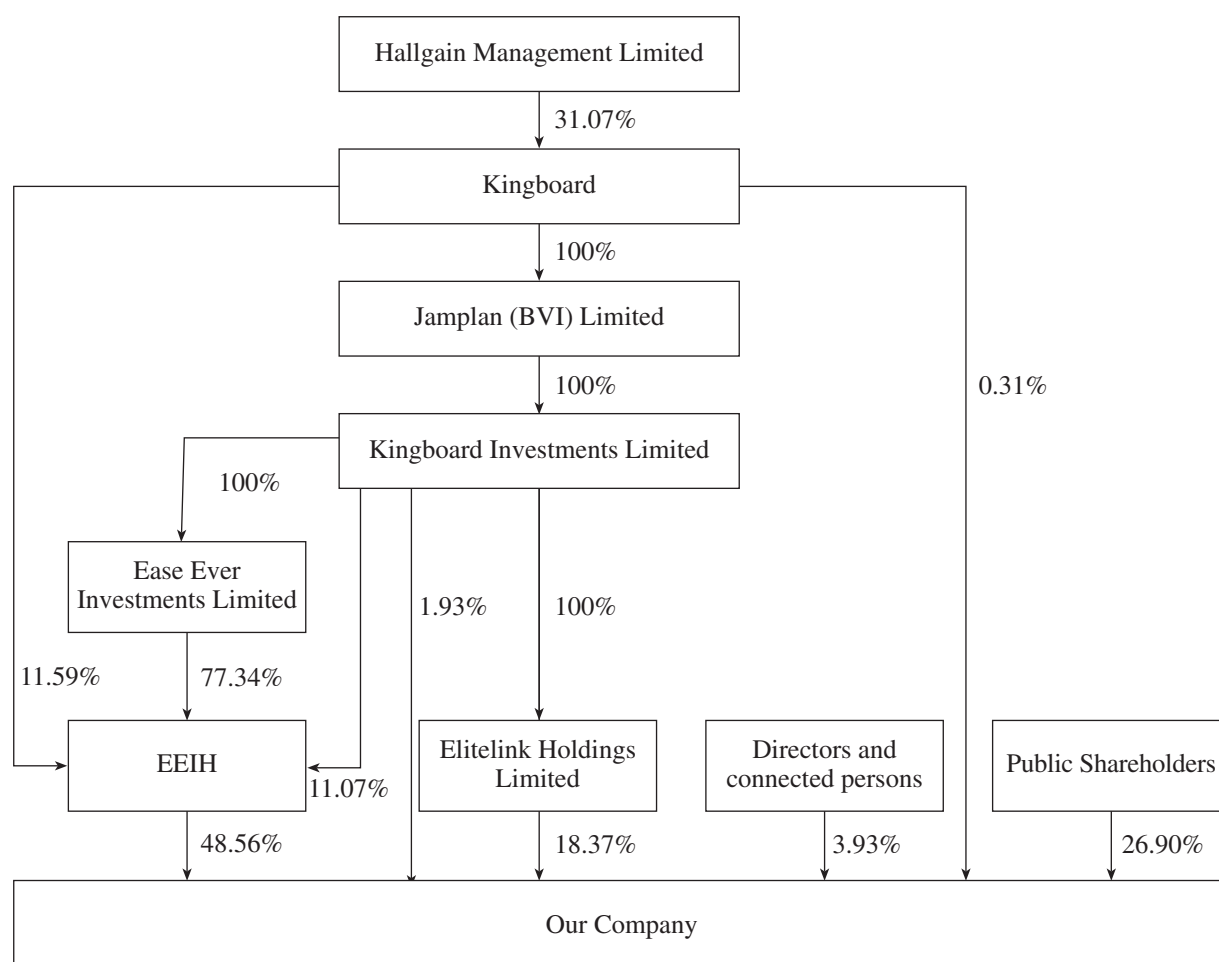
## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date and immediately following the Listing (without taking into account any Shares which may be issued pursuant to the exercise of options granted under the Share Option Schemes), (i) EEIH was and will be directly interested in approximately 48.56% of the issued share capital of our Company; and (ii) Kingboard was and will directly and through its direct or indirect wholly-owned subsidiaries (including Jamplan (BVI) Limited, Kingboard Investments Limited, Elitelink Holdings Limited, Ease Ever Investments Limited and EEIH) be interested in approximately 69.17% of the issued share capital of our Company. Hence EEIH and Kingboard would be the Controlling Shareholders of our Company.

The diagram below sets out an abridged version of the corporate structure of Kingboard:



The Kingboard Group is principally engaged in the manufacture and sale of laminates, chemicals, PCBs, liquid crystal displays, magnetic products and property developments and investment.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM THE KINGBOARD GROUP

Our Board is satisfied that our Group can carry on business independently from the Kingboard Group and its associates after the Listing on the basis of the following:

#### Independence of boards and management

Kingboard and our Company have boards of directors that function independently of each other. The following table sets forth the details of the directorships of our Company and Kingboard immediately upon the Listing:

	<u>Our Company</u>	<u>Kingboard</u>
Executive directors . . . .	Mr. Chadwick Mok Cham Hung Mr. Li Muk Kam Mr. Philip Chan Sai Kit Mr. Clement Sun Ms. Claudia Heng Nguan Leng Mr. Li Chiu Cheuk Mr. Chan Wai Leung Mr. Ng Hon Chung	Mr. Cheung Kwok Wing Mr. Cheung Kwong Kwan Mr. Chang Wing Yiu Mr. Ho Yin Sang Ms. Stephanie Cheung Wai Lin Mr. Chadwick Mok Cham Hung Mr. Chen Maosheng
Non-executive directors .	Mr. Cheung Kwok Wing Mr. Chan Wing Kwan Mr. Chang Wing Yiu	Mr. Chan Wing Kwan
Independent non-executive directors .	Mr. Lai Chong Tuck Prof. Raymond Leung Hai Ming Mr. Stanley Chung Wai Cheong	Mr. Christopher Cheng Wai Chee Mr. Henry Tan Mr. Robert Lai Chung Wing Mr. Tse Kam Hung

There are four common directors between our Company and Kingboard as at the Latest Practicable Date, namely, Mr. Cheung Kwok Wing, Mr. Chan Wing Kwan, Mr. Chadwick Mok Cham Hung and Mr. Chang Wing Yiu. In addition, Mr. Cheung Kwok Wing is the brother of Ms. Stephanie Cheung Wai Lin, the cousin of Mr. Cheung Kwong Kwan and the brother-in-law of Mr. Chang Wing Yiu, each a director of Kingboard. Mr. Lai Chong Tuck, our INED is the brother of Mr. Robert Lai Chung Wing, an independent non-executive director of Kingboard. As at the Latest Practicable Date, none of our Directors was also a director of Kingboard Laminates.

Mr. Li Muk Kam, Mr. Philip Chan Sai Kit, Mr. Clement Sun, Ms. Claudia Heng Nguan Leng, Mr. Li Chiu Cheuk, Mr. Chan Wai Leung and Mr. Ng Hon Chung were executive Directors of our Company while Mr. Oscar Cheung Yiu Wai, Ms. Anna Cheung Po King and Ms. Sumarn Jermsawasdipong have had senior management responsibilities in our business during the Track Record Period.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Save for the aforesaid, our Board and our senior management and the board of Kingboard and the senior management of the operating subsidiaries within the Kingboard Group are independent of, and separate from, each other.

Mr. Chadwick Mok Cham Hung is currently an executive director of our Company and Kingboard. We have been informed by Kingboard that its board of directors believes that it would be in the best interests of the shareholders of Kingboard for Mr. Mok to remain on its board of directors as an executive director in which Mr. Mok has been an executive director since June 2000. Kingboard has indicated to us that Mr. Mok's vision, extensive experience and knowledge in corporate finance, business management and the operations of the Kingboard Group would be beneficial to its future growth success. In addition, the board of directors of Kingboard considers that having Mr. Mok remaining on the board of directors of Kingboard would enable Kingboard to continue to benefit from Mr. Mok's advice and input to its business. On the other hand, Mr. Mok has been one of our executive Directors since December 2004 when Kingboard acquired a controlling stake of approximately 69.72% of the shareholding interests in our Company. Since then, Mr. Mok has been an executive director of our Company and Kingboard where he has made valuable contribution to our Group. Mr. Mok has also been acting as our Chief Executive Officer since 2008 and is responsible for developing the overall business directions and management strategies of our Group. As Mr. Mok has been performing this dual executive directorship role for more than six years, during which the business and operations of both our Group and the Kingboard Group have been carried out smoothly in spite of the fluctuations in the macro-economic environment, he is fully aware of the allocation of duties as director of a listed company in both Hong Kong and Singapore and the fiduciary duties he owes to the respective shareholders of our Company and Kingboard such that he would ensure no conflicts of interest exists among himself, our Company and Kingboard, both our Company and Kingboard believe that it would be in the best interests of the respective shareholders of our Company and Kingboard as a whole to have Mr. Mok continue serving as an executive director of our Board and the board of directors of Kingboard. Our Board and the board of directors of Kingboard believe that Mr. Mok's extensive experience and vision in the industry could bring high-level strategic directions to our Group and Kingboard thereby enhance shareholders' value of both our Group and the Kingboard Group accordingly.

Mr. Chan Wing Kwan was one of the founders of the Kingboard Group. He is also a non-executive director of our Company and Kingboard. Mr. Chan will not have any management role in the day-to-day operations of our Group and the Kingboard Group and will only be involved in high level business decisions provided that there are no actual or potential conflict of interests. Given Mr. Chan's contribution to our Group and the Kingboard Group throughout the years and his vast experience in the industry, both our Company and Kingboard believe that it would be in the best interests of the respective shareholders of our Company and Kingboard for Mr. Chan to participate as a non-executive director on our Board and the board of directors of Kingboard.

Our non-executive Directors, Mr. Cheung Kwok Wing (who was one of the founders of the Kingboard Group) and Mr. Chang Wing Yiu, are responsible for overseeing and supervising the strategic development of our Group. While Mr. Cheung is responsible for the overall strategic planning and sets the general direction and goals for the Kingboard Group, Mr. Chang is responsible for the methanol plant in Chongqing, the chemical refinery plant in Yangzhou, Jiangsu province and the phenol/acetone plant in Huizhou, Guangdong province, the PRC of the Kingboard Group. Both Mr.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Cheung and Mr. Chang will not have any management role in the day-to-day operations of our Group and will only be involved in high level business decisions provided that there are no actual or potential conflict of interests. As our Company will remain a subsidiary of Kingboard immediately after the Listing, it is expected that Kingboard will have its presence on our Board through these Directors. Our Board believes that it would be in the best interests of our Shareholders for Mr. Cheung and Mr. Chang to participate as non-executive Directors on our Board, as Mr. Cheung has extensive experience in the sales and distribution of electronic components while Mr. Chang has extensive experience in laminates production. We expect that Mr. Cheung and Mr. Chang, acting together or individually, can provide valuable advice to our Board regarding our corporate strategies.

It is recognized that because Mr. Cheung Kwok Wing, Mr. Chadwick Mok Cham Hung and Mr. Chang Wing Yiu are also executive directors of Kingboard and Mr. Chan Wing Kwan is also a non-executive director of Kingboard, they may potentially be perceived as having a conflict of interests in certain circumstances involving our Company and Kingboard. However, these Directors are mindful of their fiduciary duties to act in the best interests of our Company and Kingboard. In cases where there are actual or potential conflict of interests, these four common Directors will, in accordance with the requirements of the Listing Rules and the Articles of Association, abstain from voting on the relevant resolutions in board meetings of our Company and Kingboard. As such, we believe that it is unlikely that any conflict of interest will arise when Mr. Cheung Kwok Wing, Mr. Chan Wing Kwan, Mr. Chadwick Mok Cham Hung and Mr. Chang Wing Yiu provide their high-level strategic advice to our Company when such advice is needed.

The Company notes that Mr. Cheung Kwok Wing is the Chairman of our Company as well as the Chairman of Kingboard, however, (a) the day-to-day management of a company is typically given to officers of such company (who are appointed by the board of directors at one or more directors' meetings) and (b) the directors of a company are responsible for the supervision of such officers and for making significant decisions regarding such company. Pursuant to the Articles, at each Board meeting, a Director present at such meeting will be appointed as the Chairman of such meeting. A distinction should be drawn between (A) the chairman of a board of directors' meeting; and (B) the chairman of a company. Where the articles of association of a company provide, the former may get a casting vote in the case of equality of votes at a board of directors' meeting, and as such, he/she has significant power in directing the outcome of a matter that has been put to the votes of the directors. The chairman of a company, on the other hand, is an officer of such company and the title does not give the person similar rights enjoyed by the chairman of a board of directors' meeting. We consider our Articles to be consistent with such common practice.

Mr. Cheung Kwok Wing is the Chairman of our Company, not the chairman of our Board at a Directors' meeting (*i.e.*, category (B) described in the preceding paragraph). As disclosed above, while he is expected to provide strategic advice to our Company (and as a non-executive Director, he is expected to attend meetings of our Board), he is not expected to participate in the day-to-day management of our Group's business operations.

If an issue relating to the day-to-day operations of our Company were to arise, it would be decided by the officers of our Company. If such issue does not relate to the day-to-day operations or is otherwise a significant issue, it would be decided by our Board, in which case, all Directors that do not have conflict of interests may participate and vote. There is no assurance that Mr. Cheung Kwok

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Wing would be appointed as the chairman of our Board at any meeting of our Directors. The appointment of the Chairman at a Directors' meeting will be made on a case-by-case basis by our Directors at each meeting depending on, among other factors, the nature of the matters to be resolved at each meeting and the Directors that attended such meeting.

In the case of a Directors' meeting at which our Company needs to decide on a transaction between a member of our Group and a member of the Kingboard Group, our Directors that are also directors of Kingboard will need to abstain from voting at such meeting. As such, it is not possible for Mr. Cheung Kwok Wing (as well as any of the other common Directors) to influence the decision of our Board with respect to any such transaction. Given that the only Directors that may participate in the Directors' meeting are Directors that are unrelated to Kingboard, any chairman of such meeting will by definition have to be independent to Kingboard. As such, we consider that the interests of our Shareholders in such situation are already adequately protected, as the Directors that are also directors of Kingboard may not participate in the decision with respect to the voting of the relevant transaction.

We also understand that Mr. Cheung Kwok Wing, being one of the founders of the Kingboard Group, would like to retain the role of Chairman of our Company, and we consider such preference to be a commercially sound one and not uncommonly seen among listed companies in Hong Kong.

Furthermore, we consider that Mr. Cheung Kwok Wing is the most suitable candidate to be the Chairman of our Company as the PCB business is one that requires significant industry knowledge and having a person that is not familiar with this business to act as the Chairman of our Company (not chairman of the Board at a Directors' meeting, which as explained above would be made on a case-by-case basis by the Directors at each Directors' meeting) may result in our Company not being able to act swiftly with new opportunities and changes in market conditions. This in turn may affect our financial performance. We therefore consider such an arrangement to be in the best interests of our Shareholders.

In general, after the Listing, any Director who has a material interest in actual or potential connected transactions will be required under the Listing Rules and the Articles of Association to abstain from voting in meetings of the Board in relation to such transactions. In these cases, our three INEDs will bring their independence to our Board's decision making process. They will also advise and vote on the transactions. Our non-conflicting executive Directors would also bring their extensive experience in the PCB industry to our Board. Through such measures, our Company believes that our Directors will be able to fully discharge their functions as a collective Board.

In addition, our Group has been operating under the supervision of an experienced senior management team, all members of which have been appointed as our executive Directors or listed as a member of our senior management team and have extensive experience in the PCB industry. It is expected that after the Listing, our Company will continue to be centrally managed by the senior management team. Our Company has sound reporting mechanisms in place to ensure that important decisions are made independently and only with the proper authorizations from the senior management team. For example, budgetary control, capital expenditure, raw materials procurements and hiring of

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

senior personnel require approval of the senior management of our Group. Following the Listing, the senior management of our Group and the senior management of the Kingboard Group will not overlap. This helps to ensure the independence between the daily management and operations of our Group and those of the Kingboard Group.

Save for the aforesaid, none of our Directors or senior management is a director or holds a senior management role in the Kingboard Group. In view of the above, our Directors believe that we operate independently of the Kingboard Group and in the interests of our Shareholders.

During the Track Record Period, the amount of remuneration received by the common Directors from us and Kingboard are as follows:

Name	Year ended December 31,					
	2008		2009		2010	
	Our Company	Kingboard	Our Company	Kingboard	Our Company	Kingboard
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Chadwick Mok Cham Hung . . . . .	nil	11,228	nil	13,877	nil	17,540
Cheung Kwok Wing . . . . .	nil	19,708	nil	25,349	nil	28,607
Chan Wing Kwan . . . . .	nil	11,888	nil	13,571	nil	16,307
Chang Wing Yiu . . . . .	nil	12,043	nil	13,710	nil	16,519

With respect to our remuneration policy after the Listing, we have set up a Remuneration Committee which comprises four Directors which will formulate policies and procedures for determining the remuneration of our Directors and senior management and other remuneration related matters.

When recommending the remuneration package for each individual Director, the Remuneration Committee will consider his/her qualification and experience, specific duties and responsibilities assigned to him/her by our Board and the remuneration packages available in the prevailing market for a similar position.

Before the Listing, all the common Directors were on the payroll of Kingboard because these Directors were responsible for overseeing different business carried out by different subsidiaries of the Kingboard Group. After the Listing, Mr. Cheung Kwok Wing and Mr. Chang Wing Yiu who are executive directors of Kingboard and non-executive Directors of our Company and Mr. Chan Wing Kwan who is a non-executive director of Kingboard and our Company will continue to be on the payroll of Kingboard but they will not receive any remuneration from us after the Listing, while each of Kingboard and our Group will bear the respective portion of the payroll (i.e. salary and mandatory provident fund contribution) of Mr. Chadwick Mok Cham Hung after Listing. In addition, Mr. Mok is also entitled to all aspects of remuneration, including but not limited to discretionary bonus, share options, benefits-in-kind and the like (if any) as reviewed and recommended by the Remuneration

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Committee from time to time after Listing. During the Track Record Period and as at the Latest Practicable Date, Kingboard and our Company are listed on the Stock Exchange and the SGX-ST, respectively, hence, each of these common Directors are fully aware of their duties owed to their respective shareholders (including the minority shareholders).

### PCB and laminates businesses

#### *PCB products*

The Kingboard Group is principally engaged in the manufacture and sale of laminates, chemicals, PCBs, liquid crystal displays, magnetic products and property development and investment. The Kingboard Group's PCB sales (excluding those PCB sales generated by our Group) only accounted for approximately 17.2%, 17.3% and 13.4% of the total consolidated revenue of Kingboard, for each of the three years ended December 31, 2008, 2009 and 2010, respectively. Also, our operations is separate and independent of the PCB business of the Kingboard Group.

*Scope and size* — The Kingboard Group has been engaging in the production and sale of PCBs since 1996, prior to its acquisition of the Group in 2005. As at the Latest Practicable Date, the Kingboard Group has eight production plants in the PRC with an aggregate monthly production capacity of 13,000,000 sq.ft. As at the Latest Practicable Date, the Kingboard Group has approximately 11,000 employees engaging in its PCB business (excluding those of our Group). The major external suppliers of the Kingboard Group's PCB business are located in the PRC. During the Track Record Period, none of the top five suppliers nor the top five customers of the Kingboard Group is the same as that of our Group. Set out below is the total revenue and operating profit of the Kingboard Group's PCB business (excluding that of our Group) for each of the three years ended December 31, 2008, 2009 and 2010 as extracted from the management accounts of Kingboard:

	<u>For the year ended December 31,</u>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>
<b>Revenue</b>			
Our Group . . . . .	517,931	434,565	598,853
Kingboard Group, excluding our Group. . . . .	523,386	530,065	581,306
<b>Operating profit</b>			
Our Group . . . . .	48,407	49,349	89,730
Kingboard Group, excluding our Group. . . . .	30,446	30,896	60,285

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*Notes:*

1. The exchange rate used was US\$1 = HK\$7.7879.
2. The exchange rate used was US\$1 = HK\$7.7493.
3. The exchange rate used was US\$1 = HK\$7.7637.

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Although our Group and the Kingboard Group are both operating in the PCB industry, since Kingboard's acquisition of our Group, both our Group and the PCB business of the Kingboard Group have experienced healthy growth in sales and operating profit, as shown in the table above. Based on the foregoing, we do not anticipate the Introduction will affect the PCB sales currently carried out on an ongoing or recurring basis by our Group or by the Kingboard Group.

**Product types** - Although both our Group and the Kingboard Group are principally engaged in the manufacture and sale of PCBs (including conventional and HDI), the PCB business of our Group is considered to be more sophisticated as:

- our Group can produce PCBs with a maximum layer count of 42 layers while the maximum layer count of the Kingboard Group's PCBs is only 24 layers and the Kingboard Group does not focus on the production of high-end complex PCBs; and
- our Group has the ability to offer QTA services, which require delivery of quality products within short turnaround time and at competitive prices.

Set out below is the turnover of our Group and the Kingboard Group's PCB businesses categorized by product types during the Track Record Period:

	Year ended December 31,											
	2008				2009				2010			
	Kingboard Group, excluding our Group		Our Group		Kingboard Group, excluding our Group		Our Group		Kingboard Group, excluding our Group		Our Group	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
PCBs												
Convention PCBs												
Single-sided layers . . . . .	83,580	16.0	—	—	76,929	14.5	—	—	69,167	11.9	—	—
two and six layers . . . . .	423,026	80.8	333,684	66.6	414,247	78.2	284,247	68.1	424,750	73.1	364,621	65.7
eight layers and above . . . . .	16,780	3.2	152,841	30.5	11,984	2.2	107,067	25.7	14,419	2.4	132,435	23.9
Conventional PCBs subtotal . . . . .	523,386	100.0	486,525	97.1	503,160	94.9	391,314	93.8	508,336	87.4	497,056	89.6
HDI PCBs . . . . .	—	—	14,356	2.9	26,905	5.1	25,716	6.2	72,970	12.6	57,807	10.4
PCBs total . . . . .	<u>523,386</u>	<u>100.0</u>	<u>500,881</u>	<u>100.0</u>	<u>530,065</u>	<u>100.0</u>	<u>417,030</u>	<u>100.0</u>	<u>581,306</u>	<u>100.0</u>	<u>554,863</u>	<u>100.0</u>

**Customer base** — Our Group focuses on establishing business relationship with global OEM customers and their contract manufacturers while the Kingboard Group's PCB business focuses on serving domestic manufacturers in the PRC.

During the Track Record Period, our sales to the nine common customers of our Group and the Kingboard Group ranged from approximately 11.9% to 17.0% of our Group's total PCB sales while the Kingboard Group's sales to these common customers ranged from approximately 3.3% to 8.1% of the Kingboard Group's PCB sales (excluding our Group's PCB sales).

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These common customers are mainly engaged in the production and distribution of a variety of products including automotive, computer, computer peripheral, communication and networking devices and consumer electronic products.

During the Track Record Period, the majority of the PCBs sold to these common customers by the Kingboard Group and our Group were conventional PCBs of two to six layers and the rest were mainly HDI.

For each common customer, shipment location of our products sold is largely different from that of the Kingboard Group. For example, for a particular common customer, our products sold will be shipped to its production base in Southeast Asia while those sold by the Kingboard Group will be shipped to the customer's production base largely in the PRC. As the shipment location of the sales of the PCBs are specified on the purchase orders placed by the respective customers of our Group and the Kingboard Group, neither our Group nor the Kingboard Group has, or would reasonably be likely to have, the power to cause its respective customers to arbitrarily change the production and shipment location of the PCB products they order from our Group and the Kingboard Group.

Set out below are the shipment locations served by our Group and the Kingboard Group with respect to the nine common customers during the Track Record Period:

Name of common customers	Shipment location of the PCBs sold by the Kingboard Group	Shipment location of the PCBs sold by our Group
1. Customer A . . . . .	<ul style="list-style-type: none"> <li>• Mexico</li> <li>• The Philippines</li> <li>• Hungary</li> <li>• China (Shanghai)</li> </ul>	<ul style="list-style-type: none"> <li>• China (Wuhu, Huizhou, Changchun, Hong Kong)</li> <li>• France</li> <li>• Australia</li> <li>• Brazil</li> <li>• Czech Republic</li> <li>• Germany</li> <li>• Spain</li> <li>• USA</li> </ul>
2. Customer B . . . . .	<ul style="list-style-type: none"> <li>• Taiwan</li> <li>• China (<i>Shenzhen</i>, Foshan, Kunshan)</li> </ul>	<ul style="list-style-type: none"> <li>• China (<i>Shenzhen</i>, Yantai, Wuhan, Shanghai, Hong Kong)</li> </ul>
3. Customer C . . . . .	<ul style="list-style-type: none"> <li>• China (Zhuhai, <i>Hong Kong</i>, Shandong)</li> <li>• Korea</li> </ul>	<ul style="list-style-type: none"> <li>• China (Huizhou, Tianjin, <i>Hong Kong</i>)</li> <li>• Korea</li> <li>• India</li> <li>• Vietnam</li> <li>• Thailand</li> </ul>
4. Customer D . . . . .	<ul style="list-style-type: none"> <li>• <i>Hong Kong</i></li> </ul>	<ul style="list-style-type: none"> <li>• Mexico, <i>Hong Kong</i></li> </ul>
5. Customer E . . . . .	<ul style="list-style-type: none"> <li>• Germany</li> <li>• Vietnam</li> <li>• Czech Republic</li> </ul>	<ul style="list-style-type: none"> <li>• Japan</li> <li>• Thailand</li> <li>• Singapore</li> <li>• Hong Kong</li> </ul>



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Name of common customers	Shipment location of the PCBs sold by the Kingboard Group	Shipment location of the PCBs sold by our Group
6. Customer F . . . . .	• China (Xiamen)	• China (Shenzhen, Shanghai, Kunshan, Hong Kong) • Taiwan
7. Customer G . . . . .	• China ( <i>Hong Kong, Shenzhen, Shanghai</i> )	• China ( <i>Shanghai, Hong Kong</i> )
8. Customer H . . . . .	• China (Dongguan, Hong Kong)	• Thailand
9. Customer I . . . . .	• China ( <i>Huizhou</i> )	• China (Shenzhen, Hong Kong, <i>Huizhou</i> )

*Note: overlapping shipment locations are italicized.*

### ***No material competition between our Group and the Kingboard Group***

Though potential competition exists between the PCB business of our Group and that of the Kingboard Group, material competition is considered unlikely to happen because of the following reasons:

#### *1. Nature of PCB products*

PCBs are thin boards made from sheets of laminates material. Electrical wires are “printed” onto each board, which serve to electrically connecting the central processor to other components that are mounted onto the PCB for its intended purpose. These circuitry designs on the PCBs are provided by the OEM customers. Therefore, PCBs are unique in design in order to cater for the respective product application of the OEM customers. Furthermore, PCB designed for different end product models of the same OEM customer are not uniform and identical and PCB designs of different OEM customers but for the same product type are also different, as each of these OEM customers would have to distinguish their product features in order to capture their own markets which are highly competitive. Therefore, PCBs are typically customized for specific industry applications and are sold to customers according to vary specific customer specifications and technical requirements. Even within the same category or layer, the PCB products are not identical. As such, although the majority of the PCBs sold by our Group and the Kingboard Group to the common customers were conventional PCBs of 2 to 6 layers and HDI PCBs, the PCBs sold by our Group and the Kingboard Group cannot be viewed as fungible commodities.

#### *2. Independent sales team and client database*

Our Group has our own sales team which is operating independently from that of the Kingboard Group. Each of our Group and the Kingboard Group has its own independent system and database to record their customers’ information and price quotation. There are also measures in place in both our Group and the Kingboard Group to ensure there is no leakage of client information outside our Group



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and the Kingboard Group, respectively. Furthermore, our own sales team would approach our clients independently and does not share information regarding product specifications, customers' details and customer requirements etc. with the Kingboard Group. In addition, our Group does not undertake joint marketing activities with the Kingboard Group, and none of our Group's purchase orders with our customers is contingent upon, or bundled with, purchase orders placed by the same customers with the Kingboard Group. During the Track Record Period, all of our sales are negotiated and concluded by our own sales team which operates independent of the Kingboard Group and there were no instances where our Group has channelled our PCB sales to the Kingboard Group and *vice versa*.

### 3. *Customers' practice in selecting PCB suppliers*

PCB products are application-specific and manufactured according to specifications given by the customers. While pricing is an important factor, it is the industry practice that customers would choose their PCB suppliers based on a number of other factors, including but not limited to, technological capabilities, production capacity, quality control system and delivery time. In general, before a customer engages a particular PCB supplier, such PCB supplier would have to undergo certain qualification and certification programs of that particular customer. The customer will then decide to engage which PCB supplier based on the results of such qualification and certification programs and various other factors.

To maintain a stable supply of quality PCBs, many customers in the PCB industry would maintain its own approved suppliers list whereby they would source their PCB supplies from a number of suppliers on their own approved suppliers list instead of purchasing from one supplier in order to maintain a stable supply of quality PCBs. As long as our Group possesses the qualities required by the customer, we can participate in the customer's PCB supplier selection process, regardless of whether such customer purchases PCBs from the Kingboard Group simultaneously.

### 4. *The highly fragmented global PCB industry*

The global PCB industry is a highly fragmented and a very sizeable buyer market which can accommodate a large number of players in the market. According to Prismark, the global PCB production value for the year ended December 31, 2010 was approximately US\$51.0 billion and the aggregate revenue generated from the Kingboard Group and our Group in PCB sales only accounted for approximately 2% of the global PCB production value. As such, there are abundant business opportunities within the PCB industry for both our Group and the Kingboard Group to expand their respective PCB business through capturing market shares from other competitors, rather than competing with each other. Therefore, the expansion of our Group's PCB business would not hinder the financial performance of the Kingboard Group's, and *vice versa*. This can be demonstrated by the fact that both our Group and the PCB business of the Kingboard Group have experienced healthy growth in sales and operating profit since the acquisition of our Group by the Kingboard Group in 2005. Furthermore, the PCBs produced by the Kingboard Group are of lower-layer count and therefore the pricing of the Kingboard Group's PCBs is not expected to have much impact on the price of the products and services provided by our Group.

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### 5. Corporate governance measures

During the Track Record Period and as at the Latest Practicable Date, Kingboard and our Company are listed on the Stock Exchange and the SGX-ST, respectively, hence, the board of directors of Kingboard and our Company are fully aware of their duties owed to their respective shareholders (including the minority shareholders). Therefore, the respective boards of Kingboard and our Company will, respectively, ensure the Kingboard Group and our Group are operating independently from each other which would be in the best interests of the shareholders of Kingboard and our Company as a whole. In addition, our Articles also have provisions to ensure that any Director who has a material conflict of interests on matters to be considered by the Board due to his common directorships in both Kingboard and our Company, shall not participate in the discussion unless he is invited by our INEDs to attend such meeting but not vote on such matters. Please refer to the sub-section headed “Corporate Governance” in this section for further details.

Going forward, in order to minimize the effect of any actual or potential competition of our PCB business with that of the Kingboard Group, we have entered into a deed of non-competition with Kingboard. Please refer to the paragraph headed “Non-compete undertakings” under the sub-section headed “Independence from the Kingboard Group” in this section for further details.

In light of the above, our Directors believe that there is no material competition between our Group and the Kingboard Group’s PCB business because the global PCB industry is highly fragmented and with abundant business opportunities for both the Kingboard Group and our Group to expand. In addition, both our Group and the Kingboard Group are two separate groups operating independently of each other with separate listing status for the past six years. Together with the internal control measures adopted by our Group and the Kingboard Group as well as the PCB customers’ practice in selecting PCB suppliers, our Directors believe that any material competition between our Group and the Kingboard Group’s PCB business could be minimized.

### *Laminates*

Kingboard Laminates, a subsidiary of Kingboard, is principally engaged in the production of laminates, including glass epoxy laminates, paper laminates and CEM laminates. As at the Latest Practicable Date, Kingboard Laminates has an aggregate monthly production capacity of more than 10.3 million sq.m.. Set out below is the total turnover of Kingboard Laminates for each of the three years ended December 31, 2008, 2009 and 2010 as extracted from the annual reports of Kingboard Laminates and the revenue of our Group’s laminates business for the respective periods:

	<b>For the year ended December 31,</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>US\$’000</b>	<b>US\$’000</b>	<b>US\$’000</b>
Revenue of Kingboard Laminates . . . . .	1,306,808	1,170,449	1,684,543
Revenue of our Group. . . . .	17,050	17,535	43,990

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*Note: The exchange rate used was US\$1:HK\$7.75*

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Although our Group also produces laminates, such production is predominantly consumed by us internally. For each of the three years ended December 31, 2008, 2009 and 2010, approximately 88.8%, 81.9% and 70.5% of our total laminates production, respectively, were for our own internal consumption. As such, our Directors and the directors of Kingboard are of the view that there is no material competition between our business operations with that of Kingboard Laminates and the potential competition between our Group and Kingboard Laminates is insignificant and is not likely to be substantial in the future.

All the abovementioned information and figures in relation to the Kingboard Group were provided by the Kingboard Group to us.

### **Non-compete undertakings**

In order to minimize the effect of any actual or potential competition of our respective businesses going forward, subject to the exceptions set forth below, Kingboard has, pursuant to the deed of non-competition dated June 27, 2011 (the “**Non-compete Undertakings**”), undertaken to our Company that:

*(a) in relation to existing common customers —*

- (i) unless prior written consent from us is obtained, Kingboard will only accept new orders from the nine existing common customers if the shipment location is different from that served by us as at December 31, 2010;
- (ii) if the aggregate PCB sales made to the nine existing common customers by the Kingboard Group (excluding that of our Group) exceeds 20% of the total PCB sales of the Kingboard Group (excluding that of our Group), Kingboard will, subject to the customer’s discretion (including our Group having undergone and passed all the qualification and certification programs of such customer), transfer and divert such incremental sales to our Group; and
- (iii) Kingboard undertakes to provide to us, on a half-yearly basis, details of all transactions entered into by members of the Kingboard Group and the nine existing common customers.

Each of the Kingboard Group and our Group will ensure appropriate mechanisms will be in place to monitor the effectiveness of the foregoing mechanism. Our INEDs and our non-common Directors will be kept informed by the senior management of our Company on a half-yearly basis on the amount of sales made by the Kingboard Group (excluding our Group) to the nine existing common customers so as to ensure the foregoing undertaking is not breached.

*(b) in relation to existing non-common customers —*

- (i) save for the sales made to the existing common customers mentioned in paragraph (a)(i) above, Kingboard will not solicit or accept new orders from existing non-common end customers of our Group with annual sales amount of USD100,000 or above as at December 31, 2010, unless we have declined to accept the relevant orders from such customers; and

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- (ii) our Group undertakes not to solicit or accept new orders from existing non-common end customers of the Kingboard Group with annual sales amount of USD100,000 or above as at December 31, 2010, unless Kingboard has declined to accept the relevant orders from such customers.
- (c) *in relation to new customers of our Group and the Kingboard Group and “invite for quote” opportunity* — if the Kingboard Group is approached by any customer which is currently neither a customer of our Group nor the Kingboard Group or becomes aware of any “invite for quote” opportunity where a customer seeks for price quotes from two or more PCB manufacturers (the “**New Business Opportunity**”), Kingboard:
- (i) shall promptly notify us in writing and refer such New Business Opportunity to us and provide such information as reasonably required by us in order for it to come to an informed assessment of such New Business Opportunity; and
  - (ii) shall not and procure its subsidiaries (other than members of our Group) shall not, accept or participate in such New Business Opportunity unless such New Business Opportunity shall have been rejected by our Group.

For the avoidance of doubt, we are not obliged to notify Kingboard and refer such New Business Opportunity to Kingboard and are not obliged to procure our subsidiaries not to accept or participate in such New Business Opportunity.

- (d) *in relation to new business investment and other merger and acquisition opportunity* — any new business investment or other merger and acquisition opportunity relating to any business which may compete, directly or indirectly, with any business carried on from time to time by our Group that Kingboard or any of its subsidiaries (other than members of our Group) identifies or proposes or that is offered or presented to it or any such subsidiaries by a third party (the “**New M&A Opportunity**”) is subject to our first right of refusal.

Our INEDs and our non-common Directors will be authorized to establish a special committee comprising only non-common Directors and/or members of our Group’s senior management team who do not hold directorship and/or position in the Kingboard Group, to consider and evaluate the potential business opportunities and determine whether or not to exercise our Group’s first right of refusal as mentioned in paragraphs (a) and (b) above. Such special committee will comprise only non-common Directors and/or members of our Group’s senior management team who do not hold directorships and/or positions in the Kingboard Group and at least one INED will be present at each meeting convened by this special committee. The special committee is also required to report to our INEDs on a regular basis their decisions on whether or not our Group’s right of first refusal has been exercised and the reasons for such decisions.

In deciding whether to pursue a particular New Business Opportunity or New M&A Opportunity as mentioned in paragraphs (c) and (d) above, respectively, we will seek approval from the Board committee comprising only our INEDs. Our INEDs will consider whether it is in our Company’s interests and that of the Shareholders as a whole to pursue the New Business Opportunity or New M&A Opportunity, taking into account the advice given by various independent professional advisors

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appointed by us, including but not limited to financial advisors or valuers, at our cost, where necessary. In addition, our non-common Directors who do not hold directorship and/or position in the Kingboard Group will also provide necessary advice to our INEDs. In considering whether to pursue the New Business Opportunity or New M&A Opportunity, our INEDs are expected to consider, among other things, whether the exercise of such New Business Opportunity or New M&A Opportunity would be consistent with our Group's strategies existing at the time of exercise, the financial condition of our Group, the availability of financial resources to our Group and the cost of funding in the open market if we were to borrow funds in connection with the exercise of such New Business Opportunity or New M&A Opportunity, the expected return of such New M&A Opportunity compared to other available business opportunities and any other relevant factors. We will disclose in our annual report any decision by our INEDs to accept or decline the New Business Opportunity and the New M&A Opportunity and the basis thereof.

Any decisions made by our INEDs and/or our non-common Directors or the special committee formed as abovementioned, shall be communicated to Kingboard within a reasonable time frame as mutually agreed by us and Kingboard.

The abovementioned undertakings will apply at any time during which our Shares are listed on the Stock Exchange and for so long as Kingboard and its subsidiaries together hold, whether individually or collectively, 30% or more of the issued share capital or are otherwise regarded as a Controlling Shareholder of our Company under the Listing Rules. However, these undertakings will not apply in the circumstances where Kingboard or its subsidiaries (other than members of our Group) holding or being interested in shares or other securities in any company which conducts or is engaged in any business which may compete, directly or indirectly, with any business carried on from time to time by our Group (the "**Subject Company**"), provided that (i) such shares or securities are listed on a recognized stock exchange; (ii) the aggregate number of shares held by Kingboard and its subsidiaries do not exceed 10% of the issued shares of the Subject Company; and (iii) Kingboard and its subsidiaries do not have board or management control of the Subject Company.

Kingboard has further undertaken that, during the period for which the Non-compete Undertakings are in force:

- it will provide all information necessary for (i) the annual review by the independent board committee of our Company for the enforcement of the undertakings under the Non-compete Undertakings and the compliance of the Non-compete Undertakings by Kingboard; and (ii) disclosure of decisions made by such committee on matters reviewed by it relating to the compliance and enforcement of the Non-compete Undertakings in our Company's annual report or public announcement and will give consent to such disclosures;
- it will provide an annual confirmation in our Company's annual report that (i) it has complied with the terms of the Non-compete Undertakings; and (ii) it did not enter into any transaction with the intent to circumvent the terms of the Non-compete Undertakings; and

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- in the event of any disagreement between the parties as to whether any actual or proposed business investment or other merger and acquisition opportunity of Kingboard constitutes a New Business Opportunity or New M&A Opportunity or a breach of the Non-compete Undertakings, the matter shall be determined by the independent Board committee of our Company whose majority decision shall be final and binding.

Our INEDs and our non-common Directors will conduct appropriate checking to assess if Kingboard Group has failed to comply with the terms of the Non-compete Undertakings in any material manner. Our INEDs will review Kingboard's compliance with the Non-compete Undertakings on an annual basis. We will disclose decisions on matters reviewed by our INEDs relating to the compliance and enforcement of the Non-compete Undertakings either through our annual reports or by way of announcements to the public. We will also disclose Kingboard's annual declaration on compliance with the Non-compete Undertakings in our annual reports.

We will disclose in our annual reports how the undertakings contained in the Non-compete Undertakings have been complied with and enforced in accordance with the principles of making voluntary disclosures in the Corporate Governance Report (as described in Appendix 23 to the Listing Rules).

The entry into of the Non-compete Undertakings by Kingboard will not require the approval of its independent shareholders, as it does not constitute a transaction that requires the approval of the shareholders of Kingboard under Chapters 14 and 14A of the Listing Rules.

### **PCB Subsidiaries Option Deed**

To further minimize any potential competition between our Group's and the Kingboard Group's PCB business, on June 27, 2011, Kingboard and Hallgain Management Limited ("**Hallgain**") entered into an option deed with our Company, pursuant to which Kingboard has granted an option (the "**Kingboard PCB Subsidiaries Option**") to us which will entitle us to acquire all of Kingboard Group's interests in those operating subsidiaries of Kingboard (excluding that of our Group) engaging in the PCB industry (the "**Kingboard PCB Subsidiaries**"). Such option will be exercisable if the Kingboard Group's PCB sales (excluding those PCB sales generated by our Group) equal to 20% or more of Kingboard's consolidated total revenue in any financial year (the "**Option Exercise Condition**"). For the avoidance of doubt, subject to the exceptions as set forth below, our Company is entitled to exercise the Kingboard PCB Subsidiaries Option at any time once the Option Exercise Condition is fulfilled.

The acquisition price payable by us for acquiring the Kingboard PCB Subsidiaries will be at fair market value determined through valuation by an independent valuer to be appointed jointly by us and Kingboard when the Kingboard PCB Subsidiaries Option is exercised.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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If the Kingboard PCB Subsidiaries Option is exercised by us, we will acquire the entire PCB interests of the Kingboard Group and the Kingboard Group will only be conducting PCB business through our Group and will not be interested in the PCB business except for its interests held through our Group. Upon completion of the acquisition, any actual or possible competition between our Group and the Kingboard Group in the PCB industry will be minimized. For the avoidance of doubt, the Kingboard PCB Subsidiaries Option cannot be exercised in part and when exercised, all of Kingboard Group's interests in the Kingboard PCB Subsidiaries will be acquired by us.

The Kingboard PCB Subsidiaries Option will, if not exercised, lapse on the earlier of:

- (a) Kingboard ceasing to have any interest in the PCB industry (other than being indirectly interested in the PCB industry through our Group);
- (b) Kingboard ceasing to be the Controlling Shareholder of our Company;
- (c) our Shares ceasing to be listed on the Stock Exchange; or
- (d) the fifth anniversary of the annual results announcement date of Kingboard where the Option Exercise Condition is fulfilled.

Upon Listing, our exercise of the Kingboard PCB Subsidiaries Option will be regarded as a notifiable transaction of us pursuant to the Listing Rules. Furthermore, our acquisition of the Kingboard PCB Subsidiaries through the exercise of the Kingboard PCB Subsidiaries Option will also be treated as a connected transaction of us under the Listing Rules for so long as Kingboard remains our connected person. We will comply with the relevant requirements regarding notifiable transactions and/or connected transactions under Chapters 14 and 14A of the Listing Rules, respectively, as applicable.

Any decision with respect to the exercise of the Kingboard PCB Subsidiaries Option would be evaluated and made by our INEDs and our non-common Directors who do not hold directorship and/or position in the Kingboard Group, and any meeting to evaluate the exercise of such option will not be attended by those Directors who also serve as directors on the board of Kingboard unless he is invited by a majority of the INEDs to attend, but he shall abstain from voting at such meeting. Our INEDs and our non-common Directors who do not hold directorship and/or position in the Kingboard Group are expected to convene a meeting to consider whether to exercise the Kingboard PCB Subsidiaries Option within two months after we become aware that the Option Exercise Condition has been satisfied, the information of which is obtained from the annual results announcement of Kingboard. Should our INEDs and our non-common Directors who do not hold directorship and/or position in the Kingboard Group decide not to exercise the Kingboard PCB Subsidiaries Option, they are expected to convene such meetings to reconsider whether to exercise such option as and where appropriate during the period when the Kingboard PCB Subsidiaries Option validly subsists.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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In considering whether to exercise the Kingboard PCB Subsidiaries Option, our INEDs and our non-common Directors who do not hold directorship and/or position in the Kingboard Group are expected to consider, among other things, the following factors:

- (a) whether the exercise of such option would be consistent with our Group's strategies at the time of exercise;
- (b) the acquisition price payable by us for acquiring the Kingboard PCB Subsidiaries upon the exercise of the Kingboard PCB Subsidiaries Option;
- (c) our financial condition, the availability of financial resources to our Group, the cost of funding in the open market if we were to borrow funds to pay for all or a portion of the acquisition price;
- (d) the expected return compared to other available business opportunities;
- (e) any potential benefits and synergies that we may be able to realize from the acquisition and operations of such Kingboard PCB Subsidiaries; and
- (f) any other relevant factors.

Our INEDs and our non-common Directors who do not hold directorship and/or position in the Kingboard Group are entitled to engage professional advisors, including technical advisors or financial advisors as they consider necessary, at our cost, to assist them with the evaluation. We will disclose in our annual report or by way of an announcement any decision by our INEDs and our non-common Directors to exercise or not to exercise the Kingboard PCB Subsidiaries Option and the reasons thereof.

Kingboard has agreed to cause members of the Kingboard Group to provide us with all information as may be reasonably requested by us relating to the Kingboard PCB Subsidiaries in order for us to evaluate the Kingboard PCB Subsidiaries Option.

Both our Company and Kingboard are fully aware of their respective obligations under the Listing Rules. Should the exercise of the Kingboard PCB Subsidiaries Option require the shareholders' approval at both our Company's and the Kingboard's shareholders' levels, an extraordinary general meeting will be held by us to approve the exercise of the Kingboard PCB Subsidiaries Option. Kingboard will only convene an extraordinary general meeting, if required under the Listing Rules, to approve such transaction if our Shareholders have approved the exercise of the Kingboard PCB Subsidiaries Option. The controlling shareholder of Kingboard (and hence our Company) may be required to abstain from voting at the relevant shareholders' meeting of Kingboard in the sale of the Kingboard PCB Subsidiaries, as it may be argued that it possesses a material interest in such sale. Hallgain, the controlling shareholder of Kingboard (and hence our Company) has undertaken to us that, should the exercise of the Kingboard PCB Subsidiaries Option by us require shareholders' approval at Kingboard's shareholders' level and to the extent it is not required to abstain from voting under the Listing Rules, it will irrevocably vote in favor of such resolutions.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### **Operational independence**

Our products are manufactured in facilities separate and distinct from the Kingboard Group's facilities. All our PCB and laminates production facilities are located in Hong Kong, the PRC and Thailand. For the three years ended December 31, 2008, 2009 and 2010, our purchases of goods and services from Kingboard Laminates, its subsidiaries and other members of the Kingboard Group collectively accounted for approximately 42.4%, 48.0% and 43.9% of our raw material purchases, respectively. Although Kingboard Laminates and its subsidiaries are one of our major suppliers, we also have our own sources of supplies, customer base and sales and distribution channels and we also produce certain raw materials, including laminates and prepreg, for our own internal consumption. Such sources of supplies, customer base and sales and distribution channels are operating independently of the Kingboard Group and the raw materials which we source from Independent Third Party suppliers are at comparable quality and pricing with that supplied by the Kingboard Group.

During the Track Record Period, our Group has entered into various agreements with the Kingboard Group which, if those agreements survived after the Listing, would each constitute a continuing connected transaction of our Group. These arrangements include: (i) sharing of office space and office expenses with the Kingboard Group; (ii) purchase of equipment from the Kingboard Group; and (iii) sale and purchase of goods and services to and/or from the Kingboard Group. Our Group requires the foregoing goods and services provided by the Kingboard Group to facilitate our daily operations. Although the Kingboard Group is one of our major suppliers, our Group also sources our raw materials from other third party suppliers. Our major customers are all accessible independently from the Controlling Shareholders and their associates and the Kingboard Group. Save and except for our transactions with the Kingboard Group which are set out in the section headed "Connected Transactions" in this document, we have not entered into any other transactions with the Controlling Shareholders and their associates and the Kingboard Group. Our Directors are of the view that such goods and/or services provided by the Kingboard Group to us do not affect the operational independence of our Group. Our Directors further believe that we are independent from the Kingboard Group, in terms of our business operations, financial matters and administrative management.

### **Financial independence**

Our Group will be able to function independently of Kingboard following the completion of the Introduction. Members of our Group do not currently, and are not expected in the future to, rely on Kingboard for services, funding or operational support. During the Track Record Period, no financial assistance had been provided or guaranteed by any connected person to any member of our Group nor our Group to any connected person. Our Group has our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing.

Our Directors believe that our Group is able to obtain sufficient financing such as bank loans, if necessary, on market terms and conditions without any reliance on financial assistance from the Controlling Shareholders and their associates and the Kingboard Group.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE

We are committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including our INEDs) so that there is a strong element on the Board which can effectively exercise independent judgment. We are also committed to the view that our INEDs should be of sufficient caliber and of an adequate number for their views to carry weight. Our INEDs, details of whom are set forth in the section headed “Directors and Senior Management” in this document, are free of any business or other relationships which could interfere in any material manner with the exercise of their independent judgment.

The Articles provide that:

- (a) if any Director has a conflict of interests in a matter to be considered by our Board and the Board has determined such matter to be material, the matter should not be dealt with by way of circulation or by a Board committee (unless an appropriate Board committee is set up for that purpose pursuant to a resolution passed in a Board meeting) but a Board meeting should be held. Our INEDs who, and whose associates, have no material interest in the transaction should be present at such Board meeting;
- (b) any Director prohibited from voting by reason of a conflict of interests will not be entitled to vote, and will not be counted towards the quorum at the aforesaid Board meeting;
- (c) any Director who shall not vote (nor be counted in the quorum) on any resolutions as mentioned above shall not attend the Board meeting or the relevant part of the Board meeting, nor participate in the discussions on the relevant resolutions unless he is invited by a majority of our INEDs to attend, but subject to the aforesaid restrictions on his voting rights and being counted in the quorum on the relevant resolutions;
- (d) any Director who is also a director on the board of Kingboard or another member of the Kingboard Group is, for the purpose of any transaction involving a member of our Group and a member of the Kingboard Group, considered to have a conflict of interests and such Director shall not attend any Board meeting (or vote at such meeting or be counted towards the quorum for such meeting), unless he is invited by a majority of our INEDs to attend, but subject to the aforesaid restrictions on his voting rights and being counted in the quorum on the relevant resolutions; and
- (e) a majority of our INEDs acting together are empowered to engage such professional advisors as they may deem appropriate, at our Company’s costs without the need to obtain prior approval from other members of our Board.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Any Board committee may seek independent professional advice in appropriate circumstances in relation to any matters for which our Board committee is established at our costs. However, our Company has no obligation to engage any independent professional advisor unless we consider such request to be reasonable. The relevant members of our Board committee may nominate any independent professional to provide them with the relevant services of advice subject to the approval of the majority of members of our Board (other than the members of the relevant Board committee).

Upon Listing, any transaction that is proposed between the Kingboard Group and our Company will be required to comply with the prevailing requirements of the Listing Rules and the Listing Manual, including, where applicable, requirements relating to announcements, reporting and independent shareholders' approval.

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## CONNECTED TRANSACTIONS

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### OVERVIEW

We have entered into several transactions in the ordinary course of our business with the Kingboard Group during the Track Record Period and such transactions are expected to be continued following the Listing. Since Kingboard is a substantial shareholder, hence Kingboard and its subsidiaries are each a connected person of our Company. Any transaction between our Group and the Kingboard Group are connected transactions under the Listing Rules. Set out below is a summary of the connected transactions as well as the waivers from strict compliance with the relevant requirements of the Listing Rules that we have received from the Stock Exchange.

### Non-exempt continuing connected transactions

Nature of transactions	Applicable Listing Rules	Waivers sought	Annual caps (US\$'000)		
			For the year ending December 31,		
			2011	2012	2013
1a. Sharing of office space and office expenses - Estimated fees payable by us to the Kingboard Group	14A.34	Waiver from announcement requirement	967	1,014	1,065
1b. Sharing of office space and office expenses - Estimated fees payable by the Kingboard Group to us	14A.34	Waiver from announcement requirement	272	600	694
2. Purchase of equipment	14A.35	Waiver from announcement and independent shareholders' approval requirements	22,568	28,586	30,918

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## CONNECTED TRANSACTIONS

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Nature of transactions	Applicable Listing Rules	Waivers sought	Annual caps (US\$'000)		
			For the year ending December 31,		
			2011	2012	2013
3a. Sale and purchase of goods and services - Purchases of materials from the Kingboard Group	14A.35	Waiver from announcement and independent shareholders' approval requirements	198,327	244,412	300,536
3b. Sale and purchase of goods and services - Goods sold to the Kingboard Group	14A.35	Waiver from announcement and independent shareholders' approval requirements	30,803	36,963	44,356

### 1. Sharing of office space and office expenses between the Kingboard Group and our Group

On June 27, 2011, our Group entered into various agreements with the Kingboard Group in relation to the sharing of office space in Hong Kong, Shanghai, Singapore and Malaysia and the sharing of corporate and administrative services in those places.

Pursuant to a rental sharing agreement in relation to a space located at 1st Floor, Harbour View 1, No. 12 Science Park East Avenue, Phase II, Hong Kong Science Park, Shatin, New Territories, Hong Kong, the Kingboard Group shares such office space with our Group at an annual fee of approximately US\$258,000 for each of the three years ending December 31, 2011, 2012 and 2013. In addition, pursuant to a cost reimbursement agreement, the Kingboard Group will provide corporate services such as legal, company secretarial services, and financial services to our Group at an annual aggregate fee of approximately US\$606,000, US\$653,000 and US\$704,000 for each of the three years ending December 31, 2011, 2012 and 2013, respectively.

Pursuant to the office rental agreements in relation to a space located at Room 2903, 29/F, Tower 1 Plaza Hyundai, 369 Xian Xia Road, Changning District, Shanghai, the PRC, the Kingboard Group rents to our Group such office space at an annual fee of approximately US\$103,000 for each of the three years ending December 31, 2011, 2012 and 2013.

Pursuant to a cost reimbursement agreement in relation to a space located at Unit #03-02, No. 4 Leng Kee Road, SiS Building, Singapore 159088, our Group shares such office space and certain office expenses such as housekeeping services, utilities and renovation costs, administrative and financial support services with the Kingboard Group. The Kingboard Group will reimburse our Group an annual fee of US\$192,000, US\$272,000 and US\$360,000 for each of the three years ending December 31, 2011, 2012 and 2013, respectively.

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## CONNECTED TRANSACTIONS

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Pursuant to a cost reimbursement agreement in relation to a space located at No. 3, 2nd Floor, Jalan Todak 2, 13700 Bandar Sunway, Seberang Jaya, Pulau Pinang, Malaysia, our Group shares such office space and certain office expenses such as housekeeping services and utilities and administrative support services with the Kingboard Group. The Kingboard Group will reimburse our Group an annual fee of US\$38,000, US\$66,000 and US\$72,000 for each of the three years ending December 31, 2011, 2012 and 2013, respectively.

Pursuant to a property management services agreement in relation to a space located at Unit B10, 3rd Floor, Merit Industrial Centre, No. 94 To Kwa Wan Road, Kowloon, Hong Kong, our Group provides certain property management services to the Kingboard Group at an annual fee of approximately US\$42,000 for each of the three years ending December 31, 2011, 2012 and 2013.

The above mentioned agreements entered into between our Group and the Kingboard Group are collectively referred to as the “**Rental Sharing and Cost Reimbursement Agreements**”.

The Rental Sharing and Cost Reimbursement Agreements are on terms no less favorable to our Group or the Kingboard Group than those offered to other parties, which are Independent Third Parties, sharing the office space or the office expenses with the Kingboard Group or our Group.

Our Directors consider that the sharing of the office space and office expenses arrangement will benefit our Group in that both the Kingboard Group and our Group can enjoy economies of scale brought by the sharing of the office space and office expenses which will maximize cost efficiency and management effectiveness.

Our Directors (including our INEDs) are of the view that the Rental Sharing and Cost Reimbursement Agreements have been entered into on normal commercial terms, in the ordinary and usual course of business of our Group and that the terms of the Rental Sharing and Cost Reimbursement Agreements are fair and reasonable and in the interests of our Shareholders as a whole.

For the three years ended December 31, 2008, 2009 and 2010, the total fees paid by us to the Kingboard Group in relation to the sharing of office space and office expenses amounted to approximately US\$638,000, US\$712,000 and US\$904,000, respectively.

For the three years ended December 31, 2008, 2009 and 2010, the total fees paid by the Kingboard Group to us in relation to the sharing of office space and offices expenses amounted to approximately US\$58,000, US\$46,000 and US\$57,000, respectively.

Each of the Rental Sharing and Cost Reimbursement Agreements has a term ranging from two to three years and ending on December 31, 2013. We estimate that the total fees payable by us to the Kingboard Group under the Rental Sharing and Cost Reimbursement Agreements for the three years ending December 31, 2011, 2012 and 2013 will be approximately US\$967,000, US\$1,014,000 and US\$1,065,000, respectively. The estimated total fees payable by the Kingboard Group to us under

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## CONNECTED TRANSACTIONS

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the Rental Sharing and Cost Reimbursement Agreements for the three years ending December 31, 2011, 2012 and 2013 will be approximately US\$272,000, US\$600,000 and US\$694,000, respectively. The proposed annual caps for the three years ending December 31, 2011, 2012 and 2013 have been determined with reference to (i) the prevailing market rate; (ii) the existing relative proportion of use of office space and office services; (iii) the number of staff utilised; (iv) the contemplated office space shared by the Kingboard Group once our Group's Yangzhou production facility is completed; and (v) inflation.

B.I. Appraisals Limited, our property valuer, has reviewed the rentals payable under the Rental Sharing and Cost Reimbursement Agreements and confirmed that the rentals included in the proposed annual caps reflects the prevailing market rates of comparable properties in the locality and are fair and reasonable.

As each of the percentage ratios of the aggregate fees to be paid and received by our Group on an annual basis under the Rental Sharing and Cost Reimbursement Agreements for each of the three years ending December 31, 2011, 2012 and 2013 (calculated by reference to Rule 14.07 of the Listing Rules, where applicable) is less than 5%, the transactions contemplated under the Rental Sharing and Cost Reimbursement Agreements would constitute continuing connected transactions of our Company under the Listing Rules and are exempt from the independent shareholders' approval requirement but are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

### 2. Purchase of equipment

On June 27, 2011, our Company entered into an equipment purchase framework agreement with Kingboard (the "**Equipment Purchase Framework Agreement**"). Pursuant to the Equipment Purchase Framework Agreement, the Kingboard Group will sell certain equipment to our Group from time to time in accordance with the terms of the Equipment Purchase Framework Agreement for a term commencing from June 27, 2011 and ending on December 31, 2013.

The Equipment Purchase Framework Agreement comprises the general terms and conditions upon which our Group may purchase equipment from the Kingboard Group. Our Group and the Kingboard Group may from time to time enter into purchase agreements setting out the detailed terms for the purchase of the equipment, provided that such detailed terms shall not be inconsistent with the terms of the Equipment Purchase Framework Agreement. The Kingboard Group will not be obligated to sell any prescribed quantity of equipment to our Group during the term of the Equipment Purchase Framework Agreement. The actual quantity, specification and price of the equipment under the Equipment Purchase Framework Agreement will be subject to the individual orders placed by our Group with the Kingboard Group.

The prices at which the equipment are to be supplied by the Kingboard Group to our Group shall be the market price, or if the same is not available, a price which is not less favorable to our Group than the price at which the Kingboard Group supplies similar equipment to the Independent Third Parties having regard to the quantity and other conditions of the purchase.

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## CONNECTED TRANSACTIONS

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Our Group has been continuously expanding our PCB business and anticipates that more equipment for the manufacture of PCB will be required to further expand our business. Taking into account a range of factors including the reduction in transportation costs, the quality and the price of the equipment manufactured by the Kingboard Group for the production of PCBs, our Group considers that purchase of equipment under the Equipment Purchase Framework Agreement is necessary to facilitate its expansion plan and will improve the competitiveness, the quality and price of the PCBs manufactured by our Group.

Our Directors (including our INEDs) are of the view that the Equipment Purchase Framework Agreement has been entered into on normal commercial terms, in the ordinary and usual course of business of our Group and that the terms of the Equipment Purchase Framework Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

For the three years ended December 31, 2008, 2009 and 2010, the total amount paid to the Kingboard Group in relation to the purchase of equipment amounted to approximately US\$nil, US\$191,000 and US\$4,576,000, respectively.

The Equipment Purchase Framework Agreement has a term commencing from June 27, 2011 and ending on December 31, 2013. We estimate that the total purchases under the Equipment Purchase Framework Agreement for the three years ending December 31, 2011, 2012 and 2013 will be approximately US\$22,568,000, US\$28,586,000 and US\$30,918,000, respectively. The proposed annual caps for the three years ending December 31, 2011, 2012 and 2013 have been determined with reference to the internal projection of the purchases to be incurred having regard to (i) the prevailing market conditions relating to the demand for equipment; (ii) normal wear-and-tear of the equipment; (iii) the anticipated growth in demand for equipment; (iv) the prevailing market prices of equipment; (v) inflation; (vi) the expected sales of our Group; and (vii) the business development plan of our Group, in particular, the higher level of capital expenditure resulted from the construction of new production facility in Yangzhou, the trial production of which is scheduled by the end of 2011, and its planned expansion in 2012 and 2013. It is assumed that total purchase of equipment by existing plants of the Group would amount to approximately 5-6% of total sales and approximately 38% of the total purchase of equipment would be from the Kingboard Group. The level of capital expenditure is subject to the prevailing market conditions and business environment. Based on the current assumptions, the monthly PCB production capacity of the Yangzhou facility is expected to increase from 200,000 sq.ft. by end of 2011 to 500,000 sq.ft. by March 2012, 1,000,000 sq.ft. by December 2012 and ultimately to 1,500,000 sq.ft. by December 2013.

As each of the percentage ratios (other than the profits ratio) of the aggregate purchases to be paid by our Group on an annual basis under the Equipment Purchase Framework Agreement for each of the three years ending December 31, 2011, 2012 and 2013 (calculated by reference to Rule 14.07 of the Listing Rules, where applicable) is greater than 5%, the transactions contemplated under the Equipment Purchase Framework Agreement would constitute continuing connected transactions of our Company under the Listing Rules and are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.



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## CONNECTED TRANSACTIONS

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### 3. Sale and purchase of goods and services

On June 27, 2011, our Company entered into a master sales and purchases agreement with Kingboard (the “**Master Sales and Purchases Agreement**”). Pursuant to the Master Sales and Purchases Agreement, the Kingboard Group will sell certain goods and services including but not limited to copper foil, kraft paper, copper balls, laminates, glass fabric and prepreg etc. to our Group and our Group will sell certain goods and services including but not limited to drill maintenance services and green laminates etc. to the Kingboard Group from time to time in accordance with the terms of the Master Sales and Purchases Agreement for a term commencing from June 27, 2011, and ending on December 31, 2013.

The Master Sales and Purchases Agreement comprises the general terms and conditions upon which the Kingboard Group may purchase the abovementioned goods and/or services from our Group and *vice versa*. The relevant party may from time to time enter into separate sale and purchase agreements setting out the detailed terms for the purchase of the goods and/or services provided that such detailed terms shall not be inconsistent with the terms of the Master Sales and Purchases Agreement. The Kingboard Group will not be obligated to sell or purchase any prescribed quantity of goods and/or services from our Group and our Group will not be obligated to sell or purchase any prescribed quantity of goods and/or services to the Kingboard Group during the term of the Master Sales and Purchases Agreement. The actual quantity, specification and price of the goods and/or services under the Master Sales and Purchases Agreement will be subject to the individual orders placed by the relevant party with the other party.

The prices at which the goods and/or services are to be supplied by the relevant party to the other party shall be the market price, or if the same is not available, a price which is not less favourable to our Group or the Kingboard Group (as the case may be) than the price at which the relevant party supplies similar goods and/or services to Independent Third Parties having regard to the quantity and other conditions of the purchase.

Our Group is engaged in the manufacture of PCBs, which requires materials including but not limited to copper foil, kraft paper, copper balls, laminates, glass fabric and prepreg (the “**EEIC Required Materials**”) as key components of our products. The Kingboard Group is engaged in, among others, the manufacture of PCBs and laminates, which requires materials and services, including but not limited to green laminates and drill maintenance services, as a component for its production. The provision of the EEIC Required Materials by the Kingboard Group to our Group not only facilitates the Kingboard Group to distribute and sell its PCBs, laminates and related products, thereby increasing the sales and revenue of the Kingboard Group, it also secures a steady supply of the EEIC Required Materials to our Group which facilitates our production of PCBs. We consider that the Kingboard Group is a reliable business co-operation partner and such co-operation is beneficial to the business of our Group and the Kingboard Group.

Our Directors (including our INEDs) are of the view that the Master Sales and Purchases Agreement has been entered into on normal commercial terms, in the ordinary and usual course of business of our Group and that the terms of the Master Sales and Purchases Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

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## CONNECTED TRANSACTIONS

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For the three years ended December 31, 2008, 2009 and 2010, the total purchases of materials made by us from the Kingboard Group amounted to approximately US\$113,654,000, US\$100,279,000 and 152,565,000, respectively.

For the three years ended December 31, 2008, 2009 and 2010, the total amount of goods sold by us to the Kingboard Group amounted to approximately US\$5,728,000, US\$6,369,000 and US\$22,257,000, respectively.

The Master Sales and Purchases Agreement has a term commencing from June 27, 2011 and ending on December 31, 2013. We estimate that the total purchases of materials made by us from the Kingboard Group under the Master Sales and Purchases Agreement for the three years ending December 31, 2011, 2012 and 2013 will be approximately US\$198,327,000, US\$244,412,000 and US\$300,536,000, respectively. The estimated total amount of goods sold by us to the Kingboard Group under the Master Sales and Purchases Agreement for the three years ending December 31, 2011, 2012 and 2013 will be approximately US\$30,803,000, US\$36,963,000 and US\$44,356,000, respectively. The proposed annual caps for the three years ending December 31, 2011, 2012 and 2013 have been determined with reference to the internal projection of the sale and purchases to be incurred having regard to (i) the prevailing market conditions relating to the demand for goods and services; (ii) the anticipated growth in demand of goods and services; (iii) the prevailing market prices of goods and services; (iv) inflation; and (v) the business development plan of our Group, in particular, the larger amount of raw materials to be purchased to support the higher production level after the Yangzhou plant commences trial production by end of 2011 and its planned expansion in 2012 and 2013. The expansion of production capacity of the Yangzhou facility is subject to the prevailing market conditions and business environment. Based on the current assumptions, the monthly PCB production capacity of the Yangzhou facility is expected to increase from 200,000 sq.ft. by end of 2011 to 500,000 sq.ft. by March 2012, 1,000,000 sq.ft. by December 2012 and ultimately to 1,500,000 sq.ft. by December 2013.

As each of the percentage ratios (other than the profits ratio) of the aggregate payment to be paid by our Group on an annual basis under the Master Sales and Purchases Agreement for each of the three years ending December 31, 2011, 2012 and 2013 (calculated by reference to Rule 14.07 of the Listing Rules, where applicable) is greater than 5%, the transactions contemplated under the Master Sales and Purchases Agreement would constitute continuing connected transactions of the Company under the Listing Rules and are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### Waivers

As the non-exempt continuing connected transactions described above are expected to continue on a recurring basis after the Listing, have been entered into prior to the Listing Date and have been fully disclosed in this listing document, our Directors consider that compliance with the reporting and announcement and/or the independent shareholders' approval requirements would add unnecessary administrative costs for us. Accordingly, we have requested the Stock Exchange, and the Stock Exchange has granted us, a waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt the non-exempt continuing connected transactions from strict compliance with the announcement and/or independent shareholders' approval requirements under the Listing Rules.

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## CONNECTED TRANSACTIONS

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In respect of Rules 14A.35(2) and 14A.36(1) of the Listing Rules, the maximum aggregate annual value, if any, for the non-exempt continuing connected transactions shall not exceed the applicable limit set out below:

Nature of transactions	Applicable Listing Rules	Historical amount (US\$'000)			Annual Caps (US\$'000)			
		For the year ended December 31,			For the year ending December 31,			
		2008	2009	2010	2011	2012	2013	
1a	Sharing of office space and office expenses - Fees (Estimated fees) paid (payable) by us to the Kingboard Group	14A.34	638	712	904	967	1,014	1,065
1b	Sharing of office space and office expenses - Fees (Estimated fees) paid (payable) by the Kingboard Group to us	14A.34	58	46	57	272	600	694
2	Purchase of equipment	14A.35	nil	191	4,576	22,568	28,586	30,918
3a	Sale and purchase of goods and services - Purchases of materials from the Kingboard Group	14A.35	113,654	100,279	152,565	198,327	244,412	300,536
3b	Sale and purchase of goods and services - Goods sold to the Kingboard Group	14A.35	5,728	6,369	22,257	30,803	36,963	44,356

### Confirmation from our Directors

Our Directors (including our INEDs), are of the opinion that the transactions described in the paragraph headed “Non-exempt continuing connected transactions” above have been entered into, and will be carried out in the ordinary and usual course of our business and on normal arm’s length commercial terms, following the completion of the Listing, and that the terms of the transactions and the annual caps are fair and reasonable and in the interests of our Shareholders as a whole. Under the Listing Rules, these continuing connected transactions are considered non-exempt continuing connected transactions under Rules 14A.34 and 14A.35 of the Listing Rules and would be subject to compliance with the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules on each occasion that they arise.

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## CONNECTED TRANSACTIONS

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### **Confirmation from the Sole Sponsor**

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions as described above that have been entered into by our Group, are in the ordinary and usual course of our business, on normal commercial terms, are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the annual caps for such non-exempt continuing connected transactions are fair and reasonable as far as our Shareholders as a whole are concerned.

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## DIRECTORS AND SENIOR MANAGEMENT

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### GENERAL

The Board consists of 14 Directors, comprising eight executive Directors, three non-executive Directors and three independent non-executive Directors, with one-third of our Board retiring from their office at each annual general meeting. Retiring Directors are eligible for re-election.

The principal functions and duties conferred on our Board include:

- reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
- approving major acquisitions or disposals, corporate or financial restructuring, issuance of Shares and other equity or debt instruments, payment of dividends and other distribution to Shareholders;
- assessing the risks facing our Group and reviewing and implementing appropriate measures to manage such risks;
- selecting and evaluating the performance and compensation of key management executives;
- approving nominations made by the Nominating Committee to our Board;
- reviewing and endorsing the recommended framework of remuneration of our Board and key management executives by our Remuneration Committee; and
- assuming overall responsibility for corporate governance.

The following table provides information on our Directors and other members of our senior management.

<u>Name</u>	<u>Age</u>	<u>Date of appointment</u>	<u>Position and major responsibilities</u>
<b>Directors</b>			
Chadwick Mok Cham Hung (莫湛雄)	46	December 13, 2004	Executive Director, vice-chairman and Chief Executive Officer (acting), responsible for developing the overall business directions and management strategies of our Group
Li Muk Kam (李木金)	52	January 18, 2005	Executive Director, responsible for business development and market research functions of our Group
Philip Chan Sai Kit (陳世傑)	50	January 18, 2005	Executive Director, responsible for all activities in relation to business development and supply chain management functions of our Group

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Date of appointment	Position and major responsibilities
Clement Sun (孫道藩)	51	January 15, 2007	Executive Director, responsible for all activities in relation to the strategic business unit of Hong Kong and Thailand manufacturing facilities of our Group
Claudia Heng Nguan Leng (王玩玲)	56	July 17, 1995	Executive Director and joint company secretary, responsible for the corporate financial affairs of our Group and oversees our Group's information systems, human resource matters and legal and company secretarial functions
Li Chiu Cheuk (李超卓)	51	January 1, 2008	Executive Director and general manager, responsible for the overall operational management of the Guangzhou & Nanjing strategic business units
Chan Wai Leung (陳偉樑)	38	January 1, 2008	Executive Director, responsible for the overall management of the laminate plants in Shenzhen and Kaiping, the PRC, the business development of HDI product division, Japan and China North region
Ng Hon Chung (吳漢鐘)	53	May 1, 2010	Executive Director, responsible for all activities in relation to the strategic business unit of Kaiping manufacturing facilities of our Group
Cheung Kwok Wing (張國榮)	55	December 13, 2004	Non-executive Director and Chairman of our Company, providing strategic advice to our Company, attending meetings of the Board to perform duties but not participating in the day-to-day management of our business operations
Chan Wing Kwan (陳永錕)	65	December 13, 2004	Non-executive Director, providing strategic advice to our Company, attending meetings of the Board to perform duties but not participating in the day-to-day management of our business operations

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Date of appointment	Position and major responsibilities
Chang Wing Yiu (鄭永耀)	45	December 13, 2004	Non-executive Director, providing strategic advice to our Company, attending meetings of the Board to perform duties but not participating in the day-to-day management of our business operations
Lai Chong Tuck (黎忠德)	54	February 26, 2005	Independent non-executive Director, attending meetings of the Board to perform duties but not participating in the day-to-day management of our business operations
Raymond Leung Hai Ming (梁海明)	56	January 1, 2008	Independent non-executive Director, attending meetings of the Board to perform duties but not participating in the day-to-day management of our business operations
Stanley Chung Wai Cheong (鍾偉昌)	42	April 11, 2011	Independent non-executive Director, attending meetings of the Board to perform duties but not participating in the day-to-day management of our business operations

### Senior management

Name	Age	Date of joining our Group	Position and major responsibilities
Oscar Cheung Yiu Wai (張耀威)	53	April 16, 2007	Vice president - Quality assurance
Anna Cheung Po King (張寶琮)	49	January 2, 2003	Chief internal audit officer
Sumarn Jermsawasdipong	53	February 26, 1990	General manager - Thailand plant
Marian Ho Wui Mee (何韋鄺)	43	December 22, 2006	Joint Company Secretary

### EXECUTIVE DIRECTORS

**Mr. Chadwick Mok Cham Hung (莫湛雄)**, aged 46, is our Vice-Chairman, Chief Executive Officer (acting) and our Executive Director. He joined our Group in December 2004 and has been our executive Director since December 13, 2004. He became our vice-chairman on January 18, 2005. Mr. Mok is also an executive director of Kingboard. He is currently assuming the role and responsibilities of our Chief Executive Officer and is responsible for developing the overall business directions and

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## DIRECTORS AND SENIOR MANAGEMENT

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management strategies of our Group. Mr. Mok obtained a Master of Arts Degree in Electrical and Information Engineering from the University of Cambridge in 1991 and a Master in Business Administration Degree with distinction from Imperial College, the University of London in 1992 and has over 11 years' experience in the financial services industry. Mr. Mok is a fellow member of both the Institute of Chartered Accountants in England & Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Mok is the son-in-law of Mr. Chan Wing Kwan, our non-executive Director and the brother-in-law of Mr. Chan Wai Leung, our executive Director.

**Mr. Li Muk Kam (李木金)**, aged 52, is our executive Director. He joined our Group in December 1982 and was appointed as our executive Director on January 18, 2005. He has served in various senior positions in different operations such as manufacturing, marketing & sales and corporate strategy, finance and administration, and is now responsible for business development and market research functions of our Group. Mr. Li obtained a Higher Certificate in Mechanical Engineering from The Hong Kong Polytechnic University in 1981 and a Master of Science Degree in Manufacturing Systems Engineering from the University of Warwick in 1993.

**Mr. Philip Chan Sai Kit (陳世傑)**, aged 50, is our executive Director. He joined our Group in June 1989 and has served as the regional sales head. He was initially responsible for the European region and subsequently he was responsible for the American region. He was appointed as our executive Director on January 18, 2005 and is responsible for all activities in relation to business development and supply chain management functions of our Group. Mr. Chan obtained a Bachelor of Science Degree in Civil Engineering from Coventry (Lanchester) Polytechnic in the United Kingdom in 1984 and a Master Degree in Business Administration from the Bulacan State University, Republic of the Philippines in 2006.

**Mr. Clement Sun (孫道藩)**, aged 51, is our executive Director. He joined our Group in October 1983, serving in various senior positions in the manufacturing operations in Hong Kong and China. He was appointed as our executive Director on January 15, 2007 and is responsible for all activities in relation to the strategic business unit of Hong Kong and Thailand manufacturing facilities of our Group. Mr. Sun obtained a Diploma in Production and Industrial Engineering from The Hong Kong Polytechnic University in 1980 and a Master Degree in Business Administration from the Bulacan State University, Republic of the Philippines in 2006.

**Ms. Claudia Heng Nguan Leng (王玩玲)**, aged 56, is our executive Director and one of our joint company secretaries. She joined our Group in October 1994 and has been our executive Director since July 17, 1995. She was appointed as our company secretary on February 20, 1997. In her current capacity as Vice President - Group Finance and one of the joint company secretaries of our Company, she has the overall responsibility for the corporate financial affairs of our Group, including treasury, credit control, tax planning and compliance functions. She also oversees our Group's information systems, human resource matters and legal and company secretarial functions. Ms. Heng obtained a Master Degree in Business Administration from University College of North Wales (Bangor) in cooperation with Manchester Business School in 1997 and a Master Degree in Applied Finance from Macquarie University in 2006. She is a fellow member of the Institute of Certified Public Accountants of Singapore and a Fellow Certified Public Accountant of CPA Australia. She is also a member of the Singapore Institute of Directors.



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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Li Chiu Cheuk (李超卓)**, aged 51, is our executive Director. He joined our Group in November 1986 and was appointed as our executive Director on January 1, 2008. Mr. Li has served in various senior positions in the manufacturing operations in Hong Kong and China of our Group. Apart from his appointment as our executive Director, he is also the General Manager, responsible for the overall operational management of the Guangzhou & Nanjing strategic business units. Mr. Li obtained a Higher Diploma in Production & Industrial Engineering from The Hong Kong Polytechnic University in 1984 and a Master Degree in Business Administration from the Bulacan State University, Republic of the Philippines in 2006.

**Mr. Chan Wai Leung (陳偉樑)**, aged 38, is our executive Director. He joined our Group in May 2007 and was appointed as our executive Director on January 1, 2008. Mr. Chan is responsible for the overall management of the laminate plants in Shenzhen and Kaiping, the PRC, the business development of HDI product division, business development of Japan and China North region. Prior to joining our Group, Mr. Chan had been working in group procurement and corporate development for over five years. Mr. Chan graduated in 1998 with a Bachelor of Applied Science in Engineering Science from the University of Toronto and obtained a Master of Philosophy in Electronic Engineering from The Chinese University of Hong Kong in 2004. After completing his undergraduate degree, Mr. Chan involved himself in advanced electronic engineering design in Canada. Mr. Chan is the son of Mr. Chan Wing Kwan, our non-executive Director and the brother-in-law of Mr. Chadwick Mok Cham Hung, our vice-chairman and executive Director.

**Mr. Ng Hon Chung (吳漢鐘)**, aged 53, is our executive Director. He joined our Group in May 1979 and was appointed as our executive Director on May 1, 2010. Mr. Ng has served in various senior positions in the manufacturing operations in Hong Kong and the PRC. He is now responsible for all activities in relation to the strategic business unit of the Kaiping manufacturing facilities of our Group. Mr. Ng obtained a Master of Science Degree in Manufacturing Systems Engineering from the University of Warwick in 1995.

### NON-EXECUTIVE DIRECTORS

**Mr. Cheung Kwok Wing (張國榮)**, aged 55, is the Chairman of our Company and our non-executive Director. He joined our Group in December 2004 and was appointed as our non-executive Director on December 13, 2004. He was appointed as the chairman of our Company on February 3, 2005. Mr. Cheung is also the chairman, executive director and co-founder of Kingboard and the chairman of Kingboard Copper Foil. Mr. Cheung won the Young Industrialist Award of Hong Kong 1993, which was organized by the Federation of Hong Kong Industries and was described as “far-sighted, enterprising, and having insight in the business”. In 2006, he won the Hong Kong Business Owner-Operator Award 2006, which was organized by DHL and the South China Morning Post. Mr. Cheung has over 13 years’ experience in the sales and distribution of electronic components including laminates prior to the establishment of the Kingboard Group and sets the general direction and goals for the Kingboard Group. Mr. Cheung is a member of our Employees’ Share Option Scheme Committee. Mr. Cheung is the brother of Ms. Cheung Wai Lin, Stephanie, the cousin of Mr. Cheung Kwong Kwan and the brother-in-law of Mr. Ho Yin Sang, each an executive director of Kingboard. Mr. Cheung is also the brother-in-law of Mr. Chang Wing Yiu, an executive director of Kingboard and our non-executive Director.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Chan Wing Kwan (陳永錕)**, aged 65, is our non-executive Director. He joined our Group in December 2004 and was appointed as our non-executive Director on December 13, 2004. He is also a non-executive director, a chief consultant and a co-founder of Kingboard until January 2011. Mr. Chan obtained a degree of Doctor of Business Science from Pacific Western University L.A. in 1993. Prior to the establishment of the Kingboard Group, Mr. Chan had over 22 years' experience in the sales and distribution of electronic components, industrial chemicals and PCBs. Mr. Chan is a member of our Audit Committee, Remuneration Committee, Nominating Committee and Employees' Share Option Scheme Committee. Mr. Chan is the father of Mr. Chan Wai Leung and the father-in-law of Mr. Chadwick Mok Cham Hung, both are our executive Directors.

**Mr. Chang Wing Yiu (鄭永耀)**, aged 45, is our non-executive Director. He joined our Group in December 2004 and was appointed as our non-executive Director on December 13, 2004. Mr. Chang is also an executive director of Kingboard. Mr. Chang has over 18 years' experience in laminates production. He is a member of our Employees' Share Option Scheme Committee. Mr. Chang is the brother-in-law of Mr. Cheung Kwok Wing, an executive director of Kingboard, our non-executive Director and our chairman.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lai Chong Tuck (黎忠德)**, aged 54, is our INED. He joined our Group in February 2005 and was appointed as our INED on February 26, 2005. Mr. Lai graduated with a Bachelor of Arts Degree from the National University of Singapore in 1981. He also obtained a Graduate Diploma in Financial Management, a Diploma in Counseling Psychology and a Master of Social Science (Counselling and Psychotherapy) in 1992, 2008 and 2010, respectively. Mr. Lai presently manages his own business consulting firm, Asteri Consulting Private Limited. Prior to this, he was a senior career expatriate banker with over 20 years of diverse international banking expertise. Mr. Lai was an active member of the business community which he operated in. He served in the EXCO of the Dutch Business Group in Vietnam and the Shanghai Singapore Business Group in China during his career posting. At present, Mr. Lai is still actively engaged in local community work particularly within the educational and charity sectors. Mr. Lai serves as the chairman of our Audit Committee. He is also a member of our Nominating Committee and Remuneration Committee. Mr. Lai is the brother of Mr. Robert Lai Chung Wing, an independent non-executive director of Kingboard.

**Prof. Raymond Leung Hai Ming (梁海明)**, aged 56, is our INED. He joined our Group in January 2008 and was appointed as our INED on January 1, 2008. Prof. Leung is a qualified Fellow Engineer of the Institute of Civil Engineers, the American Society of Civil Engineers ("ASCE(HK)"), The Hong Kong Institution of Engineers, Society of Builders, the Hong Kong Institute of Construction Managers ("HKICM"), Senior Member of the Institute of Electricity and Electronics Engineers. Prof. Leung graduated with a Doctor of Philosophy in Information Engineering from The Chinese University of Hong Kong in 2008 and obtained a Master of Applied Science in Civil Engineering from the University of Toronto, Canada in 1982. He is a member of the Appeal Tribunal Panel of HKSAR Building Department, the Past President of HKICM and Hong Kong Institute of Arbitrators, Founding President and Governor of Hong Kong Mediation Centre and the Founding President of ASCE(HK). Prof. Leung is presently the Chief Executive Officer of C & L Holdings Ltd., whose business activities comprise direct investment and China business consultancy. Prof. Leung is also a director of China

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## DIRECTORS AND SENIOR MANAGEMENT

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State Construction International Holdings Ltd., a company listed on the main board of the Stock Exchange (stock code: 3311). Prof. Leung is a member of our Audit Committee, Nominating Committee and Remuneration Committee. In addition, he has been the chairman of our Nominating Committee and Remuneration Committee since January 1, 2010.

**Mr. Stanley Chung Wai Cheong (鍾偉昌)**, aged 42, is our INED. He joined our Group in April 2011 and was appointed as our INED on April 11, 2011. Mr. Chung graduated with a Bachelor of Commerce Degree from the University of Melbourne in 1993. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and is a certified practising accountant of CPA Australia. Mr. Chung has over 17 years' experience in accounting and financial management. He has also served as the financial controller for a number of listed companies in Hong Kong between 1997 and 2010 and is currently the Chief Financial Officer of HCT Asia Limited. Between 1997 and 2001, Mr. Chung was appointed as the financial controller and company secretary of Kingboard. Mr. Chung is a member of our Audit Committee, Nominating Committee and Remuneration Committee.

From January 2010 to December 2010, Prof. Raymond Leung Hai Ming had through Oriental Faith Investment Limited (“**Oriental Faith**”), a company in respect of which Prof. Leung is a director and a shareholder (holding 51% of the issued shares), provided consultancy services, such as providing strategic direction and corporate governance services, to our Company and our management. The aforesaid arrangement is solely for the personal tax planning purpose of Prof. Leung to discharge his duties as an INED. Save as disclosed above, none of our INEDs have, by himself or through any entity in which he is a director and/or a shareholder of, provided professional services to our Company during the Track Record Period.

Save as disclosed above, there is no other information in respect of our Directors which is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

### SENIOR MANAGEMENT

**Mr. Oscar Cheung Yiu Wai (張耀威)**, aged 53, is our vice president - quality assurance. He joined our Group in April 2007 as our Group's vice president - quality assurance and is responsible for the development of quality system, improvement of quality performance and formulation of quality assurance directions of our Group. Mr. Cheung has more than 25 years of relevant experience in the manufacturing industry, approximately 18 years of which was with the PCB industry. Mr. Cheung obtained a Master of Science Degree in Manufacturing Systems Engineering from the University of Warwick in 1993.

**Ms. Anna Cheung Po King (張寶琮)**, aged 49, is our chief internal audit officer. She joined our Group in January 2003 as our chief financial officer. As part of strengthening our Group's enterprise-wide risk management process, Ms. Cheung was appointed as our chief internal audit officer in January 2005 and is fully responsible for the internal audit function of our Group. Prior to joining our Group, Ms. Cheung had over 11 years of experience in financial planning and general

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## DIRECTORS AND SENIOR MANAGEMENT

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management in manufacturing and trading enterprises. Ms. Cheung obtained a Bachelor of Science Degree from the University of East Anglia in the United Kingdom in 1984. She is an associate member of the Institute of Chartered Accountants of England & Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants.

**Ms. Sumarn Jermasawasdipong**, aged 53, is our general manager - Thailand plant. She joined our Group in February 1990 as our accounting manager. Prior to joining our Group, she had over nine years of experience in finance, auditing and management in the electronics industry. Ms. Sumarn is currently our General Manager - Thailand plant and is responsible for the overall operational management of our PCB plant in Thailand. Ms. Sumarn obtained a Bachelor Degree (1st Class Honors) in Accountancy from Chulalongkorn University in 1980 and a Master of Commerce (Business Administration) from Thammasat University in 1986. She is a Certified Public Accountant of The Institute of Certified Accountants and Auditors of Thailand.

### JOINT COMPANY SECRETARIES

**Ms. Marian Ho Wui Mee** (何韋鄺), aged 43, is one of our joint company secretaries. She was appointed as our joint company secretary on December 22, 2006 and she has been handling the corporate secretarial matters as well as other legal matters for our Company since then. Ms. Ho is a partner in Rodyk & Davidson LLP's Corporate Practice Group. She was admitted to the Singapore Bar in 1991 and admitted as a solicitor in England and Wales in 2003 and has been in private practice since 1991. Ms. Ho specializes in corporate finance as well as mergers and acquisitions. Her corporate finance work covers rights issues, convertible bonds and notes issues, warrant issues and share option schemes. In terms of mergers and acquisitions, Ms. Ho has advised on a range of domestic and cross-border transactions, strategic alliances, share and business acquisitions and divestitures, as well as corporate restructurings. Ms. Ho also advises on fund management and collective investment schemes, in particular offers made by offshore funds in Singapore. In addition, Ms. Ho acts as company secretary for a wide range of corporate secretarial clients, comprising private limited companies, publicly listed companies as well as companies limited by guarantee. Ms. Ho was recognized by Asialaw in 2008 and 2010 as a Leading Lawyer in General Corporate Practice.

Ms. Claudia Heng Nguan Leng and Ms. Marian Ho Wui Mee are our joint company secretaries. Ms. Heng works for our Company on a full-time basis while Ms. Ho works for our Company on a consultation basis. Further details of Ms. Heng's biographical details are set out under the paragraph headed "Executive Directors" above.

We have applied to the Stock Exchange for and the Stock Exchange has agreed to grant, a waiver under Rule 8.17 of the Listing Rules in relation to the requirement on the qualifications of a company secretary in respect of Ms. Marian Ho Wui Mee. For details of the waiver, please see the section headed "Waivers from Strict Compliance with the Listing Rules — Joint company secretaries" in this document.

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## DIRECTORS AND SENIOR MANAGEMENT

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### AUTHORIZED REPRESENTATIVES

Mr. Chadwick Mok Cham Hung and Ms. Claudia Heng Nguan Leng have been appointed as the authorized representatives of our Company under Rules 3.05 and 19.36(6) of the Listing Rules. The authorized representatives will act as the principal communication channel with the Stock Exchange and will make themselves readily available in Hong Kong whenever necessary to deal with inquiries from the Stock Exchange. When the Stock Exchange contacts the authorized representatives, these authorized representatives will be able to contact all members of our Board immediately, ensuring an effective communication channel with the Stock Exchange.

In addition to appointing the authorized representatives, our Company has also retained the services of a compliance advisor which, in addition to the authorized representatives of our Company, will act as the principal channel of communication with the Stock Exchange from the Listing Date until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year following the Listing.

### COMPLIANCE ADVISOR

Our Company has appointed Investec Capital Asia Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules.

We have entered into a compliance advisor's agreement with the compliance advisor, the material terms of which are as follows:

- (a) we appoint the compliance advisor for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the date of listing our Shares on the Stock Exchange and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- (b) the compliance advisor shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange; and
- (c) we may terminate the appointment of the compliance advisor only if the compliance advisor's work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to the compliance advisor as permitted by Rule 3A.26 of the Listing Rules. The compliance advisor will have the right to resign or terminate its appointment if we breach the agreement.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD PRACTICES

In the absence of extraordinary events, it is the practice of our Board to meet at least four times a year. At such meetings, our Directors conduct, among other things, an operational review of our business.

### BOARD COMMITTEES

#### Audit Committee

Our Board has established an Audit Committee, which operates under a charter approved by our Board. It is our Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. Our Board has delegated the responsibility for the initial establishment and the maintenance of a framework of internal controls and ethical standards for our management to our Audit Committee.

Our Audit Committee currently comprises three INEDs, namely Mr. Lai Chong Tuck, Prof. Raymond Leung Hai Ming and Mr. Stanley Chung Wai Cheong and one non-executive Director, namely Mr. Chan Wing Kwan. Mr. Lai is the chairman of our Audit Committee.

#### Remuneration Committee

The Remuneration Committee of our Board is responsible for determining and reviewing compensation arrangements for our key management executives. Our Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, the nature and amount of executive Directors' and senior executives' emoluments, and our Company's financial and operational performance, with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality board and executive team.

Our Remuneration Committee currently comprises three INEDs, namely Mr. Lai Chong Tuck, Prof. Raymond Leung Hai Ming and Mr. Stanley Chung Wai Cheong and one non-executive Director, namely Mr. Chan Wing Kwan. Prof. Leung is the chairman of our Remuneration Committee.

#### Nominating Committee

The Nominating Committee of our Board is responsible for making recommendations to our Board regarding candidates to fill vacancies on our Board, as well as the management of our Board succession.

Our Nominating Committee currently comprises three INEDs, namely Mr. Lai Chong Tuck, Prof. Raymond Leung Hai Ming and Mr. Stanley Chung Wai Cheong and one non-executive Director, namely Mr. Chan Wing Kwan. Prof. Leung is the chairman of our Nominating Committee.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Employees' Share Option Scheme Committee

Our Employees' Share Option Scheme Committee is authorized to administer the Share Option Schemes, including but not limited to, to offer and grant share options to eligible participants in accordance with the rules of the Share Option Schemes, to modify and/or amend the Share Option Schemes from time to time, and to take such steps, to complete and do all such acts and things and to enter into such transactions, arrangements and agreements as may be necessary or expedient to give full effect to the Share Option Schemes.

Our Employees' Share Option Scheme Committee currently comprises three non-executive Directors, namely Mr. Cheung Kwok Wing, Mr. Chan Wing Kwan and Mr. Chang Wing Yiu.

### SHARE OPTION SCHEMES

Our Company adopted the 2002 Share Option Scheme and the 2008 Share Option Scheme on November 12, 2002 and May 9, 2008, respectively, which, in the opinion of our Directors, will enable our Group to recruit and retain high-caliber employees and to improve employee loyalty. The 2002 Share Option Scheme was expired in 2007. Further details and the principal terms of the Share Option Schemes are summarized in the paragraphs headed "2002 Share Option Scheme" and "2008 Share Option Scheme" in Appendix VI to this document.

### EMPLOYEES

As at the Latest Practicable Date, we had approximately 12,286 full-time employees.

As at the Latest Practicable Date, the number of our employees was as follows:

	<u>Hong Kong</u>	<u>PRC</u>	<u>Thailand</u>	<u>Others</u>	<u>Total</u>
Production . . . . .	132	6,380	1,010	—	7,522
Engineering . . . . .	35	667	108	—	810
Quality. . . . .	63	2,615	462	3	3,143
Administration and Support . . . . .	32	551	61	7	651
Sales and Marketing. . . . .	4	91	12	23	130
Group Technology					
Department . . . . .	<u>14</u>	<u>16</u>	<u>—</u>	<u>—</u>	<u>30</u>
<b>Total . . . . .</b>	<u>280</u>	<u>10,320</u>	<u>1,653</u>	<u>33</u>	<u>12,286</u>

We operate a defined contributory staff retirement scheme in Hong Kong which has complied with all the respective requirements of the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) (the "ORSO Scheme"). With effect from December 1, 2000, all new employees of our Group are offered with the Mandatory Provident Fund Scheme (the "MPF Scheme") membership only. For the ORSO Scheme, upon termination of service or retirement, payment is made



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## DIRECTORS AND SENIOR MANAGEMENT

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by the trustee of the scheme directly to the employee, or in the case of death, to his/her beneficiaries in accordance with the power of discretion vested in the trustee. For the MPF Scheme, employees will receive their benefits at the age of 65 or upon being permanently disabled. In the case of death, the MPF account balance will be paid to the legal personal representative. If an employee leaves our Company, his/her account balances may be transferred to his/her new account under the MPF Scheme of the new employer.

We provide full accommodation to our manufacturing labor force in all our facilities in China. These accommodations include living quarters, recreational facilities and cafeterias at which employees are entitled to receive meals. We provide employee benefits, including a provident fund scheme, personal accident insurance and an unemployment compensation scheme to some of our employees. Our management and administrative employees are entitled to participate in our medical insurance scheme. Some of our production employees, depending on their level of seniority and the length of service with our Group, are also entitled to participate in our medical insurance scheme.

The employees of our Group's subsidiary which operates in Thailand are required to participate in a social security fund operated by the Office of Social Security Fund. Our Group's subsidiary which operates in Thailand is required to contribute a fixed percentage of its payroll costs to the social security fund. As advised by our Company's Thai legal advisors, we have not been in violation of the relevant laws on social security for our own employees.

The employees of our Group's subsidiary which operates in Macau are required to participate in a central pension scheme operated by the Macau government. Our Group's subsidiary which operates in Macau is required to contribute a fixed amount of its payroll costs to the central pension scheme.

The employees of our Group's subsidiary which operates in Singapore are required to participate in a compulsory saving scheme, i.e. the central provident fund scheme operated by the Central Provident Fund Board. Our Group's subsidiaries which operate in Singapore are required to make monthly contribution at a fixed percentage of their payroll costs to the central provident fund.

The remuneration payable to our employees includes salaries and allowances. Almost all of our employees who have worked in our Group for over one year have been awarded with discretionary annual overtime wages supplement to the eligible employees (which in general are benchmark on the basis of their basic salaries) in recent years. In addition to basic wage calculated on the basis of the number of working hours per day, we also provide overtime payments to our manufacturing-related employees. Further, we provide regular on-the-job training to our staff to enhance their technical and product knowledge as well as knowledge of industry quality standards.

Our Directors believe that we maintain good relations with our employees. During the Track Record Period, we have not experienced any difficulty in recruiting suitable staff for our operations. We have not experienced any disruption of our operations arising from labor disputes since the establishment of our business.



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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS' REMUNERATION

Our Directors receive remuneration in the form of salaries, allowances, benefits-in-kind, discretionary bonuses, retirement scheme contributions and share-based payments made on their behalf. The aggregate remuneration paid to our Directors for the three years ended December 31, 2008, 2009 and 2010 was approximately US\$1,870,000, US\$1,887,000 and US\$2,031,000, respectively.

The following table provides details of the various components of total remuneration paid to our Directors:

	Salaries, bonuses and other costs	Provident fund and other defined contributions	Share-based payments	Total
	US\$	US\$	US\$	US\$
For the year ended December 31, 2008.....	1,620,000	58,000	192,000	1,870,000
For the year ended December 31, 2009.....	1,745,000	32,000	110,000	1,887,000
For the year ended December 31, 2010.....	1,951,000	66,000	14,000	2,031,000

The expected annual Directors' fee and other emoluments to be paid by our Group for the year ending December 31, 2011 will be approximately US\$2,539,000.

Save as disclosed in this document, no remuneration has been paid to our Directors as an inducement to join or upon joining our Group or as compensation for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group during the Track Record Period. No Directors waived any emoluments during the Track Record Period.

Save as disclosed in the section headed "Relationship with Our Controlling Shareholders" in this document, none of our Controlling Shareholders, Directors and their respective associates are interested in any business which competes or is likely to compete with that of ours.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Introduction (without taking into account any Shares which may be issued pursuant to the exercise of options granted under the Share Option Schemes), so far as the Directors are aware, the following persons (not being a Director or chief executive of our Company) will have an interest or short position in the Shares and underlying Shares which would be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

**(a) Interest or short positions in our Company**

Name of Shareholder	Name of corporation	Capacity/Nature of interests	Number of shares directly or indirectly held	Approximate percentage of shareholding
EEIH	Our Company	Beneficial owner	90,741,550	48.56%
Elitelink Holdings Limited (“ <b>Elitelink</b> ”)	Our Company	Beneficial owner	34,321,615	18.37%
Ease Ever Investments Limited (“ <b>Ease Ever</b> ”)	Our Company	Interest in controlled corporation ( <i>Note 1</i> )	90,741,550	48.56%
Kingboard Investments Limited (“ <b>Kingboard Investments</b> ”)	Our Company	Interest in controlled corporation ( <i>Notes 2 and 3</i> )	125,063,165	66.93%
Jamplan (BVI) Limited (“ <b>Jamplan</b> ”)	Our Company	Beneficial owner	3,601,000	1.93%
Kingboard	Our Company	Interest in controlled corporation ( <i>Note 4</i> )	128,664,165	68.86%
Hallgain Management Limited (“ <b>HML</b> ”)	Our Company	Interest in controlled corporation ( <i>Note 5</i> )	128,664,165	68.86%
Citibank Nominees Singapore Pte. Ltd.	Our Company	Beneficial owner	587,000	0.31%
		Interest in controlled corporation ( <i>Note 6</i> )	129,251,165	69.17%
		Trustee of trust ( <i>Note 7</i> )	9,530,324	5.10%

*Notes:*

- (1) The entire issued share capital of EEIH is owned as to approximately 77.34% by Ease Ever, approximately 11.59% by Kingboard and approximately 11.07% by Kingboard Investments. Ease Ever is deemed to have an interest in 90,741,550 Shares held by EEIH, under the provisions of the SFO.
- (2) The entire issued share capital of Elitelink is owned by Kingboard Investments. Kingboard Investments is deemed to have an interest in 34,321,615 Shares held by Elitelink, under the provisions of the SFO.
- (3) The entire issued share capital of Ease Ever is owned by Kingboard Investments. Kingboard Investments is deemed to have an interest in 90,741,550 Shares which Ease Ever is deemed to have an interest in, under the provisions of the SFO.

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## SUBSTANTIAL SHAREHOLDERS

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- (4) The entire issued share capital of Kingboard Investments is owned by Jamplan. Jamplan is deemed to have an interest in 3,601,000 Shares held by Kingboard Investments and 125,063,165 Shares which Kingboard Investments is deemed to have an interest in, under the provisions of the SFO.
- (5) The entire issued share capital of Jamplan is owned by Kingboard. Kingboard is deemed to have an interest in 128,664,165 Shares which Jamplan is deemed to have an interest, under the provisions of the SFO.
- (6) Approximately 31.07% of the issued share capital of Kingboard is owned by HML. HML is deemed to have an interest in 587,000 Shares held by Kingboard and 128,664,165 Shares which Kingboard is deemed to have an interest in, under the provisions of the SFO. There is no shareholder of HML who is entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at HML's general meetings. HML and its directors are not accustomed to act in accordance with any shareholder's direction. Mr. Cheung Kwok Wing and Mr. Chan Wing Kwan are directors of HML.
- (7) To the best knowledge of our Directors, having made all reasonable enquiries, as at June 10, 2011, Citibank Nominees Singapore Pte. Ltd. held these 9,530,324 Shares on trust in favor of certain corporations and individuals. Among these 9,530,324 Shares, 587,000 Shares and 3,544,600 Shares are beneficially owned by Kingboard and Kingboard Investments, respectively and these shareholding interests have been included in the above table.

**(b) Interest or short positions in other members of our Group**

<u>Name of shareholder</u>	<u>Name of corporation</u>	<u>Capacity / Nature of interests</u>	<u>Approximate percentage of shareholding</u>
Kaiping City Mechanical & Electrical Industrial Co.	Kai Ping Elec & Eltek Company Limited	Beneficial owner	5%
	Kaiping Elec & Eltek No.3 Company Limited	Beneficial owner	5%
	Kaiping Elec & Eltek No.5 Company Limited	Beneficial owner	5%

Save as disclosed in this document, we are not aware of any other person who will, immediately following completion of the Introduction, have an interest or short position in our Shares or underlying shares of our Company which would be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company. We are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## SHARE CAPITAL

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### SHARE CAPITAL

All of the issued Shares of our Company comprise fully paid ordinary shares. Pursuant to the Singapore Companies (Amendment) Act 2005, companies incorporated in Singapore no longer have an authorized share capital and there is no concept of par value in respect of issued shares.

On February 15, 2011, 748,000 Shares held by our Company as treasury Shares were cancelled pursuant to Section 76K(d) of the Companies Act. No application has been made to the Listing Committee for the listing of, and permission to deal in, these cancelled treasury Shares. All documents of title in respect of these cancelled treasury Shares were destroyed.

Details of Shares immediately after the Listing:

	<u>Number of Shares</u>
Issued and fully paid ordinary Shares . . . . .	186,845,362

### ASSUMPTIONS

The above table does not take into account any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase Shares granted to our Directors as described below.

### ISSUING MANDATE

At the annual general meeting of our Company held on April 6, 2011, our Directors have been granted a general mandate (the “**Issuing Mandate**”) to allot and issue the Shares not more than the sum of 50% of the total number of issued Shares in the capital of our Company excluding treasury Shares (as calculated in accordance with the paragraph below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to our Shareholders shall not exceed 20% of the total number of issued Shares excluding treasury Shares (as calculated in accordance with the paragraph below) (the “**Resolution**”).

For ascertaining the aggregate number of Shares that may be issued under the Issuing Mandate, the percentage of issued Shares shall be based on the total number of issued Shares, excluding treasury Shares, at the time when the Resolution was passed, after adjusting for:

- (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when the Resolution was passed; and
- (b) any subsequent bonus issue, consolidation or subdivision of our Shares.

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## SHARE CAPITAL

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The above Issuing Mandate shall, unless revoked or varied by our Company at a general meeting, continue to be in force until:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the date by which the next annual general meeting of our Company is required by law or the Articles of Association to be held,

whichever is the earlier.

For further details of the Issuing Mandate, please refer to the paragraph headed “Resolutions of our Shareholders passed on April 6, 2011 and June 14, 2011” under the section headed “Further information about our Company and our subsidiaries” in Appendix VI to this document.

Notwithstanding the above, it must be noted that the Listing Rules provide that the general mandate obtained from Shareholders in general meeting shall be subject to a restriction that the aggregate number of Shares allotted or agreed to be allotted under the general mandate must not exceed the aggregate of 20% of the existing issued share capital of our Company. Consequently, our Company will comply with the Listing Rules in relation to the issue of general mandate upon the Listing as the Listing Rules generally pose a more onerous requirement than the Listing Manual in this aspect.

### REPURCHASE MANDATE

At an extraordinary general meeting of our Company held on April 6, 2011, resolutions of our Shareholders were passed pursuant to which authorized, amongst other things, the exercise by our Directors of all the powers of our Company to purchase or otherwise acquire our Shares not exceeding in aggregate 10% of the total number of issued Shares (excluding treasury Shares) at the date of grant of such repurchase mandate, at such price or prices as may be determined by our Directors from time to time up to the price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed (i) in the case of an on-market purchase, one hundred and five per cent. (105%) of the average closing market price of our Shares transacted on the SGX-ST over the last five market days (on which transactions in our Shares are recorded) immediately preceding the date of the market purchase by our Company; and (ii) in the case of an off-market purchase, one hundred and twenty per cent. (120%) of the average closing market price of our Shares transacted on the SGX-ST over the last five market days (on which transactions in our Shares are recorded) immediately preceding the date on which our Company announces an off-market purchase offer stating the purchase price and the relevant terms of the equal access scheme.

The repurchase mandate shall expire on the earlier of: (i) the date on which the next annual general meeting is held or required by law or the Articles of Association to be held; or (ii) the date on which the purchase of Shares by our Company pursuant to the repurchase mandate is carried out to the full extent mandated.

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## SHARE CAPITAL

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The repurchase mandate was made in accordance with the Listing Manual. In the event that our Company shall purchase our own Shares after Listing, we are required to comply with the more onerous requirements under both the Listing Rules and the Listing Manual. For further details of this repurchase mandate, please see the paragraph headed “Resolutions of our Shareholders passed on April 6, 2011 and June 14, 2011” under the section headed “Further information about our Company and our subsidiaries” in Appendix VI to this document.

### SHARE OPTION SCHEMES

On November 12, 2002 and May 9, 2008, our Company adopted the 2002 Share Option Scheme and the 2008 Share Option Scheme, respectively. Please refer to the paragraphs headed “2002 Share Option Scheme” and “2008 Share Option Scheme”, respectively under the section headed “Other information” in Appendix VI to this document for details of the Share Option Schemes.

### RULE 9.09 OF THE LISTING RULES

We have applied for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in respect of any dealings in our Shares by Shareholders who currently hold less than 10% of the total issued Shares but who may acquire further Shares and become substantial Shareholders during the period from four clear business days before the expected hearing date for the Introduction until the Listing is granted. Please refer to the section headed “Waivers from Strict Compliance with the Listing Rules — Dealings by connected persons” in this document for details of such waiver. Any other connected persons of our Company are restricted from dealing in our Shares in the aforesaid period under Rule 9.09(b) of the Listing Rules.

### RULE 10.07 AND RULE 10.08 OF THE LISTING RULES

We have applied for, and the Stock Exchange has granted to our Company, waivers in relation to strict compliance with Rules 10.07 and 10.08 of the Listing Rules. Please refer to the sections headed “Waivers from Strict Compliance with the Listing Rules — Issuance of securities and consequential deemed-disposal of Shares” and “Waivers from Strict Compliance with the Listing Rules — Further share disposal restriction” in this document for details of such waivers.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis of our operating results and financial condition for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011 together with the consolidated financial information, including the accompanying notes thereto, set out in Appendices I and II to this document. Our financial information has been prepared in accordance with IFRS. The following discussion and analysis also contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the factors set forth in the section headed “Risk Factors” in this document.*

### OVERVIEW

We are one of the leading PCB manufacturers in the PRC by revenue, with strategic manufacturing facilities in Hong Kong and Thailand. Our products consist principally of double-sided, multi-layer PCBs and HDI PCBs. In addition to producing PCBs for end-user application in a variety of industries, we are able to provide “one-stop shop” service to our customers, from small volume QTA services to large volume mass production. We believe we have established a reputation in the PCB industry as a quality manufacturer with strong in-house product design and development capabilities. We have developed collaborative relationships with our customers, which include leading OEM providers of computer and computer peripherals, communications and networking equipment, consumer electronics and automotive products.

Our products and services are categorized into the following four business segments:

- *2- to 6- layer PCBs:* This segment records the revenue generated by our sales of conventional PCBs in the two- to six-layer range and our provision of ancillary services to our customers relating to such products such as QTA services.
- *8-layer and above PCBs:* This segment records the revenue generated by our conventional multi-layer PCBs of eight layers and above and our provision of ancillary services to our customers relating to such products such as QTA services.
- *HDI PCBs:* This segment records the revenue generated by our sales of HDI PCBs and our provision of ancillary services to our customers relating to such products such as QTA services.
- *PCB materials:* This segment records the revenue generated by our sales of prepreg and laminate.

We grew in annual revenue and profit in recent years. Our revenue decreased from US\$517.9 million for 2008 to US\$434.6 million in 2009 and grew significantly to US\$598.9 million in 2010, representing a CAAGR of 7.53% from 2008 to 2010. Our profit after tax and non-controlling interests for the year increased from US\$42.6 million for 2008 to US\$45.7 million for 2009 and to US\$81.6 million for 2010, representing a CAAGR of 38.37% from 2008 to 2010.

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## FINANCIAL INFORMATION

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### FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and the period-to-period comparability of our financial results are primarily affected by the following factors:

#### **Sales volume**

Our results of operations are directly affected by our sales volume, which in turn is a function of market demand and production capacities. Market demand is in turn driven primarily by the demand for products and services of the types we offer and the demand for our customers' products. During the Track Record Period, our sales volume was significantly influenced by large increases or decreases in orders made by certain of our key customers.

During the Track Record Period, we generated a large portion of our operating revenue from the sale of PCBs with end-use applications in the computer and computer peripherals, communication and networking, consumer electronics and automotive industries. All of the industries to which we supply our PCBs are affected by macroeconomic conditions which can cause variations in production demand for our customers in these industries. Since demand for our products is tied to demand for our customers' products, these macroeconomic conditions can have a significant impact on our financial results. For example, in 2009, deteriorating economic conditions due to the global financial crisis contributed to a decline in our revenues from all of our served market segments, and consequently to a decline in our revenues compared to 2008. However, in 2010, improved economic conditions led to an increase in demand across our major served markets and stronger revenues overall. Our revenues and operating results are particularly influenced by market demand conditions generally prevailing in Asia, US and Europe, areas which are major markets for both us and our customers. Economic downturns and declines in consumption in our major markets may affect market demand and, in turn, our sales volume.

Our results of operations are also affected by the level of business activity of our major customers, which in turn is affected by the level of economic activity in the industries and markets that they serve. A decline in the level of business activity of our customers could adversely affect our results of operations.

#### **Product mix**

The profitability of our business is also affected by our product mix. Our technical expertise enables us to switch production from one product to another in a short period of time. We are therefore able to adjust to and take advantage of changing market conditions to produce the products which are in highest demand. Although we derived the majority of our revenue during the Track Record Period from 2- to 6- layer PCBs, our product mix may change going forward to include a greater focus on revenue from our 8-layer and above PCBs and HDI PCBs segments.



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## FINANCIAL INFORMATION

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### **Pricing of our products**

Market forces of supply and demand generally determine the pricing of our products. During the years ended December 31, 2008, 2009 and 2010, the vast majority of our products were sold to customers in Asia, with approximately 79.8%, 83.7% and 83.9%, respectively, of our turnover by revenue being shipped to locations in Asia.

Each PCB product that we manufacture is made according to customer specifications and we generally price our products on an order-by-order basis, taking into account the costs involved in manufacturing these products and market prices. Competition has in the past restricted our ability to raise the selling prices of some of the products we offer, particularly those in the 2- to 6- layer PCB products segment, and prices of such products have, on occasions, been adjusted downwards due to competitive pressure. We expect this pricing pressure to continue in the future. We have entered into renewable supply agreements with some of our major customers, which set out certain material terms (other than those relating to order volumes and pricing) that apply to orders placed by our customers with us. We sell our products and services at negotiated prices which are typically stated as a price per unit manufactured. Our price negotiations occur annually with the majority of our customers though some prefer to negotiate on a bi-annual or quarterly basis. Our price quotations incorporate an amount to cover materials costs, which are based closely on current prices of raw materials as quoted to us by our suppliers, plus a “value-added” amount to reflect our manufacturing costs and expected profit margin.

This pricing arrangement provides us with a profit incentive to maximize our efficiency and procurement power. On the other hand, if market conditions are adverse, we may experience reduced profit margins in the short term. Our actual costs, and therefore profitability, may vary due to conditions such as whether we can procure materials at prices quoted to us by our suppliers. We believe that our pricing arrangements permit some risk sharing that is customary in our industry.

### **Fluctuation in raw material prices**

The cost of materials is a substantial part of our costs of sales and is our single largest expense. Our key raw materials include glass fabrics, epoxy resins, copper foils, laminates, chemicals, drill bits, tin and precious metals such as silver and gold. For example, in 2008, 2009 and 2010, raw materials accounted for approximately 48.1%, 40.3% and 45.2%, respectively of our revenue. The cost of these raw materials is highly variable and depends on market prices. In order to be competitive, we must obtain these raw materials at acceptable prices and in a timely manner. We have not entered into any long term supply contracts with our suppliers for the purchases of our required raw materials but instead, continue to negotiate prices at arm’s length with our major suppliers. We currently do not have a policy to hedge our exposure to fluctuating commodity prices. As a result, we are exposed to fluctuations in the prices of raw materials that may adversely affect our cost of sales. Any increase in our costs for raw materials used that cannot be passed on to customers may lead to a corresponding decrease in our profits.

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## FINANCIAL INFORMATION

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### **Maximizing our capacity utilization at all of our production facilities**

Success in our business depends in part on our ability to maximize the capacity utilization of each of our production facilities. Given the high capital intensive nature of our industry and the resulting high fixed costs of our operations, capacity under-utilization would have a significant adverse effect on our operating results. Accordingly, our ability to maintain or enhance our gross margins will continue to depend, in part, on maintaining satisfactory capacity utilization rates. We attempt to maintain high capacity utilization rates by early involvement with our customers during the design stage, closely monitoring our customer's upcoming product demand cycles, keeping a diversified customer base and properly managing our raw material supply. However, satisfactory capacity utilization rates also depend on the volume of orders we receive, our ability to offer products that meet our customers' technological requirements at competitive prices and the quality of our products.

### **Income tax expense**

Income tax on the profit or loss for the year comprises current and deferred tax and income tax is recognized in the statement of comprehensive income. Our effective tax rate was approximately 5.82%, 6.93% and 6.63% for 2008, 2009 and 2010, respectively. Our Company is an investment holding company and all of our Group's revenue during the Track Record Period was generated by our Company's operating subsidiaries in the PRC, Hong Kong and Thailand. As we operate in various geographical locations, we are subject to different local enterprise tax rates and our subsidiaries may be awarded preferential tax treatments. The tax rates for our revenue-generating subsidiaries range from zero to 30% depending on local tax rates and any applicable tax preferences or holidays. In Thailand, our production facilities are awarded with tax privileges from Thailand's Board of Investments and began an eight-year tax holiday in March 2011, with another five years of a 50.0% exemption on taxes after the end of the initial eight-year term.

For the years ended December 31, 2008, 2009 and 2010, Hong Kong profits tax has been provided at the rate of 16.5% respectively on the estimated assessable profits arising in Hong Kong during the respective assessable year.

In the PRC, the rate of income tax chargeable on companies may vary depending on the availability of preferential tax treatment. The current maximum corporate income tax rate is 25%. Our three production facilities in Guangzhou, Nanjing and Shenzhen are currently eligible for a high-technology tax break and have a corporate income tax rate of 15% until the end of 2011.

A withholding tax rate of 5% may apply to us for dividends distributed by our PRC subsidiaries if all statutory and regulatory requirements and conditions, including but not limited to obtaining approval from competent tax authorities, are met.

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## FINANCIAL INFORMATION

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In Singapore, the rate of income tax chargeable on the taxable income of companies for the years ended December 31, 2008, 2009 and 2010 was 18%, 17% and 17%, respectively. Foreign-sourced income in the form of dividends received or deemed to be received in Singapore by Singapore tax resident companies on or after June 1, 2003 are exempt from tax if certain prescribed conditions are met, including the following:

- (i) The highest corporate tax rate (headline tax rate) of the foreign country from which the income is received is at least 15% at the time the foreign income is received in Singapore.
- (ii) The foreign income had been subjected to tax in the foreign country from which such income was received (known as the “subject to tax” condition). The rate at which the foreign income was taxed can be different from the headline tax rate; and
- (iii) The income tax comptroller of Singapore is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

Under the one-tier corporate tax system, tax paid by a company on its chargeable income is the final tax. All dividends paid by a company are exempt from tax in the hands of the shareholders.

Significant judgment is required in determining the provision for such income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. Currently, we are not aware of any review or challenge of our Group’s tax position by tax authorities in the PRC or Thailand for intra-group and related party transactions. Where the final tax outcome of these matters is different from the accounts that were initially recorded, such difference would impact the income tax and deferred tax provisions in the period during which such determination was made.

### DESCRIPTION OF SELECTED LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

#### Revenue

Revenue is measured at the fair value of the considerations received or receivable for goods sold and is recognized upon delivery of goods and pass of title. All of our revenue is generated from the sales of PCBs, laminates and prepreg, and QTA services. Recognition of revenue is net of sales returns, sales rebate, and sales related tax.

#### Cost of sales

Our cost of sales consists primarily of the costs of raw materials, direct labor costs and production overheads.

Cost of raw materials used in the production of PCBs consists of costs of laminate and prepreg, copper foil, glass fabric, epoxy resins, precious metal, chemicals and other supplementary materials. All of the materials supplied have been historically, and will be in the future, subject to price volatility and an imbalance in supply and demand. During the Track Record Period, the price for our most significant raw material, copper foil, has been rising which has increased our operating costs.

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## FINANCIAL INFORMATION

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Direct labor costs consists primarily of salaries, bonuses and benefits-in-kind paid to our employees directly involved in the manufacturing of products.

Production overheads consists primarily of depreciation and amortization expenses, salaries, bonus and benefits-in-kind paid to technicians, engineers, supervisors and other staff, utilities, operating supplies, consumables, subcontracting charges, repairs and maintenance expenses, and other miscellaneous expenses. Our operating profit will be affected by the price volatility of the raw materials and spending on production overheads.

### **Other operating income and gains**

Other operating income includes interest income, foreign exchange gains, rental income arising from investment properties, gain of fair value change of investment properties, gain on disposal of subsidiary, and other miscellaneous income.

### **Distribution and selling expenses**

Our distribution and selling expenses consist primarily of salaries, bonuses and benefits-in-kind paid to our sales and marketing staff, depreciation, entertainment and traveling expenses incurred by our sales and marketing staff, office rental, sales commission paid to sales representatives, and freight out charges of the finished goods.

### **Administrative expenses**

Our administrative expenses consist primarily of costs related to our non-operational employees and consists mainly of salaries, bonuses and benefits; personnel expenses, depreciation, utilities costs, office rental, traveling and entertainment expenses incurred by our managerial employees, research and development expenses, legal and professional fees, and other miscellaneous expenses.

The administrative expenses include the attributable portion of share-based compensation expense.

### **Other operating expenses and losses**

Other operating expenses comprises loss on disposal of property, plant and equipment, net exchange loss and other miscellaneous expenses.

### **Gain on disposal of a subsidiary**

During the second quarter of 2008, our Group received approval from the local government authorities in respect of the disposition of equity interest in Elec & Eltek Electronic (Kunshan) Company Limited to our Group's ultimate holding company and Controlling Shareholder, Kingboard, pursuant to a sales and purchase agreement signed on October 30, 2007. Accordingly, the gain arising on the disposition was recognized in the year ended December 31, 2008.

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## FINANCIAL INFORMATION

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### **Finance costs**

Finance costs consist primarily of interest expense incurred by us on overdraft facilities and term loan facilities.

### **Share of profits of an associate**

Share of profits of an associate refers to equity accounting for a share of profit of United Hill Group Limited, which our Company acquired a 49% equity interest in December 2005 through Elec & Eltek Jiangmen (BVI) High Tech Limited from Jamplan (BVI) Limited, a wholly-owned subsidiary of Kingboard, our ultimate holding company and our Controlling Shareholder.

Our Company disposed of the equity interest in United Hill Group Limited in December 2009.

### **Non-controlling interests**

Non-controlling interests consist of the interests of outside shareholders in the results and net assets of our Company's non-wholly owned subsidiaries. Non-controlling interests are deducted from our profit for the relevant financial period in order to determine profit attributable to owners of our Company when the relevant entity has a profit before non-controlling interests or added to our profit for the relevant financial period in order to determine our profit attributable to owners of our Company when the relevant entity has a loss before non-controlling interests. Please refer to "Appendix I — Accountants' Report" in this document for an analysis of non-controlling interests of our Company.

## FINANCIAL INFORMATION

### SELECTED CONSOLIDATED FINANCIAL DATA

#### Consolidated Statements of Comprehensive Income

The following table sets out line items of our Consolidated Statements of Comprehensive Income for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2008	2009	2010	2011
	(US\$ in thousands)			
				(unaudited)
<b>Revenue</b> . . . . .	517,931	434,565	598,853	147,121
Cost of sales . . . . .	(430,231)	(351,757)	(469,264)	(119,861)
<b>Gross profit</b> . . . . .	87,700	82,808	129,589	27,260
Other operating income and gains . . . . .	3,891	3,095	5,357	1,097
Distribution and selling expenses . . . . .	(13,839)	(11,977)	(15,735)	(4,390)
Administrative expenses . . . . .	(27,677)	(22,649)	(25,610)	(6,264)
Other operating expenses and losses . . . . .	(1,668)	(1,928)	(3,871)	(132)
Finance costs . . . . .	(4,820)	(1,729)	(1,310)	(306)
Share of profits of an associate . . . . .	1,550	1,697	—	—
<b>Profit before taxation</b> . . . . .	45,137	49,317	88,420	17,265
Income tax expense . . . . .	(2,626)	(3,419)	(5,858)	(1,162)
<b>Profit for the year</b> . . . . .	<u>42,511</u>	<u>45,898</u>	<u>82,562</u>	<u>16,103</u>
Profit for the year/period attributable to:				
Owners of the Company . . . . .	42,628	45,677	81,622	15,870
Non-controlling interests . . . . .	(117)	221	940	233
	<u>42,511</u>	<u>45,898</u>	<u>82,562</u>	<u>16,103</u>
Dividends paid and payable in respect of the respective financial year . . . . .	<u>36,672</u>	<u>46,460</u>	<u>74,669</u>	<u>—</u>

## FINANCIAL INFORMATION

### Consolidated Statements of Financial Position

The following table sets out our summary Consolidated Statements of Financial Position data of the dates indicated:

	As at December 31,			As at
	2008	2009	2010	March 31,
	(US\$ in thousands)			2011
				(unaudited)
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	370,746	338,121	326,218	322,169
Prepaid lease payments . . . . .	8,932	8,767	14,817	14,786
Investment properties. . . . .	15,756	19,262	21,300	21,300
Interest in an associate . . . . .	8,388	—	—	—
Deposits for acquisition of plant and equipment . . .	1,664	1,253	1,815	4,602
Deferred tax assets . . . . .	1,446	1,437	1,047	929
	<u>406,932</u>	<u>368,840</u>	<u>365,197</u>	<u>363,786</u>
<b>Current assets</b>				
Inventories. . . . .	39,582	39,738	58,065	60,323
Trade and bills receivables . . . . .	114,574	136,610	154,266	157,506
Deposits, prepayments and other receivables . . . . .	19,675	10,022	10,554	12,108
Prepaid lease payments . . . . .	227	227	242	242
Bank balances and cash. . . . .	68,672	60,054	66,913	69,708
	<u>242,730</u>	<u>246,651</u>	<u>290,040</u>	<u>299,887</u>
<b>Current liabilities</b>				
Trade and bills payables . . . . .	101,207	86,161	112,457	115,469
Accrued expenses and other payables . . . . .	38,620	30,089	36,424	36,309
Taxation payable . . . . .	762	2,044	1,858	2,647
Bank borrowings - amount due within one year. . . . .	100,884	84,837	47,799	48,129
	<u>241,473</u>	<u>203,131</u>	<u>198,538</u>	<u>202,554</u>
Net current assets . . . . .	<u>1,257</u>	<u>43,520</u>	<u>91,502</u>	<u>97,333</u>
Total assets less current liabilities. . . . .	<u>408,189</u>	<u>412,360</u>	<u>456,699</u>	<u>461,119</u>
<b>Non-current liabilities</b>				
Bank borrowings - amount due over one year . . . . .	56,715	32,615	52,666	40,925
Deferred tax liabilities. . . . .	1,998	2,416	2,104	2,023
	<u>58,713</u>	<u>35,031</u>	<u>54,770</u>	<u>42,948</u>
	<u>349,476</u>	<u>377,329</u>	<u>401,929</u>	<u>418,171</u>
<b>Capital and reserves</b>				
Share capital . . . . .	98,656	98,656	114,665	113,390
Treasury shares . . . . .	(1,356)	(1,356)	(1,356)	—
Reserves . . . . .	242,570	270,765	279,204	295,132
Equity attributable to owners of the Company. . . . .	<u>339,870</u>	<u>368,065</u>	<u>392,513</u>	<u>408,522</u>
Non-controlling interests. . . . .	9,606	9,264	9,416	9,649
Total equity . . . . .	<u>349,476</u>	<u>377,329</u>	<u>401,929</u>	<u>418,171</u>

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## FINANCIAL INFORMATION

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### REVIEW OF HISTORICAL OPERATING RESULTS

The financial highlight for the three months ended March 31, 2011 and the years ended December 31, 2008, 2009 and 2010 are set out below.

#### **Unaudited three months ended March 31, 2011 compared to the unaudited three months ended March 31, 2010**

##### *Revenue*

Our revenue increased by 8.7% to approximately US\$147.1 million in the three-month period ended March 31, 2011 from approximately US\$135.3 million in the three-month period ended March 31, 2010. Our increase in revenue was primarily due to an increase in demand for HDI PCBs used in feature phones coupled with an increase in the average selling prices in conventional PCBs across all segments.

The proportion of sales of HDI PCBs accounted for 15.0% of our total PCB sales in the three-month period ended March 31, 2011 as compared to 8.7% of our total PCB sales during the same period in 2010. Average selling prices of our 2-to-6-layer PCBs and our 8-layer and above PCBs segments increased from US\$8.14 and US\$28.35, respectively, in the three-month period ended March 31, 2010 to US\$8.82 and US\$29.95, respectively, in the three-month period ended March 31, 2011. We attribute the increase in the average selling price of our conventional PCBs to an improvement in demand, a shift to more high-layer PCBs in product mix and more QTA premiums which are booked by layer count. The average selling price for HDI PCBs dropped to US\$18.82 in the three-month period ended March 31, 2011 from US\$20.95 in the three-month period ended March 31, 2010 because a higher proportion of HDI PCB orders received during the three-month period ended March 31, 2011 were for simpler HDI PCBs as compared to the HDI PCB orders received during the three-month period ended March 31, 2010.



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The following table sets forth the quantity sold and average selling price by product category for the three-month period ended March 31, 2010 and March 31, 2011. The amount of revenue derived from the provision of QTA services has historically been quite small, as a result, QTA services are not independently reported and are subsumed under the segments for 2- to 6-layer PCBs and 8-layer and above PCBs:

	Three months ended March 31,					
	2010			2011		
	Sales US\$'000	Footage in Ksq.ft.	Average selling price	Sales US\$'000	Footage in Ksq.ft.	Average selling price
	(unaudited)					
			US\$			US\$
<b>Revenue</b>						
2- to 6 - layer PCBs . . . . .	85,127	10,459	8.14	84,424	9,567	8.82
8- layer and above PCBs . . . . .	29,621	1,045	28.35	29,917	999	29.95
HDI PCBs . . . . .	<u>10,997</u>	<u>525</u>	20.95	<u>20,173</u>	<u>1,072</u>	18.82
	125,745	12,029	10.45	134,514	11,638	11.56
Laminate and Prepreg . . . . .	<u>9,547</u>			<u>12,607</u>		
	<u><u>135,292</u></u>			<u><u>147,121</u></u>		

### *Cost of sales*

	Three months ended March 31,			
	2010		2011	
	US\$'000	% to Sales	US\$'000	% to Sales
	(unaudited)			
Direct Materials . . . . .	58,487	43.2	70,305	47.8
Direct Labor . . . . .	9,202	6.8	10,146	6.9
Production Overheads . . . . .	<u>37,915</u>	<u>28.0</u>	<u>39,410</u>	<u>26.8</u>
	<u><u>105,604</u></u>	<u><u>78.0</u></u>	<u><u>119,861</u></u>	<u><u>81.5</u></u>

Our costs of sales increased by 13.5% or US\$14.3 million to US\$119.9 million in the three-month period ended March 31, 2011 from US\$105.6 million in the three-month period ended March 31, 2010. This increase in costs of sales was primarily due to an increase in the sales volume of PCBs, prepreg and laminate over this time period. Cost of sales also increased as a result of increases in the costs of direct materials to US\$70.3 million in the three-month period ended March 31, 2011 from US\$58.5 million in the three-month period ended March 31, 2010, principally due to significant rise in the per square feet costs of copper foils and laminates.

Direct labor costs increased to US\$10.1 million in the three months ended March 31, 2011 from US\$9.2 million in the three months ended March 31, 2010, primarily due to an increase in our number of production workers. This increase in the numbers of production workers employed resulted primarily from higher production outputs during the three months ended March 31, 2011 and an increase in minimum wages for our PRC workers.

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Production overheads marginally increased to US\$39.4 million in the three-month period ended March 31, 2011 from US\$37.9 million in the three-month period ended March 31, 2010. The increase was principally due to higher expenditures on utilities and operating expenses.

### *Gross profit*

Despite the increase in sales revenue, gross profit decreased by 8.2% to US\$27.3 million in the three-month period ended March 31, 2011 from US\$29.7 million in the three-month period ended March 31, 2010. This decrease was due to a rise in raw material costs and labor costs between the two comparative financial periods which outpaced the increase in average selling prices.

### *Other operating income and gains*

Other operating income and gains increased to US\$1.1 million in the three-month period ended March 31, 2011 from US\$0.7 million in the three-month period ended March 31, 2010. This increase was primarily due to recognition of foreign exchange gains as compared to the foreign exchange losses recognized a year ago under other operating expenses and losses.

### *Distribution and selling expenses*

Distribution and selling expenses increased by 14.8% to US\$4.4 million in the three-month period ended March 31, 2011 from US\$3.8 million in the three-month period ended March 31, 2010. The increase was primarily due to an increase in freight charges related to an increase in oil prices and an increase in the salaries paid to our sales and marketing employees when compared to the three-month period ended March 31, 2010.

### *Administrative expenses*

Administrative expenses decreased by 5.3% to approximately US\$6.3 million in the three-month period ended March 31, 2011 from approximately US\$6.6 million in the three-month period ended March 31, 2010.

### *Finance costs*

Finance costs remained level at US\$0.3 million between the three-month period ended March 31, 2011 and March 31, 2010, respectively, in an environment of relatively low bank interest rates. The weighted effective rate as at March 31, 2011 and March 31, 2010 were 1.27% and 0.93%, respectively. Total bank and other borrowings decreased to approximately US\$89.1 million as at March 31, 2011 from approximately US\$100.5 million as at December 31, 2010.

### *Income tax expense*

Income tax expense remained level at US\$1.2 million between the three-month period ended March 31, 2011 and 2010, respectively. Our Group's overall effective tax rate (tax as a percentage of profit before tax) for the three-month period ended March 31, 2011 was approximately 6.7% as compared to 5.9% for the three-month period ended March 31, 2010.

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### *Profit for the period*

As a result of the foregoing, our Group achieved a profit attributable to shareholders of approximately US\$15.9 million in the three-month ended March 31, 2011 as compared to US\$18.1 million in the three-month ended March 31, 2010. The net profit margin declined to 10.8% in the three-month ended March 31, 2011 as compared to 13.3% in the three-month period ended March 31, 2010.

### **Year ended December 31, 2010 compared to year ended December 31, 2009**

#### ***Revenue***

Our Group achieved record-level revenue, profits and profitability in 2010. Improved global demand in all of our major served markets increased our revenue by 37.8% or US\$164.3 million to US\$598.9 million in 2010 from US\$434.6 million in 2009. This increase was due to increased demand from customers across all market segments but was especially noticeable in HDI PCBs as demands for smartphones rose. These has resulted in sales of our HDI PCBs accounting for 10.4% of PCB sales in 2010, up from 6.2% of PCB sales in 2009. We saw an increase in the average selling price of our 2-to-6-layer PCBs and our 8-layer and above PCBs segments from US\$8.21 and US\$29.33, respectively, in 2009 to US\$8.46 and US\$30.60, respectively, in 2010. The average selling price varies year-on-year depending on our customers' designs and the interior components. For example, the average selling price of a 6-layer PCB can vary widely depending on its end-use application and the types of materials used in our customer's designs. That being said, we attribute the increase in the average selling price of our conventional PCBs to an improvement in demand and shift to more high-layer PCBs in product mix and more expensive materials/ more QTA premiums which are booked by layer count. The average selling price for HDI PCBs dropped marginally to US\$18.73 in 2010 from US\$19.93 in 2009 as we received a higher proportion of simples HDI PCB orders in 2010 relative to 2009.

The following table shows the quantity sold and average selling price by product category during 2009 and 2010. The amount of revenue derived from the provision of QTA services has historically been quite small, as a result, QTA services are not independently reported and are subsumed under the segments for 2- to 6-layer PCBs and 8-layer and above PCBs:

	Year ended December 31,					
	2009			2010		
	Sales US\$'000	Footage in Ksq.ft.	Average selling price US\$	Sales US\$'000	Footage in Ksq.ft.	Average selling price US\$
<b>Revenue</b>						
2- to 6- layer PCBs . . . . .	284,247	34,615	8.21	364,621	43,120	8.46
8- layer and above PCBs . . .	107,067	3,650	29.33	132,435	4,328	30.60
HDI PCBs . . . . .	<u>25,716</u>	<u>1,290</u>	19.93	<u>57,807</u>	<u>3,086</u>	18.73
	417,030	39,555	10.54	554,863	50,534	10.98
Laminate and Prepreg . . . . .	<u>17,535</u>			<u>43,990</u>		
	<u>434,565</u>			<u>598,853</u>		

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## FINANCIAL INFORMATION

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### *Cost of sales*

	Year ended December 31			
	2009		2010	
	US\$'000	% to Sales	US\$'000	% to Sales
Direct Materials . . . . .	175,177	40.3	270,528	45.2
Direct Labor . . . . .	30,465	7.0	42,014	7.0
Production Overheads . . . . .	146,115	33.6	156,722	26.2
	351,757	80.9	469,264	78.4

Our costs of sales increased by 33.4%, or US\$117.5 million, to US\$469.3 million in 2010 from US\$351.8 million in 2009. This increase is primarily due to an increase in the costs of direct materials to US\$270.5 million in 2010 from US\$175.2 million in 2009, which was the result of an increase in our sales volume. The higher direct materials costs as a percentage of sales was primarily due to an increase in the per square feet costs of copper foil and laminates. Rising copper, tin and gold prices all had an impact during this time period.

Among the raw materials used by our Group, laminates and prepregs made up the largest portion of costs and accounted for approximately 54.1% and 54.7%, respectively, of the cost of raw materials during each of the two years ended December 31, 2009 and 2010.

Direct labor costs increased to US\$42.0 million in 2010 from US\$30.5 million in 2009, as a result of the increase in average number of production workers from 7,633 in 2009 to 8,849 in 2010. This increase resulted from higher production output coupled with rising minimum wages for our PRC workers.

Production overheads, which include utilities and expenses related to factory maintenance, increased to US\$156.7 million in 2010 from US\$146.1 million in 2009. The increase was principally due to higher expenditures on utilities and operating expenses related to higher production output.

### *Gross profit*

Gross profit increased by 56.5% to US\$129.6 million in 2010 from US\$82.8 million in 2009. As a result of increased demand which allowed us to leverage economies of scale, improve operating efficiency and achieve growth in the sales of HDI PCBs, gross profit margin rose to 21.6% in 2010 as compared to 19.1% in 2009.

### *Other operating income and gains*

Other operating income and gains increased to US\$5.4 million in 2010 from US\$3.1 million in 2009. This was primarily due to the recognition of gain on fair value change of investment properties in 2010 of US\$1.9 million (which we did not have in 2009), as other income items remained stable.

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### *Distribution and selling expenses*

Distribution and selling expenses increased by 31.4% to US\$15.7 million in 2010 from US\$12.0 million in 2009. The increase in distribution and selling costs was primarily due to an increase in distribution charges from US\$5.0 million in 2009 to US\$8.2 million in 2010 as a result of higher shipment volume stemming from higher output. The increase in distribution charges were in part due to higher oil prices and partly due to a higher proportion of our products being shipped to locations that are geographically further from our production facilities such as Europe.

### *Administrative expenses*

Administrative costs increased by 13.1% to US\$25.6 million in 2010 from US\$22.6 million in 2009. This increase in expenses resulted primarily from higher accrual made for discretionary management bonuses as a result of improved profits for the year and higher payroll costs for administrative staff.

### *Other operating expenses and losses*

Other operating expenses and losses increased to US\$3.9 million in 2010 from US\$1.9 million in 2009. This was primarily due to the loss on disposal of property, plant and equipment of US\$2.0 million in 2010, as other operating expenses remained stable.

### *Finance costs*

Finance costs decreased by 24.2% to US\$1.3 million in 2010 from US\$1.7 million in 2009, largely as a result of net debt repayment amounting to approximately US\$17.0 million in 2010. The general lower bank interest rates environment partially contributes to this decrease. The average annualized effective interest rate as at December 31, 2009 and December 31, 2010 was 1.35% and 1.17%, respectively. In addition, gross bank and other borrowings decreased to US\$100.5 million as at December 31, 2010 from US\$117.5 million as at December 31, 2009

### *Income tax expense*

Income tax expense increased by 71.3% to US\$5.9 million in 2010 from US\$3.4 million in 2009. The increase in income tax expense was a result of our increase in pre-tax profits in fiscal year 2010 over fiscal year 2009. The increase in income tax expenses also resulted from additional provision made in respect of withholding tax on dividends receivable from certain PRC subsidiaries. Our Group's effective tax rate (tax as a percentage of profit before tax) in 2010 was 6.6% as compared to 6.9% in 2009.

### *Profit for the year*

For the reasons enumerated above, our Group achieved a profit attributable to owners of the Company of US\$81.6 million, representing an increase of 78.7% in 2010 from US\$45.7 million in 2009. The net profit margin attributable to owners of the Company improved to 13.6% in 2010 from 10.5% in 2009.

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### Year ended December 31, 2009 compared to year ended December 31, 2008

#### Revenue

Revenue decreased by 16.1% to US\$434.6 million in 2009 from US\$517.9 million in 2008. The decrease in revenue was primarily due to shrinking global demand of PCBs as a result of the global economic downturn experienced during the first half of 2009. The challenging market conditions affected product mix and resulted in lower average selling prices during the same periods in fiscal year 2009.

The following table sets forth the quantity sold and average selling price by product category. The amount of revenue derived from the provision of QTA services has historically been quite small, as a result, QTA services are not independently reported and are subsumed under the segments for 2- to 6-layer PCBs and 8-layer and above PCBs:

	Year ended December 31,					
	2008			2009		
	Sales US\$'000	Footage in Ksq.ft.	Average selling price US\$	Sales US\$'000	Footage in Ksq.ft.	Average selling price US\$
<b>Revenue</b>						
2- to 6- layer PCBs . . . . .	333,684	36,507	9.14	284,247	34,615	8.21
8- layer and above PCBs . . .	152,841	4,165	36.70	107,067	3,650	29.33
HDI PCBs . . . . .	14,356	556	25.82	25,716	1,290	19.93
	500,881	41,228	12.15	417,030	39,555	10.54
Laminate and Prepreg . . . . .	17,050			17,535		
	<u>517,931</u>			<u>434,565</u>		

#### Cost of sales

	Year ended December 31,			
	2008		2009	
	US\$'000	% to Sales	US\$'000	% to Sales
Direct Materials . . . . .	249,286	48.1	175,177	40.3
Direct Labor . . . . .	32,095	6.2	30,465	7.0
Production Overheads . . . . .	148,850	28.8	146,115	33.6
	<u>430,231</u>	<u>83.1</u>	<u>351,757</u>	<u>80.9</u>

#### Cost of sales

Our costs of sales decreased by 18.2%, or US\$78.5 million from US\$430.2 million in 2008 to US\$351.8 million in 2009, mainly due to a decrease in cost of materials, lower labor costs and lower operating expenses. Our cost of sales as a percentage of revenue decreased to 80.9% in 2009 from 83.1% or US\$430.2 million in 2008, due to change in our product mix, as well as lower sales volume.

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## FINANCIAL INFORMATION

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Among the raw materials used by our Group, laminates and prepregs made up the largest portion and accounted for approximately 51.4% and 54.1%, respectively, of the cost of raw materials during each of the two years ended December 31, 2008 and 2009. With the slowdown in the global economy in 2009, the average unit material costs experienced a reduction of approximately 24.2% during the year. Other components to cost of sales, such as direct labor costs and production overhead, decreased to US\$176.6 million in 2009 from US\$180.9 million in 2008 as a result of improvements in productivity.

### ***Gross profit***

Gross profit decreased by 5.6% to US\$82.8 million in 2009 from US\$87.7 million in 2008. In spite of the reduced gross profit, gross profit margin improved to 19.1% in 2009 as compared to 16.9% in 2008. In addition to lower material prices and improved material usage, an improvement in labor and production efficiency were the driving factors behind the increase in gross profit margin.

Although the global economic outlook remained weak throughout 2009, our Group experienced stronger order inflow starting from the end of the second quarter of 2009, especially with orders for HDI PCBs over the course of the year. The rise in orders for HDI PCBs, together with the substantial reduction in raw material costs, mitigated the adverse financial impact of a decline in average selling prices during the first half of 2009. By the end of year 2009, order inflow recovered such that all of our Group's production facilities were operating near full capacity.

### ***Other operating income and gains***

Other operating income and gains decreased to US\$3.1 million in 2009 from US\$3.9 million in 2008. The decrease of the operating income and gains was mainly due to the lower interest income recognized in 2009 as compared to 2008.

### ***Distribution and selling expenses***

Distribution and selling expenses decreased by 13.5% to US\$12.0 million in 2009 from US\$13.8 million in 2008. The decrease in distribution and selling costs was primarily due to a decrease in shipments and reduced payroll costs incurred for sales and marketing employees.

### ***Administrative expenses***

Administrative expenses decreased by 18.2% to US\$22.6 million in 2009 from US\$27.7 million in 2008 as a result of costs tightening and lower provision for doubtful debts. The lower expenses can also be attributed to a decrease in management bonuses as a result of the lower profits achieved in 2009.

### ***Other operating expenses and losses***

Other operating expenses and losses increased to US\$1.9 million in 2009 from US\$1.7 million in 2008 was due to higher loss on disposal of property, plant and equipment and was partially set off by lower exchange loss.

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### *Finance costs*

Finance costs decreased by 64.1% to US\$1.7 million in 2009 from US\$4.8 million in 2008. The decrease was mainly due to us borrowing less during 2009 as well as a general decrease in bank borrowing interest rates. We paid off more loans than we borrowed in 2009, in part because the global financial situation made it difficult to obtain loans at reasonable interest rates during that time. Our need for external borrowing was also reduced due to the fact that we did not pay out interim dividends for the first half of 2009 as we considered using funds for different strategies. The average annualized effective interest rates as at December 31, 2008 and 2009 were 3.37% and 1.35%, respectively.

Total bank and other borrowings decreased to US\$117.5 million as at December 31, 2009 from US\$157.6 million as at December 31, 2008.

### *Share of profits of an associate*

Share of profits of an associate increased by 9.5% to US\$1.7 million in 2009 from US\$1.6 million in 2008. The increase in share of profits of an associate was due to increases in net profits generated by our Group's 49% equity interest in United Hill Group Limited, who in turn owned 100% equity interest in Jiangmen Kingboard High-Tech Co., Ltd, a company engaged in the manufacture and sale of drill bit.

Our Group disposed of its 49% equity interest in United Hill Group Limited at a consideration of HK\$82.0 million (equivalent to approximately US\$10.6 million) to an Independent Third Party at the end of 2009 at a gain on disposal of US\$36,000. Our Group's rationale for disposing the equity interest in the associate company was to re-deploy the sales proceeds for its expansion plans in the Kaiping High Density Interconnect Center and the Thailand plant, which are expected to generate better contribution and enhance shareholder value.

### *Income tax expense*

Income tax expense increased by 30.2% to US\$3.4 million in 2009 from US\$2.6 million in 2008. The increase in income tax expense was mainly attributable to a higher corporate tax rate imposed on our subsidiaries in the PRC after the New Enterprise Income Tax law came into effect in January 1, 2008. The New Enterprise Income Tax law also eliminated many tax preferences formerly awarded to foreign-invested enterprise, and no further tax rebates were received in 2009. In addition, lower income tax expense was recorded in 2008 on the receipt of income tax rebates with regard to profits re-investments recognized by our subsidiaries in the PRC. Our Group's effective tax rate (tax as a percentage of profit before tax) for 2009 was approximately 6.9% as compared to approximately 5.8% for 2008.

### *Profit for the year*

As a result of the foregoing and an increase in the product mix towards complex PCB products with higher gross margins, profit for the year increased by 7.2% to US\$45.7 million in 2009 from US\$42.6 million in 2008. The net profit margin attributable to owners of the Company improved to 10.5% in 2009 from 8.2% in 2008. Our Group's full-year results underlined our success in developing multiple engines of growth to complement our strong position in the PCB industry.



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### LIQUIDITY AND CAPITAL RESOURCES

#### Financial Resources

During the Track Record Period, we funded our growth principally from proceeds from the sale of our products. Our Directors confirm that we did not experience any liquidity problems during the three years ended December 31, 2010.

As at December 31, 2010, we had a cash and bank balance of US\$66.9 million, which amount consisted of cash at bank and on hand of US\$49.6 million and short-term bank deposits of US\$17.3 million. As at March 31, 2011, we had an unaudited cash and bank balance of US\$69.7 million. The cash and bank balances is required to finance our working capital and part of our capital expenditure plans in light of our continuing expansion plan. Our finance department prepares cash flow projections, which are reviewed regularly by our senior management. Specific considerations in determining our appropriate cash position include our forecast working capital and capital expenditure needs and our liquidity ratios, and we also aim to maintain a certain level of excess cash to meet unexpected circumstances.

As at December 31, 2010, we had bank borrowings outstanding in various currencies for an aggregate amount of approximately US\$100.5 million consisting of bank loans and bank overdrafts. As at March 31, 2011, we had an unaudited bank loans and bank overdrafts of US\$89.1 million. Each of our banks loans has a maturity period of less than five years. The interest rates for such bank loans are primarily determined by reference to the prevailing market interest rate. Our bank borrowings are variable rate borrowings which, as at December 31, 2010, carried interest ranging from 0.50% to 1.25% per annum.

We expect that our current cash and cash equivalent balances and time deposits, our bank borrowings and net cash provided by operating activities will be sufficient to meet our capital commitments and anticipated cash needs for working capital, capital expenditures, business expansion, investments and debt repayment for at least the next 12 months. Thereafter, we would finance our operations with net cash generated from our operations and, if required, additional debt or equity financing. There can be no assurance that our Group will be able to raise additional capital on terms acceptable to our Group or at all. The issuance of additional equity or equity-linked securities may result in dilution to our Group's shareholders. From time to time, our Group evaluates possible investments, acquisitions, divestments or mergers and may, if a suitable opportunity arises, make an investment, acquisition or divestment or enter into a merger.

#### Cash Flow Data

We conduct all of our operations through our operating subsidiaries or an associate, some of which we do not wholly own. Therefore, we may not be able to allocate our free cash flow as we would like among our subsidiaries. In addition, the cash flows generated by our significant operating subsidiaries on a stand-alone basis may differ significantly from that represented by our combined cash flow data.

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The following table presents selected cash flow data from the Company's consolidated statements of cash flows for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively:

	Year Ended December 31,			Three months ended March 31,
	2008	2009	2010	2011
	US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)
Net cash from operating activities . . . . .	132,759	58,865	126,332	23,827
Net cash used in investing activities . . . . .	(74,864)	(6,717)	(43,381)	(9,862)
Net cash used in financing activities . . . . .	(17,168)	(59,382)	(76,223)	(11,407)
Net increase/(decrease) in cash and cash equivalents . . . . .	<u>40,727</u>	<u>(7,234)</u>	<u>6,728</u>	<u>2,558</u>

### Cash from operating activities

*2008.* Our net cash from operating activities of US\$132.8 million in 2008 were primarily attributable to profit before income tax of US\$45.1 million, a decrease in trade and bills receivables of US\$40.4 million as well as a decrease in inventories of US\$19.4 million, offset principally by the depreciation of property, plant and equipment of US\$47.8 million and a decrease in trade and bills payables of US\$21.0 million due to our decrease in sales volume.

*2009.* Our net cash from operating activities of US\$58.9 million in 2009 were primarily attributable to profit before income tax of US\$49.3 million, the share of profits of an associate of US\$1.7 million and an increase in trade and bills receivables of US\$22.2 million, offset principally by the depreciation of property, plant and equipment of US\$47.3 million and a decrease in trade and other payables of US\$15.0 million due to our decrease in sales volume.

*2010.* Our net cash from operating activities of US\$126.3 million in 2010 were primarily attributable to profit before income tax of US\$88.4 million, an increase in trade and bills receivables of US\$17.9 million as well as an increase in inventories of US\$18.3 million, offset principally by the depreciation of property, plant and equipment of US\$47.6 million and an increase in trade and bills payables of US\$26.3 million due to our increase in sales volume.

*Unaudited March 31, 2011.* Our net cash from operating activities of US\$23.8 million for the three months ended March 31, 2011 were primarily attributable to an profit before income tax of US\$17.3 million, an increase in trade and other payables of US\$2.9 million and an increase in inventories of US\$2.1 million, offset principally by the depreciation of property, plant and equipment of US\$11.1 million and an increase in trade and bills receivables of US\$5.1 million in each case due to an increase in sales volume.

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## FINANCIAL INFORMATION

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### **Cash used in investing activities**

2008. Our net cash used in investing activities of US\$74.9 million in 2008 were primarily attributable to our acquisition of new property, plant and equipment of US\$59.5 million and deposits paid for acquisition of property, plant and equipment of US\$16.0 million, offset principally by dividend received from an associate of US\$682,000.

2009. Our net cash used in investing activities of US\$6.7 million in 2009 were primarily attributable to property, plant and equipment purchases of US\$13.0 million and deposits paid for acquisition of property, plant and equipment of US\$6.1 million, offset principally by proceeds from disposal of an associate, United Hill Group Limited, of US\$10.6 million and proceeds from disposal of property, plant and equipment of US\$1.5 million.

2010. Our net cash used in investing activities of US\$43.4 million in 2010 were primarily attributable to purchases of new property, plant and equipment of US\$27.7 million, deposits paid for acquisition of property, plant and equipment of US\$9.7 million, and acquisition of land use rights of US\$6.0 million.

*Unaudited March 31, 2011.* Our net cash used in investing activities of US\$9.9 million for the three months ended March 31, 2011 were primarily attributable to purchases of new property, plant and equipment of US\$5.5 million and deposits paid for the acquisition of property, plant and equipment of US\$4.4 million.

### **Cash used in financing activities**

2008. Our net cash used in financing activities of US\$17.2 million in 2008 were due to repayment of bank borrowings of US\$84.3 million and dividends paid by our Company of US\$40.3 million, offset by new bank loans raised of US\$108.2 million.

2009. Our net cash used in financing activities of US\$59.4 million in 2009 were due to repayment of bank borrowings of US\$75.5 million and dividends paid by our Company of US\$18.8 million, offset by new bank loans raised of US\$35.3 million.

2010. Our net cash used in financing activities of US\$76.2 million in 2010 were due to repayment of bank borrowings of US\$80.1 million and dividends paid by our Company of US\$74.5 million, offset by new bank loans raised of US\$63.1 million and proceeds from issue of shares of US\$16.0 million.

*Unaudited March 31, 2011.* Our net cash used in financing activities of US\$11.4 million for the three months ended March 31, 2011 were due to the repayment of bank borrowings of US\$12.9 million, offset by new bank loans raised of US\$1.4 million.

## FINANCIAL INFORMATION

### TRADE AND BILLS RECEIVABLES

The following table sets forth a breakdown of our trade and bills receivables as at the respective reporting dates during the Track Record Period and as at March 31, 2011:

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(US\$ in thousand)			
				(unaudited)
Trade receivables - Gross				
- Third parties . . . . .	117,668	129,773	148,437	148,699
- Related parties . . . . .	3,034	6,135	7,881	9,494
- Less: allowance for doubtful debts . . .	<u>(10,189)</u>	<u>(5,665)</u>	<u>(5,691)</u>	<u>(5,856)</u>
Trade receivables - net . . . . .	110,513	130,243	150,627	152,337
Bills Receivables . . . . .	<u>4,061</u>	<u>6,367</u>	<u>3,639</u>	<u>5,169</u>
	<u>114,574</u>	<u>136,610</u>	<u>154,266</u>	<u>157,506</u>

Our trade and bills receivables balance increased by US\$22.0 million, or 19.2% to US\$136.6 million as at December 31, 2009 from US\$114.6 million as at December 31, 2008. This increase in trade receivables was mainly due to higher levels of current receivables as at December 31, 2009 that were not due for collection.

As at December 31, 2008, 2009 and 2010, our Group recorded amounts due from related parties, namely subsidiaries of the Kingboard Group of US\$3.0 million, US\$6.1 million and US\$7.9 million, respectively. As at March 31, 2011, our Group recorded amounts due from related parties, namely subsidiaries of the Kingboard Group, of an unaudited US\$9.5 million, up from US\$7.9 million as at December 31, 2010. All of the trade receivable balances with related parties are of a trade nature, interest-free and subject to credit term of 90 to 120 days. Our allowance for doubtful debts fell in 2009 because we wrote off the provision of doubtful debts of US\$4.7 million in 2009 after reviewing the recoverability of overdue debts.

Our trade and bills receivables balance increased by US\$17.7 million, or 12.9% to US\$154.3 million as at December 31, 2010 from US\$136.6 million as at December 31, 2009. This increase in trade receivables was in line with an increase in sales revenue for 2010. Our unaudited trade and bills receivables balance increased marginally by US\$3.2 million, or 2.1% to US\$157.5 million as at March 31, 2011 from US\$154.3 million as at December 31, 2010, which was in line with an increase in sales revenue in the first three-month period of year 2011.

The bills receivables, accounted for approximately 2.4% to 4.7% of the total trade receivables during the Track Record Period, are bank acceptance bills (銀行承兌匯票) received from our Chinese customers in settlement of their accounts. Most of these bank acceptance bills have a three to six-month tenure and our Company normally endorses some of our bills receivables to settle the payments with our suppliers at no extra financing charges to our Group. The unaudited bills receivables, accounted for approximately 3.3% of the total trade receivables as at March 31, 2011.

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## FINANCIAL INFORMATION

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As at May 31, 2011, US\$150.0 million or 96.0% of the trade receivables which were outstanding as at December 31, 2010 were collected.

Our Group typically extends open credit to our customers on terms ranging from 30 to 120 days and makes allowances for doubtful debts according to the Group's doubtful debts policy. Our Group evaluates the recoverability and aging analysis of accounts and, upon management's judgment, may amend the credit terms granted to our customers. Our Group also closely monitors any outstanding overdue debts and takes measures to collect any outstanding debts as and when it is necessary.

The following table sets out an aging analysis of trade receivables (net of allowances for doubtful debts) as of the dates indicated:

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(US\$ in thousand)			
				(unaudited)
Within 90 days . . . . .	84,640	113,122	128,400	133,606
90 — 180 days . . . . .	23,180	14,514	20,777	16,819
Over 180 days . . . . .	<u>2,693</u>	<u>2,607</u>	<u>1,450</u>	<u>1,912</u>
	<u>110,513</u>	<u>130,243</u>	<u>150,627</u>	<u>152,337</u>

After further assessment, our Directors believe that all required allowances for doubtful debts have been fully provided.

The following table sets out our average trade receivable turnover days during the Track Record Period ranging from approximately 100 days to approximately 84 days and approximately 93 days for the three-month period ended March 31, 2011 which approximates the normal credit period granted to customers.

	Year ended December 31,			Three months ended March 31,
	2008	2009	2010	2011
				(unaudited)
Average trade receivables turnover days . .	91	100	84	93

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*Note:* average trade receivables turnover days equals average of the beginning and ending balance of trade receivables (excluding bills receivables) for the corresponding period divided by sales for the period and multiplied by 360 days for the three years ended December 31, 2008, 2009 and 2010, and multiplied by 90 days for the three months ended March 31, 2011, respectively.

## FINANCIAL INFORMATION

### OTHER RECEIVABLES AND PREPAYMENTS

The following table sets forth a breakdown of our other receivables and prepayments as at the respective dates of consolidated statements of financial positions during the Track Record Period and as at March 31, 2011.

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(US\$ in thousand)			
				(unaudited)
Deposits . . . . .	483	319	378	1,339
Prepaid expenses . . . . .	1,068	1,292	2,267	2,492
Other tax receivables . . . . .	14,295	5,977	6,975	6,407
Others . . . . .	<u>3,829</u>	<u>2,434</u>	<u>934</u>	<u>1,870</u>
	<u>19,675</u>	<u>10,022</u>	<u>10,554</u>	<u>12,108</u>

Our prepaid expenses refers to the down-payment paid by our Company upon signing the purchase orders for equipment. Other tax receivables refer to the export VAT refundable from the respective tax bureaus in respect of our Group's operations in the PRC and Thailand.

It has been the practice of our Group to monitor our other receivables and prepaid expenses regularly so as to ensure all overdue receivables are monitored and collected timely. The balances of other receivables and prepayments of our Group remained stable over the past two years as our Group has expedited collection with the relevant tax bureau.

### TRADE AND BILLS PAYABLES

The following table sets forth a breakdown of our trade and bills payables as at the respective dates of consolidated statements of financial positions during the Track Record Period and as at March 31, 2011:

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(US\$ in thousand)			
				(unaudited)
Trade payables				
- Third parties . . . . .	56,682	47,052	58,944	59,938
- Related parties . . . . .	<u>31,568</u>	<u>37,521</u>	<u>48,570</u>	<u>49,603</u>
	88,250	84,573	107,514	109,541
Bills payables . . . . .	<u>12,957</u>	<u>1,588</u>	<u>4,943</u>	<u>5,928</u>
	<u>101,207</u>	<u>86,161</u>	<u>112,457</u>	<u>115,469</u>

## FINANCIAL INFORMATION

Our Group typically receives credit terms ranging from 15 days to 120 days for our trade payables. We work with our suppliers to achieve open credit terms which have remained fairly stable. In some instances, our Group issues irrevocable letters of credits to equipment suppliers when purchasing major equipment and settles the bank bills on the due date upon being presented with the bill by the equipment suppliers.

During the Track Record Period, our trade and bills payables balance decreased by US\$15.0 million or 14.9%, to US\$86.2 million as of December 31, 2009 from US\$101.2 million as of December 31, 2008, which was in line with lower shipments in 2009.

As the result of substantial growth in production output in 2010, our trade and bills payables balance increased by US\$26.3 million or 30.5%, to US\$112.5 million as at December 31, 2010 from US\$86.2 million as at December 31, 2009.

As at December 31, 2008, 2009 and 2010, our Group recorded amounts due to related parties, namely subsidiaries of the Kingboard Group, of US\$31.6 million, US\$37.5 million and US\$48.6 million, respectively. All of these balances are of trade nature, interest-free and subject to a credit term of 15 to 120 days.

The following tables set out an aging analysis of trade payables as of the dates indicated:

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(US\$ in thousand)			
				(unaudited)
Within 90 days . . . . .	47,229	68,262	86,587	88,126
90 — 180 days . . . . .	38,853	12,673	18,174	19,189
Over 180 days . . . . .	<u>2,168</u>	<u>3,638</u>	<u>2,753</u>	<u>2,226</u>
	<u>88,250</u>	<u>84,573</u>	<u>107,514</u>	<u>109,541</u>
				<b>Three months ended</b>
	Year ended December 31,			March 31,
	2008	2009	2010	2011
				(unaudited)
Average trade payable turnover days . . . .	94	97	81	89

*Note:* average trade payable turnover days equals average of the beginning and ending balance of trade payables (excluding bills payables) for the corresponding period divided by cost of sales (exclude direct labour cost) and multiplied by 360 days for the three years ended December 31 2008, 2009 and 2010, and multiplied by 90 days for the three months ended March 31, 2011, respectively.

## FINANCIAL INFORMATION

Average trade payable turnover days decreased in 2010 as we settled payables with our suppliers more quickly in return for their timely delivery of goods to support our growth in production volume during 2010. As at May 31, 2011, US\$104.9 million or 97.5% of the trade payables which were outstanding as at December 31, 2010 were settled.

### OTHER PAYABLES

The following table sets forth a breakdown of our other payables as at the respective reporting dates during the Track Record Period and as at March 31, 2011:

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	(US\$ in thousand)			
				(unaudited)
Accrued expenses . . . . .	15,148	17,455	27,237	29,822
Other payables . . . . .	<u>23,472</u>	<u>12,634</u>	<u>9,187</u>	<u>6,487</u>
	<u>38,620</u>	<u>30,089</u>	<u>36,424</u>	<u>36,309</u>

Accrued expenses refer to unpaid liabilities incurred for wages, salaries, utility, freight charges and other miscellaneous expenses incurred by our Group as at the end of the financial period, while other payables mainly relates to amounts of fixed assets for which goods have been received but have not yet been invoiced by the suppliers.

The higher accrued expenses increased by US\$9.8 million to US\$27.2 million in 2010 from US\$17.5 million in 2009 was primarily due to growth in production volume.

### INVENTORY ANALYSIS

The following table sets forth a summary of our inventory balances as at the respective reporting dates during the Track Record Period and as at March 31, 2011:

	As at December 31,			As at
	2008	2009	2010	March 31
	(US\$ in thousand)			
				(unaudited)
Raw materials . . . . .	14,263	15,531	22,547	22,702
Work-in-progress . . . . .	12,713	15,112	19,722	25,456
Finished goods . . . . .	<u>12,606</u>	<u>9,095</u>	<u>15,796</u>	<u>12,165</u>
	<u>39,582</u>	<u>39,738</u>	<u>58,065</u>	<u>60,323</u>



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## FINANCIAL INFORMATION

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We reviewed our inventory levels and its aging analysis regularly in order to identify slow-moving and obsolete inventory in the course of production. Appropriate allowance for inventory obsolescence is provided for items that are identified as obsolete and slow-moving in accordance with the Group's prescribed policies on inventories.

Our inventory balance remained level between 2008 and 2009. The inventory level maintained for 2009 was to gear up for anticipated growing customers' demand in 2010. Moving into 2010, our inventory balance increased by US\$18.3 million to US\$58.1 million from US\$39.7 million for 2009 due primarily to the substantial growth in production volume.

The following table sets out our average inventory turnover days during the Track Record Period. Our average inventory turnover days during the Track Record Period improved from 34 days in 2008 to 29 days in 2010 as a result of increased sales in 2010 which led to speedy usage of our inventory on-hand.

	Year ended December 31,			Three months ended March 31,
	2008	2009	2010	2011
	(unaudited)			
Average inventory turnover days . . . . .	34	33	29	36

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*Note:* Average inventory turnover days equals average of the beginning and ending balance of inventories for the period divided by revenue for the period, and multiplied by the number of days during the period.

As at May 31, 2011, US\$58.6 million or 94.3% of the inventory balance as at December 31, 2010 were used or sold.

### MAJOR FINANCIAL RATIOS

	Year ended December 31		
	2008	2009	2010
Return on Equity ( <i>note 1</i> ) . . . . .	12.1%	12.6%	21.2%
Return on Asset ( <i>note 2</i> ) . . . . .	6.5%	7.3%	13.0%
Net Gearing Ratio ( <i>note 3</i> ) . . . . .	25.4%	15.2%	8.3%

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*Notes:*

1. Return on equity is computed as profit after tax for the year divided by average total equity
2. Return on asset is computed as profit after tax for the year divided by average total assets
3. Net gearing ratio is computed as net debt (total bank borrowings less bank balances and cash) divided by total equity

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## FINANCIAL INFORMATION

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### *Return on equity and return on asset*

Return on equity and return on asset have been consistently improving throughout the Track Record Period as profit after tax of the Group has been increased from US\$42.5 million in 2008 to US\$45.9 million in 2009 and then to US\$82.6 million in 2010.

### *Net gearing ratio*

Net gearing ratio has been consistently decreasing throughout the Track Record Period as the net bank borrowings of the Group has been decreased from US\$88.9 million as of December 31, 2008 to US\$57.4 million as of December 31, 2009 and then to US\$33.6 million as of December 31, 2010, which was in turn a result of the Group's operating cash inflow and improving operating results during the Track Record Period.

### WORKING CAPITAL

We have historically financed our operations through cash from operating activities and bank borrowings. In the future, we expect to use funds from a combination of sources to finance our operation and expansion plan, including bank borrowings and internally generated cash flow.

Our Directors confirm that taking into account available banking facilities and cash flows from operations our Group has sufficient working capital for our requirements for at least the next 12 months from the date of this document.

### INDEBTEDNESS

#### **Borrowings**

At the close of business on April 30, 2011, which is the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this document, we had outstanding short-term loans and long-term loans of approximately US\$59.5 million and US\$69.1 million respectively. As at April 30, 2011, we had total available banking facilities of approximately US\$75.7 million. As at the Latest Practicable Date, we have unutilized banking facilities in the amount of approximately US\$75.4 million.

We do not intend to raise material external debt financing. There are no material adverse covenants relating to the outstanding bank borrowings.

	As at December 31,			As at April 30,
	2008	2009	2010	2011
	(in thousands)			
	US\$	US\$	US\$	US\$
Secured .....	—	—	—	—
Unsecured .....	<u>157,599</u>	<u>117,452</u>	<u>100,465</u>	<u>128,547</u>
Total .....	<u>157,599</u>	<u>117,452</u>	<u>100,465</u>	<u>128,547</u>

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## FINANCIAL INFORMATION

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A significant part of our loans are unsecured committed term loans and guaranteed by our Company.

### **Contingent liabilities**

In September 2009, a trading subsidiary of our Group filed a claim seeking to have the Tribunal De Commerce De Paris issue a Writ of Summons against one of our customers in France for approximately US\$4.2 million after failed attempts to negotiate an amicable settlement with that customer. The claim related to outstanding receivables with a QTA premium for orders placed with our Group for PCBs and QTA services provided in late 2006. In February 2010, the customer in France countersued and sought to have the QTA service agreements between the customer and our Group declared null and void. We responded to their claims and a pleading hearing was held on March 16, 2011. On May 5, 2011, the court ordered the customer in France to pay our trading subsidiary the total amount of approximately US\$2.9 million in principal, plus interest on the principal calculated from July 1, 2009 and EUR10,000 in court fees. The court dismissed a portion of our Company's claims for unpaid trade receivables which were delivered to the French customer's Tunisian and Brazilian operating subsidiaries even though the French customer placed the order, stating that the operating subsidiaries are separate legal entities. We intend to pursue these claims directly against the Tunisian and Brazilian operating subsidiaries though we have not yet begun any legal proceedings. The customer in France lodged an appeal on June 17, 2011 and as at the Latest Practicable Date, no date had been fixed for hearing the appeal. We have made full provision for the disputed trade receivables of US\$3,839,911, which is in line with our Company's doubtful debt provision policy that any overdue debts greater than 360 days is subject to general doubtful debts provision of 100%.

One of our subsidiaries in Kaiping ("KSub") is currently involved in potential lawsuits, claims and proceedings with one of its PRC customers amounting to approximately RMB30.0 million (approximately US\$4.4 million), arising from some negative feedback from the end users of the assembled products using PCBs supplied by KSub. At the same time, we are now seeking to recover the long overdue trade receivables of approximately RMB1.0 million (approximately US\$0.1 million) from the same customer. In the court hearing on June 17, 2011, the PRC customer submitted evidence to the court which has yet to be examined. As at the Latest Practicable Date, no date has been fixed for the next hearing. Based on the legal advice obtained by our Group, it is premature to assess the potential outcome of the case. Our Board is of the opinion that the abovementioned lawsuit will not have a material adverse financial effect on our Group.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, at the close of business on April 30, 2011, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has been no material change in our Company's indebtedness and contingent liabilities since April 30, 2011.

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## FINANCIAL INFORMATION

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### Net current assets and liabilities

At the close of business on April 30, 2011, which is the latest practicable date for the purpose of ascertaining information contained in the indebtedness prior to the printing of this document, we had net current assets of US\$85.2 million.

The following table sets out the components of our current assets and current liabilities:

	As at December 31,			As at March 31,	As at April 30,
	2008	2009	2010	2011	2011
	US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000 (unaudited)
Current assets					
Inventories . . . . .	39,582	39,738	58,065	60,323	62,218
Trade and bills receivables . . . . .	114,574	136,610	154,266	157,506	161,887
Deposits, prepayments and other receivables . . . . .	19,675	10,022	10,554	12,108	13,925
Prepaid lease payments . . .	227	227	242	242	242
Bank balances and cash . .	68,672	60,054	66,913	69,708	61,515
	<u>242,730</u>	<u>246,651</u>	<u>290,040</u>	<u>299,887</u>	<u>299,787</u>
Current liabilities					
Trade and bills payables . .	101,207	86,161	112,457	115,469	114,888
Accrued expenses and other payables . . . . .	38,620	30,089	36,424	36,309	37,698
Taxation payable . . . . .	762	2,044	1,858	2,647	2,557
Bank borrowings - amount due within one year . . . .	<u>100,884</u>	<u>84,837</u>	<u>47,799</u>	<u>48,129</u>	<u>59,466</u>
	<u>241,473</u>	<u>203,131</u>	<u>198,538</u>	<u>202,554</u>	<u>214,609</u>
Net current assets . . . . .	<u><u>1,257</u></u>	<u><u>43,520</u></u>	<u><u>91,502</u></u>	<u><u>97,333</u></u>	<u><u>85,178</u></u>

### OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2010, we did not have any off-balance sheet arrangements.

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## FINANCIAL INFORMATION

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### RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 37 to the Accountants' Report in Appendix I to this document. Our Directors confirm that all related party transactions are conducted on standard commercial terms, and their terms are fair and reasonable.

### FINANCIAL INDEPENDENCE

As at the Latest Practicable Date, our Group had no non-trade balances due to our Directors, no non-trade balances due from our Directors and no non-trade balances due from related parties.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risks, in the normal course of business. For instance, we are exposed to market interest rate risks and market foreign currency risks attributable to our borrowings at variable interest rates and exchange rate movements on foreign currency denominated borrowings and operating expenses. We do not have a general policy for hedging activities, however, we will consider entering into hedging transactions to hedge against our exposure to various market risks as and when management considers such actions to be necessary.

#### Foreign Currency Exchange Rate Risk

We collect substantially all of our revenue in US dollars, some of which need to be converted into HK dollars, RMB or Thai baht to pay for the salaries and wages for our employees, as well as our other overhead expenses. To the extent we incur expenses in local currencies which are not matched by sales in such local currency, currency fluctuations may result in relative increases in our expenses in proportion to our sales. The exchange rate fluctuations may impact our earnings, cash flow and net assets. Nevertheless, during the Track Record Period, we have not been and are not currently, a party to any exchange rate risk management transactions.

#### Interest Rate Risk

A significant portion of our borrowings are subject to floating interest rates, and as such, we are subject to fluctuations in interest rates on our term loan refinancing. We generally do not use derivative instruments to manage our interest rate risk as there is no assurance that any hedging activities will protect us from fluctuations in interest rates in the future. Our net profit is affected by changes in interest rates due to the impact such changes have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. In addition, an increase in interest rates would adversely affect our ability to raise and service long-term debt and to finance the expansion of our production capacity, all of which in turn would adversely affect our results of operations.

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## FINANCIAL INFORMATION

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Our borrowings consist primarily of committed term loans of three-to-four years tenure and other short-term loans. As of December 31, 2010, we had US\$100.5 million in bank loans.

### Credit Risk

We are exposed to the credit risk of our customers as a result of non-settlement of our trade receivables, as we do not typically collect significant down payments from our customers at the time orders are placed. However, we have not experienced any material losses as a result of our customers' defaults in their payment obligations during the Track Record Period.

### Commodity Price Risk

Our largest expense is the cost of raw materials. The prices of the raw materials we consume, such as copper, tin and gold, tend to fluctuate and increases in such commodity prices could have a significant impact on our profitability. We are exposed to commodity price risk as we do not hedge against commodity price risk and the terms of our sales agreements do not tie the prices of our products to changes in commodity prices. Copper is used in all of our PCB products and is the most important cost component in PCB production. Tin is another major cost component in PCB production. For some PCBs, gold is a major cost component but this depends on our customer's designs as it is possible to produce PCBs without using any gold at all. During the Track Record Period, the prices for copper, tin and gold fluctuated widely.

The graph below depicts the movement in copper prices in US dollars per ton during the Track Record Period.



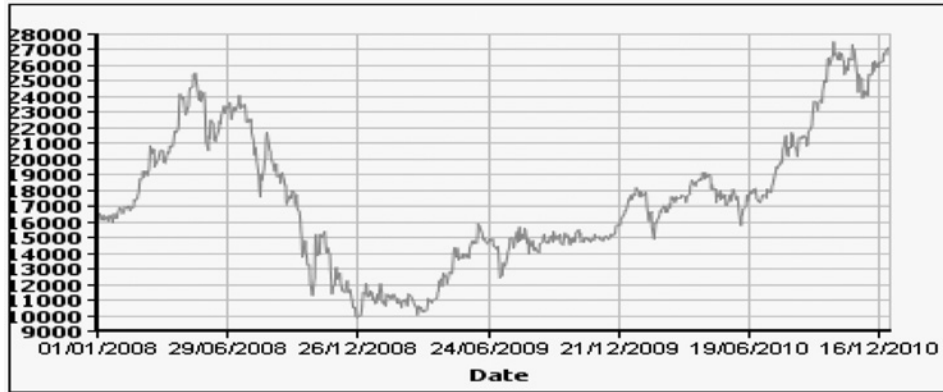
\* Source: London Metal Exchange

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## FINANCIAL INFORMATION

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The graph below depicts the movement in tin prices in US dollars per ton during the Track Record Period.



\* Source: London Metal Exchange

The graph below depicts the movement in gold prices in US dollars per ton from 2006 to 2011.



\* Source: London Metal Exchange

### Inflation

In recent years, the PRC has not experienced significant inflation or deflation, and neither inflation nor deflation has had a significant effect on our business during the Track Record Period. According to the National Bureau of Statistics of China, the change in the Consumer Price Index in China were 5.9%, 0.7% and 3.3% for the years ended December 31, 2008, 2009 and 2010, respectively.

In recent years, neither Hong Kong nor Thailand has experienced significant inflation or deflation, and inflation and deflation have not had a significant effect on our business during the Track Record Period.

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## FINANCIAL INFORMATION

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### CRITICAL ACCOUNTING POLICIES AND JUDGMENT

The preparation of our financial statements requires us to make subjective judgments in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. Actual results may differ from these estimates under different assumptions and conditions. The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our audited consolidated financial information. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from outside sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. Our critical accounting estimates and judgments are set out in detail in Note 4 of the Accountant's Report in Appendix I to this document. We have identified the policies below as critical to our business operations and the understanding of our financial condition and results of operations.

We review our estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Revenue recognition

Our revenue is measured at fair value of the consideration received or receivable and mainly comprises amounts receivables from the sales of PCBs and laminates, net of estimated customer returns, sales rebates and other similar allowances. We recognize revenue from the sales of goods upon shipment, when our Group has transferred to the buyer the significant risks and rewards of ownership of the goods and collectability of the related receivables is reasonably reliable and assured.

#### Depreciation and impairment of property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Construction-in-progress is stated at cost. No depreciation is provided until the construction has been completed and the asset is available for its intended use.

Depreciation is calculated using the straight line method, to allocate the cost of property, plant and equipment to their residual values over their estimated useful lives as follows:

Freehold lands . . . . .	Nil
Freehold buildings . . . . .	20 years
Leasehold land and buildings . . . . .	50 years
Leasehold improvements . . . . .	lower of 10 years or lease terms
Furniture and fixtures . . . . .	5 years
Plant and equipment . . . . .	5-10 years
Motor vehicles and yacht . . . . .	5-7 years



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## FINANCIAL INFORMATION

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The management determines the estimated useful lives and related depreciation charges for our property, plant and equipment with reference to the estimated periods that we intend to derive future economic benefits from the use of these assets. The estimated useful lives and depreciation method of an asset are reviewed each year at year end, with the effect of any changes in estimated useful life accounted for on a prospective basis.

Management also reviews property, plant and equipment for impairment when events change or circumstances indicated that the carrying value may not be recoverable. Recoverability of property, plant and equipment is measured by comparing its carrying value to the recoverable amount of the assets. If the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, we recognize an impairment loss based on the excess of the carrying amounts of the long-lived asset over its recoverable amount. Circumstances that may lead to impairment of property, plant and equipment include unforeseen decreases in future performance or industry demand and a restructuring of our operations resulting from changes in our business strategy or adverse economic conditions.

### **Allowances for inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises direct materials, direct labor, and related production overhead based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. When inventories are sold, the carrying amount of these inventories is recognized as an expense in the period in which the related revenue is recognized. Specific provisions are made if inventories are deemed unlikely to be sold above cost.

Management periodically reviews inventories for excess inventories, obsolescence and declines in net realizable value below cost and records an allowance against the inventories for such declines. Obsolete inventories and slow-moving inventory will be written down or written off, as the case may be, in accordance with our accounting policy as set out in the Accountants' Report in Appendix I to this document. These reviews require management to exercise judgment and use estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

### **Allowances for impairment of receivables**

Our Group makes allowances for impairment of receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables when events or changes in circumstances indicate that the balances may not be collectible. In order to make this determination, we look at the probability of insolvency or significant financial difficulties of the customers, defaults or significant delays in payments. Credit risks are assessed according to a combination of financial strength, trade references and credit reports of each customers. If there is an adverse change in the financial condition and circumstances of our customers, or if actual defaults are higher than provided for, an addition to our allowances for impairment may be necessary. We also monitor receivables that are past due but not impaired, and make allowances for impairment accordingly. We would reverse the appropriate allowances for impairment of receivables when the outstanding receivable is subsequently collected.

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## FINANCIAL INFORMATION

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For the years ended December 31, 2008, 2009 and 2010, the allowance made for impairment of receivables amounted to approximately US\$1,749,000, US\$152,000 and US\$142,000, respectively.

### **Income taxes**

We estimate our income tax provision in each of the jurisdictions in which we operate, a process that includes estimating exposures related to examination by the respective tax authorities. It is not possible to determine certain transactions and computations during the ordinary course of business with certainty. For such exposures, we recognize liabilities for expected tax issues based on estimates of whether additional taxes will be due. If the final tax outcome of these matters is different from the amounts initially recognized, we recognize the difference in the income tax and deferred tax provisions in the period in which the determination is made.

### **Deferred tax assets**

We make judgments regarding the ability to realize deferred tax assets. The carrying value of our net deferred assets is based on our belief that it is probable that we will generate sufficient future taxable income in certain jurisdictions to realize these deferred tax assets. Our judgments regarding future taxable income may change due to changes in market conditions, changes in tax laws or other factors. If our assumptions and consequently our estimates changes in the future, the valuation allowances we have established may be increased, or decreased, resulting in a respective increase or decrease in income tax.

### **Foreign currency transactions and translation**

Individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognized in other comprehensive income.

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## **FINANCIAL INFORMATION**

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For the purpose of presenting consolidated financial statements, the assets and liabilities of our Group's foreign operations are expressed in USD using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences, if any, are recognized in other comprehensive income and accumulated in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation accumulated in a separate component of equity, is reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognized in other comprehensive income and accumulated in foreign currency translation reserve (attributed to non-controlling interest, as appropriate).

### **Share-based compensation expenses**

We have one expired share-based compensation scheme, namely the 2002 Share Option Scheme and one continuing scheme, namely the 2008 Share Option Scheme. We account for equity-settled employee share-based compensation expenses at fair value of the equity instruments at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on our estimate on the number of equity investments which will eventually vest. The equity-settled employee share-based compensation expenses associated with these schemes at fair value of the equity instruments at the date of the grant. Fair value is measured using the Trinomial Lattice model.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since December 31, 2010 (being the date to which our latest consolidated financial results were prepared as set out in the Accountants' Report in Appendix I to this document).

### **DISCLOSURE REQUIRED UNDER RULE 13.09(2) OF THE LISTING RULES**

We are required to publish quarterly reports containing unaudited financial statements on the SGX-ST in accordance with the Listing Manual. Our Directors confirm that, in order to comply with Rule 13.09(2) of the Listing Rules, we will publish our quarterly financial information in Hong Kong at the same time when such financial information are published in Singapore. Reconciliation of our financial information showing major differences between the Singapore Financial Reporting Standards and IFRS, if any, will be shown in our subsequent reports and quarterly announcements including annual reports, interim reports and quarterly announcements. Deloitte & Touche LLP Singapore will remain as our auditor after the Listing and will perform audits on our annual financial statements under the International Standards on Auditing. We will revert to IFRS or use Hong Kong Financial Reporting Standards if we should no longer be listed on the SGX-ST.

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## FINANCIAL INFORMATION

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### DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### DIVIDEND POLICY

Our Shareholders are entitled to receive dividends declared by us. We expect to declare and pay out a one-tier tax-exempt interim dividend in August 2011. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our financial results, shareholders' interest, general business conditions and future business prospects, capital requirements and cashflow availability, contractual restrictions and other factors that our Directors deem relevant. The distribution of dividend for any financial year shall be subject to Shareholders' approval.

Our ability to declare future dividends will also depend upon the amount of distributions, if any, received from our operating subsidiaries. Under PRC law, dividends may be paid only out of distributable profits, which defined as the retained earnings after tax payments as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiaries. We will not ordinarily pay any dividends in a year in which we do not have any distributable earnings. In the absence of any special circumstances and unforeseen circumstances, and subject to the abovementioned factors, we have during the Track Record Period declared, and intend going forward to declare, an annual dividend of more than 50% of the profits after tax and non-controlling interest. Notwithstanding the foregoing, the past dividend rate should not be used as a reference or a basis for determining the amount of dividends payable in the future.

### DISTRIBUTABLE RESERVES

Distributable reserves in the Singapore context refers to amounts for the time being available to our Company for distribution as dividends, in compliance with Section 403 of the Companies Act. Section 403 of the Companies Act requires, inter alia, that no dividends shall be payable to the shareholders of a company except out of the profits of the company.

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## FINANCIAL INFORMATION

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### NET TANGIBLE ASSETS

The following table sets forth the consolidated net tangible assets attributable to owners of our Company as of December 31, 2010.

	<u>As of December 31, 2010</u>
	(USD in thousands, except per Share data)
Total equity . . . . .	401,929
(less) deferred tax assets . . . . .	<u>(1,047)</u>
Net tangible assets . . . . .	400,882
Net tangible assets per Share <sup>(1)</sup> . . . . .	2.15

(1) Net tangible assets per Share is calculated on the basis of 186,681,962 ordinary shares issued, excluding 748,000 treasury shares held by the Company.

### PROPERTY INTERESTS

Details relating to our property interests are set out in Appendix III to this document, B.I. Appraisals Limited, an independent property valuation firm, has valued the properties owned or leased by us as of March 31, 2011. The text of its letter, summary of values and valuation certificate are set out in Appendix III to this document.

The table below shows the reconciliation of the new book value of the relevant property interests, including land use rights, as of December 31, 2010 to their fair value as of March 31, 2011 as stated in Appendix III to this document:

	<u>(US\$ in thousand)</u>
Net book value of the property interest as of December 31, 2010 . . . . .	171,252*
Currency Adjustment . . . . .	16
Addition . . . . .	1,335
Depreciation . . . . .	<u>(1,818)</u>
Net book value of the property interest as of March 31, 2011 . . . . .	170,785
Valuation surplus . . . . .	<u>42,863</u>
Valuation . . . . .	<u><u>213,648</u></u>

\* Net book value of property interests of our Group as of December 31, 2010 comprised: (a) freehold land, freehold buildings, leasehold land, leasehold buildings, leasehold improvements and construction costs (which have been captured under property, plant and equipment), (b) prepaid lease payments, and (c) investment properties.

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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### LISTINGS

Our Company currently has a primary listing of Shares on the SGX-ST, which it intends to maintain alongside its proposed dual primary listing of Shares on the Stock Exchange. Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and any Shares which may be issued pursuant to the exercise of options under the Share Option Schemes.

### REGISTRATION

The principal register of members is maintained in Singapore by Boardroom Corporate & Advisory Services Pte. Ltd. Our Company has established a Hong Kong share register which is maintained by Tricor Investor Services Limited (the “**Hong Kong branch registrar**”) whose address is 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.

The transfer agent for members of our Company in Singapore is Boardroom Corporate & Advisory Services Pte. Ltd. (the “**Singapore Share transfer agent**”) whose address is 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. Certificates in respect of our Shares registered on the Hong Kong share register will, as far as practicable, and unless otherwise requested, be issued in board lots of 1,000 Shares. The Singapore principal registrar will keep in Singapore duplicates of the Hong Kong share register, which will be updated from time to time.

### CERTIFICATES

Only certificates for Shares issued by the Hong Kong branch registrar will be valid for delivery in respect of dealings effected on the Stock Exchange. Certificates for Shares issued by the Singapore principal registrar will be valid for delivery in respect of dealings effected on the SGX-ST. For ease of identification, the certificates for Shares issued by the Singapore principal registrar are blue in color. The Share certificates issued by the Hong Kong branch registrar will be green in color.

### DEALINGS

Dealings in our Shares on the Stock Exchange and the SGX-ST will be conducted in Hong Kong dollars and US dollars, respectively. Our Shares are traded on the SGX-ST in board lots of 1,000 Shares and will be traded on the Stock Exchange in board lots of 1,000 Shares.

The transaction costs of dealings in our Shares on the Stock Exchange include a Stock Exchange trading fee of 0.005%, a SFC transaction levy of 0.003%, a transfer deed stamp duty of HK\$5.00 per transfer deed and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the fair value of our Shares transferred. The brokerage commission in respect of trades of Shares on the Stock Exchange is freely negotiable.

The brokerage commission in respect of trades of our Shares on the SGX-ST is freely negotiable. A clearing fee in Singapore is payable at the rate of 0.04% of the transaction value, subject to a maximum of S\$600.00 per transaction. The clearing fee is subject to goods and services tax in Singapore (currently at 7.0%).

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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### SETTLEMENT

#### Settlement of dealings in Singapore

Shares listed and traded on the SGX-ST are trading under the book-entry settlement system of the CDP and all dealings in and transactions of our Shares through the SGX-ST are effected in accordance with the terms and conditions for the operation of securities accounts with the CDP, as amended from time to time.

The CDP, a wholly-owned subsidiary of the Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organization. The CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with the CDP.

Shares will be registered in the name of the CDP or its nominees and held by the CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with the CDP. The Companies Act and the Articles only recognize the registered owners or holders of our Shares as members. CDP depositors and depository agents on whose behalf the CDP holds Shares, may not be accorded the full rights of membership, such as voting rights, the right to appoint proxies, or the right to receive shareholders' circulars, proxy forms, annual reports, prospectuses and take over documents. CDP depositors and depository agents will be accorded only such rights as the CDP may make available to them pursuant to the CDP's terms and conditions to act as depository for foreign securities.

Persons holding our Shares in a securities account with the CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will not, however, be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with our Articles of Association. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares will be payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 (or such other amounts as our Directors may decide) will be payable to the Singapore Share transfer agent for each share certificate issued, and stamp duty of S\$10.00 is also payable where Shares are withdrawn in the name of the person withdrawing Shares, or S\$0.20 per S\$100.00 or part thereof of the last-transacted price where Shares are withdrawn in the name of a third-party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with the CDP their share certificates together with the duly executed and stamped instruments of transfer in favor of the CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10.00 is payable upon the deposit of each instrument of transfer with the CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the transfer of our Shares that are settled on a book-entry basis.



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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.04% of the transaction value, subject to a maximum of S\$600.00 per transaction. The clearing fee, instrument of transfer deposit fees and share withdrawal fee are subject to Singapore goods and services tax of 7.0%.

Dealings in our Shares will be carried out in US dollars and will be effected for settlement in the CDP on a scripless basis. Settlement of trades on a normal “ready” basis on the SGX-ST generally takes place on the third market day following the transaction date, and payment for the securities is generally settled on the following day. The CDP holds securities on behalf of investors in securities accounts. An investor may open a direct securities account with the CDP or a securities sub-account with a depository agent. A depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

### **Settlement of dealings in Hong Kong**

Investors in Hong Kong must settle their trades executed on the Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Shares in his stock account or in his designated CCASS Participant’s stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his broker or custodian before the settlement date.

An investor may arrange with his broker or custodian on a settlement date in respect of his trades executed on the Stock Exchange. Under the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in effect from time to time, the date of settlement must be the second Settlement Day (a day on which the settlement services of CCASS are open for use by CCASS Participants) following the trade date (T+2). For trades settled under CCASS, the General Rules of CCASS and CCASS Operational Procedures in effect from time to time provide that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

The CCASS stock settlement fee payable by each counterparty to a Stock Exchange trade is currently 0.002% of the gross transaction value subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per trade.

### **Foreign exchange risk**

Investors in Singapore who trade in our Shares on the SGX-ST should note that their trades will be effected in US dollars. Investors in Hong Kong who trade in our Shares on the Stock Exchange should note that their trades will be effected in Hong Kong dollars. Accordingly, investors should be aware of the foreign exchange risks associated with such trading.

Please see the section headed “Risk Factors” in this document for a discussion on foreign exchange risks.



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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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### DIVIDENDS

Dividends will be declared and paid in US dollars for Shares held on the Hong Kong share register and Shares held on the principal register of members in Singapore.

### REMOVAL OF SHARES

#### Transfer of Shares

All duties, fees and expenses specified herein are subject to changes from time to time. Special arrangements will be made to facilitate transfers of Shares, and to incentivise existing shareholders to transfer their Shares to Hong Kong prior to the Introduction by enabling them to do so at a reduced cost.

Currently, all our Shares are registered on the principal register of members in Singapore. For the purposes of trading on the Stock Exchange following the Listing, our Shares must be registered on the Hong Kong share register. Shares may be transferred between the principal register of members in Singapore and the Hong Kong share register. An investor who wishes to trade on the SGX-ST must have his Shares registered on the principal register of members in Singapore and an investor who wishes to trade on the Stock Exchange following the Listing must have his Shares registered on the Hong Kong share register by removing them from the principal register of members in Singapore to the Hong Kong share register. A resolution has been passed by our Directors authorizing the removal of Shares between the principal register of members in Singapore and the Hong Kong share register as may from time to time be requested by the members of our Company.

#### From SGX-ST to the Stock Exchange

Following the Listing, if an investor whose Shares are traded on the SGX-ST wishes to trade his Shares on the Stock Exchange, he must effect a removal of Shares from the principal register of members in Singapore to the Hong Kong share register.

A removal of our Shares from the principal register of members in Singapore to the Hong Kong share register would involve the following procedures:

- (a) If the investor's Shares have been deposited with the CDP, the investor must first withdraw his Shares from the CDP by completing a Withdrawal of Securities Form (CDP Form 3) available from the CDP and submitting the same to the CDP together with the withdrawal fee as prescribed by the CDP from time to time.
- (b) The investor shall complete a removal request form (the "**Removal Request Form**") obtained from the Singapore Share transfer agent and submit the Removal Request Form to the Singapore Share transfer agent.

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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- (c) The CDP will then send a duly completed transfer form together with the relevant Share certificate(s) registered under the name of the CDP to the Singapore Share transfer agent directly.
- (d) Upon receipt of the duly completed transfer form and Share certificate(s) from the CDP and the Removal Request Form together with bank drafts for the amount as prescribed by the Singapore Share transfer agent and Hong Kong branch registrar from time to time, the Singapore Share transfer agent shall take all actions necessary to effect the transfer and removal of Shares on the Singapore principal register of members.
- (e) On completion, the Singapore Share transfer agent shall then notify the Hong Kong branch registrar of the removal whereupon the Hong Kong branch registrar shall update the Hong Kong share register and issue Share certificate(s) in the name of the investor and send such Share certificate(s) to the address specified by the investor. Dispatch of Share certificate(s) will be made at the risk and expense of the investor as specified in the Removal Request Form.
- (f) If the investor's Shares upon being registered in Hong Kong are to be deposited with CCASS, the investor must deposit the Shares into CCASS for credit to his CCASS investor participant stock account or his designated CCASS participant's stock account. In order to deposit the Shares to CCASS or to effect the sale of Shares in Hong Kong, the investor should execute a transfer form which is in use in Hong Kong and which can be obtained from the offices of the Hong Kong branch registrar and deliver it together with his Share certificate(s) issued by the Hong Kong branch registrar to HKSCC directly if he intends to deposit his Shares into CCASS for credit to his CCASS investor participant stock account or via a CCASS participant if he wants his Shares to be credited to his designated CCASS participant's stock account.

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*Note:* Under normal circumstances, steps (a) to (e) generally require 15 Business Days to complete. For the Batch-Transfers, steps (a) to (e) require 10 Business Days to complete on an expedited basis.

### From the Stock Exchange to the SGX-ST

If an investor whose Shares are traded on the Stock Exchange wishes to trade his Shares on the SGX-ST, he must effect a removal of the Shares from the Hong Kong share register to the Singapore principal register of members, and deposit such shares into CDP. Such removal and deposit of the Shares would involve the following procedures:

- (a) If the investor's Shares have been deposited with CCASS, the investor must first withdraw such Shares from his CCASS investor participant stock account with CCASS or from the stock account of his designated CCASS participant and submit the relevant Share transfer form(s) executed by HKSCC Nominees Limited, the relevant Share certificate(s) and a duly completed Combined Share Removal and Transfer Form and Delivery Instruction Form (the "**HK Removal Request Form**") together with a bank draft for the amount as prescribed by the Singapore Share transfer agent and the Hong Kong branch registrar from time to time to the Hong Kong branch registrar.

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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- (b) If the investor's Shares are registered in the investor's own name, the investor shall complete the HK Removal Request Form available from the Hong Kong branch registrar and submit the same together with the Share certificate(s) in his name and bank draft for the amount as prescribed by the Singapore Share transfer agent and Hong Kong branch registrar from time to time to the Hong Kong branch registrar.
- (c) Upon receipt of the HK Removal Request Form, the relevant Share certificate(s) and where appropriate, the completed share transfer form(s) executed by HKSCC Nominees Limited, the Hong Kong branch registrar shall take all actions necessary to effect the transfer and the removal of the Shares from the Hong Kong share register to the Singapore principal register of members.
- (d) The Hong Kong branch registrar shall then notify the Singapore Share transfer agent of the removal whereupon the Singapore Share transfer agent shall update the principal register of members in Singapore and issue the relevant Share certificate(s) in the name of the investor and deliver the Share certificate(s) to the investor.
- (e) If the investor requires the Singapore Share transfer agent to assist in depositing the Share certificate(s) into the CDP, he should submit a duly completed transfer form and a bank draft for the amount as prescribed by the CDP from time to time to the Singapore Share transfer agent at the same time he submits the relevant documents (as contemplated in paragraphs (a) and (b) above) to the Hong Kong branch registrar. The Hong Kong branch registrar shall then notify the Singapore Share transfer agent of the removal of Shares from the Hong Kong share register, and request the Singapore Share transfer agent to issue the relevant Share certificate(s) in the name of the CDP and arrange to deposit the same with the CDP. Upon receipt of the relevant documents and once payment of the deposit fee is in good order, CDP shall credit the specified number of Shares into the investor's securities account with CDP. The investor must have a securities account in his own name with the CDP or a sub-account in his own name with a CDP depository agent so that the investor's Shares can be credited to his securities account with the CDP or sub-account with a CDP depository agent before dealing in our Shares.

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*Note:* Under normal circumstances, steps (b) to (d) generally require 15 Business Days to complete.

### **COSTS INVOLVED**

#### **Stamp duty on transfer of Shares**

##### ***Hong Kong Stamp Duty***

For those Shares which are registered on the Hong Kong share register, any transfer thereof or dealings therein will be subject to Hong Kong stamp duty, which includes a transfer instrument stamp duty of HK\$5.00 on the seller per transfer instrument (if transfer document is required) and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the value of our Shares being transferred.

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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### *Singapore stamp duty*

For those Shares which are deposited with CDP, no transfer stamp duty is currently payable for the transfer of our Shares if there is no change in beneficial ownership.

### **Other costs on transfer of Shares**

#### *Transaction costs of dealing in Shares listed on the SGX-ST*

The clearing fee for trades in Shares on the SGX-ST is payable at the rate of 0.04% of the transaction value, subject to a maximum of S\$600.00 per transaction and trading fee of 0.0075% of the consideration.

All fees mentioned above are subject to Singapore goods and services tax currently at 7.0%.

#### *Transaction costs of dealing in Shares listed on the Stock Exchange*

As at the Latest Practicable Date, the transaction costs of dealings in our Shares listed on the Stock Exchange will include a Stock Exchange trading fee of 0.005%, a SFC transaction levy of 0.003%, a transfer instrument stamp duty of HK\$5.00 on the seller per transfer instrument (if transfer document is required) and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the value of our Shares being transferred. The brokerage commission in respect of trades of Shares on the Stock Exchange is freely negotiable.

The CCASS stock settlement fee payable by each counterparty to a Stock Exchange trade is currently 0.002% of the gross transaction value subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per trade.

### **Costs of Removal of Shares**

All costs attributable to the removal of Shares from the Hong Kong share register to the principal register of members in Singapore or from the principal register of members in Singapore to the Hong Kong share register shall be borne by the Shareholder requesting the transfer.

The Singapore Share transfer agent will charge S\$30.00 for each removal of Shares and a fee of S\$2.00 for each Share certificate cancelled or issued by it, and any applicable fee as stated in the removal request form used in Hong Kong or Singapore.

CDP charges a registration fee of S\$2.00 for each withdrawal plus a withdrawal fee of S\$10.00 for each withdrawal of 1,000 Shares or less, or a withdrawal fee of S\$25.00 for each withdrawal of more than 1,000 Shares, payable upon withdrawing our Shares from CDP and the obtaining of physical Share certificates.

In addition, stamp duty of S\$10.00 is also payable where Shares are withdrawn in the name of the person withdrawing Shares, or S\$0.20 per S\$100 or part thereof of the last transacted price where Shares are withdrawn in the name of a third party.

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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All fees mentioned above are subject to Singapore goods and services tax currently at 7.0%.

The Hong Kong branch registrar will charge HK\$300.00 for each removal of Shares, HK\$20.00 for postage (if required) and a fee of HK\$2.50 (or such higher fee as may from time to time be permitted under the Listing Rules) for each Share certificate cancelled or issued by it, and any applicable fee as stated in the removal request form used in Hong Kong or Singapore.

CCASS charges a withdrawal fee of HK\$3.50 per board lot (subject to a minimum of HK\$20.00 per withdrawal order for a CCASS Investor Participant) for withdrawal from the CCASS system. Odd lots are also charged at HK\$3.50 each.

CDP charges a deposit fee of S\$10.00 for any deposit of Shares into CDP per transaction (subject to Singapore goods and services tax currently at 7.0%).

### SPECIAL ARRANGEMENTS TO FACILITATE TRANSFERS PRIOR TO THE LISTING

Special arrangements have been made to facilitate transfers of Shares prior to the Listing. In connection with the Listing, the Singapore Share transfer agent and the Hong Kong branch registrar will provide three batch-transfers of Singapore-listed Shares for Shareholders seeking to transfer their Shares to the Hong Kong share register prior to the Listing.

The key dates in relation to such batch-transfer exercises (the “**Batch-Transfers**”) are set out below:

Events	First Batch-Transfer	Second Batch-Transfer	Third Batch-Transfer
Final date to submit a request for withdrawal of securities form to CDP and a Removal Request Form to the Singapore Share transfer agent . . . . .	June 22, 2011	June 29, 2011	July 11, 2011
Shares certificates available for collection from the Hong Kong branch registrar’s office. . . . .	July 6, 2011	July 13, 2011	July 25, 2011

Shareholders who hold their Shares directly in CDP and who wish to participate in the Batch-Transfers will need to complete and submit the request for withdrawal of securities form to CDP and the Removal Request Form to the Singapore Share transfer agent before the relevant dates stipulated above.

The Singapore Share transfer agent and the Hong Kong branch registrar have agreed to waive their charges to Shareholders in respect of the Batch-Transfers. CDP’s existing charges will still apply, together with any other costs to be levied by Shareholders’ own brokers, nominees or custodians (where relevant).

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Shareholders should note that the Batch-Transfers are expedited transfers, where Share certificates are expected to be available for collection from the Hong Kong branch registrar's office 10 Business Days after the final date for submission of a Removal Request Form to the Singapore Share transfer agent. Ordinary non-expedited transfers of Shares from the principal register of members in Singapore to the Hong Kong share register are expected to take 15 Business Days to complete. For further details on the removal of Shares from the principal register of members in Singapore to the Hong Kong share register, please refer to the sub-section headed "Removal of Shares — From SGX-ST to the Stock Exchange" above.

Our Company has made arrangements to inform our Shareholders and the Singapore investing public of details of the Listing and the Batch-Transfers procedures by way of announcement on the Stock Exchange and the SGX-ST. Please refer to the sub-section headed "Disclosure of the Bridging Arrangements" below for details.

### BRIDGING ARRANGEMENTS

#### Intended Arbitrage Activities during the Bridging Period

Upon the Listing and during the Bridging Period (being the 30-day period from and including the Listing Date), the Bridging Dealer, on its own account, will seek to undertake arbitrage activities in circumstances as described below. Such arbitrage activities are expected to contribute to the liquidity of trading in our Shares on the Hong Kong market upon the Listing as well as to reduce potential material divergence between Share prices on the Hong Kong and the Singapore markets:

- (1) The Bridging Dealer will seek to carry out arbitrage trades in line with market practice in the context of dually listed stocks. The arbitrage trades are envisaged to be carried out where there exists a meaningful price differential between prices of Shares quoted on the Stock Exchange and those quoted on the SGX-ST. In relation to the Listing, it is envisaged that a typical arbitrage trade would be executed if and when prices of Shares quoted on the Stock Exchange are meaningfully higher than those on the SGX-ST, in which case the Bridging Dealer will seek to purchase Shares at the lower price in Singapore and sell Shares at the higher price in Hong Kong.

The typical cost of executing an arbitrage trade is minimal and should constitute a small percentage of our Share price. In the Hong Kong context, the typical cost comprises stamp duty (0.1%), trading fee (0.005%) and transaction levy (0.003%) while in the Singapore context, there is a clearing fee (0.04% up to a maximum of S\$600.00) and trading fee (0.0075%). Nonetheless, as the Bridging Dealer envisages, for arbitrage trades to occur, our Share price differential would need to exceed such transaction costs and the risk premium as perceived by the Bridging Dealer (including but not limited to factors such as price volatility and market liquidity on both markets).

The Bridging Dealer intends to carry out arbitrage trades where (a) there exists a meaningful Share price differential between the Hong Kong and Singapore markets (as determined by the Bridging Dealer), and (b) the Bridging Dealer is able to purchase

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sufficient quantities of Shares to address such price differentials when they arise and to contribute towards trading liquidity to a meaningful extent. The bridging arrangements and the role of the Bridging Dealer will terminate and cease at the expiry of the Bridging Period (being the 30-day period from and including the Listing Date).

- (2) For the Bridging Dealer to contribute meaningfully towards liquidity of trading in our Shares on the Hong Kong market, there should be no trading or exchange disruption in or early closure (other than due to different trading hours) of one or both stock exchanges. There should be concurrent availability of Shares on both stock exchanges. EEIH has entered into a Stock Borrowing and Lending Agreement with the Bridging Dealer to ensure that the Bridging Dealer will have ready access to appropriate quantities of Shares for settlement purposes upon the Introduction and during the Bridging Period.
- (3) There is a Stock Borrowing and Lending Agreement between EEIH (the “**Lender**”) and the Bridging Dealer dated June 29, 2011. Pursuant to the Stock Borrowing and Lending Agreement, the Lender will, at the request of the Bridging Dealer, make available to the Bridging Dealer stock lending facilities of up to 9,342,268 Shares, or approximately 5.0% of the Shares in issue, on one or more occasions, subject to applicable laws, rules and regulations in Singapore and Hong Kong, including without limitation that the lending and the subsequent acceptance of redelivery of any Shares by EEIH, and the borrowing and the subsequent redelivery of any Shares by the Bridging Dealer, will not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. Such Shares will be used for settlement in connection with the arbitrage trades carried out by the Bridging Dealer in Hong Kong. These Shares will have been registered on the Hong Kong share register prior to the Listing. The total number of Shares subject to such stock borrowing arrangement is significantly in excess of the aggregate of the daily trading volumes of our Shares on the SGX-ST for the 15 trading days immediately before and up to the Latest Practicable Date.

The Stock Borrowing and Lending Agreement provides, inter alia, that all our Shares borrowed shall be returned to the Lender not later than 15 Business Days after the expiry of the Bridging Period.

- (4) Additionally, to facilitate the role of the Bridging Dealer commencing from the pre-opening period (9:00 a.m. to 9:30 a.m.) on the first day of the Introduction, the Bridging Dealer has made arrangements to build up a small inventory of Shares prior to the commencement of trading. There is a Sale and Repurchase Agreement between EEIH (the “**Vendor**”) and the Bridging Dealer dated June 15, 2011 for the Sale of 1,868,454 Shares, or approximately 1.0% of the Shares in issue. Conditional upon the Bridging Dealer acquiring our Shares under the Sale, the Bridging Dealer shall sell and the Vendor shall repurchase the equivalent number of Shares the Vendor sold under the Sale, at the same price as such Shares were sold, shortly after the expiry of the Bridging Period (being the 30-day period from and including the Listing Date) (the “**Repurchase**”). The Sale and Repurchase Agreement provides that the Repurchase shall take place not later than 15 Business Days following the expiry of the Bridging Period (being the 30-day period from and including the Listing Date) upon written notice by the Vendor to the Bridging Dealer.



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- (5) The purpose of the Sale and Repurchase Agreement is to facilitate the Bridging Dealer in contributing towards trading liquidity in our Shares on the Hong Kong market, by making available a quantity of Shares to facilitate arbitrage trades during the Bridging Period (being the 30-day period from and including the Listing Date). These Shares will have been registered on the Hong Kong share register prior to Listing. Under the arrangement described in paragraph 4 above, the Vendor will maintain a neutral position in respect of its shareholdings in our Company.
- (6) The Bridging Dealer will continue to replenish its Share inventory while carrying out the arbitrage trades. When a buy order has been executed on the Singapore market and a sale order has been executed on the Hong Kong market, the Bridging Dealer will instruct the Singapore Share transfer agent to transfer Shares purchased on the Singapore market to Hong Kong to replenish its Share inventory for further trading. While such transfer of Shares takes place, the Bridging Dealer will utilize Shares borrowed under the Stock Borrowing and Lending Agreement for settlement of the sale made in Hong Kong.
- (7) The Bridging Dealer has set up a designated dealer identity number, 4882, solely for the purposes of carrying out arbitrage trades under this exercise in Hong Kong, in order to ensure identification and thereby enhance transparency of such trades on the Hong Kong market. Any change in such designated dealer identity number will be disclosed as soon as practicable by way of announcement on both the Stock Exchange and the SGX-ST and will be posted by our Company on our website. The Bridging Dealer has also set up another designated dealer identity number, 4889, which will only be used in emergency and unforeseen situation if the aforesaid identity number for arbitrage trades cannot be used.
- (8) The Bridging Dealer will enter into such bridging arrangement (including the arbitrage activities) on a voluntary basis with a view to contributing towards liquidity of Shares in Hong Kong, and intends for such bridging arrangements to constitute proprietary transactions.

It is emphasized that other than the Bridging Dealer, arbitrage activities and bridging arrangements may be carried out by market participants who have access to our Shares. Also, other existing Shareholders who may have transferred part or all of their shareholdings from Singapore to Hong Kong upon the commencement of trading (or thereafter) can also carry out arbitrage trades in our Shares. Such activities will depend on the extent of price differentials between the two stock exchanges, and the number of market participants (other than the Bridging Dealer) who elect to enter into such arbitrage activities and bridging arrangements.

There are no restrictions on existing Shareholders to dispose of their Shares under Hong Kong and Singapore laws. Under the Listing Rules, apart from the restrictions under Rules 10.07(1) and 9.09 of the Listing Rules in respect of which certain waivers have been sought from the Stock Exchange (please refer to the section headed “Waivers from Strict Compliance with the Listing Rules” in this document for further details) and the dealing restrictions under Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers) to the Listing Rules, there are no other restrictions on existing Shareholders in relation to the disposal of Shares.



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The arbitrage activities of the Bridging Dealer and any persons acting for it will be entered into in accordance with all applicable laws, rules and regulations. The bridging arrangements being implemented in connection with the Listing are within the circumstances under paragraph 2.3 of the SFC's Guidance Note on Short Selling Reporting and Stock Lending Record Keeping Requirements and accordingly, are not regarded as short selling in breach of section 170 of the SFO. The bridging arrangements being implemented in connection with the Listing are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering. In addition, the Bridging Dealer is not acting as a market maker and does not undertake to create or make a market in Shares on the Hong Kong market.

The arbitrage activities of the Bridging Dealer and any persons acting for it will not constitute short sales. It should be noted that the Bridging Dealer will only issue instructions to sell Shares in Hong Kong, if prior to issuing such instructions, it has acquired Shares by way of the Sale and Repurchase Agreement or Shares held in CDP by way of an outright purchase (either on or off market). To settle arbitrage trades, the Bridging Dealer will deliver Shares held on the Hong Kong share register and such deliveries will take place within the times required under the rules and practices of the Stock Exchange and CCASS.

### Spread of Shareholdings

It is expected that the following measures and factors will assist in creating and/or improving the spread of holdings of our Shares available for trading on the Stock Exchange following the Listing:

- As our Shares are of one and the same class, Shareholders may at their discretion transfer Shares from Singapore to Hong Kong upon or after the Listing, as described in the sub-section headed "Removal of Shares" above. Special arrangements have been made to facilitate transfers of Shares, and to incentivize existing Shareholders to transfer their Shares to Hong Kong prior to the Listing by enabling them to do so at a reduced cost. Details of such arrangements are set out in the sub-section headed "Special Arrangements to Facilitate Transfers Prior to the Listing" above. To the extent that existing Shareholders elect to transfer Shares to Hong Kong before or shortly after the Listing, such Shares may help contribute to the general liquidity of our Shares on the Hong Kong market.
- EEIH and Elitelink Holdings Limited ("**Elitelink**") have confirmed to our Company that they intend to transfer, and/or procure the transfer of, a total of not less than 64,943,600 Shares, which they directly or indirectly hold, representing approximately 34.76% of our Shares in issue to the Hong Kong share register prior to the Listing. As indicated in the sub-section headed "Bridging Arrangements - Intended Arbitrage Activities during the Bridging Period" above, EEIH has made available 11,210,722 Shares, representing 6.0% of our Shares in issue, to the Bridging Dealer which will be used solely for settlement in connection with the arbitrage trades carried out by the Bridging Dealer in Hong Kong. The 11,210,722 Shares for the bridging arrangements will form part of the 64,943,600 Shares which EEIH and Elitelink will transfer to the Hong Kong share register prior to Listing.

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- In conducting arbitrage activities in circumstances as described in the sub-section headed “Intended Arbitrage Activities during the Bridging Period” above, the Bridging Dealer is effectively acting as a conduit to transfer some of the trading liquidity of our Shares in the Singapore market to the Hong Kong market.

Our Company considers that having regard to the special arrangements described in the sub-sections headed “Special Arrangements to Facilitate Transfers prior to the Listing”, “Bridging Arrangements” and “Investor Education” herein, all reasonable efforts have been made to facilitate the migration of Shares to the Hong Kong share register to provide the basis for an open market at the time of the Listing.

### **Benefits of the Bridging Arrangements**

We believe that the bridging arrangements will benefit the Listing in the following ways:

- as arbitrage trades are intended to be carried out by the Bridging Dealer during the Bridging Period (being the 30-day period from and including the Listing Date) where there exists a meaningful price differential in our Share prices, the bridging arrangements are expected to contribute to the liquidity of our Shares on the Hong Kong market upon the Listing;
- arbitrage trades, by their nature, would typically contribute to reducing potential material divergence between Share prices on the Hong Kong and the Singapore markets; and
- the bridging arrangements are perceived to be a mechanism which is fair to all market participants who have access to our Shares, as it is open to all of our Shareholders and other market participants who have such access to carry out arbitrage trades similar to those to be carried out by the Bridging Dealer.

### **Disclosure of the Bridging Arrangements**

In order to enhance transparency of the arbitrage activities carried out under the bridging arrangements, various measures to provide information to the market and potential investors will be undertaken as described in the sub-section headed “Investor Education” below.

Further, our Company will, as soon as practicable and in any event before the opening of trading hours on the business day immediately before the first day of the Listing, release an announcement on the Stock Exchange and the SGX-ST to inform the investing public of the following information as at the Latest Practicable Date prior to such announcement:

- the number of Shares in respect of which the Singapore Share transfer agent has received instructions from Shareholders for the transfer of such Shares to the Hong Kong share register (whether under the Batch-Transfers or otherwise); and
- the total number of Shares which have been registered on the Hong Kong share register.

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In respect of the arbitrage trades to be carried out by the Bridging Dealer, the Bridging Dealer set up a designated dealer identity number, 4882, solely for the purposes of carrying out such trades in Hong Kong, in order to ensure identification and thereby enhance transparency of the trades on the Hong Kong market. The Bridging Dealer has also set up another designated dealer identity number, 4889, which will only be used in emergency and unforeseen situation if the aforesaid identity number for arbitrage trades cannot be used.

In addition, where applicable, the arbitrage trades carried out by the Bridging Dealer, as well as the transactions under the Stock Borrowing and Lending Agreement and the Sale and Repurchase Agreement, will also be disclosed in accordance with the disclosure of interests regime under the provisions of Part XV of the SFO and any applicable laws and regulations in Singapore.

### INVESTOR EDUCATION

#### Arrangements Involving our Company and the Sole Sponsor

Prior to the Listing, our Company and the Sole Sponsor will cooperate to inform the investor community of general information about our Company, as well as the developments and/or changes to the bridging arrangements as disclosed in this document. After the Listing has taken place, our Company and the Sole Sponsor may continue to take measures to educate the public. The following measures will be taken to enhance transparency of our Company and the bridging arrangements:

- there will be media briefings and press interviews to inform investors of the arrangements;
- analyst briefings will be conducted to local brokerages/research houses that cover Hong Kong-listed PCB companies;
- investors relation activities, such as a non-deal road show, will be conducted to maintain the interest of investors in our Shares and our business;
- information factsheets on our Company generally, and on Share transfer procedures as summarized in the sub-section headed “Removal of Shares” hereinabove will be posted on the website of our Company;
- information, including our previous day closing price, trading volume and other relevant historical data will be disclosed on the website of our Company. Furthermore, during a period of three business days prior to the commencement of dealings in our Shares on the Stock Exchange, a daily announcement will be released on the Stock Exchange and the SGX-ST, disclosing our previous day closing price on the SGX-ST, as well as any relevant developments and updates with regard to the bridging arrangements; and

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- electronic copies of this document will be disseminated through the website of our Company and the websites of the Stock Exchange and the SGX-ST. In addition, physical copies of this document will be made available for collection at the following locations:
  - Office of the Sole Sponsor:  
Standard Chartered Securities (Hong Kong) Limited  
15/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong
  - Office of the Hong Kong branch registrar  
Tricor Investor Services Limited  
26/F, Tesbury Centre,  
28 Queen's Road East,  
Wanchai  
Hong Kong

### Other Sources of Information

Real-time trading information in respect of our Shares can be obtained from the following sources:

- | <b>Company Name</b> | <b>Designated website</b>                    |
|---------------------|--|
| SGX-ST              | <a href="http://www.sgx.com">www.sgx.com</a> |

or

- through service providers that provide such facilities at investors' own expense. Such service will be provided on and subject to the terms and conditions of the relevant service provider.

### Historical Trading Information in respect of our Shares on the SGX-ST

The following table sets forth for the periods indicated the reported highs, lows, month ends and monthly averages of the closing trading prices on the SGX-ST for the Shares from January 1, 2008 until the Latest Practicable Date. Historical Share prices may not be indicative of the prices at which the Shares will trade following completion of the Listing. Please refer to the section headed "Risk Factors — Risks relating to the dual primary listing of our Company — The stock markets of

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## LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

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Singapore and Hong Kong have different characteristics and the historical prices of the Singapore Shares may not be indicative of the performance of the Hong Kong Shares after the Listing.” in this document in relation to the relevant risk.

	High	Low	Month End	Monthly Average
	(USD)	(USD)	(USD)	(USD)
<b>2008</b>				
January . . . . .	1.830	1.650	1.800	1.780
February . . . . .	1.850	1.610	1.840	1.699
March . . . . .	1.840	1.700	1.730	1.774
April . . . . .	1.810	1.600	1.630	1.722
May . . . . .	1.800	1.620	1.790	1.711
June . . . . .	1.830	1.680	1.800	1.778
July . . . . .	1.820	1.680	1.780	1.749
August . . . . .	1.850	1.570	1.570	1.694
September . . . . .	1.630	1.380	1.450	1.532
October . . . . .	1.540	0.810	0.870	1.244
November . . . . .	0.945	0.860	0.870	0.881
December . . . . .	0.950	0.870	0.950	0.914
<b>2009</b>				
January . . . . .	1.020	0.910	0.910	0.964
February . . . . .	0.960	0.890	0.960	0.913
March . . . . .	0.980	0.920	0.940	0.947
April . . . . .	1.240	0.945	1.070	1.081
May . . . . .	1.310	1.060	1.230	1.167
June . . . . .	1.260	1.200	1.240	1.227
July . . . . .	1.390	1.200	1.380	1.262
August . . . . .	1.460	1.320	1.350	1.377
September . . . . .	1.680	1.360	1.570	1.545
October . . . . .	1.610	1.530	1.580	1.570
November . . . . .	1.720	1.580	1.680	1.674
December . . . . .	1.880	1.690	1.810	1.815
<b>2010</b>				
January . . . . .	1.880	1.810	1.840	1.842
February . . . . .	2.100	1.840	2.030	1.882
March . . . . .	2.440	2.050	2.430	2.282
April . . . . .	2.480	2.040	2.390	2.201
May . . . . .	2.430	2.150	2.250	2.309
June . . . . .	2.410	2.180	2.350	2.273
July . . . . .	2.950	2.350	2.950	2.566
August . . . . .	3.030	2.660	2.660	2.796
September . . . . .	2.880	2.640	2.840	2.744
October . . . . .	2.990	2.820	2.950	2.933
November . . . . .	3.110	2.960	3.050	3.027
December . . . . .	3.250	3.000	3.220	3.103

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	<b>High</b>	<b>Low</b>	<b>Month End</b>	<b>Monthly Average</b>
	<b>(USD)</b>	<b>(USD)</b>	<b>(USD)</b>	<b>(USD)</b>
<b>2011</b>				
January . . . . .	3.380	3.200	3.330	3.318
February . . . . .	3.550	3.280	3.410	3.384
March . . . . .	3.500	3.220	3.420	3.375
April . . . . .	3.730	3.310	3.330	3.458
May . . . . .	4.000	3.230	4.000	3.374
June (up to the Latest Practicable Date) . .	3.940	3.530	3.620	3.642

The following table sets forth the average daily trading volume and turnover of each month of our Shares from January 1, 2008 until the Latest Practicable Date. Our Shares commenced trading on the SGX-ST on September 5, 1994.

	<b>Average Daily Trading Volume</b>		<b>Average Daily Turnover</b>
	<b>(Shares)</b>	<b>(as % of total issued Shares)</b>	<b>(USD)</b>
<b>2008</b>			
January . . . . .	19,364	0.01%	34,232
February . . . . .	37,053	0.02%	65,015
March . . . . .	25,800	0.01%	45,062
April . . . . .	48,318	0.03%	82,941
May . . . . .	36,100	0.02%	61,403
June . . . . .	18,381	0.01%	32,828
July . . . . .	3,957	0.00%	6,990
August . . . . .	34,286	0.02%	59,950
September . . . . .	7,500	0.00%	11,398
October . . . . .	52,524	0.03%	63,906
November . . . . .	31,350	0.02%	27,961
December . . . . .	29,476	0.02%	27,304
<b>2009</b>			
January . . . . .	26,000	0.01%	25,183
February . . . . .	4,800	0.00%	4,448
March . . . . .	49,591	0.03%	46,884
April . . . . .	30,238	0.02%	33,171
May . . . . .	63,700	0.04%	76,081
June . . . . .	28,455	0.02%	35,025
July . . . . .	17,565	0.01%	23,188
August . . . . .	33,100	0.02%	46,175
September . . . . .	44,571	0.02%	67,705
October . . . . .	9,364	0.01%	14,705
November . . . . .	20,500	0.01%	34,165
December . . . . .	25,000	0.01%	45,848

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	Average Daily Trading Volume		Average Daily
	(Shares)	(as % of total issued Shares)	Turnover (USD)
<b>2010</b>			
January . . . . .	13,450	0.01%	24,771
February . . . . .	43,444	0.02%	82,848
March . . . . .	72,087	0.04%	163,826
April . . . . .	81,762	0.04%	179,843
May . . . . .	54,900	0.03%	128,088
June . . . . .	62,091	0.03%	142,716
July . . . . .	76,500	0.04%	198,776
August . . . . .	39,095	0.02%	112,138
September . . . . .	113,524	0.06%	307,560
October . . . . .	37,429	0.02%	109,549
November . . . . .	116,400	0.06%	347,277
December . . . . .	41,783	0.02%	129,967
<b>2011</b>			
January . . . . .	37,190	0.02%	122,986
February . . . . .	73,167	0.04%	249,017
March . . . . .	113,696	0.06%	382,732
April . . . . .	46,350	0.02%	164,780
May . . . . .	45,750	0.02%	157,874
June (up to the Latest Practicable Date) . . . . .	24,294	0.01%	89,928

### Inventory of Shares to meet Hong Kong demand

Taking into account the average daily trading volume of the Shares on the SGX-ST in the two months ended the Latest Practicable Date, the average daily trading volume and accumulated average daily trading volume of certain companies recently listed in Hong Kong by way of introduction within one week, two weeks and one month immediately after their respective listings, as well as the historical (in the one week, two weeks and one month ended the Latest Practicable Date) average daily trading volume and accumulated average daily trading volume of some of the listed companies in the Hong Kong market with market capitalization and turnover similar to that of our Company, the Sole Sponsor believes that the above arrangements should provide a reasonable basis to facilitate the development of an open and orderly market in Hong Kong for the Shares.

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## **FUTURE PLANS AND REASONS FOR THE LISTING**

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### **FUTURE PLANS AND PROSPECTS**

Please refer to the paragraph headed “Business Strategies” in the section headed “Business” in this document for further details.

### **REASONS FOR THE LISTING**

Our Directors consider that it is desirable and beneficial for our Company to have dual primary listing status in both Singapore and Hong Kong so that we can have ready access to these different equity markets in Asia Pacific region when the opportunity arises. We believe the two markets attract investors with different profiles, thereby widening the investor base of our Company and increasing the liquidity of our Shares. In particular, it enables us to benefit from our exposure to a wider range of private and institutional investors. Our Directors believe that a listing in Hong Kong is in line with our focus on our operations in the PRC, which is important for our growth and long-term development.





德勤·關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

June 30, 2011

The Directors

Elec & Eltek International Company Limited

Standard Chartered Securities (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Elec & Eltek International Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended December 31, 2010 (the “Track Record Period”), for the inclusion in the listing document of the Company dated June 30, 2011 (the “Listing Document”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Republic of Singapore on January 2, 1993 under the Singapore Companies Act, Cap. 50, as a private limited company. On September 5, 1994, the shares of the Company were listed on the Singapore Exchange Securities Trading Limited. Its registered office is located at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624. The principal activity of the Company is investment holding and its subsidiaries are primarily engaged in the fabrication and distribution of double-sided, multi-layer and high density interconnect printed circuit boards.

Throughout the Track Record Period and at the date of this report, the Company has interest in the following group entities:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			December 31,			At the date of report	
			2008	2009	2010		
E&E Hong Kong Properties Investment (BVI) Ltd. <sup>(2)</sup>	British Virgin Islands (“BVI”) July 6, 1993	HK\$40,000,000	100%	—	—	—	Inactive
Elec & Eltek (Guangzhou) Electronic Company Limited 依利安達(廣州)電子有限公司	The People’s Republic of China (“PRC”) December 30, 1993	US\$95,596,000	98%	98%	98%	98%	Manufacturing and distribution of printed circuit boards (“PCBs”)

**APPENDIX I**
**ACCOUNTANTS' REPORT**

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			December 31,			At the date of report	
			2008	2009	2010		
Elec & Eltek (Guangzhou) Technology Co. Ltd. 依利安達(廣州)電子科技有 限公司	PRC August 7, 1998	US\$6,000,000	98%	98%	98%	98%	Research and development, manufacturing and distribution of PCBs
Elec & Eltek (Qingyuan) P.C.B. Company Limited 依利安達(清遠)線路板有 限公司	PRC November 30, 2006	US\$18,000,000	100%	100%	100%	100%	Inactive
Elec & Eltek (Thailand) Limited	Thailand June 29, 1987	Baht780,000,000	100%	100%	100%	100%	Manufacturing and distribution of PCBs
Elec & Eltek Company (Macao Commercial Offshore) Limited 依利安達(澳門離岸商業服 務)有限公司	Macau June 22, 2006	MOP1,081,300	100%	100%	100%	100%	Trading of PCBs and provision of sales and marketing services
Elec & Eltek Company Limited 依利安達電子有限公司	Hong Kong July 3, 1981	HK\$98,123,732	100%	100%	100%	100%	Inactive
Elec & Eltek Huangpu (Singapore) No. 2 Pte. Ltd. 依利安達黃埔(新加坡)第二 私人有限公司 <sup>(1)</sup>	Singapore January 2, 1998	S\$2	100%	100%	100%	100%	Investment holding
Elec & Eltek Huangpu (Singapore) No. 3 Pte. Ltd. 依利安達黃埔(新加坡)第三 私人有限公司 <sup>(1)</sup>	Singapore June 18, 1999	S\$2	100%	100%	100%	100%	Investment holding
Elec & Eltek Huangpu (Singapore) No. 4 Pte. Ltd. 依利安達黃埔(新加坡)第四 私人有限公司 <sup>(1)</sup>	Singapore January 14, 2000	S\$2	100%	100%	100%	100%	Investment holding
Elec & Eltek Huangpu (Singapore) No. 5 Pte. Ltd. 依利安達黃埔(新加坡)第五 私人有限公司 <sup>(1)</sup>	Singapore June 21, 2002	S\$2	100%	100%	100%	100%	Inactive
Elec & Eltek Huangpu (Singapore) No. 6 Pte. Ltd. 依利安達黃埔(新加坡)第六 私人有限公司 <sup>(1)</sup>	Singapore April 1, 2004	S\$2	100%	100%	100%	100%	Inactive

**APPENDIX I**
**ACCOUNTANTS' REPORT**

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			December 31,			At the date of report	
			2008	2009	2010		
Elec & Eltek Huangpu (Singapore) Pte. Ltd. 依利安達黃埔(新加坡)私人有限公司 <sup>(1)</sup>	Singapore December 10, 1993	S\$2	100%	100%	100%	100%	Investment holding
Elec & Eltek International (Hong Kong) Limited 依利安達國際(香港)有限公司	Hong Kong September 28, 1984	HK\$150,000	100%	100%	100%	100%	Provision of corporate services
Elec & Eltek Jiangmen (BVI) High Tech Limited <sup>(1)</sup>	BVI September 30, 2005	US\$1	100%	100%	100%	100%	Inactive
Elec & Eltek Kaiping (BVI) No. 5 Limited 依利安達開平(英京島)第五有限公司 <sup>(1)(3)</sup>	BVI April 15, 2005	US\$1	100%	100%	—	—	Inactive
Elec & Eltek Kaiping (Singapore) No. 2 Pte. Ltd. 依利安達開平(新加坡)第二私人有限公司 <sup>(1)</sup>	Singapore March 10, 1994	S\$2	100%	100%	100%	100%	Inactive
Elec & Eltek Kaiping (Singapore) No. 3 Pte. Ltd. 依利安達開平(新加坡)第三私人有限公司 <sup>(1)</sup>	Singapore September 2, 1999	S\$2	100%	100%	100%	100%	Investment holding
Elec & Eltek Kaiping (Singapore) No. 4 Pte. Ltd. 依利安達開平(新加坡)第四私人有限公司 <sup>(1)</sup>	Singapore June 21, 2002	S\$2	100%	100%	100%	100%	Investment holding
Elec & Eltek Kaiping (Singapore) Pte. Ltd. 依利安達開平(新加坡)私人有限公司 <sup>(1)</sup>	Singapore December 10, 1993	S\$2	100%	100%	100%	100%	Investment holding
Elec & Eltek Kaiping Laminates (Hong Kong) Limited 依利安達開平積層板(香港)有限公司	Hong Kong October 13, 1983	HK\$14,000	100%	100%	100%	100%	Investment holding
Elec & Eltek Logistics (BVI) Limited 依利安達物流(英京島)有限公司 <sup>(1)</sup>	BVI October 27, 2005	US\$1	100%	100%	100%	100%	Inactive

**APPENDIX I**
**ACCOUNTANTS' REPORT**

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			December 31,			At the date of report	
			2008	2009	2010		
Elec & Eltek Management Services Limited 依利安達管理服務有限公司	BVI February 1, 1993	US\$1	100%	100%	100%	100%	Inactive
Elec & Eltek Multilayer PCB Limited 依利多層線路板有限公司	Hong Kong November 18, 1980	HK\$5,000,000	100%	100%	100%	100%	Manufacturing and distribution of PCBs
Elec & Eltek Nanjing (Singapore) Pte. Ltd. 依利安達南京(新加坡)私人有限公司 <sup>(1)</sup>	Singapore October 6, 1993	S\$2	100%	100%	100%	100%	Investment holding
Elec & Eltek Printed Circuit Board Corporation <sup>(1)</sup>	United States of America ("USA") March 23, 1994	US\$75,000	100%	100%	100%	100%	Liaison office
Elec & Eltek Qingyuan (BVI) Limited 依利安達清遠(英屬處女島)有限公司 <sup>(1)</sup>	BVI October 17, 2005	US\$1	100%	100%	100%	100%	Investment holding
Elec & Eltek Shenzhen (Singapore) Pte. Ltd. 依利安達深圳(新加坡)私人有限公司 <sup>(1)</sup>	Singapore November 11, 1994	S\$2	100%	100%	100%	100%	Investment holding
Elec & Eltek Technology Research & Marketing Pte. Ltd. <sup>(1)</sup>	Singapore February 18, 1994	S\$2	100%	100%	100%	100%	Technology research and marketing
Elec & Eltek Thai (Singapore) No. 2 Pte. Ltd. <sup>(1)</sup>	Singapore November 19, 1993	S\$2	100%	100%	100%	100%	Investment holding
Elec & Eltek Thai (Singapore) Pte. Ltd. <sup>(1)</sup>	Singapore December 9, 1993	S\$2	100%	100%	100%	100%	Investment holding
Elec & Eltek Yangzhou (Hong Kong) Company Limited 依利安達揚州(香港)有限公司 <sup>(1)</sup>	Hong Kong April 12, 2010	HK\$1	N/A	N/A	100%	100%	Investment holding
Guangzhou Elec & Eltek High Density Interconnect Technology No. 1 Company Limited 廣州依利安達精密互連科技第一有限公司 <sup>(2)(4)</sup>	PRC July 28, 2000	US\$25,000,000	98%	98%	—	—	Manufacturing and distribution of PCBs

**APPENDIX I**
**ACCOUNTANTS' REPORT**

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			December 31,			At the date of report	
			2008	2009	2010		
Guangzhou Elec & Eltek Microvia Technology Limited 廣州依利安達微通科技有限公司	PRC August 23, 1999	US\$24,800,000	98%	98%	98%	98%	Manufacturing and distribution of PCBs
Guangzhou Elec & Eltek Printed Circuit Board Company Limited 廣州依利安達印刷線路板有限公司 <sup>(2)</sup>	PRC November 5, 2002	US\$11,808,000/ US\$12,000,000	98%	98%	—	—	Inactive
Guangzhou Jet Logistics Co. Ltd. 廣州智達倉儲服務有限公司 <sup>(2)</sup>	PRC January 16, 2006	RMB4,408,885/ RMB30,000,000	95%	95%	—	—	Inactive
Instant Up International Limited 高陸國際有限公司 <sup>(1)</sup>	BVI September 12, 2006	US\$1	100%	100%	100%	100%	Investment holding
Kai Ping Elec & Eltek Co. Ltd 開平依利安達電子有限公司	PRC September 30, 1992	US\$49,520,000	95%	95%	95%	95%	Manufacturing and distribution of PCBs
Kaiping Elec & Eltek No.2 Company Limited 開平依利安達電子第二有限公司 <sup>(2)(5)</sup>	PRC December 25, 1997	US\$21,670,000	95%	95%	—	—	Manufacturing and distribution of PCBs
Kaiping Elec & Eltek No.3 Company Limited 開平依利安達電子第三有限公司	PRC March 3, 2000	US\$86,960,000/ US\$87,800,000	95%	95%	95%	95%	Manufacturing and distribution of PCBs
Kaiping Elec & Eltek No.5 Company Limited 開平依利安達電子第五有限公司	PRC July 3, 2002	US\$30,075,100	95%	95%	95%	95%	Manufacturing and distribution of PCBs
Kaiping Pacific Insulating Material Company Limited 開平太平洋絕緣材料有限公司	PRC May 12, 2005	US\$15,000,000	100%	100%	100%	100%	Manufacturing and distribution of high-end PCB raw materials
Nanjing Elec & Eltek Electronic Co., Ltd. 南京依利安達電子有限公司	PRC November 25, 1994	US\$11,400,000	100%	100%	100%	100%	Manufacturing and distribution of PCBs

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activities
			December 31,			At the date of report	
			2008	2009	2010		
Pacific Insulating Material (Thailand) Limited	Thailand April 17, 1998	Baht650,000,000	100%	100%	100%	100%	Manufacturing and distribution of PCB raw materials
PIC Corporate Services Limited 太平洋絕緣材料企業服務有限公司 <sup>(1)</sup>	Hong Kong July 3, 1984	HK\$10,000	100%	100%	100%	100%	Inactive
Shenzhen Pacific Insulating Material Co., Ltd. 深圳太平洋絕緣材料有限公司	PRC February 28, 1987	RMB67,491,458	93.5%	93.5%	93.5%	93.5%	Manufacturing and distribution of PCB raw materials
Yangzhou Elec & Eltek Electronic Company Limited 揚州依利安達電子有限公司	PRC May 27, 2010	US\$28,000,000/ US\$40,000,000	N/A	N/A	100%	100%	Incorporated for manufacturing and distribution of PCBs
Yi Sheng Trading (Shanghai) Co. Ltd. 奕升貿易(上海)有限公司	PRC June 13, 2007	US\$200,000	100%	100%	100%	100%	Trading of PCBs and provision of sales and marketing services
<b>Name of associate</b>							
United Hill Group Limited <sup>(6)</sup> ("United Hill")	BVI September 28, 2004	US\$100	49%	— (Note)	—	—	Investment holding

<sup>(1)</sup> These companies are directly held by the Company.

<sup>(2)</sup> These companies were dissolved/deregistered during the Track Record Period or before the date of the report.

<sup>(3)</sup> This company was struck off during the Track Record Period or before the date of the report.

<sup>(4)</sup> Guangzhou Elec & Eltek High Density Interconnect Technology No. 1 Company Limited was merged with Elec & Eltek (Guangzhou) Electronic Company Limited in 2010.

<sup>(5)</sup> Kaiping Elec & Eltek No.2 Company Limited was merged with Kai Ping Elec & Eltek Company Limited in 2010.

<sup>(6)</sup> This company was disposed of during the Track Record Period.

*Note:* On December 16, 2009, Elec & Eltek Jiangmen (BVI) High Tech Limited ("E&E Jiangmen"), a wholly-owned subsidiary of the Company, entered into an agreement with Ocean Glory Ltd. ("Ocean Glory"), an independent third party, under which Ocean Glory agreed to purchase the entire 49% interest in United Hill at a consideration of US\$10,583,000. At completion of the transaction, E&E Jiangmen recognized a gain of US\$36,000.

All of the above group entities adopt December 31, as the financial year end date.

The statutory financial statements of the group entities comprising the Group for the Track Record Period, or since their respective dates of incorporation/establishment, where this is a shorter period, were prepared in accordance with relevant accounting principles and financial regulations applicable in their respective jurisdictions and were audited by the following certified public accountants registered in their respective jurisdictions.

Name of group entity	Financial period	Name of statutory auditor
Elec & Eltek (Guangzhou) Electronic Company Limited 依利安達(廣州)電子有限公司	For each of the three years ended December 31, 2010	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Elec & Eltek (Guangzhou) Technology Co. Limited 依利安達(廣州)電子科技有限公司	For each of the three years ended December 31, 2010	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Elec & Eltek (Qingyuan) P.C.B. Company Limited 依利安達(清遠)線路板有限公司	For each of the three years ended December 31, 2010	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Elec & Eltek (Thailand) Limited	For the year ended December 31, 2008	Ernst & Young - Thailand
	For the two years ended December 31, 2010	Deloitte Touche Tohmatsu Jaiyos - Thailand
Elec & Eltek Company (Macao Commercial Offshore) Limited 依利安達(澳門離岸商業服務)有限公司	For each of the three years ended December 31, 2010	Deloitte Touche Tohmatsu - Sociedade de Auditores
Elec & Eltek Company Limited 依利安達電子有限公司	For each of the three years ended December 31, 2010	Deloitte Touche Tohmatsu - Hong Kong
Elec & Eltek Huangpu (Singapore) No. 2 Pte. Ltd. 依利安達黃埔(新加坡)第二私人有限公司	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Huangpu (Singapore) No. 3 Pte. Ltd. 依利安達黃埔(新加坡)第三私人有限公司	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore

Name of group entity	Financial period	Name of statutory auditor
Elec & Eltek Huangpu (Singapore) No. 4 Pte. Ltd. 依利安達黃埔(新加坡)第四私人有限公司	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Huangpu (Singapore) No. 5 Pte. Ltd. 依利安達黃埔(新加坡)第五私人有限公司	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Huangpu (Singapore) No. 6 Pte. Ltd. 依利安達黃埔(新加坡)第六私人有限公司	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Huangpu (Singapore) Pte. Ltd. 依利安達黃埔(新加坡)私人有限公司	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek International (Hong Kong) Limited 依利安達國際(香港)有限公司	For each of the three years ended December 31, 2010	Deloitte Touche Tohmatsu - Hong Kong
Elec & Eltek Kaiping (Singapore) No. 2 Pte. Ltd. 依利安達開平(新加坡)第二私人有限公司	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Kaiping (Singapore) No. 3 Pte. Ltd. 依利安達開平(新加坡)第三私人有限公司	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Kaiping (Singapore) No. 4 Pte. Ltd. 依利安達開平(新加坡)第四私人有限公司	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Kaiping (Singapore) Pte. Ltd. 依利安達開平(新加坡)私人有限公司	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Kaiping Laminates (Hong Kong) Limited 依利安達開平積層板(香港)有限公司	For each of the three years ended December 31, 2010	Deloitte Touche Tohmatsu - Hong Kong
Elec & Eltek Multilayer PCB Limited 依利多層線路板有限公司	For each of the three years ended December 31, 2010	Deloitte Touche Tohmatsu - Hong Kong



Name of group entity	Financial period	Name of statutory auditor
Elec & Eltek Nanjing (Singapore) Pte. Ltd. 依利安達南京(新加坡)私人有限公司	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Shenzhen (Singapore) Pte. Ltd. 依利安達深圳(新加坡)私人有限公司	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Technology Research & Marketing Pte. Ltd.	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Thai (Singapore) No. 2 Pte. Ltd	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Thai (Singapore) Pte. Ltd.	For each of the three years ended December 31, 2010	Deloitte & Touche LLP - Singapore
Elec & Eltek Yangzhou (Hong Kong) Company Limited 依利安達揚州(香港)有限公司	From April 12, 2010 (date of incorporation) to December 31, 2010	Deloitte Touche Tohmatsu - Hong Kong
Guangzhou Elec & Eltek High Density Interconnect Technology No. 1 Company Limited 廣州依利安達精密互連科技第一有限公司	For each of the two years ended December 31, 2009	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Guangzhou Elec & Eltek Microvia Technology Limited 廣州依利安達微通科技有限公司	For each of the three years ended December 31, 2010	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Guangzhou Elec & Eltek Printed Circuit Board Company Limited 廣州依利安達印刷線路板有限公司	For each of the two years ended December 31, 2009	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Guangzhou Jet Logistics Co. Ltd. 廣州智達倉儲服務有限公司	For each of the two years ended December 31, 2009	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Kai Ping Elec & Eltek Company Limited 開平依利安達電子有限公司	For each of the three years ended December 31, 2010	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司

Name of group entity	Financial period	Name of statutory auditor
Kaiping Elec & Eltek No.2 Company Limited 開平依利安達電子第二有限公司	For each of the two years ended December 31, 2009	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Kaiping Elec & Eltek No.3 Company Limited 開平依利安達電子第三有限公司	For each of the three years ended December 31, 2010	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Kaiping Elec & Eltek No.5 Company Limited 開平依利安達電子第五有限公司	For each of the three years ended December 31, 2010	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Kaiping Pacific Insulating Material Company Limited 開平太平洋絕緣材料有限公司	For each of the three years ended December 31, 2010	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Nanjing Elec & Eltek Electronic Co., Ltd. 南京依利安達電子有限公司	For each of the three years ended December 31, 2010	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Pacific Insulating Material (Thailand) Limited	For the year ended December 31, 2008	Ernst & Young - Thailand
	For the two years ended December 31, 2010	Deloitte Touche Tohmatsu Jaiyos - Thailand
PIC Corporate Services Limited 太平洋絕緣材料企業服務有限公司	For each of the three years ended December 31, 2010	Deloitte Touche Tohmatsu - Hong Kong
Shenzhen Pacific Insulating Material Co., Ltd. 深圳太平洋絕緣材料有限公司	For each of the three years ended December 31, 2010	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司

Name of group entity	Financial period	Name of statutory auditor
Yangzhou Elec & Eltek Electronic Company Limited 揚州依利安達電子有限公司	From May 27, 2010 (date of establishment) to December 31, 2010	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司
Yi Sheng Trading (Shanghai) Co. Ltd. 奕升貿易(上海)有限公司	For each of the three years ended December 31, 2010	Guangzhou Xin Zhong Nan Certified Public Accountants Limited 廣州新中南會計師事務所有限公司

No statutory audited financial statements have been prepared for those entities incorporated in the BVI as there are no statutory audit requirements in this jurisdiction. The net asset value of Elec & Eltek Printed Circuit Board Corporation for the Track Record Period is below the threshold for statutory audit requirement in USA and thus this company is exempted from preparation of statutory audited financial statements for the Track Record Period.

The directors of the Company have prepared the consolidated financial statements of the Group for each of the three years ended December 31, 2010 in accordance with Singapore Financial Reporting Standards (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the three years ended December 31, 2010 were audited by Deloitte & Touche LLP, Singapore, in accordance with Singapore Standards on Auditing. We have examined the Underlying Financial Statements and carried out additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountants" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared in accordance with the accounting policies set out in Note 3 which are in conformity with International Financial Reporting Standards ("IFRSs"), and from the Underlying Financial Statements after making necessary adjustments as we considered appropriate for the purpose of preparing our report for the inclusion in the Listing Document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Listing Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2008, December 31, 2009 and December 31, 2010 and of the consolidated results and consolidated cash flows of the Group for each of the three years ended December 31, 2010.

## A. FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended December 31,		
		2008	2009	2010
		US\$'000	US\$'000	US\$'000
Revenue . . . . .	6	517,931	434,565	598,853
Cost of sales . . . . .		(430,231)	(351,757)	(469,264)
Gross profit . . . . .		87,700	82,808	129,589
Other operating income and gains . . . . .	7	3,891	3,095	5,357
Distribution and selling expenses . . . . .		(13,839)	(11,977)	(15,735)
Administrative expenses . . . . .		(27,677)	(22,649)	(25,610)
Other operating expenses and losses . . . . .	8	(1,668)	(1,928)	(3,871)
Finance costs . . . . .	9	(4,820)	(1,729)	(1,310)
Share of profits of an associate . . . . .		1,550	1,697	—
Profit before taxation . . . . .		45,137	49,317	88,420
Income tax expense . . . . .	10	(2,626)	(3,419)	(5,858)
Profit for the year . . . . .	11	42,511	45,898	82,562
Other comprehensive (expense) income:				
Exchange differences arising on				
translation of foreign operations . . . . .		(3,953)	1,491	1,228
Share of change in reserve of an				
associate . . . . .		(442)	—	—
Reclassification adjustment for gain				
included in profit or loss for disposal				
of an associate . . . . .		—	(1,202)	—
Revaluation of properties . . . . .		603	720	—
Other comprehensive (expense) income				
for the year . . . . .		(3,792)	1,009	1,228
Total comprehensive income for the year . . . . .		38,719	46,907	83,790
Profit for the year attributable to:				
Owners of the Company . . . . .		42,628	45,677	81,622
Non-controlling interests . . . . .		(117)	221	940
		42,511	45,898	82,562
Total comprehensive income				
attributable to:				
Owners of the Company . . . . .		38,404	46,795	82,850
Non-controlling interests . . . . .		315	112	940
		38,719	46,907	83,790
Earnings per share:	14			
- basic . . . . .		US23.83 cents	US25.53 cents	US44.22 cents
- diluted . . . . .		US23.83 cents	US25.53 cents	US44.12 cents

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31,		
		2008	2009	2010
		US\$'000	US\$'000	US\$'000
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	15	370,746	338,121	326,218
Prepaid lease payments . . . . .	15	8,932	8,767	14,817
Investment properties . . . . .	16	15,756	19,262	21,300
Interest in an associate . . . . .	17	8,388	—	—
Deposits for acquisition of plant and equipment . . . . .		1,664	1,253	1,815
Deferred tax assets . . . . .	18	1,446	1,437	1,047
		<u>406,932</u>	<u>368,840</u>	<u>365,197</u>
<b>Current assets</b>				
Inventories . . . . .	19	39,582	39,738	58,065
Trade and bills receivables . . . . .	20	114,574	136,610	154,266
Deposits, prepayments and other receivables . . . . .	21	19,675	10,022	10,554
Prepaid lease payments . . . . .	15	227	227	242
Bank balances and cash . . . . .	22	68,672	60,054	66,913
		<u>242,730</u>	<u>246,651</u>	<u>290,040</u>
<b>Current liabilities</b>				
Trade and bills payables . . . . .	23	101,207	86,161	112,457
Accrued expenses and other payables . . . . .	24	38,620	30,089	36,424
Taxation payable . . . . .		762	2,044	1,858
Bank borrowings - amount due within one year . . . . .	25	100,884	84,837	47,799
		<u>241,473</u>	<u>203,131</u>	<u>198,538</u>
Net current assets . . . . .		<u>1,257</u>	<u>43,520</u>	<u>91,502</u>
Total assets less current liabilities . . . . .		<u>408,189</u>	<u>412,360</u>	<u>456,699</u>
<b>Non-current liabilities</b>				
Bank borrowings - amount due over one year . . . . .	25	56,715	32,615	52,666
Deferred tax liabilities . . . . .	18	1,998	2,416	2,104
		<u>58,713</u>	<u>35,031</u>	<u>54,770</u>
		<u>349,476</u>	<u>377,329</u>	<u>401,929</u>
<b>Capital and reserves</b>				
Share capital . . . . .	26	98,656	98,656	114,665
Treasury shares . . . . .	27	(1,356)	(1,356)	(1,356)
Reserves . . . . .		242,570	270,765	279,204
Equity attributable to owners of the Company . . . . .		339,870	368,065	392,513
Non-controlling interests . . . . .		9,606	9,264	9,416
Total equity . . . . .		<u>349,476</u>	<u>377,329</u>	<u>401,929</u>

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31,		
		2008	2009	2010
		US\$'000	US\$'000	US\$'000
Non-current assets				
Property, plant and equipment . . . . .	15	26	17	10
Investments in subsidiaries . . . . .	28	22,671	23,071	23,939
Amounts due from subsidiaries . . . . .	28	99,173	313,354	333,455
		<u>121,870</u>	<u>336,442</u>	<u>357,404</u>
Current assets				
Amounts due from subsidiaries . . . . .	29	7,800	13,800	44,900
Prepayments and other receivables . . . . .	21	3	3	4
Bank balances and cash . . . . .	22	36	43	37
		<u>7,839</u>	<u>13,846</u>	<u>44,941</u>
Current liabilities				
Accrued expenses and other payables . . . . .	24	304	371	435
Amounts due to subsidiaries . . . . .	29	2,031	199,507	146,436
		<u>2,335</u>	<u>199,878</u>	<u>146,871</u>
Net current assets (liabilities) . . . . .		<u>5,504</u>	<u>(186,032)</u>	<u>(101,930)</u>
Net assets . . . . .		<u>127,374</u>	<u>150,410</u>	<u>255,474</u>
Capital and reserves				
Share capital . . . . .	26	98,656	98,656	114,665
Treasury shares . . . . .	27	(1,356)	(1,356)	(1,356)
Reserves . . . . .	30	30,074	53,110	142,165
Total equity . . . . .		<u>127,374</u>	<u>150,410</u>	<u>255,474</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital	Treasury shares	Capital reserve	Statutory reserve	Revaluation reserve	Other reserve	Share option reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
THE GROUP												
At January 1, 2008 . . . . .	98,656	(896)	2,702	2,697	844	166	1,654	18,130	217,862	341,815	9,677	351,492
Profit for the year . . . . .	—	—	—	—	—	—	—	—	42,628	42,628	(117)	42,511
Exchange differences arising on translation of foreign operations . . . . .	—	—	—	—	—	—	—	(4,385)	—	(4,385)	432	(3,953)
Share of change in reserve of an associate . . . . .	—	—	—	—	—	—	—	(442)	—	(442)	—	(442)
Revaluation of properties transferred to investment properties . . . . .	—	—	—	—	603	—	—	—	—	603	—	603
Total comprehensive income (expense) for the year . . . . .	—	—	—	—	603	—	—	(4,827)	42,628	38,404	315	38,719
Purchase of treasury shares . . . . .	—	(460)	—	—	—	—	—	—	—	(460)	—	(460)
Transfer from retained profits to statutory reserve . . . . .	—	—	—	909	—	—	—	—	(909)	—	—	—
Transfer to retained profits upon lapse of share options . . . . .	—	—	—	—	—	—	(251)	—	251	—	—	—
Recognition of equity-settled share based payments (Note 31) . . . . .	—	—	—	—	—	—	361	—	—	361	—	361
Dividends paid (Note 13)												
- in respect of previous financial year . . . . .	—	—	—	—	—	—	—	—	(22,361)	(22,361)	(386)	(22,747)
- in respect of current financial year . . . . .	—	—	—	—	—	—	—	—	(17,889)	(17,889)	—	(17,889)
At December 31, 2008 . . . . .	98,656	(1,356)	2,702	3,606	1,447	166	1,764	13,303	219,582	339,870	9,606	349,476
Profit for the year . . . . .	—	—	—	—	—	—	—	—	45,677	45,677	221	45,898
Exchange differences arising on translation of foreign operations . . . . .	—	—	—	—	—	—	—	1,600	—	1,600	(109)	1,491
Reserve released upon disposal of an associate . . . . .	—	—	—	—	—	—	—	(1,202)	—	(1,202)	—	(1,202)
Revaluation of properties transferred to investment properties . . . . .	—	—	—	—	720	—	—	—	—	720	—	720
Total comprehensive income for the year . . . . .	—	—	—	—	720	—	—	398	45,677	46,795	112	46,907
Transfer from retained profits to statutory reserve . . . . .	—	—	—	6	—	—	—	—	(6)	—	—	—
Transfer to retained profits upon lapse of share options . . . . .	—	—	—	—	—	—	(28)	—	28	—	—	—
Recognition of equity-settled share based payments (Note 31) . . . . .	—	—	—	—	—	—	183	—	—	183	—	183
Dividends paid (Note 13)												
- in respect of previous financial year . . . . .	—	—	—	—	—	—	—	—	(18,783)	(18,783)	(454)	(19,237)

	Attributable to owners of the Company											
	Share capital	Treasury shares	Capital reserve	Statutory reserve	Revaluation reserve	Other reserve	Share option reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
		(Note 1)	(Note 2)	(Note 3)	(Note 4)							
At December 31, 2009 . . . . .	98,656	(1,356)	2,702	3,612	2,167	166	1,919	13,701	246,498	368,065	9,264	377,329
Profit for the year . . . . .	—	—	—	—	—	—	—	—	81,622	81,622	940	82,562
Exchange differences arising on translation of foreign operations . . . . .	—	—	—	—	—	—	—	1,228	—	1,228	—	1,228
Total comprehensive income for the year . . . . .	—	—	—	—	—	—	—	1,228	81,622	82,850	940	83,790
Share issued pursuant to the exercise of share options . . . . .	16,009	—	—	—	—	—	—	—	—	16,009	—	16,009
Transfer to capital reserve upon exercise of share options . . . . .	—	—	1,737	—	—	—	(1,737)	—	—	—	—	—
Transfer to retained profits upon lapse of share options . . . . .	—	—	—	—	—	—	(118)	—	118	—	—	—
Transfer from retained profits to statutory reserve . . . . .	—	—	—	189	—	—	—	—	(189)	—	—	—
Transfer from capital reserve to statutory reserve . . . . .	—	—	(2,597)	2,597	—	—	—	—	—	—	—	—
Acquisition of additional interest in a subsidiary . . . . .	—	—	—	—	—	—	—	—	—	—	(48)	(48)
Recognition of equity-settled share based payments (Note 31) . . . . .	—	—	—	—	—	—	39	—	—	39	—	39
Dividends paid (Note 13)												
- in respect of previous financial year . . . . .	—	—	—	—	—	—	—	—	(46,460)	(46,460)	(740)	(47,200)
- in respect of current financial year . . . . .	—	—	—	—	—	—	—	—	(27,990)	(27,990)	—	(27,990)
At December 31, 2010 . . . . .	114,665	(1,356)	1,842	6,398	2,167	166	103	14,929	253,599	392,513	9,416	401,929

## Notes:

- The Company acquired its own shares through market purchases on the Singapore Exchange Securities Trading Limited. Such shares were held as treasury shares, with no voting rights and dividend entitlements, issuable for future application. The total consideration paid to acquire the shares was deducted against shareholders' equity.
- Capital reserve represents amounts transferred from share option reserve upon the exercise of share options and amounts set aside by subsidiaries operating in Thailand for declaration of dividends as required under the laws of Thailand. The latter amount was transferred to statutory reserve during 2010.
- The PRC laws and regulations require Sino-foreign cooperative joint ventures to provide for certain statutory reserves, mainly reserve fund and enterprise expansion fund, which are appropriated from net income as reported in the statutory financial statements. The use of these reserves is at the discretion of the entities' board of directors. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority. The amount transferred from capital reserve during 2010 represents amounts set aside by subsidiaries operating in Thailand for declaration of dividends as required under the laws of Thailand.
- The revaluation reserve of the Group represents the gain on revaluation of certain properties for own use of the Group as a result of transfer of those properties from property, plant and equipment to investment properties.



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before taxation . . . . .	45,137	49,317	88,420
Adjustments for:			
Allowance for doubtful debts . . . . .	1,749	152	142
Finance costs . . . . .	4,820	1,729	1,310
Depreciation of property, plant and equipment . . . . .	47,762	47,302	47,616
Release of prepaid lease payments . . . . .	227	227	227
Gain on disposal of a subsidiary . . . . .	(590)	—	—
Loss on disposal of property, plant and equipment . . . . .	—	1,340	1,963
Loss (gain) on fair value change of investment properties . . . . .	4	5	(1,927)
Share-based payment expense . . . . .	361	183	39
Interest income . . . . .	(1,332)	(339)	(622)
Share of profits of an associate . . . . .	(1,550)	(1,697)	—
Operating cash flows before movements in working capital . . . . .	96,588	98,219	137,168
Decrease (increase) in inventories . . . . .	19,396	(156)	(18,327)
Decrease (increase) in trade and bills receivables . . . . .	40,374	(22,188)	(17,900)
(Increase) decrease in deposits, prepayments and other receivables . . . . .	(329)	9,653	(532)
(Decrease) increase in trade and bills payables . . . . .	(21,007)	(15,046)	26,296
Increase (decrease) in accrued expenses and other payables . . . . .	4,963	(8,531)	6,335
Net cash generated from operations . . . . .	139,985	61,951	133,040
Interest income received . . . . .	1,332	339	622
Interest paid . . . . .	(4,820)	(1,729)	(1,398)
Income taxes paid . . . . .	(3,738)	(1,696)	(5,932)
<b>NET CASH FROM OPERATING ACTIVITIES . . . . .</b>	<b>132,759</b>	<b>58,865</b>	<b>126,332</b>

	Note	Year ended December 31,		
		2008	2009	2010
		US\$'000	US\$'000	US\$'000
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment . . . . .		371	1,462	167
Purchase of property, plant and equipment . . . . .		(59,474)	(13,025)	(27,748)
Prepaid lease payment made . . . . .		—	—	(6,032)
Acquisition of an investment property . . . . .		—	—	(111)
Deposits paid for acquisition of property, plant and equipment . . . . .		(15,974)	(6,138)	(9,657)
Net cash outflow from disposal of a subsidiary . . . . .	36	(469)	—	—
Proceeds from disposal of an associate . . . . .		—	10,583	—
Dividend received from an associate . . . . .		682	401	—
<b>NET CASH USED IN INVESTING ACTIVITIES . . . . .</b>		<u>(74,864)</u>	<u>(6,717)</u>	<u>(43,381)</u>
<b>FINANCING ACTIVITIES</b>				
Proceed from issue of shares . . . . .		—	—	16,009
New bank loans raised . . . . .		108,227	35,318	63,116
Repayment of bank borrowings . . . . .		(84,299)	(75,463)	(80,110)
Payment for repurchase of shares . . . . .		(460)	—	—
Payment for purchase of additional interest in a subsidiary . . . . .		—	—	(48)
Dividends paid by the Company . . . . .		(40,250)	(18,783)	(74,450)
Dividends paid by subsidiaries to minority shareholders . . . . .		(386)	(454)	(740)
<b>NET CASH USED IN FINANCING ACTIVITIES . . . . .</b>		<u>(17,168)</u>	<u>(59,382)</u>	<u>(76,223)</u>

**APPENDIX I****ACCOUNTANTS' REPORT**

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS . . . . .	40,727	(7,234)	6,728
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR . . . . .	31,539	68,670	60,054
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCES OF CASH HELD IN FOREIGN CURRENCIES, NET. . . . .	<u>(3,596)</u>	<u>(1,382)</u>	<u>124</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR . . . . .	<u>68,670</u>	<u>60,054</u>	<u>66,906</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by			
Bank balances and cash . . . . .	68,672	60,054	66,913
Bank overdrafts . . . . .	<u>(2)</u>	<u>—</u>	<u>(7)</u>
	<u>68,670</u>	<u>60,054</u>	<u>66,906</u>

## NOTES TO THE FINANCIAL INFORMATION

**1. GENERAL**

The Company is a limited liability company incorporated and domiciled in Singapore. The Company's ultimate holding company is Kingboard Chemical Holdings Limited, a company incorporated in Cayman Islands with its shares listed on the Main Board of the Stock Exchange.

The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited.

The Company's principal office is located at 4 Leng Kee Road, #03-02 SiS Building, Singapore 159088 and its registered office is located at 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624.

The functional currency of the Company and its major operating subsidiaries is United States Dollars ("US\$ or USD") which is the presentation currency of the consolidated financial statements.

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

For the purpose of preparing and presenting the Financial Information, the Group has applied a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") (hereinafter collectively referred to as "new and revised IFRSs") which are effective for accounting period beginning on January 1, 2010.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs 2010 <sup>1</sup>
IFRS 1 (Amendments)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters <sup>2</sup>
IFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters <sup>3</sup>
IFRS 7 (Amendments)	Disclosures - Transfers of financial assets <sup>3</sup>
IFRS 9	Financial instruments <sup>4</sup>
IFRS 10	Consolidated financial statements <sup>4</sup>
IFRS 11	Joint arrangements <sup>4</sup>
IFRS 12	Disclosure of interests in other entities <sup>4</sup>
IFRS 13	Fair value measurement <sup>4</sup>
IAS 1 (Amendments)	Presentation of items of other comprehensive income <sup>8</sup>
IAS 12 (Amendments)	Deferred tax: Recovery of underlying assets <sup>5</sup>
IAS 19 (Revised 2011)	Employee benefits <sup>4</sup>
IAS 24 (Revised)	Related party disclosures <sup>6</sup>

IAS 27 (Revised 2011)	Separate financial statements <sup>4</sup>
IAS 28 (Revised 2011)	Investments in associates and joint ventures <sup>4</sup>
IAS 32 (Amendments)	Classification of rights issues <sup>7</sup>
IFRIC 14 (Amendments)	Prepayments of a minimum funding requirement <sup>6</sup>
IFRIC 19	Extinguishing financial liabilities with equity instruments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after July 1, 2010.

<sup>3</sup> Effective for annual periods beginning on or after July 1, 2011.

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2013.

<sup>5</sup> Effective for annual periods beginning on or after January 1, 2012.

<sup>6</sup> Effective for annual periods beginning on or after January 1, 2011.

<sup>7</sup> Effective for annual periods beginning on or after February 1, 2010.

<sup>8</sup> Effective for annual periods beginning on or after 1 July 2012.

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 “Financial instruments: Recognition and measurement” to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is recognized in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The directors of the Company do not expect the application of IFRS 9 will have a material effect on the financial assets and financial liabilities of the Group.

**Amendments to IAS 12 Income Taxes**

Under the amendments to IAS 12 titled “Deferred tax: Recovery of underlying assets”, investment properties that are measured using the fair value model in accordance with IAS 40 “Investment property” are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

The directors anticipate that the application of the amendments to IAS 12 may affect the deferred tax recognized for investment property measured using fair value model.

The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

**3. PRINCIPAL ACCOUNTING POLICIES**

The Financial Information has been prepared on the historical cost convention except for certain investment properties, which are measured at fair values, and in accordance with the accounting policies set out below which are in conformity with IFRSs. These policies have been consistently applied throughout the Track Record Period.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principle accounting policies adopted are as follows:

**Basis of consolidation**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

**Financial instruments**

Financial assets and financial liabilities are recognized on the Group's statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

***Financial assets***

The Group's financial assets are classified as loans and receivables.

***Effective interest method***

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, amounts due from subsidiaries and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### ***Financial liabilities and equity instruments***

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments, which is known as "Treasury shares" (note 27), is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.



Interest expense is recognized on an effective interest basis.

#### *Financial liabilities*

Financial liabilities, including trade and bills payables, other payables, amounts due to subsidiaries, bank overdrafts and bank borrowings, are subsequently measured at amortized cost, using the effective interest method.

#### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group, if not designated as at fair value through profit or loss, are initially measured at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

#### *Derecognition*

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On the derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

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

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

***The Group as lessee***

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

***Leasehold land and building***

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statements of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Property, plant and equipment**

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

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold lands	Nil
Freehold buildings	20 years
Leasehold land and buildings	50 years
Leasehold improvements	lower of 10 years or lease terms
Furniture and fixtures	5 years
Plant and equipment	5 - 10 years

Motor vehicles and yacht                      5 - 7 years

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment, including the leasehold land presented as prepaid lease payments, becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognized in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

### **Investment property**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on the derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

### **Impairment of tangible and intangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

### **Associate**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these Financial Information using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Financial Information only to the extent of interests in the associate that are not related to the Group.

### **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **Share-based payment arrangement**

The Group grants share options to certain employees.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 31.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable from sale of goods. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

**Borrowing costs**

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

All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

**Research and development expenditure**

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

**Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged as an expenses when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, state-sponsored retirement benefit scheme in the PRC and Mandatory Provident Fund in Hong Kong, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

**Employee leave entitlement**

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

**Taxation**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income 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 recognized on temporary 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized 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 recognized for taxable temporary differences associated with investments in subsidiaries and associates, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets 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.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



**Foreign currency transactions and translation**

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Financial Information of the Group and of the Company are presented in United States dollars, which is the functional currency of the Company, and the presentation currency for the Financial Information.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognized in other comprehensive income.

For the purpose of presenting Financial Information, the assets and liabilities of the Group's foreign operations are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### **Key sources of estimation uncertainty**

The following are 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:

##### ***(i) Depreciation of property, plant and equipment***

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 50 years. The carrying amount of the Group's property, plant and equipment at December 31, 2008, 2009 and 2010 are US\$370,746,000, US\$338,121,000 and US\$326,218,000 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

##### ***(ii) Investment properties***

The fair value of each investment property is individually determined at the end of each reporting period by independent valuers based on a market value assessment, on an existing use basis. The valuer have adopted direct comparison approach, which involved certain assumptions of market conditions. Any favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

***(iii) Allowance for doubtful debts***

The policy for allowances for doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. The allowances as at December 31, 2008, 2009 and 2010 amounted to US\$10,189,000, US\$5,665,000 and US\$5,691,000 respectively. A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's trade receivables as at December 31, 2008, 2009 and 2010 are US\$110,513,000, US\$130,243,000 and US\$150,627,000 respectively and bills receivable as at December 31, 2008, 2009 and 2010 are US\$4,061,000, US\$6,367,000 and US\$3,639,000 respectively.

***(iv) Allowance for inventory***

The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for inventory obsolescence for items that are identified as obsolete and slow-moving. The allowance for inventories as at December 31, 2008, 2009 and 2010 amounted to US\$4,861,000, US\$4,036,000 and US\$4,008,000 respectively. The management also estimates the net realizable value for goods for resale based primarily on the latest selling prices and current market conditions. The carrying amount of the inventories of the Group as at December 31, 2008, 2009 and 2010 are US\$39,582,000, US\$39,738,000 and US\$58,065,000 respectively.

***(v) Income and deferred taxes***

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax in the period in which such determination is made. The Group's tax payable amounts at December 31, 2008, 2009 and 2010 are US\$762,000, US\$2,044,000 and US\$1,858,000 respectively. The Group's deferred tax assets are US\$1,446,000, US\$1,437,000 and US\$1,047,000 respectively. The Group's deferred tax liabilities as at December 31, 2008, 2009 and 2010 are US\$1,998,000, US\$2,416,000 and US\$2,104,000 respectively.

## 5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
<b>THE GROUP</b>			
Financial assets			
Loans and receivables (including cash and bank balances) . . . . .	<u>201,853</u>	<u>205,394</u>	<u>229,466</u>
Financial liabilities			
Amortized cost . . . . .	<u>282,278</u>	<u>216,247</u>	<u>222,109</u>
<b>THE COMPANY</b>			
Financial assets			
Loans and receivables (including cash and bank balances) . . . . .	<u>7,839</u>	<u>13,846</u>	<u>44,941</u>
Financial liabilities			
Amortized cost . . . . .	<u>2,031</u>	<u>199,507</u>	<u>146,436</u>
Financial guarantee contracts . . . . .	<u>185</u>	<u>186</u>	<u>286</u>

### *Financial risk management policies and objectives*

The Group's and the Company's major financial instruments include bank balances and cash, trade and bills receivables, other receivables, trade and bills payables, other payables, amounts due from/to subsidiaries and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### **Foreign exchange risk management**

The Group transacts business in various foreign currencies, and therefore exposed to foreign exchange risk.

Whenever possible, the Group seeks to maintain a natural hedge through the matching of liabilities, including borrowings, against assets in the same currency or against the entity's functional currency, in particular its future revenue stream.

When necessary, foreign exchange forward contracts are used by the Group to manage its foreign currency exposure arising from its operating activities.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

THE GROUP - monetary assets

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
USD .....	9,332	4,003	20
HKD .....	21,913	10,338	13,260
RMB .....	19,185	49,505	64,227
SGD .....	30	38	34
Great British Pound ("GBP") .....	26	15	29
EURO .....	8,381	8,011	2,788
Japanese Yen ("JPY") .....	4	2	12
Thai Baht ("THB") .....	—	—	18,021
	<u>          </u>	<u>          </u>	<u>          </u>

THE GROUP - monetary liabilities

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
USD .....	1,015	1,607	9
HKD .....	102,310	118,333	108,426
RMB .....	54,059	33,092	44,002
SGD .....	197	232	206
GBP .....	39	37	—
EURO .....	4,678	1,916	413
JPY .....	10,665	4,844	2,540
THB .....	—	—	9,910
	<u>          </u>	<u>          </u>	<u>          </u>

THE COMPANY - monetary assets

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
SGD .....	<u>102</u>	<u>38</u>	<u>34</u>

THE COMPANY - monetary liabilities

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
HKD .....	—	—	28
RMB .....	—	9	9
SGD .....	<u>119</u>	<u>148</u>	<u>115</u>

Under the Linked Exchange Rate system, the financial exposure on exchange rate fluctuation between HKD and USD is considered by the management to be insignificant, and therefore no sensitivity analysis has been prepared for Hong Kong dollar.

The Group is mainly exposed to RMB, EURO, JPY and THB. The following table details the sensitivity to a 5% increase and decrease in USD against these foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

If the USD strengthens by 5% against the relevant currency, profit for the year will increase (decrease) by:

THE GROUP

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
RMB .....	1,557	(547)	(921)
EURO .....	(196)	(322)	(125)
JPY .....	561	255	133
THB .....	<u>—</u>	<u>—</u>	<u>(369)</u>

For a 5% weakening of the RMB against the USD, there would be an equal and opposite impact on the profit for the year. This is mainly attributable to the exposure outstanding on receivables and payables at the end of the reporting period in the Group.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the Track Record Period.

**Interest rate risk management**

The Group's primary interest rate risk relates to its borrowings from banks. The interest rates and terms of repayment of the term loan and revolving loans, trust receipt loans and other short-term bank loans of the Group are disclosed in Note 25.

***Interest rate sensitivity***

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments as referred to above at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended December 31, 2008, 2009 and 2010 would decrease/increase by US\$795,000, US\$662,000 and US\$598,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

**Credit risk management**

Credit risk is the risk that counterparties are unable to meet their obligations resulting in financial loss to the Group. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are rendered to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The Group has made provisions for potential losses on credits extended. Surplus funds are placed with reputable financial institutions. The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations in relation to each class of recognized financial assets is the carrying amount of those assets as indicated in the statement of financial position. As at the financial year end, there was no significant concentration of credit risk to the Group.

The Company has concentration of credit risk as the total amounts due from subsidiaries and financial guarantee contracts supporting the Group's subsidiaries within the PCB business segment. The Company has not made any allowance as the directors of the Company are of the view that these receivables are collectible.

Further details of credit risks on trade receivables is disclosed in Note 20.

**Liquidity risk management**

The Group's cash and short term deposits, operating cash flow and availability of banking facilities are actively managed to ensure that there is adequate working capital and that repayment and funding needs are met.

## Liquidity and interest risk analysis

*Non-derivative financial liabilities*

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	Weighted average effective interest rate	On demand or within 6 months	Within 6 months to 1 year	Within 2 to 5 years	Total undiscounted amount	Total carrying amount
	%	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>THE GROUP</b>						
December 31, 2008						
Bank borrowings . . . . .	3.38	80,028	22,381	61,496	163,905	157,599
Trade and other payables . .	—	122,511	2,168	—	124,679	124,679
		<u>202,539</u>	<u>24,549</u>	<u>61,496</u>	<u>288,584</u>	<u>282,278</u>
December 31, 2009						
Bank borrowings . . . . .	1.35	76,366	8,886	33,863	119,115	117,452
Trade and other payables . .	—	95,157	3,638	—	98,795	98,795
		<u>171,523</u>	<u>12,524</u>	<u>33,863</u>	<u>217,910</u>	<u>216,247</u>
December 31, 2010						
Bank borrowings . . . . .	1.17	37,233	10,823	54,105	102,161	100,465
Trade and other payables . .	—	118,891	2,753	—	121,644	121,644
		<u>156,124</u>	<u>13,576</u>	<u>54,105</u>	<u>223,805</u>	<u>222,109</u>

	Weighted average effective interest rate	On demand or within 6 months	Total undiscounted amount	Total carrying amount
	%	US\$'000	US\$'000	US\$'000
<b>THE COMPANY</b>				
December 31, 2008				
Amounts due to subsidiaries . . . . .	—	2,031	2,031	2,031
Financial guarantee contracts . . . . .	—	348,268	348,268	—
		<u>350,299</u>	<u>350,299</u>	<u>2,031</u>
December 31, 2009				
Amounts due to subsidiaries . . . . .	—	199,507	199,507	199,507
Financial guarantee contracts . . . . .	—	367,188	367,188	—
		<u>566,695</u>	<u>566,695</u>	<u>199,507</u>
December 31, 2010				
Amounts due to subsidiaries . . . . .	—	146,436	146,436	146,436
Financial guarantee contracts . . . . .	—	411,532	411,532	—
		<u>557,968</u>	<u>557,968</u>	<u>146,436</u>



**Fair value of financial assets and financial liabilities**

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained through quoted market prices, discounted cash flow models and option pricing models as appropriate.

***Financial instruments whose carrying amounts approximate fair values***

Management has determined that the carrying amounts of cash and bank balances, trade and bills receivables, other receivables, amounts due from (to) subsidiaries, bank overdrafts, trade and bills payables, other payables and interest bearing loans and borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

***Capital risk management policies and objectives***

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of bank borrowings and equity attributable to owners of the Company, comprising issued capital, reserves and retained profits.

The Company manages its capital to ensure that it will be able to continue as a going concern, to maximise the return to stakeholders through the optimization of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with.

**6. REVENUE AND SEGMENT INFORMATION**

The Group's operating activities are attributable to a single reporting segment focusing on fabrication and distribution of PCBs. This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to IFRSs, that are regularly reviewed by the Executive Directors of the Company. The Executive Directors of the Company regularly reviews revenue analysis. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective products. The Executive Directors of the Company reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single reporting segment is presented.

**Revenue by geographical area**

The Group's revenue from sale of goods to external customers and information about its non-current assets other than deferred tax assets by geographical location are detailed below:

	Revenue from external customers			Non-current assets		
	Year ended December 31,			As at December 31,		
	2008	2009	2010	2008	2009	2010
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Asia						
The PRC (including						
Hong Kong) . . . . .	297,531	265,306	350,944	372,541	337,928	330,671
South East Asia . . . . .	100,631	93,640	140,956	32,945	29,475	33,479
Others . . . . .	15,108	4,949	10,264	—	—	—
	413,270	363,895	502,164	405,486	367,403	364,150
Europe . . . . .	68,966	38,137	55,750	—	—	—
North and Central America . . . . .	28,438	29,231	35,910	—	—	—
Rest of the World . . . . .	7,257	3,302	5,029	—	—	—
	<u>517,931</u>	<u>434,565</u>	<u>598,853</u>	<u>405,486</u>	<u>367,403</u>	<u>364,150</u>

**Revenue by product**

The sales analysis by product is provided below:

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
2- to 6-Layer . . . . .	333,684	284,247	364,621
8-Layer & above . . . . .	152,841	107,067	132,435
HDI . . . . .	14,356	25,716	57,807
Laminates and others . . . . .	17,050	17,535	43,990
	<u>517,931</u>	<u>434,565</u>	<u>598,853</u>

**Information about major customers**

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Customer A . . . . .	<u>55,912</u>	<u>44,619</u>	<u>—*</u>

\* Revenue from this customer is less than 10% of the Group's revenue in 2010.

**7. OTHER OPERATING INCOME AND GAINS**

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Interest income . . . . .	1,332	339	622
Rental income . . . . .	1,773	1,535	1,832
Net exchange gain . . . . .	—	—	224
Gain on disposal of a subsidiary . . . . .	590	—	—
Gain on fair value change of investment properties . . . . .	—	—	1,927
Others . . . . .	<u>196</u>	<u>1,221</u>	<u>752</u>
	<u>3,891</u>	<u>3,095</u>	<u>5,357</u>

**8. OTHER OPERATING EXPENSES AND LOSSES**

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Loss on disposal of property, plant and equipment . . . . .	—	1,340	1,963
Net exchange loss . . . . .	1,116	93	—
Others . . . . .	<u>552</u>	<u>495</u>	<u>1,908</u>
	<u>1,668</u>	<u>1,928</u>	<u>3,871</u>

## 9. FINANCE COSTS

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Interest on bank borrowings wholly repayable within five years			
- bank loans . . . . .	5,387	1,789	1,397
- bank overdrafts . . . . .	24	—	1
	5,411	1,789	1,398
Less: Amounts capitalized . . . . .	(591)	(60)	(88)
	<u>4,820</u>	<u>1,729</u>	<u>1,310</u>

## 10. INCOME TAX EXPENSE

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Current tax:			
Singapore income tax . . . . .	6	4	2
PRC enterprise income tax . . . . .	2,771	3,420	2,115
Hong Kong income tax . . . . .	705	359	841
Other jurisdictions . . . . .	159	689	1,204
	3,641	4,472	4,162
Under (over) provision in prior year			
Singapore income tax . . . . .	(1)	—	—
PRC enterprise income tax . . . . .	(1,195)	(983)	(73)
Hong Kong income tax . . . . .	(134)	(511)	—
	(1,330)	(1,494)	(73)
Deferred tax for the year . . . . .	315	441	1,769
	<u>2,626</u>	<u>3,419</u>	<u>5,858</u>

The Singapore income tax represents income tax in Singapore which is calculated at the prevailing tax rate on the taxable income of companies established in Singapore. For each of the years ended December 31, 2008, 2009 and 2010, the tax rate was 18%, 17% and 17% respectively.

The PRC income tax for the Track Record Period represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries established in the PRC.

On March 16, 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law") by order No. 63 of the President of the PRC which is effective from January 1, 2008.

On December 6, 2007, the State Council issued Implementation Rules on the New EIT Law. Pursuant to the New EIT Law and Implementation Rules, an uniform income tax rate of 25% was imposed on both domestic and foreign-invested enterprises.

On December 26, 2007, the details of the transitional arrangement was promulgated. They contemplate various transition periods and measures for existing preferential tax policies, including a grace period of a maximum of 5 years until 2012 for the enterprises which were entitled to a lower income tax rate under the previous tax law and continued implementation of preferential tax treatment with a fixed term until the expiration of such fixed term. In addition, the New EIT Law provides that qualified dividend income between two “resident enterprises” that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a withholding tax under the tax treaty or the domestic law.

Income tax for the Group is calculated at the rate prevailing for the respective jurisdiction. Certain subsidiaries in the PRC are only liable for 50% of normal enterprise income tax and subsidiaries in Thailand are exempted from corporate profits tax for a period ranging from seven to eight years with another five years of a 50% exemption after the initial eight-year term, effective from the date the taxable income is first earned. One of the Company’s subsidiaries in PRC was officially endorsed as a High-New Technology Enterprise in 2009. During 2010, there were two additional subsidiaries obtaining this official endorsement. Pursuant to the New EIT Law, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% for three years.

The tax charge for the year can be reconciled as follows:

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Profit before taxation . . . . .	<u>45,137</u>	<u>49,317</u>	<u>88,420</u>
Tax charge at the domestic income tax rate of 25%			
(Note a) . . . . .	11,284	12,329	22,105
Tax effect of expenses not deductible for tax purpose			
(Note b) . . . . .	2,692	2,162	2,374
Tax effect of income not taxable for tax purpose . . . .	(645)	(263)	(86)
Tax effect of share of results of associates . . . . .	(388)	(424)	—
Overprovision in previous years . . . . .	(1,330)	(1,494)	(73)
Tax effect of tax holiday and exemptions (Note c) . . .	(1,495)	(1,768)	(4,390)
Tax effect of tax losses not recognized . . . . .	2,063	1,268	1,426
Utilization of tax losses previous not recognized . . . .	(52)	(552)	(4,342)
Effect of different tax rates of subsidiaries operating			
in other jurisdictions/areas other than the PRC . . . .	(465)	(83)	(46)
Tax exempted profits (Note d) . . . . .	(9,624)	(8,350)	(12,770)
Withholding tax (Note e) . . . . .	586	595	1,654
Others . . . . .	—	(1)	6
Tax charge for the year . . . . .	<u>2,626</u>	<u>3,419</u>	<u>5,858</u>

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*Notes:*

- (a) The domestic income tax rate of 25% represents the PRC Enterprise Income Tax of which the Group's operations are substantially based.
- (b) The amount for each of the three years ended December 31, 2010 mainly represents operating expenses of certain subsidiaries without assessable profits and legal and professional fees which were not deductible for tax purpose under the relevant tax jurisdictions.
- (c) The tax holiday includes:
- Pursuant to relevant laws and regulations in the PRC, certain subsidiaries of the Company in the PRC are exempted from PRC Enterprise Income Tax for two years starting from the first profit making year in which profits exceed any carried forward tax losses followed by a 50% reduction in the income tax rate in the following three years ("Tax Holiday"). The Tax Holiday enjoyed by these subsidiaries will expire on or before 2012.
  - A subsidiary of the Company in PRC was officially endorsed as a High-New Technology Enterprise in 2009. During 2010, there were two additional subsidiaries obtaining this official endorsement. Pursuant to the EIT Law, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% for three years.
  - Two subsidiaries of the Company in Thailand is exempted from corporate profits tax for a period ranged from seven to eight years with another five years of a 50% exemption of the initial eight-year term, effective from the date the taxable income is first earned.
- (d) Profits mainly arising from a subsidiary in Macau are exempted from profit tax.
- (e) The withholding tax represented the 5% withholding tax paid in respect of the dividend received from certain PRC subsidiaries of the Company.

## 11. PROFIT FOR THE YEAR

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Profit for the year has been arrived at after charging (crediting):			
Directors' emoluments (note 12)			
- Fees . . . . .	39	39	17
- Other emoluments . . . . .	1,581	1,706	1,934
- Contributions to defined contribution retirement benefit plans . . . . .	58	32	66
- Share-based payment expense . . . . .	192	110	14
	<u>1,870</u>	<u>1,887</u>	<u>2,031</u>
Staff costs (excluding directors' emoluments)			
- Salaries and employees benefits . . . . .	62,168	56,359	73,027
- Contributions to defined contribution retirement benefit plans . . . . .	2,814	2,284	2,460
- Share-based payment expense . . . . .	169	73	25
	<u>65,151</u>	<u>58,716</u>	<u>75,512</u>
Allowance for doubtful debts . . . . .	1,749	152	142
Auditor's remuneration . . . . .	353	362	362
Depreciation of property, plant and equipment . . . . .	47,762	47,302	47,616
Loss on disposal of property, plant and equipment . . . . .	—	1,340	1,963
Loss (gain) on fair value change of investment properties . . . . .	4	5	(1,927)
Net exchange loss (gain) . . . . .	1,116	93	(224)
Release of prepaid lease payments . . . . .	227	227	227
	<u>227</u>	<u>227</u>	<u>227</u>

## 12. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

Details of the emoluments paid to the directors of the Company during the Track Record Period are as follows:

The emoluments paid or payable to each of the directors were as follows:

	Year ended December 31, 2008														
	Chakwick				Claudia				Raymond				Total		
	Cheung Wing	Mok Cham Hung	Li Muk Kam	Philip Chan Sai Kit	Philip Chan Sun	Clement Nguan Leng	Chen Wai Leung	Chen Wing Kwan	Chang Wing Yiu	Philip Wong Yu Hong	Lai Chong Tuck	Raymond Leung Hai Ming		Leung Tin Po	US\$'000
Fees . . . . .	—	—	—	—	—	—	—	—	—	13	13	—	—	39	
Other emoluments:															
Salaries and other benefits . . . . .	—	—	275	233	201	167	120	—	—	—	—	—	90	1,281	
Performance related incentive payments <sup>(1)</sup> . . . . .	—	—	64	64	64	31	13	—	—	—	—	—	—	300	
Contributions to defined contribution plans . . . . .	—	—	13	11	9	8	6	—	—	—	—	—	2	58	
Share-based payment expense . . . . .	29	28	28	28	7	7	—	28	28	2	2	—	—	192	
Total emoluments . . . . .	29	28	380	336	281	213	139	28	28	15	15	92	92	1,870	

Note: The director resigned during the year.

(1) The performance related incentive payments was determined based on the sales performance of the Group of the year.



Year ended December 31, 2009

	Chakwick			Claudia			Philip			Chang			Lai			Raymond			Total					
	Cheung Kwok Wing	Mok Cham Hung	US\$'000	Li Muk Kam	Philip Chan Sai Kit	US\$'000	Clement Sun	US\$'000	Heng Nguan Leng	US\$'000	Li Chiu Cheuk	US\$'000	Chan Wai Leung	US\$'000	Chen Wing Kwan	US\$'000	Chang Wing Yiu	US\$'000		Philip Wong Yu Hong	US\$'000	Lai Chong Tuck	US\$'000	Raymond Leung Hai Ming
Fees . . . . .	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	13	13	—	13	13	—	39
Other emoluments:																								
Salaries and other benefits . . . . .	—	—	—	269	236	210	151	211	126	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,203
Performance related incentive payment <sup>(1)</sup> . . . . .	—	—	—	52	129	129	20	155	—	—	—	—	—	—	—	—	—	6	6	6	6	6	6	503
Contributions to defined contribution retirement plans . . . . .	—	—	—	6	6	5	7	5	3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	32
Share-based payment expense . . . . .	17	16	—	16	16	4	4	3	—	—	—	—	—	—	—	—	16	1	1	—	—	—	—	110
Total emoluments . . . . .	17	16	—	343	387	348	182	374	129	—	—	—	—	—	—	16	16	20	20	19	20	20	20	1,887

Note: The director resigned during the year.

(1) The performance related incentive payments was determined based on the sales performance of the Group of the year.

## Year ended December 31, 2010

	Chakwick			Claudia			Total								
	Cheung Kwok Wing	Mok Cham Hung	US\$'000	Philip Chan Sai Kit	Clement Sun	Heng Nguan Leng		Li Chiu Cheuk	Chan Wai Leung	Ng Hon Chung	Chun Wing Kwan	Chang Wing Yiu	Lai Chong Tuck	Raymond Leung Hai Ming	US\$'000
Fees . . . . .	—	—	—	—	—	—	—	—	—	—	—	14	3	3	17
Other emoluments:															
Salaries and other benefits . . . . .	—	—	276	247	218	181	218	137	113	—	—	—	10	10	1,400
Performance related incentive payment <sup>(1)</sup> . . . . .	—	—	32	97	174	23	174	—	22	—	—	6	6	6	534
Contributions to defined contribution retirement benefit plans . . . . .	—	—	14	12	11	5	11	7	6	—	—	—	—	—	66
Share-based payment expense . . . . .	2	2	2	2	1	1	—	—	—	2	2	—	—	—	14
Total emoluments . . . . .	2	2	324	358	404	210	403	144	141	2	2	20	19	19	2,031

Note: The director was appointed during the year.

(1) The performance related incentive payments was determined based on the sales performance of the Group of the year.

The five highest paid employees in the Group, included 4 directors of the Company for each of the years ended December 31, 2008, 2009 and 2010 respectively. The details of the emoluments paid to the remaining individual for the Track Record Period were as follows:

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Salaries and other benefits . . . . .	243	189	211
Performance related incentive payments . . . . .	50	18	24
Contributions to retirement benefits scheme . . . . .	—	6	10
Share-based payments . . . . .	—	4	—
	<u>293</u>	<u>217</u>	<u>245</u>

Their emoluments were within the following bands:

	Year ended December 31,		
	2008	2009	2010
	No. of employees	No. of employees	No. of employees
HK\$1,500,001 to HK\$2,000,000 . . . . .	—	1	1
HK\$2,000,001 to HK\$2,500,000 . . . . .	<u>1</u>	<u>—</u>	<u>—</u>

During the Track Record Period, no emoluments were paid to or receivable by the Directors or the Group's five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

**13. DIVIDENDS**

The amount and the rates of dividends paid are follows:

	<u>US\$'000</u>
Total dividend recognized as distribution during the year ended December 31, 2008:	
Ordinary dividend - 2007 final dividend United States 12.5 cents .	<u>22,361</u>
Ordinary dividend - 2008 interim dividend United States 10.0 cents.....	<u>17,889</u>
	<u>40,250</u>
Total dividend recognized as distribution during the year ended December 31, 2009:	
Ordinary dividend - 2008 final dividend United States 10.5 cents .	<u>18,783</u>
Total dividend recognized as distribution during the year ended December 31, 2010:	
Ordinary dividend - 2009 final dividend United States 25.0 cents .	46,460
Ordinary dividend - 2010 interim dividend United States 15.0 cents.....	<u>27,990</u>
	<u>74,450</u>

The Directors have recommended a final dividend of United States 25.0 cents per share amounting to US\$46,679,000 to be payable in respect of the year ended 31 December 2010. This dividend will be recorded as a liability on the statement of financial position of the Company and of the Group upon approval by shareholders of the Company at the forthcoming Annual General Meeting of the Company.

## 14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following:

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Earnings:			
Earnings for the purpose of basic and . . . . .			
diluted earnings per share . . . . .	<u>42,628</u>	<u>45,677</u>	<u>81,622</u>
	Year ended December 31,		
	2008	2009	2010
	'000	'000	'000
Number of shares:			
Weighted average number of ordinary shares for the purpose of basic earnings per share . . . . .	178,911	178,887	184,586
Effect of dilutive potential ordinary shares on share options . . . . .	—	—	429
Weighted average number of ordinary shares for the purpose of diluted earnings per share . . . . .	<u>178,911</u>	<u>178,887</u>	<u>185,015</u>

The computation of diluted earnings per share for each of the years ended December 31, 2008 and 2009 did not assume the exercise of the Company's outstanding share options because the exercise prices of those options were higher than the average market prices of the Company's share during each of the years ended December 31, 2008 and 2009.

## 15. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

	Freehold land	Freehold buildings	Leasehold land	Leasehold buildings	Leasehold improvements	Furniture and fixtures	Plant and equipment	Motor vehicles and yacht	Construction- in-progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
THE GROUP										
COST										
At January 1, 2008 . . . . .	8,098	6,674	12,186	96,921	47,749	11,781	467,043	2,680	6,411	659,543
Currency realignment . . . . .	(311)	(245)	—	(277)	(75)	(25)	(842)	(66)	(64)	(1,905)
Reclassifications . . . . .	—	—	—	182	1,807	—	41,365	—	(43,354)	—
Additions . . . . .	—	—	—	1,204	3,327	259	20,179	152	52,488	77,609
Disposals . . . . .	—	—	—	—	(54)	(354)	(8,807)	(203)	—	(9,418)
Revaluation of properties transferred to investment properties . . . . .	—	—	—	603	—	—	—	—	—	603
Transfer to investment properties . . . . .	—	—	—	(7,027)	—	—	—	—	—	(7,027)
At December 31, 2008 . . . . .	7,787	6,429	12,186	91,606	52,754	11,661	518,938	2,563	15,481	719,405
Currency realignment . . . . .	2	2	—	254	115	36	1,537	3	64	2,013
Reclassifications . . . . .	—	—	—	1,742	1,842	260	7,299	—	(11,143)	—
Additions . . . . .	—	—	—	356	1,582	104	8,692	94	8,746	19,574
Disposals . . . . .	—	—	—	(14)	(2,697)	(2,050)	(23,886)	(169)	—	(28,816)
Revaluation of properties transferred to investment properties . . . . .	—	—	—	720	—	—	—	—	—	720
Transfer to investment Properties . . . . .	—	—	—	(3,950)	—	—	—	—	—	(3,950)
At December 31, 2009 . . . . .	7,789	6,431	12,186	90,714	53,596	10,011	512,580	2,491	13,148	708,946
Currency realignment . . . . .	—	—	—	501	429	80	4,895	22	—	5,927
Reclassifications . . . . .	—	332	—	12,372	534	—	3,034	—	(16,272)	—
Additions . . . . .	—	549	—	262	3,560	85	17,159	180	15,136	36,931
Disposal . . . . .	—	—	—	—	(381)	(360)	(24,388)	(272)	—	(25,401)
At December 31, 2010 . . . . .	7,789	7,312	12,186	103,849	57,738	9,816	513,280	2,421	12,012	726,403
ACCUMULATED DEPRECIATION										
At January 1, 2008 . . . . .	—	5,148	2,830	15,950	25,462	9,474	250,907	1,891	—	311,662
Currency realignment . . . . .	—	(218)	—	(91)	(65)	(18)	(1,318)	(8)	—	(1,718)
Charge for the year . . . . .	—	339	236	2,101	4,049	884	39,899	254	—	47,762
Eliminated on disposals . . . . .	—	—	—	—	(52)	(352)	(8,469)	(174)	—	(9,047)
At December 31, 2008 . . . . .	—	5,269	3,066	17,960	29,394	9,988	281,019	1,963	—	348,659
Currency realignment . . . . .	—	2	—	44	62	32	1,171	6	—	1,317
Charge for the year . . . . .	—	169	239	1,557	4,303	777	40,046	211	—	47,302
Transfer to investment properties . . . . .	—	—	—	(439)	—	—	—	—	—	(439)
Eliminated on disposals . . . . .	—	—	—	—	(2,563)	(2,046)	(21,236)	(169)	—	(26,014)
At December 31, 2009 . . . . .	—	5,440	3,305	19,122	31,196	8,751	301,000	2,011	—	370,825
Currency realignment . . . . .	—	—	—	79	406	114	4,388	28	—	5,015
Charge for the year . . . . .	—	145	235	2,114	4,297	590	40,018	217	—	47,616
Eliminated on disposals . . . . .	—	—	—	—	(346)	(360)	(22,293)	(272)	—	(23,271)
At December 31, 2010 . . . . .	—	5,585	3,540	21,315	35,553	9,095	323,113	1,984	—	400,185
CARRYING AMOUNTS										
At December 31, 2008 . . . . .	7,787	1,160	9,120	73,646	23,360	1,673	237,919	600	15,481	370,746
At December 31, 2009 . . . . .	7,789	991	8,881	71,592	22,400	1,260	211,580	480	13,148	338,121
At December 31, 2010 . . . . .	7,789	1,727	8,646	82,534	22,185	721	190,167	437	12,012	326,218

The Group's freehold land is situated in Thailand and the Group's leasehold land is situated in Hong Kong under medium-term lease.

Finance cost of US\$591,000, US\$60,000 and US\$88,000 was capitalized during each of the years ended December 31, 2008, 2009 and 2010, respectively and included in the cost of leasehold buildings and plant and equipment. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization are 3.34%, 1.35% and 1.17% for the years ended December 31, 2008, 2009 and 2010, respectively.

	2008	2009	2010
	US\$'000	US\$'000	US\$'000
The Group's prepaid lease payments analysed for reporting purposes as:			
Current asset . . . . .	227	227	242
Non-current asset . . . . .	<u>8,932</u>	<u>8,767</u>	<u>14,817</u>
	<u>9,159</u>	<u>8,994</u>	<u>15,059</u>

The Group's prepaid lease payments comprise:			
Leasehold land outside Hong Kong: . . . . .			
Medium-term lease . . . . .	<u>9,159</u>	<u>8,994</u>	<u>15,059</u>

	Furniture and fixtures	Office equipment	Total
	US\$'000	US\$'000	US\$'000
<b>THE COMPANY</b>			
<b>COST</b>			
At January 1, 2008 . . . . .	20	119	139
Additions . . . . .	13	10	23
Disposals . . . . .	<u>(8)</u>	<u>(41)</u>	<u>(49)</u>
At December 31, 2008 and December 31, 2009 . . . . .	25	88	113
Disposals . . . . .	<u>—</u>	<u>(1)</u>	<u>(1)</u>
At December 31, 2010 . . . . .	<u>25</u>	<u>87</u>	<u>112</u>
<b>ACCUMULATED DEPRECIATION</b>			
At January 1, 2008 . . . . .	19	109	128
Charge for the year . . . . .	3	5	8
Eliminated on disposals . . . . .	<u>(8)</u>	<u>(41)</u>	<u>(49)</u>
At December 31, 2008 . . . . .	14	73	87
Charge for the year . . . . .	<u>4</u>	<u>5</u>	<u>9</u>
At December 31, 2009 . . . . .	18	78	96
Charge for the year . . . . .	4	3	7
Eliminated on Disposal . . . . .	<u>—</u>	<u>(1)</u>	<u>(1)</u>
At December 31, 2010 . . . . .	<u>22</u>	<u>80</u>	<u>102</u>
<b>CARRYING AMOUNTS</b>			
At December 31, 2008 . . . . .	<u>11</u>	<u>15</u>	<u>26</u>
At December 31, 2009 . . . . .	<u>7</u>	<u>10</u>	<u>17</u>
At December 31, 2010 . . . . .	<u>3</u>	<u>7</u>	<u>10</u>

## 16. INVESTMENT PROPERTIES

THE GROUP

	As at December 31		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
FAIR VALUE			
Balance at beginning of the year . . . . .	8,733	15,756	19,262
Addition during the year. . . . .	—	—	111
(Loss) gain on fair value change recognized in profit or loss . . . . .	(4)	(5)	1,927
Transfer from property, plant and equipment . . . . .	7,027	3,511	—
Balance at end of the year . . . . .	<u>15,756</u>	<u>19,262</u>	<u>21,300</u>

The fair values of the Group's investment properties as at December 31, 2008, 2009 and 2010 have been determined on the basis of valuation carried out at the respective year end date. The above investment properties were valued by Chung, Chan & Associates <sup>(1)</sup> for each of years ended December 31, 2008 and 2009 and by Memfus Wong Surveyors Limited <sup>(2)</sup> for the year ended December 31, 2010. Both of them are independent qualified valuer not connected to the Group, having an appropriate recognized professional qualification and recent experience in the location and category of the properties being valued. The valuations were arrived at by reference to market evidence of transaction prices for similar properties.

The Group's investment properties are held under leasehold interests. The property rental income from the Group's investment properties which are leased out under operating leases, amounted to US\$1,773,000, US\$1,535,000 and US\$1,832,000, for each of the years ended December 31, 2008, 2009 and 2010, respectively. Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties for each of the years ended December 31, 2008, 2009 and 2010 are US\$75,000, US\$114,000 and US\$201,000 respectively.

During the years ended December 31, 2008 and 2009, there were a transfer of buildings amounting to US\$6,424,000 and US\$2,791,000 from property, plant and equipment to investment properties which carried at fair value of US\$7,027,000 and US\$3,511,000. The resulting revaluation surplus of US\$603,000 and US\$720,000 at the date of transfer has been credited to revaluation reserve in 2008 and 2009, respectively.



The carrying values of investment properties shown above are situated on:

	As at December 31		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Land in Hong Kong:			
Medium-term lease . . . . .	—	2,773	3,379
Land in the PRC:			
Medium-term lease . . . . .	15,756	16,489	17,921
	<u>15,756</u>	<u>19,262</u>	<u>21,300</u>

*Notes:*

- (1) The address of Chung, Chan & Associates is Suite 1801, Yue Xiu Building, 160-174 Lockhart Road, Hong Kong.
- (2) The address of Memfus Wong Surveyors Limited is 15/F, Kaiseng Commercial Centre, 4-6 Hankow Road, Tsim Sha Tsui, Kowloon, Hong Kong.

## 17. INTEREST IN AN ASSOCIATE

### THE GROUP

	As at December 31		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Cost of investment in an associate . . . . .	5,441	—	—
Share of post-acquisition reserves . . . . .	2,947	—	—
	<u>8,388</u>	<u>—</u>	<u>—</u>

Name	Place of incorporation	Principal activity	Proportion of equity interest and voting power indirectly held by the Company		
			2008	2009	2010
United Hill	BVI	Manufacturing and distribution of PCBs	49%	—	—

On December 16, 2009, E&E Jiangmen, a wholly-owned subsidiary of the Company, entered into an agreement with Ocean Glory, an independent third party, under which Ocean Glory agreed to purchase the entire 49% interest in United Hill at a consideration of US\$10,583,000. At completion of the transaction, E&E Jiangmen recognized a gain of US\$36,000.

Summarised financial information of the associate is set out below:

	As at December 31,	
	2008	At disposal date
	US\$'000	US\$'000
Total assets . . . . .	40,175	41,094
Total liabilities . . . . .	<u>(23,056)</u>	<u>(19,570)</u>
Net assets . . . . .	<u>17,119</u>	<u>21,524</u>
Revenue . . . . .	<u>11,539</u>	<u>11,981</u>
Profit for the year . . . . .	<u>3,163</u>	<u>3,390</u>
Group's share of profits of associate . . . . .	1,550	1,661
Gain on disposal of an associate . . . . .	<u>—</u>	<u>36</u>
	<u>1,550</u>	<u>1,697</u>

## 18. DEFERRED TAXATION

### THE GROUP

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes during the Track Record Period:

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Deferred tax assets . . . . .	1,446	1,437	1,047
Deferred tax liabilities . . . . .	<u>(1,998)</u>	<u>(2,416)</u>	<u>(2,104)</u>
	<u>(552)</u>	<u>(979)</u>	<u>(1,057)</u>

*Deferred tax assets*

	Accelerated tax depreciation	Others	Total
	US\$'000	US\$'000	US\$'000
<b>THE GROUP</b>			
At January 1, 2008 . . . . .	1,182	169	1,351
Currency realignment . . . . .	82	—	82
(Charge) credit to profit or loss for the year . . . . .	<u>(13)</u>	<u>26</u>	<u>13</u>
At December 31, 2008 . . . . .	1,251	195	1,446
Currency realignment . . . . .	5	—	5
(Charge) credit to profit or loss for the year . . . . .	<u>(28)</u>	<u>14</u>	<u>(14)</u>
At December 31, 2009 . . . . .	1,228	209	1,437
Currency realignment . . . . .	39	—	39
(Charge) credit to profit or loss for the year . . . . .	<u>(220)</u>	<u>(209)</u>	<u>(429)</u>
At December 31, 2010 . . . . .	<u>1,047</u>	<u>—</u>	<u>1,047</u>

*Deferred tax liabilities*

	Accelerated tax depreciation	Undistributable profits of subsidiaries	Total
	US\$'000	US\$'000	US\$'000
<b>THE GROUP</b>			
At January 1, 2008 . . . . .	(1,657)	—	(1,657)
Currency realignment . . . . .	(13)	—	(13)
Credit (charge) to profit or loss for the year . . . . .	<u>258</u>	<u>(586)</u>	<u>(328)</u>
At December 31, 2008 . . . . .	(1,412)	(586)	(1,998)
Currency realignment . . . . .	9	—	9
Credit (charge) to profit or loss for the year . . . . .	<u>123</u>	<u>(550)</u>	<u>(427)</u>
At December 31, 2009 . . . . .	(1,280)	(1,136)	(2,416)
Currency realignment . . . . .	(2)	(3)	(5)
Credit (charge) to profit or loss for the year . . . . .	314	(1,654)	(1,340)
Utilized during the year . . . . .	<u>—</u>	<u>1,657</u>	<u>1,657</u>
At December 31, 2010 . . . . .	<u>(968)</u>	<u>(1,136)</u>	<u>(2,104)</u>

The Group has unutilized tax losses of US\$29.0 million, US\$31.9 million and US\$20.4 million as at December 31, 2008, 2009 and 2010 respectively available for offset against future profits. Included in the unutilized tax losses are tax losses of USD24.8 million, USD28.9 million and USD19.6 million as at December 31, 2008, 2009 and 2010 respectively, which can only be carried forward for a maximum period of 5 years from the year of assessment. Other losses may be carried forward indefinitely. No deferred tax asset has been recognized due to the unpredictability of future profit streams.

## 19. INVENTORIES

### THE GROUP

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Raw materials . . . . .	14,263	15,531	22,547
Work-in-progress . . . . .	12,713	15,112	19,722
Finished goods . . . . .	12,606	9,095	15,796
	<u>39,582</u>	<u>39,738</u>	<u>58,065</u>

The cost of inventories recognized as an expense for the years ended December 31, 2008, 2009 and 2010 are US\$430.2 million, US\$351.8 million and US\$469.3 million respectively.

## 20. TRADE AND BILLS RECEIVABLES

### THE GROUP

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Trade receivables:			
- Third parties . . . . .	117,668	129,773	148,437
- Related parties (note) . . . . .	3,034	6,135	7,881
Less: Allowance for doubtful debts . . . . .	(10,189)	(5,665)	(5,691)
	110,513	130,243	150,627
Bills receivables . . . . .	4,061	6,367	3,639
Total . . . . .	<u>114,574</u>	<u>136,610</u>	<u>154,266</u>

*Note:* Related parties are subsidiaries of the ultimate holding company other than the Group.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Within 90 days . . . . .	84,640	113,122	128,400
90 to 180 days . . . . .	23,180	14,514	20,777
Over 180 days . . . . .	2,693	2,607	1,450
	<u>110,513</u>	<u>130,243</u>	<u>150,627</u>

An allowance has been made for estimated irrecoverable amounts from the sales of goods to third parties for each of the years ended December 31, 2008, 2009 and 2010 of US\$10,189,000, US\$5,665,000 and US\$5,691,000 respectively. This allowance has been determined by reference to past default experience and assessment of recoverability by management.

The amounts due from related companies are unsecured, interest-free and are subject to credit terms of 90 to 120 days.

At the end of each reporting periods, the bills receivables are aged within 180 days.

Trade receivables are non-interest bearing and generally on 30 to 120 days' terms. They are recognized at their original invoice amounts which approximate their fair values on initial recognition.

The Group has made substantial provision for all receivables which are overdue more than 180 days because historical experience is that such receivables are generally not fully recoverable.

Included in the Group's trade receivable balance are debtors with a carrying amount of US\$41,029,000, US\$17,244,000 and US\$28,444,000 as at December 31, 2008, 2009 and 2010 respectively, which are past due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these trade receivables for the years ended December 31, 2008, 2009 and 2010 are 123 days, 128 days and 123 days respectively.

Aging of trade receivables which are past due but not impaired:

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Over due by 1 to 90 days . . . . .	39,060	15,554	26,963
Over due by 90 to 180 days . . . . .	1,479	1,077	1,272
Over due by 180 days . . . . .	490	613	209
	<u>41,029</u>	<u>17,244</u>	<u>28,444</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the large and unrelated customer base. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Movement in the allowance for doubtful debts:

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Balance at beginning of the year . . . . .	9,491	10,189	5,665
Currency realignment . . . . .	28	4	11
Amounts written off during the year . . . . .	(1,079)	(4,680)	(127)
Increase in allowance recognized in profit or loss . . .	<u>1,749</u>	<u>152</u>	<u>142</u>
Balance at end of the year . . . . .	<u>10,189</u>	<u>5,665</u>	<u>5,691</u>

The Group's trade and bills receivables that are not denominated in the functional currencies of the respective entities are as follows:

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Denominated in:			
USD . . . . .	3,293	3,290	—
RMB . . . . .	5,158	10,609	15,624
HKD . . . . .	1,218	3,214	6,033
EURO . . . . .	1,181	531	14
THB . . . . .	<u>—</u>	<u>—</u>	<u>13,199</u>

## 21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
<b>THE GROUP</b>			
Deposits . . . . .	483	319	378
Prepaid expenses . . . . .	1,068	1,292	2,267
Other tax receivables . . . . .	14,295	5,977	6,975
Others . . . . .	3,829	2,434	934
	<u>19,675</u>	<u>10,022</u>	<u>10,554</u>
<b>THE COMPANY</b>			
Prepaid expenses . . . . .	2	—	—
Others . . . . .	1	3	4
	<u>3</u>	<u>3</u>	<u>4</u>

The Group and the Company's other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
<b>THE GROUP</b>			
Denominated in:			
EURO . . . . .	368	8	7
HKD . . . . .	28	14	459
RMB . . . . .	1,521	836	582
SGD . . . . .	3	3	4
THB . . . . .	—	—	131
GBP . . . . .	12	12	26
JPY . . . . .	—	2	12
	<u>—</u>	<u>2</u>	<u>12</u>
<b>THE COMPANY</b>			
Denominated in:			
SGD . . . . .	3	3	4
	<u>3</u>	<u>3</u>	<u>4</u>

## 22. BANK BALANCES AND CASH

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
<u>THE GROUP</u>			
Fixed deposits within 3-month maturity at date of inception . . . . .	17,941	6,924	17,313
Cash at bank and on hand . . . . .	50,731	53,130	49,600
	<u>68,672</u>	<u>60,054</u>	<u>66,913</u>
<u>THE COMPANY</u>			
Cash at bank and on hand . . . . .	<u>36</u>	<u>43</u>	<u>37</u>

Bank balances and cash comprise cash held by the Group and short-term bank deposits.

Fixed deposits bear interests at average effective interest rate as at December 31, 2008, 2009 and 2010 are 1.90%, 0.68% and 0.96% per annum, respectively.

The Group and the Company's bank balances and cash that are not denominated in the functional currencies of the respective entities are as follows:

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
<u>THE GROUP</u>			
Denominated in:			
EURO . . . . .	6,832	7,472	2,767
HKD . . . . .	20,667	7,110	6,768
RMB . . . . .	12,506	38,060	48,021
SGD . . . . .	27	35	30
USD . . . . .	6,039	713	20
THB . . . . .	—	—	4,691
GBP . . . . .	14	3	3
JPY . . . . .	<u>4</u>	<u>—</u>	<u>—</u>
<u>THE COMPANY</u>			
Denominated in: . . . . .			
SGD . . . . .	<u>27</u>	<u>35</u>	<u>30</u>



## 23. TRADE AND BILLS PAYABLES

THE GROUP

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Trade payables:			
- Third parties . . . . .	56,682	47,052	58,944
- Related parties (note) . . . . .	<u>31,568</u>	<u>37,521</u>	<u>48,570</u>
	88,250	84,573	107,514
Bills payables . . . . .	<u>12,957</u>	<u>1,588</u>	<u>4,943</u>
	<u>101,207</u>	<u>86,161</u>	<u>112,457</u>

*Note:* Related parties are subsidiaries of the ultimate holding company other than the Group.

Trade payables are non-interest bearing and generally on 15 to 120 days' terms. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Within 90 days . . . . .	47,229	68,262	86,587
90 to 180 days . . . . .	38,853	12,673	18,174
Over 180 days . . . . .	<u>2,168</u>	<u>3,638</u>	<u>2,753</u>
	<u>88,250</u>	<u>84,573</u>	<u>107,514</u>

The Group's trade and bills payables that are not denominated in the functional currencies of the respective entities are as follows:

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Denominated in:			
HKD. ....	5,740	3,952	6,914
RMB . . . . .	46,238	27,698	39,350
SGD. ....	23	14	4
EURO. ....	625	1,815	328
JPY . . . . .	7,132	1,369	536
USD. ....	979	1,594	—
THB. ....	—	—	9,225
GBP. ....	38	36	—

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

At the end of each reporting periods, the bills payables are aged within 180 days.

The amounts due to related companies are unsecured, interest-free and are repayable on demand.

#### 24. ACCRUED EXPENSES AND OTHER PAYABLES

	As at December, 31		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
<u>THE GROUP</u>			
Accrued expenses. ....	15,148	17,455	27,237
Other payables. ....	23,472	12,634	9,187
	<u>38,620</u>	<u>30,089</u>	<u>36,424</u>
<u>THE COMPANY</u>			
Accrued expenses. ....	119	185	149
Financial guarantee contracts. ....	185	186	286
	<u>304</u>	<u>371</u>	<u>435</u>

Included in the accrued expenses were accrued management fee payable to the Company's ultimate holding company, Kingboard Chemical Holdings Limited, amounted to US\$135,000, US\$232,000 and US\$259,000 as at December 31, 2008, 2009 and 2010 respectively.

The Group's and the Company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
<b>THE GROUP</b>			
Denominated in:			
RMB .....	7,821	5,394	4,652
EURO .....	4,053	101	85
HKD .....	2,622	388	3,058
JPY .....	940	16	—
SGD .....	174	218	202
USD .....	36	13	9
THB .....	—	—	685
GBP .....	<u>1</u>	<u>1</u>	<u>—</u>
<b>THE COMPANY</b>			
Denominated in:			
RMB .....	—	9	9
SGD .....	<u>119</u>	<u>148</u>	<u>115</u>

## 25. BANK BORROWINGS

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Unsecured:			
Bank loans .....	155,004	117,452	100,458
Trust receipts .....	2,593	—	—
Bank overdrafts .....	<u>2</u>	<u>—</u>	<u>7</u>
	<u>157,599</u>	<u>117,452</u>	<u>100,465</u>
Comprising amounts following due:			
- within one year .....	100,884	84,837	47,799
- more than one year .....	<u>56,715</u>	<u>32,615</u>	<u>52,666</u>
	<u>157,599</u>	<u>117,452</u>	<u>100,465</u>

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Carrying amount repayable*:			
Within one year . . . . .	65,063	53,532	38,726
More than one year, but not exceeding two years . . . .	48,774	35,262	41,987
More than two years but not more than five years . . .	<u>43,762</u>	<u>28,658</u>	<u>19,752</u>
	157,599	117,452	100,465
Less: Amounts due within one year shown under current liabilities . . . . .	(65,063)	(53,532)	(38,726)
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) . . . . .	<u>(35,821)</u>	<u>(31,305)</u>	<u>(9,073)</u>
Amounts shown under non-current liabilities . . . . .	<u>56,715</u>	<u>32,615</u>	<u>52,666</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The bank borrowings are variable rate borrowings which carry interest ranging from 0.5% to 1.55%, 0.5% to 1.25% and 0.5% to 1.25% as at December 31, 2008, 2009 and 2010 respectively.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Denominated in:			
HKD . . . . .	93,948	113,993	98,454
JPY . . . . .	<u>2,593</u>	<u>3,459</u>	<u>2,004</u>

## 26. SHARE CAPITAL

	No. of shares	US\$'000
Issued and fully paid:		
As at January 1, 2008, December 31, 2008 and December 31, 2009 . . . . .	179,635,062	98,656
Exercise of share options . . . . .	<u>7,794,900</u>	<u>16,009</u>
As at December 31, 2010 . . . . .	<u>187,429,962</u>	<u>114,665</u>

As at December 31, 2008, 2009 and 2010, the Company has a total of 178,887,062, 178,887,062 and 186,681,962 issued ordinary shares excluding treasury shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and has no par value.

At the end of each reporting period, there are options outstanding granted to directors and employees of the Group and associates of the Controlling Shareholders to subscribe for unissued shares totalling of 9,333,800, 9,126,200 and 316,100 ordinary shares as at December 31, 2008, 2009 and 2010 respectively each as described in note 31.

## 27. TREASURY SHARES

	No. of shares	2008 US\$'000	No. of shares	2009 US\$'000	No. of shares	2010 US\$'000
At beginning of the year . . . . .	487,000	896	748,000	1,356	748,000	1,356
Repurchase during the year . . . . .	<u>261,000</u>	<u>460</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At end of the year . . . . .	<u>748,000</u>	<u>1,356</u>	<u>748,000</u>	<u>1,356</u>	<u>748,000</u>	<u>1,356</u>

During the year ended December 31, 2008, the Company acquired 261,000 shares of its own shares through on-market purchases on the Singapore Exchange Securities Trading Limited. Such shares were held as treasury shares, with no voting rights and dividend entitlements, issuable for future application. The total consideration paid to acquire the shares was US\$460,000 and this was deducted against shareholders' equity.

## 28. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

### THE COMPANY

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Unquoted equity shares, at cost . . . . .	22,186	22,186	22,186
Recognition of financial guarantee provided to subsidiaries . . . . .	<u>485</u>	<u>885</u>	<u>1,753</u>
	<u>22,671</u>	<u>23,071</u>	<u>23,939</u>
Amounts due from subsidiaries . . . . .	<u>99,173</u>	<u>313,354</u>	<u>333,455</u>

The amounts due from subsidiaries are unsecured, non-interest bearing and are repayable on demand. In the opinion of the directors of the Company, other than the amounts disclosed in note 29 which repayment will be demanded in the next twelve months from the relevant reporting dates, the remaining amounts will not be repayable in the next twelve months from the relevant reporting dates. As a result, they are classified as non-current assets as at December 31, 2008, 2009 and 2010 respectively.

The Company issued financial guarantees to banks for credit facilities of its subsidiaries and recorded a deemed financial guarantee fee income in accordance with the provisions of IAS 39 "Financial instruments: Recognition and measurement". The deemed income was amortized over the period of the guarantee. The guarantee fee was not charged by the Company to the subsidiaries. The full amount of the guarantee fee, including the unamortized portion, is deemed to be additional investment in the subsidiary companies.

**29. AMOUNTS DUE FROM (TO) SUBSIDIARIES**

The amounts due from (to) subsidiaries are unsecured, interest free and repayable on demand. The Company has not made any allowance as the directors are of the view that these receivables are collectible.

The Company's amounts due from (to) subsidiaries that are not denominated in the functional currencies of the Company are as follows:

THE COMPANY

	As at December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Amounts due from subsidiaries			
Denominated in:			
HKD.....	—	—	(28)
SGD.....	<u>72</u>	<u>—</u>	<u>—</u>

## 30. RESERVES

	Capital reserve	Share option reserve	Retained profits	Total reserves
	US\$'000	US\$'000	US\$'000	US\$'000
At January 1, 2008 . . . . .	—	844	41,345	42,189
Total comprehensive income for the year . . . . .	—	—	27,989	27,989
Recognition of equity - settled share based payments . . . . .	—	146	—	146
Transfer to retained profits upon lapse of share options. . . . .	—	(11)	11	—
Dividends paid (Note 13)				
- in respect of previous financial year . . . . .	—	—	(22,361)	(22,361)
- in respect of current financial year . . . . .	—	—	(17,889)	(17,889)
At December 31, 2008 . . . . .	—	979	29,095	30,074
Total comprehensive income for the year . . . . .	—	—	41,736	41,736
Recognition of equity-settled share based payments . . . . .	—	83	—	83
Dividends paid (Note 13)				
- in respect of previous financial year . . . . .	—	—	(18,783)	(18,783)
At December 31, 2009 . . . . .	—	1,062	52,048	53,110
Total comprehensive income for the year . . . . .	—	—	162,504	162,504
Transfer to capital reserve upon exercise of share option . . . . .	1,842	(1,842)	—	—
Transfer to retained earnings upon lapse of share options. . . . .	—	(118)	118	—
Recognition of equity-settled share based payments . . . . .	—	1,001	—	1,001
Dividends paid (Note 13)				
- in respect of previous financial year . . . . .	—	—	(46,460)	(46,460)
- in respect of current financial year . . . . .	—	—	(27,990)	(27,990)
At December 31, 2010 . . . . .	<u>1,842</u>	<u>103</u>	<u>140,220</u>	<u>142,165</u>

**31. SHARE-BASED PAYMENTS**

The Company has granted share options to eligible employees under the 2002 Elec & Eltek Employees' Share Option Scheme (the "2002 Share Option Scheme") which was terminated in November 2007 without affecting the rights of holders of any options granted and outstanding under the 2002 Share Option Scheme.

In 2008, a new share option scheme, namely, the 2008 Elec & Eltek Employees' Share Option Scheme (the "2008 Share Option Scheme") was approved by the Shareholders at the Extraordinary General Meeting held on April 21, 2008 and was adopted by the Company on May 9, 2008 upon fulfilment of all the conditions precedent as set out in Rule 2 of the 2008 Share Option Scheme. Since its adoption, no option was granted by the Company pursuant to the 2008 Share Option Scheme.

The 2008 Share Option Scheme is open to full-time employees and directors of any company within the Group, the parent group and of an associated company of the Company, subject to certain conditions being satisfied.

The 2008 Share Option Scheme entitles the option holders to exercise their options and subscribe for new ordinary shares in the Company either at an "Exercise Price", which equals to the average of the last dealt prices of the Company's shares for a period of five consecutive market days immediately preceding the relevant date of grant, or at a discount to the Exercise Price as defined earlier, whereby the discount shall not exceed 20% of the Exercise Price.

Options granted at the Exercise Price or at a discount to the Exercise Price may be exercised after the first or second anniversary respectively, of the date of grant and expiring on the fifth anniversary of the date of grant.

The duration of the 2008 Share Option Scheme is ten years and the total number of shares that may be issued shall not exceed 10% of the total number of shares in issue as at the adoption date or subject to certain conditions being satisfied, 15% of the total issued shares of the Company excluding treasury shares (if any) from time to time.

The Company did not grant any share option under the 2008 Share Option Scheme during the Track Record Period.



Information with respect to the movement of share options of the Company during the Track Record Period is as follows:

Date of grant	Balance as at 1.1.2008		Balance as at 31.12.2008		Balance as at 31.12.2009		Balance as at 31.12.2010		Subscription price	Expiry date
		Lapsed		Lapsed		Exercised		Lapsed		
									US\$	
24.6.2005 . . . . .	9,579,000	(1,198,200)	8,380,800	(105,600)	8,275,200	(7,350,000)	(925,200)	—	2.033	24.5.2010
29.9.2005 . . . . .	180,000	(60,000)	120,000	—	120,000	(60,000)	(60,000)	—	2.375	4.9.2010
12.12.2006 . . . . .	928,000	(95,000)	833,000	(102,000)	731,000	(384,900)	(30,000)	316,100	2.400	12.11.2011
	<u>10,687,000</u>	<u>(1,353,200)</u>	<u>9,333,800</u>	<u>(207,600)</u>	<u>9,126,200</u>	<u>(7,794,900)</u>	<u>(1,015,200)</u>	<u>316,100</u>		
Weighted average exercise price of share options . . . . .	2.07	2.07	2.07	2.21	2.07	2.05	2.06	2.40		

In the above tables, adjustments were made to the subscription price and number of share options granted on June 24, 2005 and September 29, 2005 under the 2002 Share Option Scheme with effect from October 13, 2005, upon the bonus issue of shares on the basis of one bonus share for every five ordinary shares held in the capital of the Company. Such adjustments were reviewed by the Company's Employees' Share Option Scheme Committee.

Details of the share options and the estimated fair value of the options are as follows:

	Option 1	Option 2	Option 3
Date of grant . . . . .	June 24, 2005	September 29, 2005	December 12, 2006
Estimated fair value per option . . . . .	US\$0.2033	US\$0.1997	US\$0.3293

These fair values were calculated using the Trinomial Lattice Model. The inputs into the model were as follows:

	Option 1	Option 2	Option 3
Share price at grant date . . . . .	US\$2.53	US\$2.92	US\$2.74
Subscription price . . . . .	US\$2.033*	US\$2.375*	US\$2.40
Expected volatility . . . . .	25.4%	21.2%	36.6%
Expected life (years) . . . . .	5	5	5
Risk free interest rate . . . . .	3.7%	4.2%	3.7%
Expected dividend yield . . . . .	7.5%	7.5%	7.5%

\* The subscription price reflected are after adjustment made to effect the bonus issue of shares on the basis of one bonus share for every five ordinary shares held in the capital of the Company on October 13, 2005.

Expected volatility was determined by calculating the historical volatility of the Company's share price over the past five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

As at end of the reporting period, the total exercisable share options granted by the Company were 9,333,800, 9,126,200 and 316,100 as at December 31, 2008, 2009 and 2010 respectively.

There was no option exercised in 2008 and 2009. In respect of options exercised during 2010, the weighted average share price at the dates of exercise is US\$2.76. The share options outstanding have a weighted average contracted age of 2.5, 1.5 and 0.9 years as at December 31, 2008, 2009 and 2010 respectively.

The Group recognized total expenses of US\$361,000, US\$183,000 and US\$39,000 related to share-based payment transactions for the year ended December 31, 2008, 2009 and 2010 respectively.

**32. RETIREMENT BENEFIT OBLIGATIONS**

Defined contribution plans

The employees of the Group that are located in Singapore, the PRC and Hong Kong are members of the Central Provident Fund Board in Singapore, a state-sponsored retirement benefit plan in the PRC and Mandatory Provident Fund Scheme in Hong Kong, operated by the Government of Singapore, the PRC and Hong Kong, respectively. The respective entities are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

The total expense recognized in profit or loss amounted to US\$2,872,000, US\$2,316,000 and US\$2,526,000, for each of the years ended December 31, 2008, 2009 and 2010, respectively, representing contributions payable to these plans by the Group at rates specified in the rules of the respective plans. The amounts were paid during the year and over the end of the subsequent reporting period.

**33. CONTINGENT LIABILITIES**

	Year ended December 31		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
<u>THE COMPANY</u>			
Corporate guarantees given by the Company to secure bank credit facilities granted to subsidiary companies (unsecured)* . . . . .	348,268	367,188	411,532

\* In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group and the Company are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, accordingly no value has been recognized at the inception of the guarantee contracts and at the end of the reporting period as at December 31, 2008, 2009 and 2010.

In September 2009, a trading subsidiary of the Group filed a claim seeking to have the Tribunal De Commerce De Paris issue a Writ of Summons against one of the customers in France for approximately US\$4.2 million after failed attempts to negotiate an amicable settlement with that customer. The claim related to outstanding receivables with a quick turnaround (“QTA”) premium for orders placed with the Group for PCBs and QTA services provided in late 2006. In February 2010, the customer in France countersued and sought to have the QTA service agreements between the customer and the Group declared null and void. The Group responded to their claims and a pleading hearing was held on March 16, 2011. On May 5, 2011, the court ordered the customer in France to pay the trading subsidiary the total amount of approximately US\$2.9 million in principal, plus interest on the principal calculated from July 1, 2009 and EUR10,000 in court fees. The court dismissed a portion of the Company’s claims for unpaid trade receivables which were delivered to the French customer’s Tunisian and Brazilian operating subsidiaries even though the French customer placed the order, stating that the operating subsidiaries are separate legal entities. The Group intended to pursue these claims directly against the Tunisian and Brazilian operating subsidiaries though the Group has not yet begun any legal proceedings. The customer in France lodged an appeal on June 17, 2011 and as at the Latest Practicable Date, no date had been fixed for hearing the appeal. The Group has made full provision for the disputed trade receivables of US\$3,839,911, which is in line with the Company’s doubtful debt provision policy that any overdue debts greater than 360 days in subject to general doubtful debts provision of 100%.

One of the Company’s subsidiaries in Kaiping (“KSub”) is currently involved in potential lawsuits, claims and proceedings with one of the PRC customers amounting to approximately RMB30.0 million (approximately US\$4.4 million), arising from some negative feedback from the end users of the assembled products using PCBs supplied by KSub. At the same time, the Group is now seeking to recover the long overdue trade receivables of approximately RMB1.0 million (approximately US\$0.1 million) from the same customer. In the court hearing on June 17, 2011, the PRC customer submitted evidence to the court which has yet to be examined. As at the Latest Practicable Date, no date has been fixed for the next hearing. Based on the legal advice obtained by the Group, it is premature to assess the potential outcome of the case. The Board is of the opinion that the abovementioned lawsuit will not have a material adverse financial effect on the Group.

**34. CAPITAL COMMITMENTS**

THE GROUP

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Capital expenditure not provided for in the Financial Information:			
Commitments in respect of contracts placed for plant expansion . . . . .	<u>12,968</u>	<u>18,002</u>	<u>24,565</u>

## 35. OPERATING LEASES COMMITMENT

The Group as lessee

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Minimum lease payments under operating leases recognized as an expense for the year. . . . .	781	727	760

At the end of each reporting period, the Group had outstanding commitments under non-cancellable operating leases, when fall due as follows:

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Within one year . . . . .	361	380	335
In the second to fifth years inclusive . . . . .	272	213	118
Total . . . . .	633	593	453

Operating lease payments represent rental payable by the Group for some of its office properties and leases are negotiated for an average of 2 years.

The Group as lessor

The Group rents out its investment properties in the PRC and Hong Kong under operating leases. Property rental income earned for each of the years ended December 31, 2008, 2009 and 2010 are approximately US\$1,773,000, US\$1,535,000 and US\$1,832,000 respectively. The properties have committed tenants for the next two years.

At the end of each reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Within one year . . . . .	1,513	1,664	1,877
In the second to fifth years inclusive . . . . .	4,390	2,908	1,517
	5,903	4,572	3,394

**36. DISPOSAL OF A SUBSIDIARY**

On October 30, 2007, the Company entered into an agreement to dispose of its entire equity interest in Elec & Eltek Electronic (Kunshan) Company Limited (“E&E Kunshan”) to a subsidiary of its ultimate holding company other than the Group (the “ fellow subsidiary “). Such disposal was completed on May 4, 2008 on which date the control of E&E Kunshan was passed to the fellow subsidiary. The assets and liabilities of E&E Kunshan had been classified as held for sale as at December 31, 2007.

The net assets of E&E Kunshan as at the date of disposal were as follows:

	<u>May 4, 2008</u>
	US\$'000
Carrying values of net assets:	
Non-current asset	
Property, plant and equipment . . . . .	10,153
Current assets	
Other receivables . . . . .	370
Bank balances and cash . . . . .	469
Total current assets . . . . .	839
Total assets . . . . .	10,992
Current liabilities	
Trade and other payables . . . . .	(7,918)
Total current liabilities . . . . .	(7,918)
Net assets disposed of . . . . .	<u>3,074</u>
Gain on disposal of a subsidiary:	
Consideration received and receivable . . . . .	8,308
Net assets disposed of . . . . .	(3,074)
Assignment of intra-group debts . . . . .	(4,644)
Gain on disposal . . . . .	<u>590</u>
Consideration received:	
Cash received in 2007 . . . . .	<u>8,308</u>
Net cash outflow arising on disposal in 2008 . . . . .	<u>(469)</u>

The disposal of E&E Kunshan had no significant impact on the Group’s results and cashflows.

## 37. RELATED PARTY TRANSACTIONS

The significant transactions between the Group and its related parties are as follows:

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Income			
Sales to related parties* . . . . .	5,777	6,388	22,288
Rental income from a minority shareholder of a subsidiary . . . . .	1,504	1,658	1,893
Management fee income from a related party* . . . . .	259	1,254	—
Expenses			
Purchases from related parties* . . . . .	113,706	100,522	157,193
Purchases from a minority shareholder of a subsidiary . . . . .	220	289	162
Consultation fees paid to a minority shareholder of subsidiaries . . . . .	72	73	10
Construction fee paid to a minority shareholder of a subsidiary . . . . .	105	84	—
Management fee paid to related parties* . . . . .	<u>2,739</u>	<u>2,755</u>	<u>7,070</u>

\* Related parties are subsidiaries of the ultimate holding company other than the Group.

The above transactions will continue after the listing of the shares of the Company on the Main Board of the Stock Exchange.

The Company paid US\$638,000, US\$712,000 and US\$904,000 for the years ended December 31, 2008, 2009 and 2010, respectively for sharing of office space and office expenses with related companies. These amounts were included in the management fee paid to related parties for respective years.

**Compensation of directors and key management personnel**

Total compensation paid to Company's directors and key management executives, as well as fees paid to the Company's directors and directors of the Company's subsidiaries are as follows:

	Year ended December 31,		
	2008	2009	2010
	US\$'000	US\$'000	US\$'000
Directors			
Salaries, bonuses and other costs . . . . .	1,620	1,745	1,951
Contributions to defined contribution retirement benefit plans . . . . .	58	32	66
Share-based payment expense . . . . .	192	110	14
	<u>1,870</u>	<u>1,887</u>	<u>2,031</u>
Key management executives (excluding executive directors)			
Salaries, bonuses and other costs . . . . .	1,734	1,565	807
Contributions to defined contribution retirement benefit plans . . . . .	48	35	32
Share-based payment expense . . . . .	32	18	1
	<u>1,814</u>	<u>1,618</u>	<u>840</u>

**B. ULTIMATE HOLDING COMPANY AND IMMEDIATE HOLDING COMPANY**

The Company's ultimate holding company is Kingboard Chemical Holdings Limited, a company incorporated in Cayman Islands with shares listed on the Main Board of the Stock Exchange, throughout the Track Record Period.

The Company's immediate holding company is Elec & Eltek International Holdings Limited, a company incorporated in Bermuda throughout the Track Record Period.

**C. DIRECTORS' REMUNERATION**

Save as disclosed in the Financial Information, no other remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period.

**D. EVENTS AFTER THE REPORTING PERIOD**

Subsequent to December 31, 2010, the 748,000 treasury shares held by the Company as detailed in note 27 of section A were subsequently cancelled on February 15, 2011 as permitted under Section 76K(d) of the Companies Act (Cap. 50), Singapore Statutes.

**E. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2010.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong



*The information set out below is the unaudited interim financial information of the Group for the three months ended March 31, 2011 and does not form part of the Accountants' Report prepared by the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong as set out in Appendix I, and is included herein for information purposes only.*

**Deloitte.**  
德勤

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### Report on Review of Interim Financial Information

To the Board of Directors of Elec & Eltek International Company Limited.

#### Introduction

We have reviewed the interim financial information set out on pages II-3 to II-22, which comprises the condensed consolidated statement of financial position of Elec & Eltek International Company Limited (the “Company”) and its subsidiaries (collectively referred as the “Group”) as of March 31, 2011 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three-month period then ended and certain explanatory notes. The directors of the Company are responsible for the preparation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of Review

We conducted our review in accordance with Hong Kong Standards on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

June 30, 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE  
THREE MONTHS ENDED MARCH 31, 2011

	NOTES	Three months ended March 31,	
		2011	2010
		US\$'000 (unaudited)	US\$'000 (unaudited)
Revenue . . . . .	3	147,121	135,292
Cost of sales . . . . .		<u>(119,861)</u>	<u>(105,604)</u>
Gross profit . . . . .		27,260	29,688
Other operating income and gains . . . . .		1,097	673
Distribution and selling expenses . . . . .		(4,390)	(3,825)
Administrative expenses . . . . .		(6,264)	(6,616)
Other operating expenses and losses . . . . .		(132)	(214)
Finance costs . . . . .	4	<u>(306)</u>	<u>(272)</u>
Profit before taxation . . . . .		17,265	19,434
Income tax expense . . . . .	5	<u>(1,162)</u>	<u>(1,156)</u>
Profit for the period . . . . .	6	<u>16,103</u>	<u>18,278</u>
Other comprehensive income:			
Exchange differences arising on translation of foreign operations . . . . .		<u>57</u>	<u>2,845</u>
Other comprehensive income for the period . .		<u>57</u>	<u>2,845</u>
Total comprehensive income for the period . .		<u><u>16,160</u></u>	<u><u>21,123</u></u>
Profit for the period attributable to:			
Owners of the Company . . . . .		15,870	18,057
Non-controlling interests . . . . .		<u>233</u>	<u>221</u>
		<u><u>16,103</u></u>	<u><u>18,278</u></u>

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**APPENDIX II****UNAUDITED INTERIM CONDENSED  
FINANCIAL INFORMATION**

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	NOTES	Three months ended March 31,	
		2011	2010
		US\$'000 (unaudited)	US\$'000 (unaudited)
Total comprehensive income attributable to:			
Owners of the Company . . . . .		15,927	20,935
Non-controlling interests . . . . .		<u>233</u>	<u>188</u>
		<u>16,160</u>	<u>21,123</u>
Earnings per share:	8		
- basic . . . . .		<u>US8.500 cents</u>	<u>US10.081 cents</u>
- diluted . . . . .		<u>US8.496 cents</u>	<u>US10.081 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2011

	NOTES	March 31, 2011	December 31, 2010
		US\$'000 (unaudited)	US\$'000 (audited)
Non-current assets			
Property, plant and equipment . . . . .	9	322,169	326,218
Prepaid lease payments . . . . .		14,786	14,817
Investment properties . . . . .	10	21,300	21,300
Deposits for acquisition of plant and equipment . . . . .		4,602	1,815
Deferred tax assets . . . . .		929	1,047
		<u>363,786</u>	<u>365,197</u>
Current assets			
Inventories . . . . .		60,323	58,065
Trade and bills receivables . . . . .	11	157,506	154,266
Deposits, prepayments and other receivables . . . . .	12	12,108	10,554
Prepaid lease payments . . . . .		242	242
Bank balances and cash . . . . .		69,708	66,913
		<u>299,887</u>	<u>290,040</u>
Current liabilities			
Trade and bills payables . . . . .	13	115,469	112,457
Accrued expenses and other payables . . . . .		36,309	36,424
Taxation payable . . . . .		2,647	1,858
Bank borrowings - amount due within one year . . . . .		48,129	47,799
		<u>202,554</u>	<u>198,538</u>
Net current assets . . . . .		<u>97,333</u>	<u>91,502</u>
Total assets less current liabilities . . . . .		<u>461,119</u>	<u>456,699</u>
Non-current liabilities			
Bank borrowings - amount due over one year . . . . .		40,925	52,666
Deferred tax liabilities . . . . .		2,023	2,104
		<u>42,948</u>	<u>54,770</u>
		<u>418,171</u>	<u>401,929</u>
Capital and reserves			
Share capital . . . . .	14	113,390	114,665
Treasury shares . . . . .	15	—	(1,356)
Reserves . . . . .		295,132	279,204
Equity attributable to owners of the Company . . . . .		<u>408,522</u>	<u>392,513</u>
Non-controlling interests . . . . .		9,649	9,416
Total equity . . . . .		<u>418,171</u>	<u>401,929</u>

**APPENDIX II**
**UNAUDITED INTERIM CONDENSED  
FINANCIAL INFORMATION**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2011**

	Attributable to owners of the Company											
	Share capital	Treasury shares	Capital reserve	Statutory reserve	Revaluation reserve	Other reserve	Share option reserve	Foreign currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Note1)	(Note2)	(Note3)	(Note4)								
THE GROUP												
At January 1, 2011 (audited)	114,665	(1,356)	1,842	6,398	2,167	166	103	14,929	253,599	392,513	9,416	401,929
Total comprehensive income for the period	—	—	—	—	—	—	—	57	15,870	15,927	233	16,160
Shares issued pursuant to the exercise of share options	81	—	—	—	—	—	—	—	—	81	—	81
Transfer to capital reserve upon exercise of share options	—	—	11	—	—	—	(11)	—	—	—	—	—
Recognition of equity-settled share based payments	—	—	—	—	—	—	1	—	—	1	—	1
Cancellation of treasury shares	(1,356)	1,356	—	—	—	—	—	—	—	—	—	—
Transfer from retained earnings to statutory reserve	—	—	—	110	—	—	—	—	(110)	—	—	—
At March 31, 2011 (unaudited)	<u>113,390</u>	<u>—</u>	<u>1,853</u>	<u>6,508</u>	<u>2,167</u>	<u>166</u>	<u>93</u>	<u>14,986</u>	<u>269,359</u>	<u>408,522</u>	<u>9,649</u>	<u>418,171</u>
At January 1, 2010 (audited)	98,656	(1,356)	2,702	3,612	2,167	166	1,919	13,701	246,498	368,065	9,264	377,329
Total comprehensive income for the period	—	—	—	—	—	—	—	2,878	18,057	20,935	188	21,123
Shares issued pursuant to the exercise of share options	14,136	—	—	—	—	—	—	—	—	14,136	—	14,136
Transfer to capital reserve upon exercise of share options	—	—	1,566	—	—	—	(1,566)	—	—	—	—	—
Recognition of equity-settled share based payments	—	—	—	—	—	—	10	—	—	10	—	10
Transfer to retained earnings upon lapse of share options	—	—	—	—	—	—	(22)	—	22	—	—	—
Transfer from retained earnings to statutory reserve	—	—	—	67	—	—	—	—	(67)	—	—	—
At March 31, 2010 (unaudited)	<u>112,792</u>	<u>(1,356)</u>	<u>4,268</u>	<u>3,679</u>	<u>2,167</u>	<u>166</u>	<u>341</u>	<u>16,579</u>	<u>264,510</u>	<u>403,146</u>	<u>9,452</u>	<u>412,598</u>

**Notes:**

- The Company acquired its own shares through market purchases on the Singapore Exchange Securities Trading Limited. Such shares were held as treasury shares, with no voting rights and dividend entitlements, issuable for future application. The total consideration paid to acquire the shares was deducted against shareholders' equity. The treasury shares were cancelled by the Company on February 15, 2011.
- As at March 31, 2011, capital reserve represents amounts transferred from share option reserve upon the exercise of share options. As at March 31, 2010, capital reserve represented amounts transferred from share option reserve upon the exercise of share options and amounts set aside by subsidiaries operating in Thailand for declaration of dividends as required under the laws of Thailand.

3. The PRC laws and regulations require Sino-foreign cooperative joint ventures to provide for certain statutory reserves, mainly reserve fund and enterprise expansion fund, which are appropriated from net income as reported in the statutory financial statements. The use of these reserves is at the discretion of the entities' board of directors. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority. Statutory reserve as at March 31, 2011 also included amounts set aside by subsidiaries operating in Thailand for declaration of dividends as required under the laws of Thailand.
4. The revaluation reserve of the Group represents the gain on revaluation of certain properties for own use of the Group as a result of transfer of those properties from property, plant and equipment to investment properties.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2011

	Three months ended	
	March 31,	
	2011	2010
	US\$'000	US\$'000
	(unaudited)	(audited)
NET CASH FROM OPERATING ACTIVITIES . . . . .	23,827	33,028
INVESTING ACTIVITIES		
Purchase of property, plant and equipment . . . . .	(5,525)	(6,616)
Deposits paid for acquisition of property, plant and equipment . .	(4,351)	(5,619)
Other investing activities . . . . .	14	—
NET CASH USED IN INVESTING ACTIVITIES . . . . .	(9,862)	(12,235)
FINANCING ACTIVITIES		
Proceeds from issue of shares . . . . .	81	14,136
New bank loans raised . . . . .	1,427	28,990
Repayment of bank borrowings . . . . .	(12,915)	(20,458)
NET CASH (USED IN) FROM FINANCING ACTIVITIES . . . . .	(11,407)	22,668
NET INCREASE IN CASH AND CASH EQUIVALENTS . . . . .	2,558	43,461
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD . . . . .	66,906	60,054
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCES OF CASH HELD IN FOREIGN CURRENCIES, NET . . . . .	160	1,073
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD . . . . .	<u>69,624</u>	<u>104,588</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by		
Bank balances and cash . . . . .	69,708	104,803
Bank overdrafts . . . . .	(84)	(215)
	<u>69,624</u>	<u>104,588</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT  
FOR THE THREE MONTHS ENDED MARCH 31, 2011**1. BASIC OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

**2. SIGNIFICANT ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties, which are measured at fair value, as appropriate. The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) for the year ended December 31, 2010.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new or revised IFRSs”) issued by International Accounting Standards Board (“IASB”) which are effective for the Group’s financial year beginning on January 1, 2011.

The application of the new or revised IFRSs has had no material effect for the current and prior periods, accordingly, no adjustment has been required.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters <sup>1</sup>
IFRS 7 (Amendments)	Disclosures - Transfers of financial assets <sup>1</sup>
IFRS 9	Financial instruments <sup>2</sup>
IFRS 10	Consolidated financial statements <sup>2</sup>
IFRS 11	Joint arrangements <sup>2</sup>
IFRS 12	Disclosure of interests in other entities <sup>2</sup>
IFRS 13	Fair value measurement <sup>2</sup>
IAS 1 (Amendments)	Presentation of items of other comprehensive income <sup>4</sup>
IAS 12 (Amendments)	Deferred tax: Recovery of underlying assets <sup>3</sup>
IAS 19 (Revised 2011)	Employee benefits <sup>2</sup>
IAS 27 (Revised 2011)	Separate financial statements <sup>2</sup>
IAS 28 (Revised 2010)	Investment in associates and joint ventures <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after July 1, 2011.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2013.

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2012.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2012.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. In the opinion of management, the application of IFRS 9 will not have a material effect on the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### **3. REVENUE AND SEGMENT INFORMATION**

The Group's operating activities are attributable to a single reporting segment focusing on fabrication and distribution of PCBs. This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to IFRSs, that are regularly reviewed by the Executive Directors of the Company. The Executive Directors of the Company regularly reviews revenue analysis. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective products. The Executive Directors of the Company reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single reporting segment is presented.

**Revenue by geographical area**

The Group's revenue from sale of goods to external customers by geographical location are detailed below:

	<u>Revenue from external customers</u>	
	<u>Three months ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
	<u>US\$'000</u>	<u>US\$'000</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
Asia		
The PRC (including Hong Kong) . . . . .	96,397	79,405
South East Asia . . . . .	26,339	33,969
Others . . . . .	<u>1,109</u>	<u>1,571</u>
	123,845	114,945
Europe . . . . .	15,690	11,746
North and Central America . . . . .	6,837	7,584
Rest of the World. . . . .	<u>749</u>	<u>1,017</u>
	<u>147,121</u>	<u>135,292</u>

**Revenue by product**

The sales analysis by product is provided below:

	<u>Three months ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
	<u>US\$'000</u>	<u>US\$'000</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
2- to 6-Layer . . . . .	84,424	85,127
8-Layer & above . . . . .	29,917	29,621
HDI . . . . .	20,173	10,997
Laminates and others . . . . .	<u>12,607</u>	<u>9,547</u>
	<u>147,121</u>	<u>135,292</u>

## 4. FINANCE COSTS

	Three months ended March 31,	
	2011	2010
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Interest on bank loans wholly repayable within five years . .	327	290
Less: Amounts capitalized . . . . .	<u>(21)</u>	<u>(18)</u>
	<u>306</u>	<u>272</u>

## 5. INCOME TAX EXPENSE

	Three months ended March 31,	
	2011	2010
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Current tax:		
Singapore income tax . . . . .	1	1
PRC enterprise income tax . . . . .	676	749
Hong Kong income tax . . . . .	96	124
Other jurisdictions . . . . .	<u>300</u>	<u>240</u>
	1,073	1,114
Underprovision in prior period		
PRC enterprise income tax . . . . .	40	4
Deferred tax for the period . . . . .	<u>49</u>	<u>38</u>
	<u>1,162</u>	<u>1,156</u>

The Singapore income tax represents income tax in Singapore which is calculated at 17% on the taxable income of companies established in Singapore for the current and prior periods.

The PRC income tax for the current and prior periods represents income tax in the PRC which is calculated at 25% on the taxable income of subsidiaries established in the PRC.

In both periods, certain subsidiaries in the PRC are only liable for 50% of normal enterprise income tax and subsidiaries company in Thailand are exempted from corporate profits tax for a period ranging from seven to eight years with another five years of a 50% exemption after the initial eight-year term, effective from the date the taxable income is first earned. One of the Company's subsidiaries in PRC was officially endorsed as a High-New Technology Enterprise in 2009. During 2010, there were two additional subsidiaries obtaining this official endorsement. Pursuant to the New EIT Law, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% for three years since year of endorsement.

In addition, the profits arising from a subsidiary in Macau are exempted from profits tax for both periods.

## 6. PROFIT FOR THE PERIOD

	<u>Three months ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Allowance for doubtful debts . . . . .	153	55
Depreciation of property, plant and equipment . . . . .	11,129	11,704
Gain on disposal of property, plant and equipment . . . . .	(13)	(5)
Net exchange (gain) loss . . . . .	(406)	153
Release of prepaid lease payments . . . . .	<u>60</u>	<u>57</u>

## 7. DIVIDENDS

No dividend was paid or proposed during both periods. On April 6, 2011, a final dividend of United States 25.0 cents per share to its shareholders in respect of the year ended December 31, 2010 was approved at the annual general meeting of the Company.

**8. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Three months ended March 31,	
	2011	2010
	US\$'000	US\$'000
	(unaudited)	(unaudited)
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share .....	<u>15,870</u>	<u>18,057</u>
	Three months ended March 31,	
	2011	2010
	US\$'000	US\$'000
	(unaudited)	(unaudited)
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share .....	186,710	179,119
Effect of dilutive potential ordinary shares on share options .....	<u>82</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share .....	<u>186,792</u>	<u>179,119</u>

The computation of diluted earnings per share for the period ended March 31, 2010 did not assume the exercise of the Company's outstanding share options because the exercise prices of those options were higher than the average market prices of the Company's share during of the period ended March 31, 2010.

**9. PROPERTY, PLANT AND EQUIPMENT**

During the current period, the Group spent US\$7,062,000 on acquisition of property, plant and equipment (three months ended March 31, 2010: US\$8,047,000).

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of US\$1,000 for cash proceeds of US\$14,000, resulting in a gain on disposal of US\$13,000 (three months ended March 31, 2010: gain on disposal US\$5,000).

#### 10. INVESTMENT PROPERTIES

The Group's investment properties were fair valued by B. I. Appraisals Limited at March 31, 2011. The valuation of investment properties was arrived at by reference to market evidence of transaction prices for similar properties. The resulting change in fair value of investment properties for the three months ended March 31, 2011 was immaterial.

The Group's investment properties were fair valued by Memfus Wong Surveyors Limited at December 31, 2010. The valuation of investment properties was arrived at by reference to market evidence of transaction prices for similar properties. The resulting increase in fair value of investment properties for the year ended December 31, 2010 was US\$1,927,000.

#### 11. TRADE AND BILLS RECEIVABLES

	March 31, 2011	December 31, 2010
	US\$'000 (unaudited)	US\$'000 (audited)
Trade receivables:		
- Third parties . . . . .	148,699	148,437
- Related parties (note) . . . . .	9,494	7,881
Less: Allowance for doubtful debts . . . . .	<u>(5,856)</u>	<u>(5,691)</u>
	152,337	150,627
Bills receivables . . . . .	<u>5,169</u>	<u>3,639</u>
Total . . . . .	<u>157,506</u>	<u>154,266</u>

*Note:* Related parties are subsidiaries of the ultimate holding company other than the Group.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	March 31, 2011	December 31, 2010
	US\$'000 (unaudited)	US\$'000 (audited)
Within 90 days . . . . .	133,606	128,400
90 to 180 days . . . . .	16,819	20,777
Over 180 days . . . . .	<u>1,912</u>	<u>1,450</u>
	<u>152,337</u>	<u>150,627</u>

At the end of the reporting period, the bills receivables are aged within 180 days (December 31, 2010: within 180 days).

Trade receivables are non-interest bearing and generally on 30 to 120 days' terms.

## 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	March 31, 2011	December 31, 2010
	US\$'000 (unaudited)	US\$'000 (audited)
Deposits . . . . .	1,339	378
Prepaid expenses . . . . .	2,492	2,267
Other tax receivables . . . . .	6,407	6,975
Others . . . . .	<u>1,870</u>	<u>934</u>
	<u>12,108</u>	<u>10,554</u>



## 13. TRADE AND BILLS PAYABLES

	March 31, 2011	December 31, 2010
	US\$'000 (unaudited)	US\$'000 (audited)
Trade payables:		
- Third parties . . . . .	59,938	58,944
- Related parties (note) . . . . .	49,603	48,570
	<u>109,541</u>	<u>107,514</u>
Bills payables . . . . .	5,928	4,943
	<u>115,469</u>	<u>112,457</u>

*Note:* Related parties are subsidiaries of the ultimate holding company other than the Group.

Trade payables are non-interest bearing and generally on 15 to 120 days' terms. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	March 31, 2011	December 31, 2010
	US\$'000 (unaudited)	US\$'000 (audited)
Within 90 days . . . . .	88,126	86,587
90 to 180 days . . . . .	19,189	18,174
Over 180 days . . . . .	2,226	2,753
	<u>109,541</u>	<u>107,514</u>

At the end of the reporting period, the bills payables are aged within 180 days (December 31, 2010: within 180 days).

**14. SHARE CAPITAL**

	<u>No. of shares</u>	<u>US\$'000</u>
Issued and fully paid:		
As at January 1, 2010 (audited) . . . . .	179,635,062	98,656
Exercise of share options . . . . .	<u>7,794,900</u>	<u>16,009</u>
As at December 31, 2010 (audited). . . . .	187,429,962	114,665
Exercise of share options . . . . .	33,600	81
Cancelled during the period . . . . .	<u>(748,000)</u>	<u>(1,356)</u>
As at March 31, 2011 (unaudited). . . . .	<u><u>186,715,562</u></u>	<u><u>113,390</u></u>

As at March 31, 2011 the Company has a total of 186,715,562 (December 31, 2010: 186,681,962) issued ordinary shares excluding treasury shares.

On February 15, 2011, the Company cancelled a total of 748,000 issued ordinary shares. These shares were repurchased by the Company in previous years and held as treasury shares as described in note 15.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and has no par value.

At the end of the reporting period, there are options outstanding granted to directors and employees of the Group and associates of controlling shareholders to subscribe for unissued shares totalling of 282,500 (December 31, 2010: 316,100) ordinary shares as described in note 16.

**15. TREASURY SHARES**

	<u>No. of shares</u>	<u>US\$'000</u>
As at January 1, 2010 and December 31, 2010 (audited) . . .	748,000	1,356
Cancelled during the period . . . . .	<u>(748,000)</u>	<u>(1,356)</u>
As at March 31, 2011 (unaudited) . . . . .	<u><u>—</u></u>	<u><u>—</u></u>

The treasury shares were cancelled by the Company on February 15, 2011.

**16. SHARE-BASED PAYMENTS**

The Company has granted share options to eligible employees under the 2002 Elec & Eltek Employees' Share Option Scheme (the "2002 Share Option Scheme") which was terminated in November 2007 without affecting the rights of holders of any options granted and outstanding under the 2002 Share Option Scheme.

In 2008, a new share option scheme, namely, the 2008 Elec & Eltek Employees' Share Option Scheme (the "2008 Share Option Scheme") was approved by the shareholders at the Extraordinary General Meeting held on April 21, 2008 and was adopted by the Company on May 9, 2008 upon fulfilment of all the conditions precedent as set out in Rule 2 of the 2008 Share Option Scheme. Since its adoption, no option was granted by the Company pursuant to the 2008 Scheme.

The 2008 Share Option Scheme is open to full-time employees and directors of any company within the Group, the parent group and of an associated company of the Company, subject to certain conditions being satisfied.

The 2008 Share Option Scheme entitles the option holders to exercise their options and subscribe for new ordinary shares in the Company either at an "Exercise Price", which equals to the average of the last dealt prices of the Company's shares for a period of five consecutive market days immediately preceding the relevant date of grant, or at a discount to the Exercise Price as defined earlier, whereby the discount shall not exceed 20% of the Exercise Price.

Options granted at the Exercise Price or at a discount to the Exercise Price may be exercised after the first or second anniversary respectively, of the date of grant and expiring on the fifth anniversary of the date of grant.

The duration of the 2008 Share Option Scheme is ten years and the total number of shares that may be issued shall not exceed 10% of the total number of shares in issue as at the adoption date or subject to certain conditions being satisfied, 15% of the total issued shares of the Company excluding treasury shares (if any) from time to time.

The Company did not grant any share option under the 2008 Share Option Scheme during the three months ended March 31, 2011.

Information with respect to the movement of share options of the Company during the three months ended March 31, 2011 is as follows:

Date of grant	Balance as at 12.31.2010	Exercised	Balance as at 3.31.2011	Subscription price	Expiry date
	(audited)	(unaudited)	(unaudited)	US\$	
12.12.2006 . . . . .	<u>316,100</u>	<u>(33,600)</u>	<u>282,500</u>	2.400	12.11.2011

As at end of the reporting period, the total exercisable share options granted by the Company were 282,500 and 316,100 as at March 31, 2011 and December 31, 2010 respectively.

In respect of options exercised in the current period, the weighted average share price at the dates of exercise is US\$3.33. The share options outstanding have a weighted average contracted age of approximately 0.7 and 0.9 years as at March 31, 2011 and December 31, 2010 respectively.

The Group recognized total expenses of US\$1,000 related to share-based payment transactions for the period ended March 31, 2011 (Three months ended March 31, 2010: US\$10,000).

## **17. CONTINGENT LIABILITIES**

In September 2009, a trading subsidiary of the Group filed a claim seeking to have the Tribunal De Commerce De Paris issue a Writ of Summons against one of the customers in France for approximately US\$4.2 million after failed attempts to negotiate an amicable settlement with that customer. The claim related to outstanding receivables with a quick turnaround (“QTA”) premium for orders placed with the Group for PCBs and QTA services provided in late 2006. In February 2010, the customer in France countersued and sought to have the QTA service agreements between the customer and the Group declared null and void. The Group responded to their claims and a pleading hearing was held on March 16, 2011. On May 5, 2011, the court ordered the customer in France to pay the trading subsidiary the total amount of approximately US\$2.9 million in principal, plus interest on the principal calculated from July 1, 2009 and EUR10,000 in court fees. The court dismissed a portion of the Company’s claims for unpaid trade receivables which were delivered to the French customer’s Tunisian and Brazilian operating subsidiaries even though the French customer placed the order, stating that the operating subsidiaries are separate legal entities. The Group intended to pursue these claims directly against the Tunisian and Brazilian operating subsidiaries though the Group has not yet begun any legal proceedings. The customer in France lodged an appeal on June 17, 2011 and as at the Latest Practicable Date, no date had been fixed for hearing the appeal. The Group has made full provision for the disputed trade receivables of US\$3,839,911, which is in line with the Company’s doubtful debt provision policy that any overdue debts greater than 360 days in subject to general doubtful debts provision of 100%.

One of the Company’s subsidiaries in Kaiping (“KSub”) is currently involved in potential lawsuits, claims and proceedings with one of the PRC customers amounting to approximately RMB30.0 million (approximately US\$4.4 million), arising from some negative feedback from the end users of the assembled products using PCBs supplied by KSub. At the same time, the Group is now seeking to recover the long overdue trade receivables of approximately RMB1.0 million (approximately US\$0.1 million) from the same customer. In the court hearing on June 17, 2011, the PRC customer submitted evidence to the court which has yet to be examined. As at the Latest Practicable Date, no date has been fixed for the next hearing. Based on the legal advice obtained by the Group, it is premature to assess the potential outcome of the case. The Board is of the opinion that the abovementioned lawsuit will not have a material adverse financial effect on the Group.

## 18. CAPITAL COMMITMENTS

	March 31, 2011	December 31, 2010
	US\$'000 (unaudited)	US\$'000 (audited)
Capital expenditure not provided for in the Financial Information: Commitments in respect of contracts placed for plant expansion. . . . .	<u>25,253</u>	<u>24,565</u>

## 19. RELATED PARTY TRANSACTIONS

The significant transactions between the Group and its related parties are as follows:

	Three months ended March 31,	
	2011	2010
	US\$'000 (unaudited)	US\$'000 (unaudited)
Income		
Sales to related parties* . . . . .	7,017	6,885
Rental income from a minority shareholder of a subsidiary . . . . .	472	478
Expenses		
Purchases from related parties* . . . . .	39,271	42,152
Purchases from a minority shareholder of a subsidiary . . .	—	39
Consultation fees paid to a related party** . . . . .	—	10
Management fee paid to related parties* . . . . .	<u>215</u>	<u>1,839</u>

\* Related parties are subsidiaries of the ultimate holding company other than the Group.

\*\* The related party is an independent non-executive director of the Company.

**Compensation of directors and key management personnel**

Total compensation paid to Company's directors and key management executives, as well as fees paid to the Company's directors and directors of the Company's subsidiaries are as follows:

	<u>Three months ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
	<u>US\$'000</u> <u>(unaudited)</u>	<u>US\$'000</u> <u>(unaudited)</u>
Directors		
Salaries, bonuses and other costs . . . . .	664	574
Contributions to defined contribution retirement benefit plans . . . . .	20	19
Share-based payment expense . . . . .	<u>—</u>	<u>3</u>
	<u>684</u>	<u>596</u>
Key management executives (excluding executive directors)		
Salaries, bonuses and other costs . . . . .	272	244
Contributions to defined contribution retirement benefit plans . . . . .	11	9
Share-based payment expense . . . . .	<u>—</u>	<u>—</u>
	<u>283</u>	<u>253</u>

**B. I. Appraisals Limited**  
**保柏國際評估有限公司**

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June 30, 2011

The Directors  
Elec & Eltek International Company Limited  
1st Floor, Harbour View 1  
No. 12 Science Park East Avenue  
Phase II, Hong Kong Science Park  
Sha Tin, New Territories  
Hong Kong

Dear Sirs,

In accordance with the instructions from Elec & Eltek International Company Limited (hereinafter referred to as the “Company”) for us to value the properties held by the Company and/or its subsidiaries (hereinafter together referred to as the “Group”) in Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC”) and Thailand (hereinafter referred to as the “Properties”) and the properties leased or licensed by the Group in Hong Kong, the PRC, Macao Special Administrative Region (“Macao”), Taiwan, Malaysia, Singapore, the United Kingdom (“U.K.”) and the United States of America (“U.S.A.”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 March 2011 (hereinafter referred to as the “Date of Valuation”).

This letter, forming part of our valuation report, identifies the properties being valued, explains the basis and methodology of our valuations, and lists out the assumptions and the title investigation we have made in the course of our valuations, as well as the limiting conditions.

**BASIS OF VALUATION**

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.”

We have valued the Properties on the basis that each of them is considered individually. We have not allowed for any discount for the Properties to be sold to a single party nor taken into account any effect on the values if the Properties are to be offered for sale at the same time as a portfolio.

Our valuations have been carried out in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

### **VALUATION METHODOLOGY**

In valuing Property Nos. 1, 3 to 5, 8, 11 to 15 and 25 which are either vacant or occupied by the Group, we have valued each of such properties on market basis by the Direct Comparison Approach assuming it is capable of being sold in its existing state on a strata-titled basis and with the benefit of immediate vacant possession. Comparison based on prices realised on actual sales or offerings of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of the properties in order to arrive at a fair comparison of value.

In valuing Property Nos. 2, 6, 10 and 16 in Group II and Property Nos. 23 and 24 in Group VII which are industrial complexes occupied by the Group, due to the nature of buildings and structures constructed, there are no readily identifiable market comparable and the properties cannot be valued by comparison with open market transactions, we have adopted the Depreciated Replacement Cost (DRC) Approach in assessing the value of each of such properties. The DRC Approach is based on an estimate of the market value for the existing use of the land and considers the current cost to reproduce or replace in new condition the property being valued in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The DRC Approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

In valuing each of the properties in Group III (i.e. Property No. 17) and Group IV (i.e. Property No. 18) which is held by the Group for investment, we have adopted the Investment Approach by taking into account the current rent passing and the reversionary potential of the Property.

Regarding the properties in Group V (i.e. Property Nos. 19 to 21) which are industrial complexes under development, we have been advised by the Group that portions of the respective sites have been developed and currently occupied by the Group and that the remaining portions of the sites are vacant and subject to detail planning. We have valued such properties on the basis that the existing buildings and structures have been developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that all consents, approvals and licences from relevant government for the properties under development have been granted without onerous conditions or undue time delay that might affect their values. In arriving at the value of these two properties, we have adopted the DRC Approach.



It is a normal practice to provide, apart from the market value, an opinion on the “Estimated Market Value as if Completed” for reference for a property held under development. The “Estimated Market Value as if Completed” for such property represents our estimate of the value of the property assuming that it would have been completed at the Date of Valuation.

In valuing the properties in Group VI (i.e. Property No. 22), which is vacant site held by the Group for future development in the PRC, we have adopted the Direct Comparison Approach assuming such property is capable of being sold in its existing state with the benefit of immediate vacant possession.

The properties in Group VIII (i.e. Property Nos. 26 to 72), which are leased or licensed by the Group in Hong Kong, Macao, the PRC, Taiwan, Malaysia, Singapore, U.K. and U.S.A. are considered to have no commercial value due mainly to the prohibition against assignment or sub-letting/sub-licensing or otherwise due to the lack of substantial profit rents/licence fees. In addition, Property Nos. 7 and 9 are also considered to have no commercial value due to the fact that the Group does not have a proper and transferrable legal title to the respective properties.

#### **VALUATION ASSUMPTIONS**

Our valuations have been based on our experience of valuing properties in Hong Kong, the PRC and Thailand, as overseas consultants, and made on the assumption that the Properties are sold on the open market in their existing state without the effect of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the Properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Properties and no forced sale situation is assumed in our valuations.

In the course of our valuation for the properties in the PRC, we have assumed that the Group has free and uninterrupted rights to use and assign each of such properties for the whole of the respective unexpired term as granted. Furthermore, we have valued all such properties on the basis that they are freely disposable and transferable for their existing uses in the open market to both local and overseas purchasers whether as a whole or on a strata-title basis without payment of any premium to the relevant authorities.

#### **TITLE INVESTIGATION**

We have caused searches to be made at the Urban Land Registry for the property located in Hong Kong. We have been provided with extracts of documents in relation to the ownership and the title to the properties in the PRC and in Thailand. However, we have not scrutinized the original documents to verify the ownership or to ascertain any amendments, which may not appear on the copies handed to us. All documents and leases have been used for reference only.

We have been provided with a copy of the legal opinion dated June 2011 prepared by Commerce & Finance Law Offices, the Group’s legal adviser on PRC law (hereinafter referred to as the “PRC Legal Adviser”), regarding the ownership of and the title to the properties held by the Group in the PRC.

In addition, we have been provided with a copy of the legal opinion dated June 2011 prepared by Nishizawa Consulting Co., Ltd., the Group's legal adviser on Thai laws (hereinafter referred to as the "Thai Legal Adviser"), regarding the ownership of and the title to the properties held by the Group in Thailand.

In the course of our valuations, we have relied on the advices given by the Group and the opinions from the PRC Legal Adviser as well as the Thai Legal Adviser regarding the ownership and title to the interests in the properties in the PRC and Thailand respectively.

### **LIMITING CONDITIONS**

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters as identification of relevant properties to be valued, planning approvals or statutory notices, easements, tenure, particulars of occupancy, completion date of buildings, joint venture agreements, building costs, site and floor areas and other relevant information. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents and leases provided to us and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us and we have also been advised that no material facts have been omitted from the information provided.

We have inspected the exteriors and, where possible, the interiors of the Properties. However, we have not carried out a structural survey. Yet, in the course of our inspections, we did not note any serious defects. We are, however, unable to report that the properties are free from rot, infestation or any other structural defects. No tests have been carried out to any of the services provided in the properties. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the documents handed to us are correct.

Moreover, we have not carried out site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any development.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

### **CURRENCY**

Unless otherwise stated, all monetary amounts stated in our valuation certificates are Hong Kong dollars (HK\$). The exchange rates adopted in our valuations are approximately HK\$1=RMB0.84 and HK\$1=Baht3.88 which were approximately the prevailing exchange rates at the Date of Valuation.

**REMARKS**

We hereby confirm that we have neither present nor prospective interests in the Group or the Properties or the values reported herein.

Our summary of values and valuation certificates are enclosed herewith.

Yours faithfully,  
For and on behalf of  
**B.I. APPRAISALS LIMITED**  
**William C. K. Sham**  
*Registered Professional Surveyor (G.P.)*  
*China Real Estate Appraiser*  
*MRICS, MHKIS, RPS (G.P.), MCIREA*  
*Executive Director*

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*Note:* Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 30 years' experience in the valuation of properties in Hong Kong and has over 15 years' experience in the valuation of properties in the People's Republic of China, the Asia Pacific regions, various European countries (including U.K.) and the North America (including U.S.A.). In relation to Mr. William C.K. Sham's experience in valuing UK and US property, please refer to the property valuation report in the prospectus of Meadville Holdings Limited previously listed on the Stock Exchange (delisted: 3133).

## SUMMARY OF VALUES

Property	Market value in existing state as at 31 March 2011 (HK\$)	Interest attributable to the Group (%)	Value Attributable to the Group as at 31 March 2011 (HK\$)
<b>Group I — Property held and occupied by the Group in Hong Kong</b>			
1. Units A1, B5 and B6 on 1st Floor, whole of 2nd Floor (together with portions of flat roof appertaining to Units A7, A9 and B12), whole of 4th Floor and Unit A8 with Flat Roof on 5th Floor, Merit Industrial Centre, No. 94 To Kwa Wan Road, To Kwa Wan, Kowloon, Hong Kong	199,000,000	100	199,000,000
<b>Group II — Properties held and occupied by the Group in the PRC</b>			
2. The industrial complex of Elec & Eltek (Guangzhou) Electronic Company Limited, No. 3 and No. 8 Linjiang Road, and No. 4 Shawan Third Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	168,500,000	98	165,130,000
3. Rooms 501, 502, 503, 601, 602, 603, 702, 703, 801, 802, 803, 901, 902 and 903 of No. 44 Zhicheng Main Road, and Room 904 of No. 46 Zhicheng Main Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	4,270,000	98	4,184,600
4. Rooms 904 and 905 of No. 4 Jinyou Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	600,000	98	588,000

Property	Market value in existing state as at 31 March 2011 (HK\$)	Interest attributable to the Group (%)	Value Attributable to the Group as at 31 March 2011 (HK\$)
5. Rooms 1305, 1306, 13A03, 13A05, 1602 and 1605 of Jinlan Court, Hongyuan Garden, No. 100 Guantai Road (Huangcun Section) Huangcun District, Dongguan City, Guangdong Province, the PRC	2,130,000	98	2,087,400
6. The industrial complex of Shenzhen Pacific Insulating Material Co., Ltd., Lot No. 7303-0076, Majialong Gongye Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC	20,700,000	93.5	19,354,500
7. The dormitory complex of Shenzhen Pacific Insulating Material Co., Ltd., west of Nanhai Avenue and immediately north of Lot No.7303-0076, Nanshan District, Shenzhen City, Guangdong Province, the PRC	No commercial value	93.5	No commercial value
8. Rooms 401 and 501 of Block 22, Nanyuan Xin Cun, Taoyuan East Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC	5,380,000	93.5	5,030,300
9. Room 402, No. 7 Erfang, Chiwei Cun, Huaqiang South Road, Futian District Shenzhen City, Guangdong Province, the PRC	No commercial value	93.5	No commercial value
10. The northern area of the industrial complex of Kai Ping Elec & Eltek Company Limited, No. 318 Siqian West Road, Shagang District, Kaiping City, Guangdong Province, the PRC	224,600,000	95	213,370,000

Property	Market value in existing state as at 31 March 2011 (HK\$)	Interest attributable to the Group (%)	Value Attributable to the Group as at 31 March 2011 (HK\$)
11. Rooms 402, 403, 404, 503, 504, 603, 604 and 703 in Block A, No. 1 Yinxi Garden, Guangming Road together with Storeroom Nos. 10, 11, 12, 13, 26, 27, 28, and 29 on Level 1, No. 11 Yinxi Garden, Guangming Road, Changsha, Sanfu District, Kaiping City, Guangdong Province, the PRC	2,360,000	95	2,242,000
12. Rooms 602, 603, 605, 703, 705 and 708, No. 103 Guangming Road together with Storeroom Nos. 21, 32, 46 and 52 on Mezzanine Floor and Storeroom Nos. 38 and 54 on Level 2 of Block 2, No. 103 Guangming Road, Changsha, Sanfu District, Kaiping City, Guangdong Province, the PRC	1,080,000	95	1,026,000
13. Room 704, No. 11 Dongjiao Nanqu Lane 1, Changsha, Sanfu District, Kaiping City, Guangdong Province, the PRC	200,000	95	190,000
14. Storeroom No. 4 on Mezzanine Floor, Block 2, No. 6 Dongjiao Road, Changsha, Sanfu District, Kaiping City, Guangdong Province, the PRC	10,000	95	9,500
15. Room 503 together with Storeroom No. 4 on Level 1, No. 29 Xingguang Road, Changsha, Sanfu District, Kaiping City, Guangdong Province, the PRC	200,000	95	190,000
16. The industrial complex of Nanjing Elec & Eltek Electronic Co., Ltd., No. 3 Hengtong Avenue, Nanjing Economic & Technological Development Zone, Qixia District, Nanjing City, Jiangsu Province, the PRC	26,800,000	100	26,800,000

Property	Market value in existing state as at 31 March 2011 (HK\$)	Interest attributable to the Group (%)	Value Attributable to the Group as at 31 March 2011 (HK\$)
<b>Group III — Property held for Investment by the Group in Hong Kong</b>			
17. Units A10 and B9 on 3rd Floor and Unit B9 on 10th Floor, Merit Industrial Centre, No. 94 To Kwa Wan Road, To Kwa Wan, Kowloon, Hong Kong	26,400,000	100	26,400,000
<b>Group IV — Property held for Investment by the Group in the PRC</b>			
18. Factory Building Nos. I and II of the industrial complex of Elec & Eltek (Guangzhou) Electronic Company Limited, No. 388 Lianyun Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	149,800,000	98	146,804,000
<b>Group V — Properties held under Development by the Group in the PRC</b>			
19. The industrial complex (excluding Factory Building Nos. I and II) of Elec & Eltek (Guangzhou) Electronic Company Limited, No. 388 Lianyun Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	318,300,000	98	311,934,000
20. The southern area of the industrial complex of Kai Ping Elec & Eltek Company Limited, No. 318 Siqian West Road, Shagang District, Kaiping City, Guangdong Province, the PRC	228,900,000	95	217,455,000
21. The industrial complex of Yangzhou Elec & Eltek Electronic Company Limited, west of Shidai Avenue, Yizheng Economic Development Zone, Jiangsu Province, the PRC	89,000,000	100	89,000,000

Property	Market value in existing state as at 31 March 2011 (HK\$)	Interest attributable to the Group (%)	Value Attributable to the Group as at 31 March 2011 (HK\$)
<b>Group VI — Property held for Future Development by the Group in the PRC</b>			
22. A parcel of development land located opposite to Shagang Electricity Station, Xinmei Village Commission, Shuikou Town, Kaiping City, Guangdong Province, the PRC	10,600,000	95	10,070,000
<b>Group VII — Properties held and occupied by the Group in Thailand</b>			
23. Rojana Industrial Park at 1/68 Moo 5 Rojana Road, Tambon Khanham, Amphur Uthai, Pranakornsriayutthaya 13210, Thailand	40,100,000	100	40,100,000
24. Industrial Plant at 134 Moo 2, Nonthaburi-Pathumthani Road, Tambon Bang-Khayang, Amphur Muang, Pathumthani 12000, Thailand	130,400,000	100	130,400,000
25. #99/71, 72, 73, 74, 75, 76, 77, Chuan Chuen Floraville, Pakred-Pathumthani Road, Tambon Bang-Khuwat, Amphur Muang, Pathumthani 12000, Thailand	11,100,000	100	11,100,000
<b>Group VIII — Properties leased/licensed and occupied by the Group</b>			
26. Flat G on 14th Floor of Block 8, No. 6 Tak Hong Street, Whampoa Garden, Site 11, Hung Hom, Kowloon, Hong Kong	No commercial value	100	No commercial value
27. Ground Floor, No.62A Mei Kwong Street, On Wo Building, To Kwa Wan, Kowloon, Hong Kong	No commercial value	100	No commercial value
28. “E”, do 3º andar, Edificio Comercial Rodrigues, 599 da Avenida da Praia Grande, Macao	No commercial value	100	No commercial value



Property	Market value in existing state as at 31 March 2011 (HK\$)	Interest attributable to the Group (%)	Value Attributable to the Group as at 31 March 2011 (HK\$)
29. Unit 25B, Block 1, China Feng Huang Building, 26-3, Futian Central District, Shenzhen City, Guangdong Province, the PRC	No commercial value	100	No commercial value
30. Warehouse, Block 70, Majialong Industrial Zone, Nanshan District, Shenzhen City, Guangdong Province, the PRC	No commercial value	93.5	No commercial value
31. Warehouse, Block 69, Majialong Industrial Zone, Nanshan District, Shenzhen City, Guangdong Province, the PRC	No commercial value	93.5	No commercial value
32. Room 903, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
33. Room 908, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
34. Room 1103, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
35. Room 1107, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value

Property	Market value in existing state as at 31 March 2011 (HK\$)	Interest attributable to the Group (%)	Value Attributable to the Group as at 31 March 2011 (HK\$)
36. Room 1403, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
37. Room 1803, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
38. Room 1905, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
39. Room 1106, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
40. Levels 6 to 7, Staff Dormitory Building of Guangzhou Free Trade Zone Phase II, No. 1 Fengxia 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
41. Room 2104, Lifeng Building, No. 7 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
42. Room 2106, Lifeng Building, No. 7 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value

<b>Property</b>	<b>Market value in existing state as at 31 March 2011 (HK\$)</b>	<b>Interest attributable to the Group (%)</b>	<b>Value Attributable to the Group as at 31 March 2011 (HK\$)</b>
43. Room 1106, No. 9 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
44. Room 1112, No. 9 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
45. Room 1902, No. 9 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
46. Room 2104, No. 9 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
47. Room 703, Bao Shui Guang Chang, No. 219 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
48. Room 708, Bao Shui Guang Chang, No. 219 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
49. Room 502, No. 295 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
50. Room 608, No. 295 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value

Property	Market value in existing state as at 31 March 2011 (HK\$)	Interest attributable to the Group (%)	Value Attributable to the Group as at 31 March 2011 (HK\$)
51. Room 1003, No. 295 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
52. Room 303, No. 299 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
53. Room 401, No. 307 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
54. Room 1001, No. 14 Lanyu 5th Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	No commercial value	98	No commercial value
55. Room 604, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha, Kaiping City, Guangdong Province, the PRC	No commercial value	95	No commercial value
56. Room 804, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha, Kaiping City, Guangdong Province, the PRC	No commercial value	95	No commercial value
57. Room 1003, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha, Kaiping City, Guangdong Province, the PRC	No commercial value	95	No commercial value
58. Room 1004, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha, Kaiping City, Guangdong Province, the PRC	No commercial value	95	No commercial value

Property	Market value in existing state as at 31 March 2011 (HK\$)	Interest attributable to the Group (%)	Value Attributable to the Group as at 31 March 2011 (HK\$)
59. Room 1105, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha, Kaiping City, Guangdong Province, the PRC	No commercial value	95	No commercial value
60. Room 1203, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha, Kaiping City, Guangdong Province, the PRC	No commercial value	95	No commercial value
61. Room 1705, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha, Kaiping City, Guangdong Province, the PRC	No commercial value	95	No commercial value
62. Warehouse #201-1, No. 108 Xingangkai Avenue, Qixia District, Nanjing City, Jiangsu Province, the PRC	No commercial value	100	No commercial value
63. Units 401 and 501, 502 and 602 of Sub-block 1, Units 101, 202, 301, 302, 401, 402, 501, 502, 601 and 602 of Sub-block 2, Staff Apartment Building Block 4, No. 87 Xingang Avenue, Nanjing Economic and Technological Development Zone, Nanjing City, Jiangsu Province, the PRC	No commercial value	100	No commercial value
64. Room 5-207, Yingjiang West Village, Yizheng City, Jiangsu Province, the PRC	No commercial value	100	No commercial value
65. Room 6-406, Baisha 2nd Village, Yizheng City, Jiangsu Province, the PRC	No commercial value	100	No commercial value
66. Room 6-303, Yingjiang West Village, Yizheng City, Jiangsu Province, the PRC	No commercial value	100	No commercial value

Property	Market value in existing state as at 31 March 2011 (HK\$)	Interest attributable to the Group (%)	Value Attributable to the Group as at 31 March 2011 (HK\$)
67. Warehouse at E17 on Level 2, Plot D6, Zone D, No. 225 Fute North Road, Waigaoqiao Free Trade Zone, Shanghai, the PRC	No commercial value	100	No commercial value
68. Room 1, Level 13, No, 398 Huanbei Road, Jhongli City, Taoyuan County, Taiwan	No commercial value	100	No commercial value
69. No. 3 (2nd floor), Jalan Todak 2, 13700, Bandar Sunway, Seberang Jaya, Pulau Pinang, Malaysia	No commercial value	100	No commercial value
70. 4 Leng Kee Road #03-02, Singapore 159088	No commercial value	100	No commercial value
71. Unit 9, Eghams Court, Boston Drive Bourne End, Buckinghamshire, UK	No commercial value	100	No commercial value
72. Suite 355 on 3rd Floor of Santa Clara Techmart, 5201 Great America Parkway, Suite 355, Santa Clara, CA, USA	No commercial value	100	No commercial value
<b>Total:</b>	<u>1,660,430,000</u>		<u>1,622,465,300</u>

## VALUATION CERTIFICATE

## Group I — Property held and occupied by the Group in Hong Kong

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
1. Units A1, B5 and B6 on 1st Floor, whole of 2nd Floor ( <i>see Note 1 below</i> ), whole of 4th Floor ( <i>see Note 2 below</i> ) and Unit A8 with Flat Roof on 5th Floor, Merit Industrial Centre, No. 94 To Kwa Wan Road, To Kwa Wan, Kowloon, Hong Kong	<p>The property comprises fifty units on the 1st, 2nd, 4th and 5th Floor of a 14-storey (including a basement level for car parking) industrial building (the “Building”), which was completed in 1986.</p> <p>The total gross floor area of the property is approximately 12,456.24 sq.m. (134,079 sq.ft.) and the total saleable area of the property is approximately 9,452.53 sq.m. (101,747 sq.ft.), both exclusive of a total flat roof area of approximately 70.94 sq.m. (764 sq.ft.).</p>	The property is currently occupied by the Group as workshop and ancillary office.	<p>HK\$199,000,000</p> <p>(100% interest attributable to the Group: HK\$199,000,000)</p>
All those 1047/5600 undivided parts or shares of and in The Remaining Portion of Kowloon Inland Lot No. 6393 (“the Lot”)	<p>The Lot is held under a Government Lease for a term of 75 years commenced from 5 October 1953, renewable for a further term of 75 years.</p> <p>The property falls within a “Residential Group (E)” zone in Approved Ma Tau Kok Outline Zoning Plan No. S/K10/20 gazetted on 14 November 2008.</p> <p>The Government Rent of the property is HK\$291,120 per annum.</p>		

*Notes:*

- (1) The ownership of whole of 2nd Floor includes Units A1 to A4, A6 to A12, B1 and B3 to B12 (A5 and B2 being omitted), the flat roofs appertaining to Units A7, A9 and B12, the Lift lobbies and the Corridors on 2nd Floor, and the Lift Shaft and Lift Serving the Basement to 2nd Floor of the Building.
- (2) The ownership of whole of 4th Floor includes Units A1 to A12 and B1 to B12, Lift lobbies and Corridors on 4th Floor.
- (3) The registered owner of Units A1, B5 and B6 on 1st Floor, Units A1 to A4, A6, A9 with Flat Roof, A10, B1, B3 to B11 and B12 with Flat Roof on 2nd Floor, Units A1 to A12 and B1 to B12 on 4th Floor, and Unit A8 with Flat Roof on 5th Floor of the property is Elec & Eltek Multilayer PCB Limited, via six assignments all dated 31 January 2000, registered vide Memorial Nos. UB8366398, UB8366399, UB8366400, UB8366402, UB8366403 and UB8366407.
- (4) The registered owner of Units A7 with Flat Roof, A8, A11 and A12 on 2nd Floor of the property is Elec & Eltek International Limited (see Note 6 below), via an assignment dated 31 January 2000, registered vide Memorial No. UB8366401.

- (5) The registered owner of The Lift Lobbies and the Corridors on 2nd Floor, the Lift Shaft and Lift Serving the Basement to 2nd Floor is Elec & Eltek Multilayer PCB Limited, via an assignment dated 31 January 2000, registered via Memorial No. UB8003379 and re-registered via Memorial No. UB8366403, and a Deed of Rectification dated 11 December 2006, registered via Memorial No. 07010500790386.
- (6) The registered owner of Lift Lobbies and Corridors on 4th Floor is Elec & Eltek Multilayer PCB Limited, via an assignment dated 31 January 2000, registered via Memorial No. UB8003373 and re-registered via Memorial No. UB8366400, and a Deed of Rectification dated 11 December 2006, registered via Memorial No. 07010500790391.
- (7) We have been advised by the Company that Elec & Eltek International Limited has subsequently changed its company name to Elec & Eltek International (Hong Kong) Limited.
- (8) We have been further advised that Elec & Eltek Multilayer PCB Limited and Elec & Eltek International (Hong Kong) Limited are wholly owned subsidiaries of the Company.



## VALUATION CERTIFICATE

## Group II — Properties held and occupied by the Group in the PRC

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
2.	<p>The industrial complex of Elec &amp; Eltek (Guangzhou) Electronic Company Limited, No. 3 and No. 8 Linjiang Road, and No. 4 Shawan Third Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC</p> <p>The property comprises an industrial complex occupying three neighbouring sites with a total site area of approximately 25,907.19 sq.m. (278,865 sq.ft.).</p> <p>The industrial complex comprises a main production building of 3 storeys, a composite building of 7 storeys and a number of 1-storey structures for guardhouse and sewage treatment purposes. All buildings were built in the period between 1995 and 1997.</p> <p>The total gross floor area of the property is approximately 43,444.20 sq.m. (467,633 sq.ft.).</p> <p>The land use rights of the three parcels of land have been granted for industrial use for terms due to expire on 31 December 2043, 30 December 2043 and 10 February 2046 respectively.</p>	<p>The property is currently occupied by the Group for industrial use.</p>	<p>HK\$168,500,000</p> <p>(98% interest attributable to the Group: HK\$165,130,000)</p>

*Notes:*

- (1) Pursuant to the Certificate of Real Estate 穗房地證字第0588379號 (Sui Fang Di Zheng Zi No. 0588379) issued by Guangzhou Municipal People's Government on 8 August 2000, the land use rights of a parcel of land in the property having a site area of 16,913 sq.m. together with the ownership of the building standing thereon with a total gross floor area of 27,135.85 sq.m. are held by Elec & Eltek (Guangzhou) Electronic Company Limited for a term due to expire on 31 December 2043 for industrial use.
- (2) Pursuant to the Certificate of Real Estate 穗房地證字第0513570號 (Sui Fang Di Zheng Zi No. 0513570) issued by Guangzhou Municipal People's Government on 11 November 1999, the land use rights of a parcel of land in the property having a site area of 5,005.19 sq.m. together with the ownership of the buildings standing thereon with a total gross floor area of approximately 15,829.17 sq.m. are held by Elec & Eltek (Guangzhou) Electronic Company Limited for a term due to expire on 10 February 2046 for industrial use.
- (3) Pursuant to the Certificate of Real Estate Ownership 粵房地證字第C0748084號 (Yue Fang Di Zheng Zi No. C0748084) issued by Guangzhou Municipal People's Government on 5 February 2002, the land use rights of a parcel of land in the property having a site area of 3,989.00 sq.m. together with the ownership of the buildings standing thereon with a total gross floor area of approximately 479.18 sq.m. are held by Elec & Eltek (Guangzhou) Electronic Company Limited for a term due to expire on 30 December 2043 for industrial use.
- (4) Pursuant to the Lease Agreement entered into between Elec & Eltek (Guangzhou) Electronic Company Limited and Guangzhou Elec & Eltek Microvia Technology Limited, portion of the property with a gross floor area of approximately 8,710.00 sq.m. is leased to Guangzhou Elec & Eltek Microvia Technology Limited for a term from 1 January 2010 to 31 December 2012 at a rental of RMB20,000 per month.

- (5) We have been advised that both Elec & Eltek (Guangzhou) Electronic Company Limited and Guangzhou Elec & Eltek Microvia Technology Limited are 98%-owned subsidiaries of the Company.
- (6) The opinion of the PRC Legal Adviser is summarized as follows:
  - a) Elec & Eltek (Guangzhou) Electronic Company Limited is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.
  - b) The Lease Agreement (mentioned in Note 4 above) is legally valid and binding upon both parties.
- (7) We have relied on the aforesaid legal opinion and prepared our valuation on the assumption that the design and construction of the property have complied with the relevant planning rules and regulations in the PRC and have been approved by the relevant authorities.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
3. Rooms 501, 502, 503, 601, 602, 603, 702, 703, 801, 802, 803, 901, 902 and 903 of No. 44 Zhicheng Main Road, and Room 904 of No. 46 Zhicheng Main Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises 15 residential units in a 9-storey composite building completed in about 1993.</p> <p>The total gross floor area of the property is approximately 1,132.36 sq.m. (12,189 sq.ft.).</p> <p>The land use rights of the land on which the building is erected have been granted for a term due to expire on 29 January 2063 for residential use.</p>	The property is currently occupied by the Group as staff quarters.	<p>HK\$4,270,000</p> <p>(98% interest attributable to the Group: HK\$4,184,600)</p>

*Notes:*

- (1) Pursuant to fifteen Certificates of Real Estate all issued by Guangzhou Municipal People's Government, the ownership of the property is vested in Elec & Eltek (Guangzhou) Electronic Company Limited for residential use. Details of the Certificates for Real Estate Title are listed as follows:

Room	Gross Floor Area (sq.m.)	Certificate of Real Estate No.	Date of Issue
No. 44 Zhicheng Main Road			
501	96.0893	穗房地證字第0588200號	31 March 2000
502	68.9623	穗房地證字第0588393號	30 March 2000
503	68.0703	穗房地證字第0588199號	31 March 2000
601	96.0893	穗房地證字第0588197號	30 March 2000
602	68.9623	穗房地證字第0588196號	30 March 2000
603	68.0703	穗房地證字第0588194號	30 March 2000
702	68.9623	穗房地證字第0588193號	30 March 2000
703	68.0703	穗房地證字第0588306號	30 March 2000
801	96.0893	穗房地證字第0588308號	30 March 2000
802	68.9623	穗房地證字第0588307號	30 March 2000
803	68.0703	穗房地證字第0588394號	30 March 2000
901	96.0893	穗房地證字第0588304號	30 March 2000
902	68.9623	穗房地證字第0588303號	24 March 2000
903	68.0703	穗房地證字第0588301號	30 March 2000
No. 46 Zhicheng Main Road			
904	62.8381	穗房地證字第0588302號	30 March 2000

- (2) We have been advised that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98%-owned subsidiary of the Company.
- (3) The opinion of the PRC Legal Adviser is summarized as follows:
- Elec & Eltek (Guangzhou) Electronic Company Limited is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
4. Rooms 904 and 905 of No. 4 Jinyou Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises 2 residential units in a 9-storey composite building completed in about 1993.</p> <p>The total gross floor area of the property is approximately 164.45 sq.m. (1,770 sq.ft.).</p> <p>The land use rights of the land on which the building is erected have been granted for a term due to expire on 5 January 2063 for residential use.</p>	The property is currently occupied by the Group as staff quarters.	<p>HK\$600,000</p> <p>(98% interest attributable to the Group: HK\$588,000)</p>

*Notes:*

- (1) Pursuant to two Certificates of Real Estate 穗房地證字第0888079號 (Sui Fang Di Zheng Zi No. 0888079) and 穗房地證字第0888080號 (Sui Fang Di Zheng Zi No. 0888080) both issued by Guangzhou Municipal People's Government on 18 September 2001, the ownership of the property is vested in Elec & Eltek (Guangzhou) Electronic Company Limited for residential use.
- (2) We have been advised that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98%-owned subsidiary of the Company.
- (3) The opinion of the PRC Legal Adviser is summarized as follows:  
Elec & Eltek (Guangzhou) Electronic Company Limited is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
5. Rooms 1305, 1306, 13A03, 13A05, 1602 and 1605 of Jinlan Court, Hongyuan Garden, No. 100 Guantai Road (Huangcun Section) Huangcun District, Dongguan City, Guangdong Province, the PRC	<p>The property comprises 6 residential units in a 17-storey composite building completed in about 1994.</p> <p>The total gross floor area of the property is approximately 504.00 sq.m. (5,425 sq.ft.).</p> <p>The land use rights of the land on which the building is erected have been granted for a term of 70 years commencing from 30 April 1992 until 30 April 2062 for commercial/residential use.</p>	The property, except for Rooms 13A05 and 1605 that are vacant, is currently tenant-occupied under 4 separate lease agreements for terms of 1 year with the latest due to expire on 30 December 2011. The total monthly rental is RMB2,600.	<p>HK\$2,130,000</p> <p>(98% interest attributable to the Group: HK\$2,087,400)</p>

*Notes:*

- (1) Pursuant to six Certificates of Real Estate Ownership all issued by Dongguan Municipal People's Government, the ownership of the property is vested in Elec & Eltek (Guangzhou) Electronic Company Limited for residential use. Details of the Certificates for Real Estate Title are listed as follows:

Room	Gross Floor Area (sq.m.)	Certificate of Real Estate Title No.	Date of Issue
1305	84.00	粵房地證字第1880054號 (Yue Fang Di Zheng Zi No.1880054)	2 April 1999
1306	84.00	粵房地證字第1880050號 (Yue Fang Di Zheng Zi No.1880050)	2 April 1999
13A03	84.00	粵房地證字第1880052號 (Yue Fang Di Zheng Zi No.1880052)	2 April 1999
13A05	84.00	粵房地證字第1880053號 (Yue Fang Di Zheng Zi No.1880053)	2 April 1999
1602	84.00	粵房地證字第1880046號 (Yue Fang Di Zheng Zi No.1880046)	2 April 1999
1605	84.00	粵房地證字第1880055號 (Yue Fang Di Zheng Zi No.1880055)	2 April 1999

- (2) We have been advised that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98%-owned subsidiary of the Company.
- (3) The opinion of the PRC Legal Adviser is summarized as follows:
- Elec & Eltek (Guangzhou) Electronic Company Limited is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.
  - The lease agreements are lawful, valid and legal binding to both parties.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
6. The industrial complex of Shenzhen Pacific Insulating Material Co., Ltd., Lot No. 7303-0076, Majialong Gongye Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC	<p>The property comprises an industrial complex occupying a site with a site area of approximately 9,063.30 sq.m. (97,557 sq.ft.).</p> <p>The industrial complex comprises a main production building of 2 storeys, a composite building of 3 storeys and a number of 1-storey structures for warehouses and ancillary facilities purposes. All buildings and structures were built in the period between 1987 and 1988.</p> <p>The total gross floor area of the property (excluding the ancillary structures) is approximately 5,120.77 sq.m. (55,120 sq.ft.).</p> <p>The land use rights of the property have been granted for a term of 50 years commencing from 15 May 1987 and due to expire on 14 May 2037 for industrial purposes.</p>	The property is currently occupied by the Group for industrial use.	<p>HK\$20,700,000</p> <p>(93.5% interest attributable to the Group: HK\$19,354,500)</p>

*Notes:*

- (1) Pursuant to the Certificate of Real Estate 深房地字第4000118835號 (Shen Fang Di Zi No. 4000118835) issued by Shenzhen Municipal People's Government on 17 July 2003, the ownership of the subject industrial complex having a total gross floor area of 5,120.77 sq.m. together with land use rights for the land area of 9,063.30 sq.m. thereof are held by Shenzhen Pacific Insulating Material Co., Ltd. for industrial, domestic and office uses.
- (2) We have been advised that Shenzhen Pacific Insulating Material Co., Ltd. is a 93.5%-owned subsidiary of the Company.
- (3) The opinion of the PRC Legal Adviser is summarized as follows:  
Shenzhen Pacific Insulating Material Co., Ltd. is in possession of a proper legal title to the land use rights together with the main production building and the composite building in the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.
- (4) We have relied on the aforesaid legal opinion and prepared our valuation on the assumption that the design and construction of the property have complied with the relevant planning rules and regulations in the PRC and have been approved by the relevant authorities.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
7. The dormitory complex of Shenzhen Pacific Insulating Material Co., Ltd., west of Nanhai Avenue and immediately north of Lot No.7303-0076, Nanshan District, Shenzhen City, Guangdong Province, the PRC	<p>The property comprises a dormitory complex occupying a site with a site area of approximately 1,000 sq.m. (10,764 sq.ft.).</p> <p>The subject complex, appeared to have been completed in the 1990's, comprises a 2-storey dormitory building and a 1-storey boiler house.</p> <p>The total gross floor area of the property, excluding the structure having an area of 319.99 sq.m. (3,444 sq.ft.) designated as Level 2 of the dormitory building, is approximately 460.59 sq.m. (4,958 sq.ft.).</p>	The property is currently occupied by the Group for dormitory use.	No commercial value (See Notes 6 and 7 below)

*Notes:*

- (1) Pursuant to a Deed of Land entered into between 南頭區大新辦事處田下村委會常興合作社 (Chang Xin Commune of Tianxia Village Commission, Daxin Office, Nantou District) and Shenzhen Pacific Insulating Material Co., Ltd. on 25 March 1988, a parcel of land with a site area of 2.63 mu was sold to Shenzhen Pacific Insulating Material Co., Ltd.
- (2) We have been advised that Shenzhen Pacific Insulating Material Co., Ltd. is a 93.5%-owned subsidiary of the Company.
- (3) According to the confirmation from Shenzhen Pacific Insulating Material Co., Ltd., the site area of the property is approximately 1,000 sq.m.
- (4) Pursuant to the Survey Report prepared by 深圳市地籍測繪大隊 (Shenzhen Municipal Land Survey Brigade) on 31 October 2008, the gross floor area of the 2-storey dormitory building is 319.99 sq.m. excluding the area of 313.89 sq.m. for Level 2 thereof and the gross floor area of the 1-storey boiler house is 140.60 sq.m.
- (5) The opinion of the PRC Legal Adviser is summarized as follows:  
According to the confirmation from Shenzhen Pacific Insulating Material Co., Ltd., the Certificate of Real Estate Ownership cannot be obtained due to historical reasons. In addition, the relevant construction application had not been made. Hence, there is a risk for Shenzhen Pacific Insulating Material Co., Ltd. in its use of the property.
- (6) We understand that the land use rights of the property, according to the current PRC laws and regulations, were not obtained through proper land grant procedure, and that Chang Xin Commune of Tianxia Village Commission, Daxin Office, Nantou District is not considered as a proper authority to grant the land use rights. Hence, we have prepared our valuation on the following bases:
  - a) Shenzhen Pacific Insulating Material Co., Ltd. does not possess a proper and transferable legal title to the property.
  - b) The property may not be disposed of freely to a third party.
- (7) In accordance with the opinion of the PRC Legal Adviser and the valuation bases stated in Notes (5) and (6) above, we have ascribed no commercial value to the property. For indication purpose only, the depreciated replacement cost of the building improvements erected on the land as at the Date of Valuation was in the region of RMB570,000.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
8. Rooms 401 and 501 of Block 22, Nanyuan Xin Cun, Taoyuan East Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC	<p>The property comprises two residential units in a 7-storey residential building completed in about 1991.</p> <p>The total gross floor area of the property is approximately 202.06 sq.m. (2,175 sq.ft.).</p> <p>The land use rights of the property have been granted for a term due to expire on 8 July 2035 for residential use.</p>	The property is currently occupied by the Group as staff quarters.	<p>HK\$5,380,000</p> <p>(93.5% interest attributable to the Group: HK\$5,030,300)</p>

*Notes:*

- (1) Pursuant to two Certificates of Real Estate 深房地字第0300740號 (Shen Fang Di Zi No. 0300740) and 深房地字第0300741號 (Shen Fang Di Zi No. 0300741) both issued by Shenzhen Municipal People's Government on 27 June 1994, the property together with its land use rights are held by Shenzhen Pacific Insulating Material Co., Ltd.
- (2) We have been advised that Shenzhen Pacific Insulating Material Co., Ltd. is a 93.5%-owned subsidiary of the Company.
- (3) The opinion of the PRC Legal Adviser is summarized as follows:  
Shenzhen Pacific Insulating Material Co., Ltd. is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.



## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
9. Room 402, No. 7 Erfang, Chiwei Cun, Huaqiang South Road, Futian District, Shenzhen City, Guangdong Province, the PRC	<p>The property comprises one residential unit in a 7-storey residential building appeared to have been completed in the 1980's.</p> <p>The gross floor area of the property is approximately 77.79 sq.m. (837 sq.ft.).</p>	The property is currently vacant.	<p>No commercial value</p> <p>(See Notes 4 and 5 below)</p>

*Notes:*

- (1) We have not been provided with any document regarding the title to the property.
- (2) The application for the title certificate, as according to the confirmation from Shenzhen Pacific Insulating Material Co., Ltd., which is a 93.5%-owned subsidiary of the Company, cannot be processed due to historical reason that the original developer of the property had dissolved.
- (3) The opinion of the PRC Legal Adviser is summarized as follows:
 

According to the confirmation from Shenzhen Pacific Insulating Material Co., Ltd., the Certificate of Real Estate Ownership cannot be obtained due to historical reasons. In addition, the relevant construction application had not been made. Hence, there is a risk for Shenzhen Pacific Insulating Material Co., Ltd. in its use of the property.
- (4) We have prepared our valuation on the following bases:
  - a) Shenzhen Pacific Insulating Material Co., Ltd., is not in possession of a proper and transferable legal title to the property.
  - b) The property may not be disposed of freely to a third party.
- (5) In accordance with the opinion of the PRC Legal Adviser and the valuation bases stated in Notes (3) and (4) above, we have ascribed no commercial value to the property. For indication purpose only, the depreciated replacement cost of the property as at the Date of Valuation was in the region of RMB85,000.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
10. The northern area of the industrial complex of Kai Ping Elec & Eltek Company Limited, No. 318 Siqian West Road, Shagang District, Kaiping City, Guangdong Province, the PRC	<p>The property comprises an industrial complex occupying a site area of approximately 96,989.64 sq.m. (1,043,996 sq.ft.).</p> <p>The industrial complex comprises 22 blocks of major buildings and a number of ancillary structures for workshop, warehouse, dormitory and other ancillary uses. The buildings and structures were built in the period between 1993 and 2005.</p> <p>The total gross floor area of the property is approximately 61,885.16 sq.m. (666,132 sq.ft.). (See Notes 3 to 9 below)</p> <p>The land use rights of the property have been granted for a term due to expire on 30 July 2047 for industrial use.</p>	The property is currently occupied by the Group for industrial use.	<p>HK\$224,600,000</p> <p>(95% interest attributable to the Group: HK\$213,370,000)</p>

## Notes:

- Pursuant to the Certificate of State-owned Land Use 開府國用(2001)第01454號 (Kai Fu Guo Yong (2001) No. 01454) issued by Kaiping Municipal People's Government on 19 November 2001, the land use rights of the land with a site area of 96,989.64 sq.m. have been granted to Kai Ping Elec & Eltek Company Limited for a term due to expire on 30 July 2047 for industrial use. It is stated in the said certificate that portion of the land with a site area of 12,604.27 sq.m. has been carved out and transferred to Kaiping Elec & Eltek No. 5 Company Limited in November 2004 (See Note 2 below) and that the net site area under the said certificate is 84,385.37 sq.m.
- Pursuant to the Certificate of State-owned Land Use 開府國用(2005)第00821號 (Kai Fu Guo Yong (2005) No. 00821) issued by Kaiping Municipal People's Government on 23 March 2005, the land use rights of a parcel of land with a site area of 12,604.27 sq.m. are held by Kaiping Elec & Eltek No. 5 Company Limited for a term due to expire on 30 July 2047 for industrial use.
- Pursuant to sixteen Certificates of Real Estate Ownership all issued by Guangdong Provincial People's Government, the title to 16 blocks of buildings, having a total gross floor area of 46,071.16 sq.m., in the property is vested in Kai Ping Elec & Eltek Company Limited. Details of the said certificates are listed below:

Block No.	Usage	Gross Floor Area (sq.m.)	Certificate No.	Date of Issue
01	Workshop	11,745.82	粵房地證字第C2170160號 (Yue Fang Di Zheng Zi No. C2170160)	16 October 2003
02	Workshop	9,462.6	粵房地證字第C0568320號 (Yue Fang Di Zheng Zi No. C0568320)	26 December 2001

Block No.	Usage	Gross Floor Area (sq.m.)	Certificate No.	Date of Issue
03	Workshop	10,407.48	粵房地證字第C0836945號 (Yue Fang Di Zheng Zi No. C0836945)	15 May 2002
21	Electric Sub-station	202.40	粵房地證字第C2170159號 (Yue Fang Di Zheng Zi No. C2170159)	16 October 2003
22	Water Treatment Plant	180.00	粵房地證字第C2170158號 (Yue Fang Di Zheng Zi No. C2170158)	16 October 2003
23	Industrial Sewage Treatment Plant	224.42	粵房地證字第C2359818號 (Yue Fang Di Zheng Zi No. C2359818)	13 February 2004
24	Water Treatment Plant	73.47	粵房地證字第C0836943號 (Yue Fang Di Zheng Zi No. C0836943)	15 May 2002
26	Electric Plant Room	126.98	粵房地證字第C2359819號 (Yue Fang Di Zheng Zi No. C2359819)	13 February 2004
52	Composite Building	1,634.57	粵房地證字第C0836941號 (Yue Fang Di Zheng Zi No. C0836941)	15 May 2002
61	Staff Quarters	1,751.64	粵房地證字第C2170157號 (Yue Fang Di Zheng Zi No. C2170157)	16 October 2003
62	Staff Quarters	1,751.64	粵房地證字第C2357493號 (Yue Fang Di Zheng Zi No. C2357493)	6 February 2004
63	Staff Quarters	1,751.64	粵房地證字第C2359820號 (Yue Fang Di Zheng Zi No. C2359820)	13 February 2004
64	Staff Quarters	1,740.82	粵房地證字第C2359817號 (Yue Fang Di Zheng Zi No. C2359817)	13 February 2004
65	Staff Quarters	1,672.56	粵房地證字第C0836944號 (Yue Fang Di Zheng Zi No. C0836944)	15 May 2002
66	Staff Quarters	1,672.56	粵房地證字第C0836942號 (Yue Fang Di Zheng Zi No. C0836942)	15 May 2002
67	Staff Quarters	1,672.56	粵房地證字第C0836940號 (Yue Fang Di Zheng Zi No. C0836940)	15 May 2002

- (4) Pursuant to the Planning Permit for Construction Works (No. 2000971) dated 31 May 2004 issued by Kaiping City Planning Bureau to Kai Ping Elec & Eltek Company Limited, the proposed construction of an 1-storey pure water plant building with a gross floor area of 150 sq.m. was approved.
- (5) Pursuant to the Planning Permit for Construction Works (No. 2001447) dated 7 November 2005 issued by Kaiping City Planning Bureau to Kaiping Elec & Eltek No. 5 Company Limited, the proposed construction of a 1-storey workshop building with a gross floor area of 9,087 sq.m. was approved.
- (6) Pursuant to the Planning Permit for Construction Works 開規工程2006001 (Kai Gui Gong Cheng 2006001) dated 5 January 2006 issued by Kaiping City Planning Bureau to Kai Ping Elec & Eltek Company Limited, the proposed construction of a domestic sewage treatment building with a gross floor area of 565 sq.m. was approved.

- (7) Pursuant to the Planning Permit for Construction Works 開規工程2005133 (Kai Gui Gong Cheng 2005133) dated 3 November 2005 issued by Kaiping City Planning Bureau, the proposed construction of a staff quarter building with a gross floor area of 1,818 sq.m. was approved.
- (8) Pursuant to the Construction Works Commencement Permit (No. 440724200105230101) dated 23 May 2001 issued by Kaiping City Construction Bureau to Kai Ping Elec & Eltek Company Limited, the proposed construction of a staff quarter building with a gross floor area of 1,916 sq.m. was approved to commence.
- (9) Pursuant to the Construction Works Commencement Permit (No. 440724200105230201) dated 23 May 2001 issued by Kaiping City Construction Bureau to Kai Ping Elec & Eltek Company Limited, the proposed construction of a domestic sewage treatment building with a gross floor area of 565 sq.m. (mentioned in Note 6 above) was approved to commence.
- (10) Pursuant to Opinion Letter in relation to Fire Prevention of Construction Works Completion 開公消(建驗)字〔2009〕第0073號 (Kai Gong Xiao (Jian Yan) Zi〔2009〕No. 0073) dated 9 May 2009 issued by Gong'an Xiaofang Brigade of Kaiping City, Guangdong Province to Kai Ping Elec & Eltek Company Limited, we understand the proposed construction of the 1-storey Material Warehouse I & II with a gross floor area of 2,850 sq.m. has been applied for completion approval.
- (11) Pursuant to the Construction Works Completion Report dated 31 July 2001, the construction works of the Staff Quarters Block 8 with a gross floor area of approximately 1,828 sq.m. were completed.
- (12) Pursuant to the Construction Works Completion Certificate (the date has not been marked), the construction works of the Canteen with a gross floor area of approximately 1,426.8 sq.m. were completed.
- (13) Pursuant to a confirmation letter dated 30 March 2011 issued by 開平市住房和城鄉建設局 (Kaiping Municipal Housing and Urban-rural Construction Bureau) to Kai Ping Elec & Eltek Company Limited, the following situations are certified to be true:
  - a) Remedial application procedure for construction works regarding the Material Warehouse I & II (mentioned in Notes 10 above) and the Canteen (mentioned in Note 12 above) is being conducted;
  - b) Kai Ping Elec & Eltek Company Limited may continue the unfinished construction and that the relevant Commencement Permit for Construction Works will be granted in due course; Kaiping Elec & Eltek Company Limited will not be penalized for the aforementioned acts of construction without having obtained a Commencement Permit for Construction Works; and
  - c) Apart from the above-mentioned construction works, Kai Ping Elec & Eltek Company Limited is not currently found having other acts of violation related to building construction or circumstances need to be penalized.
- (14) Pursuant to a confirmation letter dated 30 March 2011 issued by Kaiping Municipal Housing and Urban-rural Construction Bureau to Kaiping Elec & Eltek No. 5 Company Limited, the following situations are certified to be true:
  - a) Remedial application procedure for construction works regarding a workshop building with a gross floor area of 9,631.00 sq.m. is being conducted; and
  - b) Kaiping Elec & Eltek No. 5 Company Limited may continue the unfinished construction and that the relevant Commencement Permit for Construction Works will be granted in due course; Kaiping Elec & Eltek No. 5 Company Limited will not be penalized for the aforementioned acts of construction without having obtained a Commencement Permit for Construction Works.
- (15) We have been advised that Kai Ping Elec & Eltek Company Limited and Kaiping Elec & Eltek No. 5 Company Limited are 95%-owned subsidiaries of the Company.
- (16) The opinion of The PRC Legal Adviser is summarized as follows:
  - a) Kai Ping Elec & Eltek Company Limited is in possession of a proper legal title to the land use rights of the land having a site area of 84,385.37 sq.m. in the property together with the buildings standing thereon and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property (except for those buildings without Certificate of Real Estate Ownership).
  - b) Kaiping Elec & Eltek No. 5 Company Limited is in possession of a proper legal title to the land use rights of the land having a site area of 12,604.27 sq.m. in the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.

(17) We have relied on the aforesaid legal opinion and prepared our valuation on the following bases:

- a) The Certificates of Real Estate Ownership for the buildings mentioned in Notes 4 to 8, 10 to 12 and 14 above will have been obtained.
- b) The design and construction of the property are in compliance with local planning regulations and have been approved by the relevant authorities.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
11. Rooms 402, 403, 404, 503, 504, 603, 604 and 703 in Block A, No. 1 Yinxi Garden, Guangming Road together with Storeroom Nos. 10, 11, 12, 13, 26, 27, 28 and 29 on Level 1, No. 11 Yinxi Garden, Guangming Road, Changsha, Sanfu District, Kaiping City, Guangdong Province, the PRC	<p>The subject property comprises a total of 8 residential units on various levels together with 8 storerooms on Level 1 in an 8-storey composite building completed in the 1990's.</p> <p>The total gross floor area of the units is approximately 841.63 sq.m. (9,059 sq.ft.) and the gross floor area of the storerooms is approximately 50.45 sq.m. (543 sq.ft.).</p>	The property is currently occupied by the Group as staff quarters.	<p>HK\$2,360,000</p> <p>(95% interest attributable to the Group: HK\$2,242,000)</p>

*Notes:*

- (1) Pursuant to eight Certificates of Building Ownership all issued by Guangdong Provincial People's Government, the title to the eight residential units in the property, having a total gross floor area of 841.63 sq.m., is vested in Kai Ping Elec & Eltek Company Limited. Details of the Certificates of Building Ownership are listed as follows:

Rooms No.	Gross Floor Area (sq.m.)	Certificate No.	Date of issuance
402	103.16	粵房字第4317480號 (Yue Fang Zi No. 4317480)	17 June 1994
403	104.90	粵房字第4317481號 (Yue Fang Zi No. 4317481)	16 May 1994
404	106.29	粵房字第4317482號 (Yue Fang Zi No. 4317482)	18 June 1994
503	104.90	粵房字第4317483號 (Yue Fang Zi No. 4317483)	16 May 1994
504	106.29	粵房字第4317484號 (Yue Fang Zi No. 4317484)	17 June 1994
603	104.90	粵房字第4317485號 (Yue Fang Zi No. 4317485)	17 June 1994
604	106.29	粵房字第4317486號 (Yue Fang Zi No. 4317486)	17 June 1994
703	104.90	粵房字第4317487號 (Yue Fang Zi No. 4317487)	17 June 1994

- (2) Pursuant to eight Certificates of Building Ownership all issued by Guangdong Provincial People's Government, the title to the storerooms in the property, having a total gross floor area of 50.45 sq.m., is vested in Kai Ping Elec & Eltek Company Limited. Details of the Certificates of Building Ownership are listed as follows:

Storeroom No.	Gross Floor Area (sq.m.)	Certificate No.	Date of issuance
10	5.90	粵房字第4317488號 (Yue Fang Zi No. 4317488)	20 June 1994
11	6.24	粵房字第4317489號 (Yue Fang Zi No. 4317489)	20 June 1994
12	6.31	粵房字第4317490號 (Yue Fang Zi No. 4317490)	20 June 1994
13	6.31	粵房字第4317491號 (Yue Fang Zi No. 4317491)	20 June 1994
26	6.10	粵房字第4317492號 (Yue Fang Zi No. 4317492)	20 June 1994
27	6.44	粵房字第4317493號 (Yue Fang Zi No. 4317493)	20 June 1994
28	6.52	粵房字第4317494號 (Yue Fang Zi No. 4317494)	20 June 1994
29	6.63	粵房字第4317495號 (Yue Fang Zi No. 4317495)	20 June 1994

- (3) We have been advised that Kai Ping Elec & Eltek Company Limited is a 95%-owned subsidiary of the Company.
- (4) The opinion of The PRC Legal Adviser is summarized as follows:

Kai Ping Elec & Eltek Company Limited is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
12. Rooms 602, 603, 605, 703, 705 and 708 of No. 103 Guangming Road together with Storeroom Nos. 21, 32, 46 and 52 on Mezzanine Floor and Nos. 38 and 54 on Level 2 of Block 2, No. 103 Guangming Road, Changsha, Sanfu District, Kaiping City, Guangdong Province, the PRC	<p>The subject property comprises a total of 6 residential units on various levels together with 4 storerooms on Mezzanine Floor and 2 storerooms on Level 2 in an 8-storey composite building completed in about 1998.</p> <p>The total gross floor area of the units is approximately 542.80 sq.m. (5,843 sq.ft.) and the total gross floor area of the storerooms is approximately 48.63 sq.m. (523 sq.ft.).</p>	The property is currently occupied by the Group as staff quarters.	<p>HK\$1,080,000</p> <p>(95% interest attributable to the Group: HK\$1,026,000)</p>

*Notes:*

- (1) Pursuant to the Certificate of State-owned Land Use 開府國用(2008)第00864號 (Kai Fu Guo Yong (2008) No. 00864) issued by Kaiping Municipal People's Government on 17 March 2008, the land use rights of a allocated site area of 0.86 sq.m. for Storeroom 52 on Level 2 of Block 2 of No. 103 Guangming Road are held by Kai Ping Elec & Eltek Company Limited for residential use.
- (2) Pursuant to the Certificate of State-owned Land Use 開府國用(2008)第00866號 (Kai Fu Guo Yong (2008) No. 00866) issued by Kaiping Municipal People's Government on 17 March 2008, the land use rights of a allocated site area of 10.70 sq.m. for Room 602 of No. 103 Guangming Road are held by Kai Ping Elec & Eltek Company Limited for residential use.
- (3) Pursuant to seven Certificates of Real Estate Ownership all issued by Guangdong Provincial People's Government, the title to the six residential units in the property, having a total gross floor area of 542.80 sq.m., is vested in Kai Ping Elec & Eltek Company Limited. Details of the Certificates of Real Estate Ownership are listed as follows:

Rooms No.	Gross Floor Area (sq.m.)	Certificate No.	Date of issuance
602	85.67	粵房地證字第C0568615號 (Yue Fang Di Zheng Zi No. C0568615)	12 October 2001
603	89.74	粵房地證字第C0568614號 (Yue Fang Di Zheng Zi No. C0568614)	12 October 2001
605	89.74	粵房地證字第C0568616號 (Yue Fang Di Zheng Zi No. C0568616)	12 October 2001
703	89.74	粵房地證字第C0568612號 (Yue Fang Di Zheng Zi No. C0568612)	12 October 2001
705	89.74	粵房地證字第C0568611號 (Yue Fang Di Zheng Zi No. C0568611)	12 October 2001
708	98.17	粵房地證字第C0568610號 (Yue Fang Di Zheng Zi No. C0568610)	12 October 2001



- (4) Pursuant to seven Certificates for Building Ownership all issued by Kaiping City People's Government, the title to the storerooms in the property, having a total gross floor area of 54.81 sq.m., is vested in Kai Ping Elec & Eltek Company Limited. Details of the Certificates for Building Ownership are listed as follows:

<b>Storeroom No.</b>	<b>Gross Floor Area (sq.m.)</b>	<b>Certificate No.</b>	<b>Date of issuance</b>
21	10.26	粵房地證字第C0568608號 (Yue Fang Di Zheng Zi No. C0568608)	12 October 2001
32	7.21	粵房地證字第C0568609號 (Yue Fang Di Zheng Zi No. C0568609)	12 October 2001
38	11.92	粵房地證字第C0568602號 (Yue Fang Di Zheng Zi No. C0568602)	12 October 2001
46	6.18	粵房地證字第C0568606號 (Yue Fang Di Zheng Zi No. C0568606)	12 October 2001
52	6.88	粵房地證字第C0568607號 (Yue Fang Di Zheng Zi No. C0568607)	12 October 2001
54	6.18	粵房地證字第C0568604號 (Yue Fang Di Zheng Zi No. C0568604)	12 October 2001

- (5) We have been advised that Kai Ping Elec & Eltek Company Limited is a 95%-owned subsidiary of the Company.
- (6) The opinion of The PRC Legal Adviser is summarized as follows:

Kai Ping Elec & Eltek Company Limited is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
13. Room 704, No. 11 Dongjiao Nanqu Lane 1, Changsha, Sanfu District, Kaiping City, Guangdong Province, the PRC	<p>The subject property comprises a residential flat in an 8-storey composite building completed in about 1995.</p> <p>The gross floor area of the property is approximately 110.58 sq.m. (1,190 sq.ft.).</p>	The property is currently occupied by the Group as staff quarter.	<p>HK\$200,000</p> <p>(95% interest attributable to the Group: HK\$190,000)</p>

*Notes:*

- (1) Pursuant to the Certificate of Real Estate Ownership 粵房地證字第C1646984號 (Yue Fang Di Zheng Zi No. C1646984) issued by Guangdong Provincial People's Government on 28 April 2003, the ownership to the property, having a gross floor area of 110.58 sq.m., is vested in Kai Ping Elec & Eltek Company Limited.
- (2) We have been advised that Kai Ping Elec & Eltek Company Limited is a 95%-owned subsidiary of the Company.
- (3) The opinion of The PRC Legal Adviser is summarized as follows:  
Kai Ping Elec & Eltek Company Limited is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
14. Storeroom No. 4 on Mezzanine Floor, Block 2, No. 6 Dongjiao Road, Changsha, Sanfu District, Kaiping City, Guangdong Province, the PRC	<p>The subject property comprises a storeroom in an 8-storey composite building completed in about 1995.</p> <p>The gross floor area of the property is approximately 5.69 sq.m. (61 sq.ft.).</p>	The property is currently occupied by the Group for vehicle parking purpose.	<p>HK\$10,000</p> <p>(95% interest attributable to the Group: HK\$9,500)</p>

*Notes:*

- (1) Pursuant to the Certificate of Real Estate Ownership 粵房地證字第C1649693號 (Yue Fang Di Zheng Zi No. C1649693) issued by Guangdong Provincial People's Government on 30 April 2003, the ownership to the property, having a gross floor area of 5.69 sq.m., is vested in Kai Ping Elec & Eltek Company Limited.
- (2) We have been advised that Kai Ping Elec & Eltek Company Limited is a 95%-owned subsidiary of the Company.
- (3) The opinion of The PRC Legal Adviser is summarized as follows:  
Kai Ping Elec & Eltek Company Limited is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
15. Room 503 together with Storeroom No. 4 on Level 1, No. 29 Xingguang Road, Changsha, Sanfu District, Kaiping City, Guangdong Province, the PRC	<p>The subject property comprises a residential flat with a storeroom in an 8-storey composite building completed in about 1995.</p> <p>The gross floor area of the flat is approximately 109.69 sq.m. (1,181 sq.ft.) and the gross floor area of the storeroom is approximately 4.82 sq.m. (52 sq.ft.).</p>	The property is currently occupied by the Group as staff quarter.	<p>HK\$200,000</p> <p>(95% interest attributable to the Group: HK\$190,000)</p>

*Notes:*

- (1) Pursuant to two Certificates of Real Estate Ownership 粵房地證字第C1646985號 (Yue Fang Di Zheng Zi No. C1646985) and 粵房地證字第C1646986號 (Yue Fang Di Zheng Zi No. C1646986) issued by Guangdong Provincial People's Government on 28 April 2003, the ownership of the property, having a total gross floor area of 114.51 sq.m., is vested in Kai Ping Elec & Eltek Company Limited.
- (2) We have been advised that Kai Ping Elec & Eltek Company Limited is a 95%-owned subsidiary of the Company.
- (3) The opinion of The PRC Legal Adviser is summarized as follows:  
Kai Ping Elec & Eltek Company Limited is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
16. The industrial complex of Nanjing Elec & Eltek Electronic Co., Ltd., No. 3 Hengtong Avenue, Nanjing Economic & Technological Development Zone, Qixia District, Nanjing City, Jiangsu Province, the PRC	<p>The property comprises an industrial complex occupying a parcel of land with a site area of approximately 13,661.00 sq.m. (147,047 sq.ft.).</p> <p>The industrial complex comprises 6 blocks of 1 to 2-storey buildings and 3 blocks of 1-storey ancillary structures built in period from 2002 to 2008.</p> <p>The total gross floor area of the property is approximately 6,558.94 sq.m. (70,600 sq.ft.), excluding the area of the structures of approximately 1,120 sq.m. (12,056 sq.ft.).</p> <p>The land use rights of the land have been granted for a term due to expire on 27 November 2050 for industrial use.</p>	The property is currently occupied by the Group for industrial use.	<p>HK\$26,800,000</p> <p>(100% interest attributable to the Group: HK\$26,800,000)</p>

*Notes:*

- (1) Pursuant to the Certificate of State-owned Land Use 寧棲國用(2002)字第06917號 (Ning Qi Guo Yong (2002) No. 06917) issued by Nanjing Municipal People's Government on 4 December 2002, the land use rights of a parcel of land with a site area of 13,661.00 sq.m. have been granted to Nanjing Elec & Eltek Electronic Co., Ltd. for a term due to expire on 27 November 2050 for industrial use.
- (2) Pursuant to the Certificate of Building Ownership 寧房權證棲初字第203336號 (Ning Fang Quan Zheng Qi Chu Zi No. 203336) issued by 南京市房產管理局 (Nanjing Municipal Real Estate Property Administration Bureau) on 11 April 2003, the title to five blocks of buildings, having a total gross floor area of 5,505.12 sq.m., is vested in Nanjing Elec & Eltek Electronic Co., Ltd.
- (3) Pursuant to the Planning Permit for Construction Works 寧規新港建築〔2007〕0026號 (Ning Gui Xin Gang Jian Zhu No.〔2007〕0026) issued by 南京市規劃局 (Nanjing Municipal Planning Bureau) on 8th October 2007, the construction of a 2-storey workshop with a gross floor area of 1,053.82 sq.m. was approved.
- (4) Pursuant to the Construction Works Commencement Permit 寧開委施許(2008)第07號 (Ning Kai Wei Shi Xu No. (2008) 07) issued by 南京經濟技術開發區管理委員會 (Management Commission of Nanjing Economic & Technological Development Zone) on 21 March 2008, the construction for the expansion works mentioned in Note 3 above was approved to commence.
- (5) We have been advised that Nanjing Elec & Eltek Electronic Co., Ltd. is a wholly owned subsidiary of the Company.
- (6) The opinion of the PRC Legal Adviser is summarized as follows:
  - a) Nanjing Elec & Eltek Electronic Co., Ltd. is in possession of a proper legal title to the land use rights together with the five blocks of buildings in the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.

- b) Nanjing Elec & Eltek Electronic Co., Ltd. has obtained the relevant permits and/or approvals for the construction of the 2-storey workshop with a gross floor area of 1,053.82 sq.m. (mentioned in Note 3 above).
- (7) We have relied on the aforesaid legal opinion and prepared our valuation on the assumption that the design and construction of the property are in compliance with local planning regulations and have been approved by the relevant authorities.

## VALUATION CERTIFICATE

## Group III — Property held for investment by the Group in Hong Kong

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
17. Units A10 and B9 on 3rd Floor and Unit B9 on 10th Floor, Merit Industrial Centre, No. 94 To Kwa Wan Road, To Kwa Wan, Kowloon, Hong Kong  All those 119/5600 undivided parts or shares of and in The Remaining Portion of Kowloon Inland Lot No. 6393 (“the Lot”)	<p>The property comprises two units on the 3rd floor and one unit on the 10th floor of a 14-storey (including a basement level for car parking) industrial building (the “Building”), which was completed in 1986.</p> <p>The total gross floor area of the property is approximately 1,307.88 sq.m. (14,078 sq.ft.) and the total saleable area of the property is approximately 1,081.20 sq.m. (11,638 sq.ft.).</p> <p>The Lot is held under a Government Lease for a term of 75 years commenced from 5 October 1953, renewable for a further term of 75 years.</p> <p>The property falls within a “Residential Group (E)” zone in Approved Ma Tau Kok Outline Zoning Plan No. S/K10/20 gazetted on 14 November 2008.</p> <p>The Government Rent of the property is HK\$33,448 per annum.</p>	<p>The property is currently tenant-occupied under three separate tenancies for terms of approximately two years with the latest due to expire on 1 February 2013. The total monthly rental is HK\$69,920, inclusive of management fees, government rent and rates.</p>	<p>HK\$26,400,000</p> <p>(100% interest attributable to the Group: HK\$26,400,000)</p>

*Notes:*

- (1) The registered owner of the property is Elec & Eltek International Limited, via three assignments all dated 31 January 2000, registered vide Memorial Nos. UB8366404, UB8366405 and UB8366406.
- (2) We have been advised by the Company that Elec & Eltek International Limited has subsequently changed its company name to Elec & Eltek International (Hong Kong) Limited.

## VALUATION CERTIFICATE

## Group IV — Property held for investment by the Group in the PRC

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
18. Factory Building Nos. I and II of the industrial complex of Elec & Eltek (Guangzhou) Electronic Company Limited, No. 388 Lianyun Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises two blocks of factory building within the industrial complex of Elec &amp; Eltek (Guangzhou) Electronic Company Limited. The property, completed in 2007, is the Phase II development of the subject industrial complex.</p> <p>The total gross floor area of the property is approximately 89,252.00 sq.m. (960,709 sq.ft.).</p> <p>The land use rights of the property have been granted for a term of 50 years commencing from 16 August 2000 for industrial/mine/storage uses.</p>	<p>The property is currently tenant-occupied for industrial use. (See Notes 2 and 3 below)</p>	<p>HK\$149,800,000</p> <p>(98% interest attributable to the Group: HK\$146,804,000)</p>

*Notes:*

- (1) Pursuant to the Certificate of Real Estate Ownership 粵房地權證穗字第0510006866號 (Yue Fang Di Quan Zheng Sui Zi No. 0510006866) issued by Guangzhou Municipal People's Government on 1 November 2010, the ownership of various buildings (including dormitory area, guardhouses, staff quarters, pump house, composite building, dangerous goods warehouse, main workshop buildings, warehouses, sewage treatment plant, machine room, standard workshop buildings, transformer room, material warehouse, etc.) in the subject industrial complex having a total gross floor area of 139,181.37 sq.m. together with land use rights for the land area of 160,554.00 sq.m. thereof are held by Elec & Eltek (Guangzhou) Electronic Company Limited for a term of 50 years commencing from 16 August 2000.
- (2) Pursuant to the Co-operative Investment Agreement on Workshop Fitting-out and Facilities dated 14 August 2007 and its two supplementary agreements dated 2008 and 29 December 2009 entered into between Guangzhou Elec & Eltek High Density Interconnect Technology No. 1 Company Limited ("Party A") and 廣州建智管理服務有限公司 (Guangzhou Zhi Jian Management Services Company Limited, "Party B"), both parties agreed to jointly invest in the fitting-out works of and the facilities to be installed in Factory Building No. II. Major conditions of the said agreement are summarized as follows:
  - a) The respective investment for Party A and Party B are RMB12,000,000 and RMB27,000,000;
  - b) Both parties agreed that the fitting-out works and facilities respectively invested by either parties shall be owned by that party;
  - c) During the effective period of the said agreement, Party B shall have the using rights of all fitting-out works and facilities of the subject building and is entitled to provide comprehensive services to the actual user of the subject building and the facilities;
  - d) Party A shall not provide the subject building and the facilities to other third party without the consent from Party B;
  - e) Party B shall be responsible for supervising the actual user or its contracted management company to carry out the routine repair and maintenance of the subject building and the facilities thereof, whereas Party A shall be responsible for the insurance of the subject building and the facilities thereof;



- f) The co-operation shall be for a term of 62 months from 1 September 2007 until 31 October 2012 and the co-operation shall be regarded as being renewed if both parties shall not have any dissenting view within 30 days before the expiring date;
  - g) Upon expiry of the co-operation and under the condition that Party A shall decide not to renew the co-operation, Party A may acquire the facilities invested by Party B at a mutually agreed appraised price. Otherwise, Party B shall be entitled to remove its facilities;
  - h) During the co-operation period, Party B shall paid a pre-determined monthly fee (the current monthly fee being RMB1,020,218) to Party A; and
  - i) If the company name of Party A shall not be retained upon merging with or being incorporated into Elec & Eltek (Guangzhou) Electronic Company Limited, all Party A's rights and obligations in the said agreement shall be automatically transferred to Elec & Eltek (Guangzhou) Electronic Company Limited.
- (3) Pursuant to the Lease Agreement entered into between Elec & Eltek (Guangzhou) Electronic Company Limited (the "Lessor") and 廣州雅川物流園投資有限公司(Guangzhou Ya Chuan Logistic Park Investment Company Limited, the "Lessee") on 30 March 2011, the Lessor agreed to let and the Lessee agreed to take Building No. I of the property having a total gross floor area of 43,184 sq.m. for a term of 5 years from 1 June 2011 until 31 May 2016 at a rental calculated at RMB13 per sq.m. per month. It is further agreed that the rental for Level 1 and Level 2 of the subject building having a gross floor area of 21,606 sq.m. will be chargeable starting from 1 June 2011 and that the rental for Level 3 and Level 4 of the subject building having a gross floor area of 21,578 sq.m. will become chargeable from 1 September 2011, the latest.
- (4) We have been advised that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98%-owned subsidiary of the Company.
- (5) The opinion of the PRC Legal Adviser is summarized as follows:
- a) Elec & Eltek (Guangzhou) Electronic Company Limited is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.
  - b) The Co-operative Investment Agreement (mentioned in Note 2 above) and the Lease Agreement (mentioned in Note 3 above) are legally valid and binding upon the relevant parties.

## VALUATION CERTIFICATE

## Group V — Properties held under development by the Group in the PRC

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
19. The industrial complex (excluding Factory Building Nos. I and II) of Elec & Eltek (Guangzhou) Electronic Company Limited, No. 388 Lianyun Road, Guangzhou Development District, Guangdong City, Guangdong Province, the PRC	<p>The development site for the industrial complex of Elec &amp; Eltek (Guangzhou) Electronic Company Limited comprises a parcel of land with a site area of approximately 160,554.00 sq.m. (1,728,203 sq.ft.). It is planned to be developed by phases.</p> <p>The property, being the Phase I and the remaining phases of the subject industrial complex, comprises portion of the subject site with a site area of approximately 130,554.00 sq.m. (1,405,283 sq.ft.), which excludes the land area for Factory Building Nos. I and II (i.e. the Phase II development) (<i>See Property No. 18 above</i>).</p> <p>The Phase I development, completed in 2005, comprises ten blocks of one to seven-storey buildings, including a main production building of 2 storeys, a composite building of 2 storeys, a staff quarters building of 7 storeys and 7 blocks of 1-storey ancillary buildings for guardhouse, warehouse, dangerous goods storage, sewage treatment, etc. purposes and various ancillary structures.</p> <p>The total gross floor area of the buildings in Phase I development (excluding the structures thereof) is approximately 49,929.37 sq.m. (537,440 sq.ft.).</p> <p>Currently a new factory building with a gross floor area of approximately 52,800.00 sq.m. (568,339 sq.ft.) is being constructed in the property. The construction is scheduled to be completed by the end of 2011.</p> <p>The land use rights of the property have been granted for a term of 50 years commencing from 16 August 2000 until 15 August 2050 for industrial/mine/storage uses.</p>	<p>The Phase I development of the industrial complex is currently owner-occupied for industrial use, whilst sites for the remaining phases are either subject to construction works or vacant land pending for detail planning.</p>	<p>HK\$318,300,000</p> <p>(98% interest attributable to the Group: HK\$311,934,000)</p>

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*Notes:*

- (1) Pursuant to the Contract for Transfer of State-owned Land Use Rights (Contract No. 穗開房地合字【2000】19, hereinafter referred to the “Transfer Contract”) entered into between 廣州經濟技術開發區房地產管理局 (Real Estate Administration Bureau of Guangzhou Economic & Technological Development District, hereinafter referred to as “Party A”) and Guangzhou Elec & Eltek High Density Interconnect Technology No. 1 Company Limited (hereinafter referred to as “Party B”) on 16th August 2000, Party A agreed to transfer the land use rights of a parcel of land (Lot No. BP-B1-1) with a site area of 160,554 sq.m., located at the north of Lianyun Road, Northern Portion, Eastern District, Guangzhou Economic & Technological Development District to Party B. The salient terms and conditions of the Transfer Contract are extracted as follows:
- |    |                      |   |  |
|----|----------------------|---|--|
| a) | Lot No.              | : | BP-B1-1  |
| b) | Site area            | : | 160,554 sq.m.  |
| c) | Consideration        | : | RMB 28,899,720   |
| d) | Land use             | : | Type 2 industrial use (M2)   |
| e) | Site coverage        | : | Not more than 45%  |
| f) | Plot ratio           | : | Not more than 2  |
| g) | Green land ratio     | : | Not less than 30%  |
| h) | Car park requirement | : | Not less than the ratio of one parking space for every 1,000 sq.m. on gross floor area   |
| i) | Construction period  | : | Construction should be commenced within half year upon signing the Transfer Contract. The Phase I development shall be completed within two years whereas the last phase (Phase IV) development shall be completed within six years. |
- (2) Pursuant to the Certificate of Real Estate Ownership 粵房地權證穗字第0510006866號 (Yue Fang Di Quan Zheng Sui Zi No. 0510006866) issued by Guangzhou Municipal People’s Government on 1 November 2010, the ownership of various buildings (including dormitory area, guardhouses, staff quarters, pump house, composite building, dangerous goods warehouse, main workshop buildings, warehouses, sewage treatment plant, machine room, standard workshop buildings, transformer room, material warehouse, etc.) in the subject industrial complex having a total gross floor area of 139,181.37 sq.m. together with land use rights for the land area of 160,554.00 sq.m. thereof are held by Elec & Eltek (Guangzhou) Electronic Company Limited for a term of 50 years commencing from 16 August 2000.
- (3) Pursuant to the Planning Permit for Construction Works 穗開規建證(2009)249號 (Sui Kai Gui Jian Zheng (2009) No. 249 dated 1 February 2010 issued by 廣州開發區規劃局 (Planning Bureau of Guangzhou Development District to Elec & Eltek (Guangzhou) Electronic Company Limited, the proposed construction of a new factory building with a gross floor area of 52,800 sq.m. was approved.
- (4) Pursuant to the Planning Permit for Construction Works 穗開建證(2010)58號 (Sui Kai Jian Zheng (2010) No. 58) dated 1 February 2010 issued by 廣州開發區建設和環境管理局 (Construction and Environmental Management Bureau of Guangzhou Development District) to Elec & Eltek (Guangzhou) Electronic Company Limited, the construction works for the proposed new factory building mentioned in Note 3 above with a gross floor area of 52,800 sq.m. was approved to commence.
- (5) We have been advised that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98%-owned subsidiary of the Company.
- (6) The opinion of the PRC Legal Adviser is summarized as follows:
- |    |   |
|----|---|
| a) | Elec & Eltek (Guangzhou) Electronic Company Limited is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property. |
|----|---|

- (7) We have relied on the aforesaid legal opinion and prepared our valuation on the following bases:
- a) The property will be developed in accordance with the latest development proposal provided.
  - b) The design and construction of the property are in compliance with the local planning regulations and have been / will be approved by the relevant authorities.
  - c) Elec & Eltek (Guangzhou) Electronic Company Limited is in possession of a proper legal title to the building mentioned in Note 3 above.
  - d) The sites for the remaining phases of development are vacant land.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
20. The southern area of the industrial complex of Kai Ping Elec & Eltek Company Limited, No. 318 Siqian West Road, Shagang District, Kaiping City, Guangdong Province, the PRC	<p>The property comprises a site formed by three parcels of land with a total site area of approximately 149,425.01 sq.m. (1,608,411 sq.ft.). It is planned for the development of the southern area of the industrial complex of Kai Ping Elec &amp; Eltek Company Limited.</p> <p>Currently standing on the site are twelve blocks of 1 to 7-storey buildings, including three main production buildings of 2 to 3 storeys, two staff quarters buildings of 7 storeys, one canteen/activity centre building of 2 storeys, two warehouses of 1 storey and four 1-storey ancillary buildings as boiler houses, water treatment building and electricity plant house. All buildings were completed in the period between 2005 and 2007.</p> <p>The total gross floor area of the property is approximately 105,078.83 sq.m. (1,131,069 sq.ft.).</p> <p>The land use rights of the property have been granted for a term due to expire on 15 March 2054 for industrial use.</p>	The property is currently occupied by the Group for industrial use.	<p>HK\$228,900,000</p> <p>(95% interest attributable to the Group: HK\$217,455,000)</p>

*Notes:*

- (1) Pursuant to the Certificate of State-owned Land Use 開府國用(2005)第04181號 (Kai Fu Guo Yong (2005) No. 04181) issued by Kaiping Municipal People's Government on 9 November 2005, the land use rights of a parcel of land with a site area of 99,767.20 sq.m. have been granted to Kaiping Elec & Eltek No. 5 Company Limited for a term due to expire on 15 March 2054 for industrial use.
- (2) Pursuant to the Certificate of State-owned Land Use 開府國用(2005)第04290號 (Kai Fu Guo Yong (2005) No. 04290) issued by Kaiping Municipal People's Government on 14 November 2005, the land use rights of a parcel of land with a site area of 27,067.80 sq.m. have been granted to Kaiping Elec & Eltek No. 3 Company Limited for a term due to expire on 15 March 2054 for industrial use.
- (3) Pursuant to the Certificate of State-owned Land Use 開府國用(2005)第04291號 (Kai Fu Guo Yong (2005) No. 04291) issued by Kaiping Municipal People's Government on 14 November 2005, the land use rights of a parcel of land with a site area of 22,590.01 sq.m. have been granted to Kaiping Pacific Insulating Material Company Limited for a term due to expire on 15 March 2054 for industrial use.
- (4) Pursuant to the Certificate of Real Estate Ownership 粵房地證字第C7239918號 (Yue Fang Di Zheng Zi No. C7239918) dated 31 May 2010 issued by Guangdong Provincial People's Government, the ownership to Block 69 in the property, having a total gross floor area of 9,599.72 sq.m., is vested in Kai Ping Elec & Eltek Company Limited.

- (5) We have been advised that Kaiping Elec & Eltek No. 3 Company Limited and Kaiping Elec & Eltek No. 5 Company Limited are 95%-owned subsidiaries of the Company.
- (6) Pursuant to the Construction Works Commencement Permit (No. 2001338) dated 28 July 2005 issued by Kaiping City Planning Bureau to Kaiping Pacific Insulating Material Company Limited, the proposed construction of a workshop building with a gross floor area of 12,306 sq.m. was approved.
- (7) Pursuant to the Planning Permit for Construction Works 開規工程2007143 (Kai Gui Gong Cheng 2007143) dated 24th November 2005 issued by Kaiping City Planning Bureau to Kaiping Elec & Eltek No. 3 Company Limited, the proposed construction of a workshop building with a gross floor area of 28,268 sq.m. was approved.
- (8) Pursuant to the Planning Permit for Construction Works 建字第規劃08023號 (Jian Zi No. Gui Hua 08023) dated 13th March 2006 issued by Kaiping City Planning Bureau to Kaiping Elec & Eltek No. 5 Company Limited, the proposed construction of a 7-storey staff quarter building (Block J) with a gross floor area of 8,926 sq.m. was approved.
- (9) Pursuant to the Planning Permit for Construction Works (No. 2002300) dated 30th June 2006 issued by Kaiping City Planning Bureau to Kaiping Elec & Eltek No. 5 Company Limited, the proposed construction of a 3-storey workshop with a gross floor area of 36,426 sq.m. was approved.
- (10) Pursuant to the Planning Permit for Construction Works (No. 2001894) dated 16 July 2006 issued by Kaiping City Planning Bureau to Kaiping Elec & Eltek No. 5 Company Limited, the proposed construction of a workshop with a gross floor area of 432 sq.m. was approved.
- (11) Pursuant to the Planning Permit for Construction Works (No. 2001895) dated 16th July 2006 issued by Kaiping City Planning Bureau to Kaiping Elec & Eltek No. 5 Company Limited, the proposed construction of the 1-storey Central Warehouse Building with a gross floor area of 1,024 sq.m. was approved.
- (12) Pursuant to the Planning Permit for Construction Works (No. 2001896) dated 16th July 2006 issued by Kaiping City Planning Bureau to Kaiping Elec & Eltek No. 5 Company Limited, the proposed construction of a 1-storey electricity plant building with a gross floor area of 200 sq.m. was approved.
- (13) Pursuant to the Planning Permit for Construction Works (No. 2001897) dated 16th July 2006 issued by Kaiping City Planning Bureau to Kaiping Elec & Eltek No. 5 Company Limited, the proposed construction of a 1-storey boiler plant building with a gross floor area of 144 sq.m. was approved.
- (14) Pursuant to the Planning Permit for Construction Works (No. 2001898) dated 16th July 2006 issued by Kaiping City Planning Bureau to Kaiping Elec & Eltek No. 5 Company Limited, the proposed construction of an 1-storey clear water plant building with a gross floor area of 1,078 sq.m. was approved.
- (15) Pursuant to the Planning Permit for Construction Works (No. 2001900) dated 16th July 2006 issued by Kaiping City Planning Bureau to Kaiping Pacific Insulating Material Company Limited, the proposed construction of an 1-storey boiler plant building with a gross floor area of 648 sq.m. was approved.
- (16) Pursuant to the Construction Works Commencement Permit (No. 440724200508170101) dated 12 January 2006 issued by Kaiping City Construction Bureau to Kaiping Elec & Eltek No. 3 Company Limited, the proposed construction of a workshop building with a gross floor area of 28,268 sq.m. was approved to commence.
- (17) Pursuant to the Construction Works Commencement Permit (No. 440724200508010301) dated 10 August 2006 issued by Kaiping City Construction Bureau to Kaiping Pacific Insulating Material Company Limited, the proposed construction of a workshop building with a gross floor area of 12,000 sq.m. was approved to commence.
- (18) Pursuant to the Construction Works Commencement Permit (No. 440724200602220201) dated 29th May 2007 issued by Kaiping City Construction Bureau to Kaiping Elec & Eltek No. 5 Company Limited, the construction works for the proposed 7-storey staff quarter building (Block J) mentioned in Note 8 above with a gross floor area of 9,616 sq.m. was approved to commence.
- (19) Pursuant to the Construction Works Commencement Permit (No. 440724200602220101) dated 24th October 2007 issued by Kaiping City Construction Bureau to Kaiping Elec & Eltek No. 5 Company Limited, the construction works for the proposed 2-storey canteen and activity centre building with a gross floor area of 5,036 sq.m. was approved to commence.
- (20) Pursuant to the Construction Works Commencement Permit (No. 440724200801090101) dated 9 April 2008 issued by Kaiping City Construction Bureau to Kaiping Elec & Eltek No. 5 Company Limited, the proposed construction of a workshop building with a gross floor area of 36,409.00 sq.m. was approved to commence.

- (21) Pursuant to a confirmation letter dated 30 March 2011 issued by 開平市住房和城鄉建設局 (Kaiping Municipal Housing and Urban-rural Construction Bureau) to Kaiping Elec & Eltek No. 5 Company Limited, the following situations are certified to be true:
- a) Remedial application procedure for construction works regarding the Material Warehouse 2 (mentioned in Note 10 above) and the Central Warehouse Building (mentioned in Note 11 above) is being conducted; and
  - b) Kaiping Elec & Eltek No. 5 Company Limited may continue the unfinished construction and that the relevant Commencement Permit for Construction Works will be granted in due course; Kaiping Elec & Eltek No. 5 Company Limited will not be penalized for the aforementioned acts of construction without having obtained a Commencement Permit for Construction Works.
- (22) Pursuant to a confirmation letter dated 30 March 2011 issued by Kaiping Municipal Housing and Urban-rural Construction Bureau to Kaiping Pacific Insulating Material Company Limited, the following situations are certified to be true:
- a) Remedial application procedure for construction works regarding the boiler plant building having a gross floor area 659.6 sq.m. (mentioned in Notes 15 above) is being conducted;
  - b) Kaiping Pacific Insulating Material Company Limited may continue the unfinished construction and that the relevant Commencement Permit for Construction Works will be granted in due course; Kaiping Pacific Insulating Material Company Limited will not be penalized for the aforementioned acts of construction without having obtained a Commencement Permit for Construction Works; and
  - c) Apart from the above-mentioned construction works, Kaiping Pacific Insulating Material Company Limited is not currently found having other acts of violation related to building construction or circumstances need to be penalized.
- (23) We have been advised that the total cost of development already expended as at the Date of Valuation is approximately RMB238,700,000.
- (24) The opinion of The PRC Legal Adviser is summarized as follows:
- Each of Kaiping Elec & Eltek No. 3 Company Limited, Kaiping Elec & Eltek No. 5 Company Limited and Kaiping Pacific Insulating Material Company Limited is in possession of a proper legal title to the land use rights of the respective parcels of land for terms due to expire on 15th March 2054 for industrial use and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.
- (25) We have relied on the aforesaid legal opinion and prepared our valuation on the following bases:
- a) The design and construction of the buildings in the property are in compliance with the local planning regulations and have been approved by the relevant authorities.
  - b) Kaiping Elec & Eltek No. 3 Company Limited is in possession of a proper legal title to the building mentioned in Note 7 above.
  - c) Kaiping Elec & Eltek No. 5 Company Limited is in possession of a proper legal title to the buildings mentioned in Notes 8 to 14 and 19 to 21 above.
  - d) Kaiping Pacific Insulating Material Company Limited is in possession of a proper legal title to the buildings mentioned in Notes 6 and 15 above.
  - e) The remaining portion of the site is vacant land.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
21. The industrial complex of Yangzhou Elec & Eltek Electronic Company Limited, west of Shidai Avenue, Yizheng Economic Development Zone, Jiangsu Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 137,156.00 sq.m. (1,476,347 sq.ft.) for the development of the industrial complex of Yangzhou Elec &amp; Eltek Electronic Company Limited.</p> <p>The property is permitted to be developed based on a minimum plot ratio of 0.70 which equivalent to a total gross floor area of approximately 96,009.00 sq.m. (1,033,441 sq.ft.).</p> <p>It is planned to be developed into an industrial complex with a total gross floor area of approximately 76,968 sq.m. (828,484 sq.ft.) and comprising a block of 4-storey office building, a block of 2-storey workshop building, five blocks of 6-storey dormitory building and 7 blocks ancillary buildings/structures for warehouse, guardhouses, electricity plant house, boiler house, sewage treatment workshop, etc.</p> <p>The land use rights of the property have been granted for a term due to expire on 3 February 2061 for industrial use.</p>	The property is currently subject to construction works, which are estimated to complete in late 2011.	<p>HK\$89,000,000</p> <p>(100% interest attributable to the Group: HK\$89,000,000)</p>

*Notes:*

- (1) Pursuant to the Contract for Grant of State-owned Land Use Rights (Contract No.: 3210812010CR0040) entered into between Yizheng Municipal State-owned Land Resources Bureau and Yangzhou Elec & Eltek Electronic Company Limited on 3 November 2010, the land use rights of the property with a site area of 137,156.00 sq.m. have been agreed to be granted to Yangzhou Elec & Eltek Electronic Company Limited for industrial use for a term of 50 years from 3 February 2011. Major conditions of the said contract are summarized as follows:

- |    |                          |   |  |
|----|--------------------------|---|--|
| a) | Lot No.                  | : | 2010-54  |
| b) | Site area                | : | 137,156.00 sq.m.   |
| c) | Permitted use            | : | Industrial   |
| d) | Terms of land use rights | : | 50 years from 3 February 2011  |
| e) | Total gross floor area   | : | 96,009.00 sq.m.  |
| f) | Plot ratio               | : | ≦ 0.70   |
| g) | Site coverage            | : | ≦ 40%  |
| h) | Green land ratio         | : | ≧ 20%  |
| i) | Use not permitted        | : | Residential flat, expert building, hotel, hostel and training centre |



- j) Construction period : Construction shall commence before 3 February 2012 and shall be completed before 3 February 2014
  - k) Others : The total built over area of buildings for ancillary office and staff quarter uses to be erected shall not exceed 7% of the site area of the land (i.e. 9,601.00 sq.m.).
- (2) Pursuant to the Certificate of State-owned Land Use 儀國用(2011)第00130號 (Yi Guo Yong (2011) No. 00130) issued by Yizheng Municipal People's Government on 12 January 2011, the land use rights of the property with a site area of 137,156.00 sq.m. have been granted to Yangzhou Elec & Eltek Electronic Company Limited for a term due to expire on 3 February 2061 for industrial use.
- (3) We have been advised that Yangzhou Elec & Eltek Electronic Company Limited is a wholly owned subsidiary of the Company.
- (4) We have been advised that property was acquired on 3 November 2010 at a consideration of RMB27,980,000. The total costs already expended on the property as at the Date of Valuation is approximately RMB42,100,000 and that the outstanding cost to complete development is estimated to approximately RMB193,000,000.
- (5) The "Estimated Market Value as if Completed" of the property is reasonably assessed at RMB269,000,000.
- (6) The opinion of The PRC Legal Adviser is summarized as follows:
- a) Yangzhou Elec & Eltek Electronic Company Limited is in possession of a proper legal title to the property and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property.
  - b) The property is free from encumbrances.

## VALUATION CERTIFICATE

## Group VI — Property held for Future Development by the Group in the PRC

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
22. A parcel of land opposite to Shagang Electricity Station, Xinmei Village Commission, Shuikou Town, Kaiping City, Guangdong Province, the PRC	<p>The property comprises a parcel of land with a site area of approximately 37,061.50 sq.m. (398,930 sq.ft.) for the development of the western area of the industrial complex of Kai Ping Elec &amp; Eltek Company Limited.</p> <p>The land use rights of the property have been granted for a term due to expire on 30 November 2056 for industrial use.</p>	The property is currently vacant pending for detailed land use planning.	<p>HK\$10,600,000</p> <p>(95% interest attributable to the Group: HK\$10,070,000)</p>

*Notes:*

- (1) Pursuant to the Contract for Grant of State-owned Land Use Rights (Contract No.: 440783-2006-000048) entered into between Kaiping Municipal State-owned Land Resources Bureau and Kai Ping Elec & Eltek Company Limited on 30 November 2006, the land use rights of the property have been agreed to be granted to Kai Ping Elec & Eltek Company Limited for industrial use for a term of 50 years from the date of signing the said contract. It is stated in the said contract that the development of the property should be in accordance with the planning requirements from Kaiping Municipal Planning Bureau and that construction works should commence prior 30 November 2008.
- (2) Pursuant to the Certificate of State-owned Land Use 開府國用(2008)第02834號 (Kai Fu Guo Yong (2008) No. 02834) issued by Kaiping Municipal People's Government on 23 July 2008, the land use rights of the property with a site area of 37,061.50 sq.m. have been granted to Kai Ping Elec & Eltek Company Limited for a term due to expire on 30 November 2056 for industrial use.
- (3) We have been advised that Kaiping Elec & Eltek Company Limited is a 95%-owned subsidiary of the Company.
- (4) We have been further advised that the property was acquired on 30 November 2006 and that the total cost already expended in acquiring and developing the property as at the Date of Valuation approximately RMB6,000,000.
- (5) The opinion of The PRC Legal Adviser is summarized as follows:  
Kai Ping Elec & Eltek Company Limited is in possession of a proper legal title to the property for a land use term due to expire on 30th November 2056 for industrial uses and is entitled to and is entitled to occupy, use, transfer, lease, mortgage or disposed of (by other legal ways) the property at no extra land premium

## VALUATION CERTIFICATE

## Group VII — Properties held and occupied by the Group in Thailand

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
23. Rojana Industrial Park at 1/68 Moo 5, Rojana Road, Tambon Khanham, Amphur Uthai, Pranakornsriyutthaya 13210, Thailand	<p>The property comprises a site with an area of approximately 17,180 sq.m. (184,926 sq.ft.) together with eight buildings and structures erected thereon.</p> <p>The property is located in Rojana Industrial Park and surrounded by industrial premises.</p> <p>The buildings and structures were completed in about 1995.</p> <p>Currently, construction works for an additional 2nd Floor of the main workshop with a gross floor area of approximately 2,241.00 sq.m. (24,122 sq.ft.) and other work areas with a total gross floor area of approximately 460.00 sq.m. (4,951 sq.ft.) has been carried out. It is expected the construction of the expansion will be completed in mid 2011.</p> <p>The total gross floor area of the buildings and structures is approximately 10,798 sq.m. (116,230 sq.ft.).</p>	The property is currently occupied by the Group for production purposes.	<p>HK\$40,100,000</p> <p>(100% interest attributable to the Group: HK\$40,100,000)</p>

## Notes:

- (1) The registered owner of the property is Pacific Insulating Material (Thailand) Limited.
- (2) We have been advised that Pacific Insulating Material (Thailand) Limited is a wholly owned subsidiary of the Company.
- (3) The opinion of the Thai Legal Adviser is summarized as follows:
  - a) Pacific Insulating Material (Thailand) Limited holds good and valid title to the land and buildings on which its production facilities are built.
  - b) The property is free and clear of all liens, encumbrances, claims and defects and imperfections of title.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011
24. Industrial Plant at 134 Moo 2, Nonthaburi-Pathumthani Road, Tambon Bang-Khayang, Amphur Muang, Pathumthani 12000, Thailand	<p>The property comprises a site with an area of approximately 82,080 sq.m. (883,509 sq.ft.) together with nine buildings and ancillary structures erected thereon. The property is surrounded by industrial and residential premises.</p> <p>The buildings and structures were completed in about 1989.</p> <p>The total gross floor area of the buildings and structures is approximately 33,892 sq.m. (364,813 sq.ft.).</p>	The property is currently occupied by the Group for production purposes.	<p>HK\$130,400,000</p> <p>(100% interest attributable to the Group: HK\$130,400,000)</p>

*Notes:*

- (1) The registered owner of the property is Elec & Eltek (Thailand) Limited.
- (2) We have been advised that Elec & Eltek (Thailand) Limited is a wholly owned subsidiary of the Company.
- (3) The opinion of the Thai Legal Adviser is summarized as follows:
  - a) Elec & Eltek (Thailand) Limited holds good and valid title to the land and buildings on which its production facilities are built.
  - b) The property is free and clear of all liens, encumbrances, claims and defects and imperfections of title.

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value in existing as at 31 March 2011												
25. #99/71, 72, 73, 74, 75, 76, 77, Chuan Chuen Floraville, Pakred-Pathumthani Road, Tambon Bang-Khuwat, Amphur Muang, Pathumthani 12000, Thailand	<p>The property, erected on a site with a site area of 5,640 sq.m., comprises seven detached houses with private gardens and car parking spaces completed in about 1996. The development is situated near the Chuan Chuen Golf Club.</p> <p>The house area of the property is as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">House area</td> </tr> <tr> <td>S-Rachavade</td> <td style="text-align: right;">380 sq.m. x 1</td> </tr> <tr> <td>T-tiara</td> <td style="text-align: right;">280 sq.m. x 2</td> </tr> <tr> <td>Va-Valencia</td> <td style="text-align: right;"><u>260 sq.m. x 4</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">1,980 sq.m.</td> </tr> <tr> <td></td> <td style="text-align: right;">(or 21,313 sq.ft.)</td> </tr> </table>		House area	S-Rachavade	380 sq.m. x 1	T-tiara	280 sq.m. x 2	Va-Valencia	<u>260 sq.m. x 4</u>	Total	1,980 sq.m.		(or 21,313 sq.ft.)	The property is currently occupied by the Group as staff quarters.	<p>HK\$11,100,000</p> <p>(100% interest attributable to the Group: HK\$11,100,000)</p>
	House area														
S-Rachavade	380 sq.m. x 1														
T-tiara	280 sq.m. x 2														
Va-Valencia	<u>260 sq.m. x 4</u>														
Total	1,980 sq.m.														
	(or 21,313 sq.ft.)														

## Notes:

- (1) The registered owner of the property is Elec & Eltek (Thailand) Limited.
- (2) We have been advised that Elec & Eltek (Thailand) Limited is a wholly owned subsidiary of the Company.
- (3) The opinion of the Thai Legal Adviser is summarized as follows:
  - a) Elec & Eltek (Thailand) Limited holds good title to the land and buildings in the property.
  - b) The property is free and clear of all liens, encumbrances, claims and defects and imperfections of title.

## VALUATION CERTIFICATE

## Group VIII - Properties leased/licensed and occupied by the Group

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
26. Flat G on 14th Floor of Block 8, No. 6 Tak Hong Street, Whampoa Garden Site 11, Hung Hom, Kowloon, Hong Kong	<p>The property comprises a residential unit in a 15-storey residential building erected over a 5-storey (including 3 basement levels) commercial/car park podium. The subject building was completed in about 1989.</p> <p>The gross floor area of the property is approximately 69.68 sq.m. (750 sq.ft.).</p> <p>The property is leased to the Group for a term from 1 March 2011 to 30 November 2011 at a rent of HK\$11,800 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

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*Notes:*

- (1) Pursuant to the Tenancy Agreement entered into between Yeung Leung Lung & Tong Yuet Fai (the "Landlord") and Elec & Eltek International (Hong Kong) Limited (the "Tenant") on 1 March 2011, the property with a gross floor area of 69.68 sq.m. is leased to the Tenant for a term of 1 year due to expired on 30 November 2011. The monthly rent is HK\$11,800 exclusive of the management fee but inclusive of the Government rent and rates.
- (2) We have been advised by the Company that Elec & Eltek International (Hong Kong) Limited is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
27. Ground Floor, No.62A Mei Kwong Street, On Wo Building, To Kwa Wan, Kowloon, Hong Kong	<p>The property comprises a shop unit on the ground floor of a 14-storey residential building completed in about 1973.</p> <p>The gross floor area of the property is approximately 4.65 sq.m. (50 sq.ft.).</p> <p>The property is leased to the Group for a term from 27 March 2011 to 26 December 2011 at a rent of HK\$1,800 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Tenancy Agreement entered into between 麥樹森 (Mak Shu Sum, the “Landlord”) and Elec & Eltek Multilayer PCB Limited (the “Tenant”) on 17 March 2011, the property with a gross floor area of 4.65 sq.m. is leased to the Tenant for a term of 1 year due to expired on 26 December 2011. The monthly rent is HK\$1,800 inclusive of management fee, Government rent and rates.
- (2) We have been advised by the Company that Elec & Eltek Multilayer PCB Limited is a wholly-owned subsidiary of the Company.
- (3) The property, according to the corresponding occupation permit, is permitted for shop use. Hence, the existing use is not in compliance with the said occupation permit.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
28. "E", do 3 <sup>o</sup> andar, Edificio Comercial Rodrigues, 599 da Avenida da Praia Grande, Macao	<p>The property comprises a residential unit in a 32-storey residential building completed in about 2006.</p> <p>The gross floor area of the property is approximately 108.69 sq.m. (1,170 sq.ft.).</p> <p>The property is leased to the Group for a term from 27 December 2009 to 26 December 2011 at a rent of HK\$7,680 per month.</p>	The property is occupied by the Group for office use.	No commercial value

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*Notes:*

- (1) Pursuant to the Lease Contract entered into between F. Rodrigues (Sucessores) Limitada (the "Landlord") and Elec & Eltek Companhia (Comercial Offshore de Macau) Limitada (Elec & Eltek Company (Macao Commercial Offshore) Limited, the "Tenant") on 22 March 2010, the property with a gross floor area of 108.69 sq.m. is leased to the Tenant for a term of 2 year due to expired on 26 December 2011. The monthly rent is HK\$7,680, which is inclusive of the monthly rental of HK\$852 for the two sets of air-conditioner installed therein but exclusive of management fee. Other major terms and conditions of the Lease Contract are summarized as follows:
- a) The Tenant cannot terminate the lease within the 1st year of the lease term, and may terminate the lease from the commencement of the 2nd year by serving a prior written notice to the Landlord;
  - b) Upon expiry of the lease term and subject to both the Landlord and the Tenant have not terminate the lease in accordance with the terms and conditions stated in the Lease Contract, the lease will automatically be renewed for a further term of one year; and
  - c) The Tenant cannot sublet the property to other 3rd party without the written approval from the Landlord.
- (2) We have been advised by the Company that Elec & Eltek Company (Macao Commercial Offshore) Limited is a wholly-owned subsidiary of the Company.



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
29. Unit 25B, Block 1, China Feng Huang Building, 26-3, Futian District, Shenzhen City, Guangdong Province, the PRC	<p>The property comprises an office unit in a 25-storey commercial building completed in about 2006.</p> <p>The gross floor area of the property is approximately 242.53 sq.m. (2,611 sq.ft.).</p> <p>The property is leased to the Group for a term from 1 August 2010 to 31 July 2012 at a rent of RMB33,954.20 per month.</p>	The property is occupied by the Group for office use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 熊燕琳 (Xiong Yan Lin) and 熊斐琳 (Xiong Fei Lin) (the "Lessor") and Elec & Eltek Company (Macao Commercial Offshore) Limited Shenzhen Representative Office (the "Lessee") on 27 July 2010, the property with a gross floor area of 242.53 sq.m. is leased to the Lessee at a monthly rent of RMB33,954.20 for a term from 1 August 2010 to 31 July 2012.
- (2) We have been advised by the Company that Elec & Eltek Company (Macao Commercial Offshore) Limited is a wholly-owned subsidiary of the Company.
- (3) In the course of our valuation, we have assumed that the said lease agreement is valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
30. Warehouse, Block 70, Majialong Industrial Zone, Nanshan District, Shenzhen City, Guangdong Province, the PRC	<p>The property comprises a 1-storey warehouse building completed in about 2006.</p> <p>The gross floor area of the property is approximately 170.00 sq.m. (1,830 sq.ft.).</p> <p>The property is leased to the Group for a term from 1 January 2010 to 31 December 2011 at a rent of RMB5,100.00 per month.</p>	The property is occupied by the Group for storage use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 深圳市科慶投資發展有限公司 (Shenzhen City Ke Qing Investment Development Company Limited, the "Lessor") and Shenzhen Pacific Insulating Material Co., Ltd. (the "Lessee") on 1 January 2010, the property with a gross floor area of 170.00 sq.m. is leased to the Lessee at a monthly rent of RMB5,100.00, inclusive of management fee, for a term from 1 January 2010 to 31 December 2011.
- (2) We have been advised by the Company that Shenzhen Pacific Insulating Material Co., Ltd. is a 93.5% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) As the Lessor does not possess the Certificate of Real Estate Ownership of the property, there may be the risk for Shenzhen Pacific Insulating Material Co., Ltd. in using the property; and
  - b) The said lease agreement has not been filed for registration, the relevant construction (property administration) department may order rectification to be taken within a restricted period. Should the rectification have not been made within the restricted period, a penalty of an amount from RMB1,000 to RMB10,000 will be fined.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
31. Warehouse, Block 69, Majialong Industrial Zone, Nanshan District, Shenzhen City, Guangdong Province, the PRC	<p>The property comprises a 1-storey warehouse building completed in about 2006.</p> <p>The gross floor area of the property is approximately 500.00 sq.m. (5,382 sq.ft.).</p> <p>The property is leased to the Group for a term from 1 July 2009 to 30 June 2012 at a rent of RMB15,000.00 per month.</p>	The property is occupied by the Group for storage use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 深圳太平洋機械有限公司 (Shenzhen Tai Ping Yang Machinery Company Limited, the “Lessor”) and Shenzhen Pacific Insulating Material Co., Ltd. (the “Lessee”) on 25 June 2009, the property with a gross floor area of 500.00 sq.m. is leased to the Lessee at a monthly rent of RMB15,000.00, inclusive of management fee, for a term from 1 July 2009 to 30 June 2012.
- (2) We have been advised by the Company that Shenzhen Pacific Insulating Material Co., Ltd. is a 93.5% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) As the Lessor is not able to provide any ownership proof, there may be the uncertainty for Shenzhen Pacific Insulating Material Co., Ltd. to use the property; and
  - b) The said lease agreement has not been filed for registration, the relevant construction (property administration) department may order rectification to be taken within a restricted period. Should the rectification have not been made within the restricted period, a penalty of an amount from RMB1,000 to RMB10,000 will be fined.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
32. Room 903, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1999.</p> <p>The gross floor area of the property is approximately 104.00 sq.m. (1,119 sq.ft.).</p> <p>The property is leased to the Group for a term from 27 August 2009 to 26 August 2011 at a rent of RMB2,500.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 黃少強 (Huang Shao Qiang, the “Lessor”) and Elec & Eltek (Guangzhou) Electronic Company Limited (the “Lessee”) on 25 August 2009, the property with a gross floor area of 104.00 sq.m. is leased to the Lessee at a monthly rent of RMB2,500.00, exclusive of management fee, for a term from 27 August 2009 to 26 August 2011.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
33. Room 908, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1999.</p> <p>The gross floor area of the property is approximately 102.25 sq.m. (1,101 sq.ft.).</p> <p>The property is leased to the Group for a term from 22 September 2009 to 21 September 2011 at a rent of RMB2,300.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 陳藝啟 (Chen Yi Qi, the “Lessor”) and Elec & Eltek (Guangzhou) Electronic Company Limited (the “Lessee”) on 22 September 2009, the property with a gross floor area of 102.25 sq.m. is leased to the Lessee at a monthly rent of RMB2,300.00, exclusive of management fee, for a term from 22 September 2009 to 21 September 2011.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
34. Room 1103, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1999.</p> <p>The gross floor area of the property is approximately 104.00 sq.m. (1,119 sq.ft.).</p> <p>The property is leased to the Group for a term from 1 July 2009 to 30 June 2011 at a rent of RMB2,700.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 汪江 (Wang Jiang, the "Lessor") and Elec & Eltek (Guangzhou) Electronic Company Limited (the "Lessee") on 19 June 2009, the property with a gross floor area of 104.00 sq.m. is leased to the Lessee at a monthly rent of RMB2,700.00, exclusive of management fee, for a term from 1 July 2009 to 30 June 2011.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
35. Room 1107, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1999.</p> <p>The gross floor area of the property is approximately 87.53 sq.m. (942 sq.ft.).</p> <p>The property is leased to the Group for a term from 11 May 2009 to 10 May 2011 at a rent of RMB2,800.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 黄道文 (Huang Dao Wen, the “Lessor”) and Elec & Eltek (Guangzhou) Electronic Company Limited (the “Lessee”) on 28 April 2009, the property with a gross floor area of 87.53 sq.m. is leased to the Lessee at a monthly rent of RMB2,800.00, exclusive of management fee, for a term from 11 May 2009 to 10 May 2011.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
36. Room 1403, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1999.</p> <p>The gross floor area of the property is approximately 104.76 sq.m. (1,128 sq.ft.).</p> <p>The property is leased to the Group for a term from 11 April 2010 to 10 April 2012 at a rent of RMB3,500.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 崔新宇 (Cui Xin Yu, the "Lessor") and Elec & Eltek (Guangzhou) Electronic Company Limited (the "Lessee") on 11 April 2010, the property with a gross floor area of 104.76 sq.m. is leased to the Lessee at a monthly rent of RMB3,500.00, exclusive of management fee, for a term from 11 April 2010 to 10 April 2012.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
37. Room 1803, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1999.</p> <p>The gross floor area of the property is approximately 104.76 sq.m. (1,128 sq.ft.).</p> <p>The property is leased to the Group for a term from 20 February 2011 to 19 February 2013 at a rent of RMB2,600.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 梁偉健 (Liang Wei Jian) and 梁文學 (Liang Wen Xue) (the "Lessor") and Elec & Eltek (Guangzhou) Electronic Company Limited (the "Lessee") on 20 February 2011, the property with a gross floor area of 104.76 sq.m. is leased to the Lessee at a monthly rent of RMB2,600.00, exclusive of management fee, for a term from 20 February 2011 to 19 February 2013.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
38. Room 1905, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1999.</p> <p>The gross floor area of the property is approximately 110.19 sq.m. (1,193 sq.ft.).</p> <p>The property is leased to the Group for a term from 15 July 2010 to 14 July 2012 at a rent of RMB2,550.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 李義春 (Li Yi Chun, the "Lessor") and Elec & Eltek (Guangzhou) Electronic Company Limited (the "Lessee") on 10 July 2010, the property with a gross floor area of 110.19 sq.m. is leased to the Lessee at a monthly rent of RMB2,550.00, exclusive of management fee, for a term from 15 July 2010 to 14 July 2012.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
39. Room 1106, Ming Zhu Guang Chang, No. 26 Dongyuan 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1999.</p> <p>The gross floor area of the property is approximately 87.53 sq.m. (942 sq.ft.).</p> <p>The property is leased to the Group for a term from 10 March 2011 to 9 March 2013 at a rent of RMB2,300.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 梁灼威 (Liang Zhuo Wei) and 鐘結卿 (Zhong Jie Qing) (the "Lessor") and Elec & Eltek (Guangzhou) Electronic Company Limited (the "Lessee") on 10 March 2011, the property with a gross floor area of 87.53 sq.m. is leased to the Lessee at a monthly rent of RMB2,300.00, exclusive of management fee, for a term from 10 March 2011 to 9 March 2013.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The lessor is entitled to lease the property to the lessee;
  - b) The property is subject to a mortgage; and
  - c) Except for that it will not be binding on the collateral assignee, the lease agreement is valid, legally binding on both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
40. Levels 6 to 7, Staff Dormitory Building of Guangzhou Free Trade Zone Phase II, No. 1 Fengxia 1st Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises whole of Level 6 and Level 7 of a 7-story dormitory building completed in about 2004.</p> <p>The subject two floors accommodate a total 41 dormitory rooms, 1 TV room and 1 activity room. The gross floor area of the property is approximately 1,500.00 sq.m. (16,146 sq.ft.).</p> <p>The property is leased to the Group for a term from 1 June 2010 to 31 May 2011 at a rent of RMB26,600.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 廣州市鴻盛實業有限公司 (Guangzhou City Hong Sheng Industries Company Limited) and 廣州信晟租賃服務有限公司 (Guangzhou Xin Sheng Leasing Service Co., Ltd.), the “Lessor”) and Elec & Eltek (Guangzhou) Electronic Company Limited (the “Lessee”) on 31 May 2010, the property with a gross floor area of 1,500.00 sq.m. is leased to the Lessee at a monthly rent of RMB26,600.00 for a term from 1 June 2010 to 31 May 2011. Elec & Eltek (Guangzhou) Electronic Company Limited confirms that the said lease agreement will be renewed upon expiration.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee;
  - b) The said lease agreement is lawful, valid and legally binding; and
  - c) The corresponding registration procedure for the lease is being processed.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
41. Room 2104, Lifeng Building, No. 7 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1998.</p> <p>The gross floor area of the property is approximately 105.04 sq.m. (1,131 sq.ft.).</p> <p>The property is leased to the Group for a term from 16 April 2009 to 15 April 2011 at a rent of RMB1,450.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 李根 (Li Gen, the “Lessor”) and Guangzhou Elec & Eltek Microvia Technology Limited (the “Lessee”) on 15 April 2009, the property with a gross floor area of 105.04 sq.m. is leased to the Lessee at a monthly rent of RMB1,450.00, exclusive of management fee, for a term from 16 April 2009 to 15 April 2011.
- (2) Pursuant to another Lease Agreement entered into between Li Gen and Elec & Eltek (Guangzhou) Electronic Company Limited, the property, upon expiration of the existing lease, will be leased to Elec & Eltek (Guangzhou) Electronic Company Limited at a monthly rent of RMB1,450.00 for a term of from 16 April 2011 to 15 April 2013.
- (3) We have been advised by the Company that Guangzhou Elec & Eltek Microvia Technology Limited and Elec & Eltek (Guangzhou) Electronic Company Limited are 98% owned subsidiaries of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee;
  - b) The property is subject to a mortgage; and
  - c) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
42. Room 2106, Lifeng Building, No. 7 Qingnian Road, Guangzhou Development District, Guangdong City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1998.</p> <p>The gross floor area of the property is approximately 115.90 sq.m. (1,248 sq.ft.).</p> <p>The property is leased to the Group for a term from 26 November 2009 to 25 November 2011 at a rent of RMB1,150.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 李根 (Li Gen, the “Lessor”) and Elec & Eltek (Guangzhou) Electronic Company Limited (the “Lessee”) on 26 November 2009, the property with a gross floor area of 115.90 sq.m. is leased to the Lessee at a monthly rent of RMB1,150.00, exclusive of management fee, for a term from 26 November 2009 to 25 November 2011.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
43. Room 1106, No. 9 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1998.</p> <p>The gross floor area of the property is approximately 105.90 sq.m. (1,140 sq.ft.).</p> <p>The property is leased to the Group for a term from 18 March 2011 to 19 March 2013 at a rent of RMB1,600.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 張蓮葉 (Zhang Lian Ye, the “Lessor”) and Guangzhou Elec & Eltek Microvia Technology Limited (the “Lessee”) on 18 March 2011, the property with a gross floor area of 105.90 sq.m. is leased to the Lessee at a monthly rent of RMB1,600.00, exclusive of management fee, for a term from 18 March 2011 to 19 March 2013.
- (2) We have been advised by the Company that Guangzhou Elec & Eltek Microvia Technology Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
44. Room 1112, No. 9 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1998.</p> <p>The gross floor area of the property is approximately 103.69 sq.m. (1,116 sq.ft.).</p> <p>The property is leased to the Group for a term from 25 May 2010 to 24 May 2012 at a rent of RMB1,600.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 李根 (Li Gen, the “Lessor”) and Elec & Eltek (Guangzhou) Electronic Company Limited (the “Lessee”) on 25 May 2010, the property with a gross floor area of 103.69 sq.m. is leased to the Lessee at a monthly rent of RMB1,600.00, exclusive of management fee, for a term from 25 May 2010 to 24 May 2012.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee;
  - b) The property is subject to a mortgage; and
  - c) Except for that it will not be binding on the collateral assignee, the lease agreement is valid, legally binding on both parties.



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
45. Room 1902, No. 9 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1998.</p> <p>The gross floor area of the property is approximately 117.20 sq.m. (1,262 sq.ft.).</p> <p>The property is leased to the Group for a term from 1 November 2009 to 31 October 2011 at a rent of RMB1,650.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 張蓮葉 (Zhang Lian Ye, the "Lessor") and Elec & Eltek (Guangzhou) Electronic Company Limited (the "Lessee") on 1 November 2009, the property with a gross floor area of 117.20 sq.m. is leased to the Lessee at a monthly rent of RMB1,650.00, exclusive of management fee, for a term from 1 November 2009 to 31 October 2011.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
46. Room 2104, No. 9 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 1998.</p> <p>The gross floor area of the property is approximately 103.69 sq.m. (1,116 sq.ft.).</p> <p>The property is leased to the Group for a term from 29 December 2010 to 28 December 2012 at a rent of RMB1,450.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

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*Notes:*

1. Pursuant to the Lease Agreement entered into between 李賢華 (Li Xian Hua, the “Lessor”) and Elec & Eltek (Guangzhou) Electronic Company Limited (the “Lessee”) on 29 December 2010, the property with a gross floor area of 103.69 sq.m. is leased to the Lessee at a monthly rent of RMB1,450.00, exclusive of management fee, for a term from 29 December 2010 to 28 December 2012.
2. We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
3. The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
47. Room 703, Bao Shui Guang Chang, No. 219 Qingnian Road, Guangzhou Development District, Guangdong City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 2000.</p> <p>The gross floor area of the property is approximately 52.97 sq.m. (570 sq.ft.).</p> <p>The property is leased to the Group for a term from 9 January 2011 to 8 January 2013 at a rent of RMB1,300.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 馬偉 (Ma Wei, the "Lessor") and Elec & Eltek (Guangzhou) Electronic Company Limited (the "Lessee") on 7 January 2011, the property with a gross floor area of 52.97 sq.m. is leased to the Lessee at a monthly rent of RMB1,300.00, exclusive of management fee, for a term from 9 January 2011 to 8 January 2013.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
48. Room 708, Bao Shui Guang Chang, No. 219 Qingnian Road, Guangzhou Development District, Guangdong City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 2000.</p> <p>The gross floor area of the property is approximately 114.00 sq.m. (1,227 sq.ft.).</p> <p>The property is leased to the Group for a term from 7 August 2009 to 6 August 2011 at a rent of RMB2,000.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 江先華 (Jiang Xian Hua) and 符勝男 (Fu Sheng Nan) (the "Lessor") and Elec & Eltek (Guangzhou) Electronic Company Limited (the "Lessee") on 4 August 2009, the property with a gross floor area of 114.00 sq.m. is leased to the Lessee at a monthly rent of RMB2,000.00, exclusive of management fee, for a term from 7 August 2009 to 6 August 2011.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
49. Room 502, No. 295 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 2000.</p> <p>The gross floor area of the property is approximately 70.26 sq.m. (756 sq.ft.).</p> <p>The property is leased to the Group for a term from 1 March 2011 to 28 February 2013 at a rent of RMB2,000.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 梁頌勤 (Liang Song Qin, the "Lessor") and Guangzhou Elec & Eltek Microvia Technology Limited (the "Lessee") on 1 March 2011, the property with a gross floor area of 70.26 sq.m. is leased to the Lessee at a monthly rent of RMB2,000.00, exclusive of management fee, for a term from 1 March 2011 to 28 February 2013.
- (2) We have been advised by the Company that Guangzhou Elec & Eltek Microvia Technology Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
50. Room 608, No. 295 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 2000.</p> <p>The gross floor area of the property is approximately 78.00 sq.m. (840 sq.ft.).</p> <p>The property is leased to the Group for a term from 1 July 2009 to 30 June 2011 at a rent of RMB1,800.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 吳玉娟 (Wu Yu Juan, the “Lessor”) and Guangzhou Elec & Eltek Microvia Technology Limited (the “Lessee”) on 1 July 2009, the property with a gross floor area of 78.00 sq.m. is leased to the Lessee at a monthly rent of RMB1,800.00, exclusive of management fee, for a term from 1 July 2009 to 30 June 2011.
- (2) We have been advised by the Company that Guangzhou Elec & Eltek Microvia Technology Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
51. Room 1003, No. 295 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 2000.</p> <p>The gross floor area of the property is approximately 45.10 sq.m. (485 sq.ft.).</p> <p>The property is leased to the Group for a term from 25 April 2010 to 24 April 2012 at a rent of RMB1,250.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 龍煊 (Long Xuan, the “Lessor”) and Elec & Eltek (Guangzhou) Electronic Company Limited (the “Lessee”) on 25 April 2010, the property with a gross floor area of 45.10 sq.m. is leased to the Lessee at a monthly rent of RMB1,250.00, exclusive of management fee, for a term from 25 April 2010 to 24 April 2012.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
52. Room 303, No. 299 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a multi-storey residential building completed in about 2000.</p> <p>The gross floor area of the property is approximately 101.55 sq.m. (1,093 sq.ft.).</p> <p>The property is leased to the Group for a term from 12 March 2011 to 11 March 2013 at a rent of RMB2,800.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 梁湛丰 (Liang Zhan Feng, the "Lessor") and Elec & Eltek (Guangzhou) Electronic Company Limited (the "Lessee") on 11 March 2011, the property with a gross floor area of 101.55 sq.m. is leased to the Lessee at a monthly rent of RMB2,800.00, exclusive of management fee, for a term from 12 March 2011 to 11 March 2013.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement is lawful, valid and legally binding to both parties.



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
53. Room 401, No. 307 Qingnian Road, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a multi-storey residential building completed in about 2000.</p> <p>The gross floor area of the property is approximately 130.00 sq.m. (1,399 sq.ft.).</p> <p>The property is leased to the Group for a term from 23 April 2009 to 22 April 2011 at a rent of RMB2,350.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 袁向軍 (Yuan Xiang Jun, the "Lessor") and Elec & Eltek (Guangzhou) Electronic Company Limited (the "Lessee") on 23 April 2009, the property with a gross floor area of 130.00 sq.m. is leased to the Lessee at a monthly rent of RMB2,350.00, exclusive of management fee, for a term from 23 April 2009 to 22 April 2011. The said lease agreement will be renewed for a further term of two years upon expiration.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee;
  - b) The property is subject to a mortgage; and
  - c) Except for that it will not be binding on the collateral assignee, the lease agreement is valid, legally binding on both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
54. Room 1001, No. 14 Lanyu 5th Street, Guangzhou Development District, Guangzhou City, Guangdong Province, the PRC	<p>The property comprises a residential unit in a high-rise residential building completed in about 2004.</p> <p>The gross floor area of the property is approximately 123.65 sq.m. (1,331 sq.ft.).</p> <p>The property is leased to the Group for a term from 1 December 2009 to 30 November 2011 at a rent of RMB3,300.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 夏立榮 (Xia Li Rong, the “Lessor”) and Elec & Eltek (Guangzhou) Electronic Company Limited (the “Lessee”) on 1 December 2009, the property with a gross floor area of 123.65 sq.m. is leased to the Lessee at a monthly rent of RMB3,300.00, exclusive of management fee, for a term from 1 December 2009 to 30 November 2011.
- (2) We have been advised by the Company that Elec & Eltek (Guangzhou) Electronic Company Limited is a 98% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee;
  - b) The property is subject to a mortgage; and
  - c) Except for that it will not be binding on the collateral assignee, the lease agreement is valid, legally binding on both parties.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
55. Room 604, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha District, Kaiping City, Guangdong Province, the PRC	<p>The property comprises a residential unit in an 18-storey residential building completed in about 2008.</p> <p>The gross floor area of the property is approximately 78.57 sq.m. (846 sq.ft.).</p> <p>The property is leased to the Group for a term from 21 November 2009 to 20 November 2010 at a rent of RMB1,200.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 陳錦兒 (Chen Jin Er, the “Lessor”) and Kai Ping Elec & Eltek Company Limited (the “Lessee”) on 21 November 2009, the property with a gross floor area of 78.57 sq.m. is leased to the Lessee at a monthly rent of RMB1,200.00, exclusive of management fee, for a term from 21 November 2009 to 20 November 2010. It is stated in the said lease agreement that upon expiration, if the parties do not raise objections, the contract will be automatically extended for one year. There will not be any limit for the number of lease extensions.
- (2) We have been advised by the Company that Kai Ping Elec & Eltek Company Limited is a 95% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) As the Lessor is not able to provide the Certificate of Building Ownership there may be the uncertainty for Kai Ping Elec & Eltek Company Limited to use the property; and
  - b) The said lease agreement has not been filed for registration, the relevant construction (property administration) department may order rectification to be taken within a restricted period. Should the rectification have not been made within the restricted period, a penalty of an amount from RMB1,000 to RMB10,000 will be fined.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
56. Room 804, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha District, Kaiping City, Guangdong Province, the PRC	<p>The property comprises a residential unit in an 18-storey residential building completed in about 2008.</p> <p>The gross floor area of the property is approximately 78.57 sq.m. (846 sq.ft.).</p> <p>The property is leased to the Group for a term from 5 September 2009 to 4 September 2010 at a rent of RMB1,200.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 王笑珍 (Wang Xiao Zhen, the “Lessor”) and Kai Ping Elec & Eltek Company Limited (the “Lessee”) on 1 October 2009, the property with a gross floor area of 78.57 sq.m. is leased to the Lessee at a monthly rent of RMB1,200.00, exclusive of management fee, for a term from 5 September 2009 to 4 September 2010. It is stated in the said lease agreement that upon expiration, if the parties do not raise objections, the contract will be automatically extended for one year. There will not be any limit for the number of lease extensions.
- (2) We have been advised by the Company that Kai Ping Elec & Eltek Company Limited is a 95% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) As the Lessor is not able to provide the Certificate of Building Ownership there may be the uncertainty for Kai Ping Elec & Eltek Company Limited to use the property; and
  - b) The said lease agreement has not been filed for registration, the relevant construction (property administration) department may order rectification to be taken within a restricted period. Should the rectification have not been made within the restricted period, a penalty of an amount from RMB1,000 to RMB10,000 will be fined.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
57. Room 1003, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha District, Kaiping City, Guangdong Province, the PRC	<p>The property comprises a residential unit in an 18-storey residential building completed in about 2008.</p> <p>The gross floor area of the property is approximately 78.57 sq.m. (846 sq.ft.).</p> <p>The property is leased to the Group for a term from 31 March 2010 to 30 March 2011 at a rent of RMB1,100.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 聶錦新 (Nip Kam Sun) and 聶錦文 (Nip Kam Man) (the "Lessor") and Kai Ping Elec & Eltek Company Limited (the "Lessee") on 16 March 2010, the property with a gross floor area of 78.57 sq.m. is leased to the Lessee at a monthly rent of RMB1,100.00, exclusive of management fee, for a term from 31 March 2010 to 30 March 2011. It is stated in the said lease agreement that upon expiration, if the parties do not raise objections, the contract will be automatically extended for one year. There will not be any limit for the number of lease extensions.
- (2) We have been advised by the Company that Kai Ping Elec & Eltek Company Limited is a 95% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) As the Lessor is not able to provide the Certificate of Building Ownership there may be the uncertainty for Kai Ping Elec & Eltek Company Limited to use the property; and
  - b) The said lease agreement has not been filed for registration, the relevant construction (property administration) department may order rectification to be taken within a restricted period. Should the rectification have not been made within the restricted period, a penalty of an amount from RMB1,000 to RMB10,000 will be fined.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
58. Room 1004, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha District, Kaiping City, Guangdong Province, the PRC	<p>The property comprises a residential unit in an 18-storey residential building completed in about 2008.</p> <p>The gross floor area of the property is approximately 78.57 sq.m. (846 sq.ft.).</p> <p>The property is leased to the Group for a term from 15 February 2010 to 14 February 2011 at a rent of RMB1,100.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between Nip Kam Sun and Nip Kam Man (the "Lessor") and Kai Ping Elec & Eltek Company Limited (the "Lessee") on 3 February 2010, the property with a gross floor area of 78.57 sq.m. is leased to the Lessee at a monthly rent of RMB1,100.00, exclusive of management fee, for a term from 15 February 2010 to 14 February 2011. It is stated in the said lease agreement that upon expiration, if the parties do not raise objections, the contract will be automatically extended for one year. There will not be any limit for the number of lease extensions.
- (2) We have been advised by the Company that Kai Ping Elec & Eltek Company Limited is a 95% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) As the Lessor is not able to provide the Certificate of Building Ownership, there may be the uncertainty for Kai Ping Elec & Eltek Company Limited to use the property; and
  - b) The said lease agreement has not been filed for registration, the relevant construction (property administration) department may order rectification to be taken within a restricted period. Should the rectification have not been made within the restricted period, a penalty of an amount from RMB1,000 to RMB10,000 will be fined.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
59. Room 1105, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha District, Kaiping City, Guangdong Province, the PRC	<p>The property comprises a residential unit in an 18-storey residential building completed in about 2008.</p> <p>The gross floor area of the property is approximately 97.13 sq.m. (1,046 sq.ft.).</p> <p>The property is leased to the Group for a term from 16 June 2009 to 15 June 2010 at a rent of RMB1,410.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 李月華 (Li Yue Hua) and 黃桂婷 (Huang Gui Ting) (the “Lessor”) and Kai Ping Elec & Eltek Company Limited (the “Lessee”) on 12 July 2009, the property with a gross floor area of 97.13 sq.m. is leased to the Lessee at a monthly rent of RMB1,410.00, exclusive of management fee, for a term from 16 June 2009 to 15 June 2010. It is stated in the said lease agreement that if both parties have no objection, the lease term will be extended automatically for a further term of one year.
- (2) We have been advised by the Company that Kai Ping Elec & Eltek Company Limited is a 95% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee; and
  - b) The said lease agreement has not been filed for registration, yet, it is lawful, valid and legally binding. However, the relevant construction (property administration) department may order rectification to be taken within a restricted period. Should the rectification have not been made within the restricted period, a penalty of an amount from RMB1,000 to RMB10,000 will be fined.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
60. Room 1203, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha District, Kaiping City, Guangdong Province, the PRC	<p>The property comprises a residential unit in an 18-storey residential building completed in about 2008.</p> <p>The gross floor area of the property is approximately 78.57 sq.m. (846 sq.ft.).</p> <p>The property is leased to the Group for a term from 10 April 2010 to 9 April 2011 at a rent of RMB1,100.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 李偉東 (Li Wei Dong, the “Lessor”) and Kai Ping Elec & Eltek Company Limited (the “Lessee”) on 25 March 2010, the property with a gross floor area of 78.57 sq.m. is leased to the Lessee at a monthly rent of RMB1,100.00, exclusive of management fee, for a term from 10 April 2010 to 9 April 2011. It is stated in the said lease agreement that upon expiration, if the parties do not raise objections, the contract will be automatically extended for one year. There will not be any limit for the number of lease extensions.
- (2) We have been advised by the Company that Kai Ping Elec & Eltek Company Limited is a 95% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) As the Lessor is not able to provide the Certificate of Building Ownership there may be the uncertainty for Kai Ping Elec & Eltek Company Limited to use the property; and
  - b) The said lease agreements have not been filed for registration, the relevant construction (property administration) department may order rectification to be taken within a restricted period. Should the rectification have not been made within the restricted period, a penalty of an amount from RMB1,000 to RMB10,000 will be fined.



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
61. Room 1705, Block 1, Hai Lun Bao No. 1 Building, Sanjiang Avenue, Changsha District, Kaiping City, Guangdong Province, the PRC	<p>The property comprises a residential unit in an 18-storey residential building completed in about 2008.</p> <p>The gross floor area of the property is approximately 97.13 sq.m. (1,046 sq.ft.).</p> <p>The property is leased to the Group for a term from 15 October 2009 to 14 October 2010 at a rent of RMB1,410.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 張建華 (Zhang Jian Hua) and 張友卉 (Zhang You Hui) (the "Lessor") and Kai Ping Elec & Eltek Company Limited (the "Lessee"), the property with a gross floor area of 97.13 sq.m. is leased to the Lessee at a monthly rent of RMB1,410.00, exclusive of management fee, for a term from 15 October 2009 to 14 October 2010. It is stated in the said lease agreement that upon expiration, if the parties do not raise objections, the contract will be automatically extended for one year. There will not be any limit for the number of lease extensions.
- (2) We have been advised by the Company that Kai Ping Elec & Eltek Company Limited is a 95% owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) As the Lessor is not able to provide the Certificate of Building Ownership there may be the uncertainty for Kai Ping Elec & Eltek Company Limited to use the property; and
  - b) The said lease agreement has not been filed for registration, the relevant construction (property administration) department may order rectification to be taken within a restricted period. Should the rectification have not been made within the restricted period, a penalty of an amount from RMB1,000 to RMB10,000 will be fined.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
62. Warehouse #201-1, No. 108 Xingangkai Avenue, Qixia Distric, Nanjing City, Jiangsu Province, the PRC	<p>The property comprises a 1-storey warehouse building completed in the 1990's.</p> <p>The gross floor area of the property is approximately 600 sq.m. (6,458 sq.ft.).</p> <p>The property is leased to the Group for a term from 1 January 2011 to 31 December 2011 at a rent of RMB10,000 per month.</p>	The property is occupied by the Group for storage use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 江蘇外運集裝箱站有限公司(Jiangsu Wai Yun Ji Zhuang Xiang Zhan Company Limited, the "Lessor") and Nanjing Elec & Eltek Electronic Co., Ltd. (the "Lessee"), the property is leased to the Lessee at a monthly rent of RMB10,000.00 for a term from 1 January 2011 to 31 December 2011.
- (2) We have been advised by the Company that Nanjing Elec & Eltek Electronic Co., Ltd. is a wholly-owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) As the Lessor is not able to provide the Certificate of Building Ownership, there may be the uncertainty for Nanjing Elec & Eltek Electronic Co., Ltd. to use the property; and
  - b) The said lease agreement has not been registered, the relevant construction (property administration) department may order rectification to be taken within a restricted period. Should the rectification has not been made within the restricted period, a penalty of an amount from RMB1,000 to RMB10,000 will be fined.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
63. Units 401 and 501, 502 and 602 of Sub-block 1, Units 101, 202, 301, 302, 401, 402, 501, 502, 601 and 602 of Sub-block 2, Staff Apartment Building Block 4, No. 87 Xingang Avenue, Nanjing Economic and Technological Development Zone, Nanjing City, Jiangsu Province, the PRC	<p>The property comprises 14 units in a multi-storey dormitory building completed in about 2004.</p> <p>The gross floor area of the property is approximately 1,890.00 sq.m. (20,344 sq.ft.).</p> <p>The property is leased to the Group for a term from 1 January 2011 to 30 June 2011 at a rent of RMB126,000.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 南京新港開發總公司 (Nanjing Xin Gang Development Company, the “Lessor”) and Nanjing Elec & Eltek Electronic Co., Ltd. (the “Lessee”) on 30 December 2010, the property with a gross floor area of 1,890.00 sq.m. is leased to the Lessee at a monthly rent of RMB126,000.00 for a term from 1 January 2011 to 30 June 2011.
- (2) We have been advised by the Company that Nanjing Elec & Eltek Electronic Co., Ltd. is a wholly-owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) As the Lessor does not possess the Certificate of Building Ownership, there may be the uncertainty for Nanjing Elec & Eltek Electronic Co. Ltd to use the property; and
  - b) The said lease agreement has not been registered, the relevant construction (property administration) department may order rectification to be taken within a restricted period. Should the rectification has not been made within the restricted period, a penalty of an amount from RMB1,000 to RMB10,000 will be fined.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
64. Room 5-207, Yingjiang West Village, Yizheng City, Jiangsu Province, the PRC	<p>The property comprises a residential unit in a multi-storey residential building completed in about 2001.</p> <p>The gross floor area of the property is approximately 78.54 sq.m. (845 sq.ft.).</p> <p>The property is leased to the Group for a term from 7 June 2010 to 6 June 2011 at a rent of RMB12,000.00 per annum.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 沈自權 (Shen Zi Quan, the “Lessor”) and Yangzhou Elec & Eltek Electronic Company Limited (the “Lessee”), the property with a gross floor area of 78.54 sq.m. is leased to the Lessee at an annual rent of RMB12,000.00 for a term from 7 June 2010 to 6 June 2011. The said lease agreement will be renewed for a further term of one year.
- (2) We have been advised by the Company that Yangzhou Elec & Eltek Electronic Company Limited is a wholly-owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor has obtained the Certificate of Building Ownership;
  - b) The lease filing procedures for the above-mentioned lease agreement has been handled; and
  - c) According to the Certificate of Building Ownership, the nature of the property is “economical practical housing” (經濟實用房). However, the Lessor failed to provide the state-owned land title certificate, and in accordance with relevant laws and regulations, the affordable housing, before obtaining full property rights, cannot be used for leasing operation. There will be possible uncertainty for Yangzhou Elec & Eltek Electronic Company Limited to use the property.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
65. Room 6-406, Baisha 2nd Village, Yizheng City, Jiangsu Province, the PRC	<p>The property comprises a residential unit in a multi-storey residential building completed in about 1991.</p> <p>The gross floor area of the property is approximately 50.33 sq.m. (542 sq.ft.).</p> <p>The property is leased to the Group for a term from 15 July 2010 to 15 July 2011 at a rent of RMB650.00 per month.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 宗有權 (Zong You Quan, the “Lessor”) and Yangzhou Elec & Eltek Electronic Company Limited (the “Lessee”), the property with a gross floor area of 50.33 sq.m. is leased to the Lessee at a monthly rent of RMB650.00 for a term from 15 July 2010 to 15 July 2011.
- (2) We have been advised by the Company that Yangzhou Elec & Eltek Electronic Company Limited is a wholly-owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor has obtained the Certificate of Building Ownership;
  - b) The lease filing procedures for the above-mentioned lease agreement has been handled; and
  - c) According to the Certificate of Building Ownership, the nature of the property is “commodity housing under housing reform” (房改售房). However, as the Lessor failed to provide the state-owned land title certificate, there will be possible instability for Yangzhou Elec & Eltek Electronic Company Limited to use the property.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
66. Room 6-303, Yingjiang West Village, Yizheng City, Jiangsu Province, the PRC	<p>The property comprises a residential unit in a multi-storey residential building completed in about 2000.</p> <p>The gross floor area of the property is approximately 77.14 sq.m. (830 sq.ft.).</p> <p>The property is leased to the Group for a term from 21 February 2011 to 22 February 2012 at a rent of RMB9,600.00 per annum.</p>	The property is occupied by the Group for dormitory use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 吳祥新 (Wu Xiang Xin, the “Lessor”) and Yangzhou Elec & Eltek Electronic Company Limited (the “Lessee”), the property with a gross floor area of 77.14 sq.m. is leased to the Lessee at an annual rent of RMB9,600.00 for a term from 21 February 2011 to 22 February 2012.
- (2) We have been advised by the Company that Yangzhou Elec & Eltek Electronic Company Limited is a wholly-owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - (a) The Lessor has obtained the Certificate of Building Ownership;
  - (b) The lease filing procedures for the above-mentioned lease agreement has been handled; and
  - (c) According to the Certificate of Building Ownership, the nature of the property is “economical practical housing” (經濟實用房). However, the Lessor failed to provide the state-owned land title certificate, and in accordance with relevant laws and regulations, the affordable housing, before obtaining full property rights, cannot be used for leasing operation. There will be possible uncertainty for Yangzhou Elec & Eltek Electronic Company Limited to use the property.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
67. Warehouse at E17 on Level 2, Plot D6, Zone D, No. 225 Fute North Road, Waigaoqiao Free Trade Zone, Shanghai, the PRC	<p>The property comprises a warehouse unit in a low-rise warehouse building completed in about 1994.</p> <p>The gross floor area of the property is approximately 30.00 sq.m. (323 sq.ft.).</p> <p>The property is leased to the Group for a term from 28 March 2011 to 27 March 2012 at a rent of RMB26,000.00 per annum.</p>	The property is occupied by the Group for office use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between Shanghai Hengjin Logistics Co., Ltd. (the "Lessor") and Yi Sheng Trading (Shanghai) Co., Ltd. (the "Lessee") on 8 February 2011, the property with a gross floor area of 30.00 sq.m. is leased to the Lessee at an annual rent of RMB26,000.00 for a term from 28 March 2011 to 27 March 2012.
- (2) We have been advised by the Company that Yi Sheng Trading (Shanghai) Co., Ltd. is a wholly-owned subsidiary of the Company.
- (3) The opinions of the PRC Legal Advisor are summarized as follows:
  - a) The Lessor is entitled to lease the property to the Lessee;
  - b) The said lease agreement is lawful, valid and legal binding to both parties; and
  - c) The said lease agreements have not been filed for registration, yet, it is lawful, valid and legally binding. However, the relevant construction (property administration) department may order rectification to be taken within a restricted period. Should the rectification have not been made within the restricted period, a penalty of an amount from RMB1,000 to RMB10,000 will be fined.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
68. Room 1, Level 13, No, 398 Huanbei Road, Jhongli City, Taoyuan County, Taiwan	<p>The property comprises a warehouse unit in a multi-storey composite building completed in about 1992.</p> <p>The gross floor area of the property is approximately 202.00 sq.m. (2,174 sq.ft.) including public area of 57.50 sq.m. (619 sq.ft.).</p> <p>The property is leased to the Group for a term from 28 March 2010 to 27 March 2011 at a rent of RMB26,000.00 per annum.</p>	The property is occupied by the Group for office use.	No commercial value

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*Notes:*

- (1) Pursuant to the Lease Agreement entered into between 王文賢 (Wang Wen Xian, the “Lessor”) and Elec & Eltek Company (Macao Commercial Offshore) Limited (the “Lessee”) on 28 April 2009, the property with a gross floor area of 202.00 sq.m. is leased to the Lessee at an annual rent of NT\$20,500.00, exclusive of management fees, for a term from 1 June 2009 to 1 June 2012.
- (2) We have been advised by the Company that Elec & Eltek Company (Macao Commercial Offshore) Limited is a wholly-owned subsidiary of the Company.



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
69. No. 3 (2nd floor), Jalan Todak 2, 13700, Bandar Sunway, Seberang Jaya, Pulau Pinang, Malaysia	<p>The property comprises a warehouse unit in a multi-storey composite building completed in about 1995.</p> <p>The gross floor area of the property is approximately 111.48 sq.m. (1,200 sq.ft.).</p> <p>The property is leased to the Group for a term of three years from 1 April 2008 with an option to renew for a further term of three years at a rental rate of increment subject to prevailing market rate to be mutually agreed upon. The monthly rent is RM800.00.</p>	The property is occupied by the Group for office use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease Agreement entered into between Tan Soon Chai & Sons Sdn. Bhd. (the "Landlord") and Elec & Eltek Technology Research & Marketing Pte. Limited (the "Tenant") on 8 April 2008, the property with a gross floor area of 111.48 sq.m. is leased to the Lessee at an monthly rent of RM800.00, exclusive of management fees, for a term of three years from 1 April 2008 with an option to renew for a further term of three years at a rental rate of increment subject to prevailing market rate to be mutually agreed upon.
- (2) We have been advised by the Company that Elec & Eltek Technology Research & Marketing Pte Ltd is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
70. 4 Leng Kee Road #03-02, Singapore 159088	<p>The property comprises a factory unit on the 3rd floor of a 6-storey industrial building completed in about 1985.</p> <p>The gross floor area of the property is approximately 180.97 sq.m. (1,948 sq.ft.).</p> <p>The property is leased to the Group for a term of three years from 1 July 2008 at a rent of S\$7,111.00 per month.</p>	The property is occupied by the Group for office use.	No commercial value

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*Notes:*

- (1) Pursuant to the Lease Agreement entered into between SIS Realty Pte Ltd (the "Lessor") and Elec & Eltek Technology Research & Marketing Pte Ltd (the "Lessee") on 2 June 2008, the property with a gross floor area of 1,948 sq.ft. is leased to the Lessee at an monthly rent of S\$7,111.00, exclusive of service charge, for a term of three years from 1 July 2008.
- (2) The property, as according to the said lease agreement, is permitted for factory use.
- (3) We have been advised by the Company that Elec & Eltek Technology Research & Marketing Pte Ltd. is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
71. Unit 9, Eghams Court, Boston Drive Bourne End, Buckinghamshire, U.K.	<p>The property comprises a unit in a 2-storey commercial building completed in about 1988.</p> <p>The gross floor area of the property is approximately 97.08 sq.m. (1,045 sq.ft.).</p> <p>The property is leased to the Group for a term of five years from 3 December 2007 at a rent of £18,000.00 per annum.</p>	The property is occupied by the Group for office use.	No commercial value

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*Notes:*

- (1) Pursuant to the Lease entered into between Shellwin Plc (the "Landlord") and Elec & Eltek Company (Macao Commercial Offshore) Limited (the "Tenant") on 29 August 2008, the property with a gross floor area of 97.08 sq.m. is leased to the Lessee at an annual rent of £18,000.00, exclusive of service charge, for a term of five years from 3 December 2007.
- (2) The Tenant shall have the right by service of not less than six months prior written notice to terminate this lease on the third Anniversary of the lease term or at any time thereafter.
- (3) We have been advised by the Company that Elec & Eltek Company (Macao Commercial Offshore) Limited is a wholly-owned subsidiary of the Company.

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2011
72. Suite 355 on 3rd Floor of Santa Clara Techmart, 5201 Great America Parkway, Suite 355, Santa Clara, CA, U.S.A.	<p>The property comprises an office unit in a multi-storey composite building completed in about 1985.</p> <p>The rentable area of the property is approximately 103.68 sq.m. (1,116 sq.ft.).</p> <p>The property is leased to the Group for a term due to expire on 30 September 2011 at a current monthly base rent of US\$3,883.68.</p>	The property is occupied by the Group for office use.	No commercial value

*Notes:*

- (1) Pursuant to the Lease dated 11 August 2005 and the First Amendment dated 3 September 2008 entered into between Carramerica Techmart, L.L.C. (the "Landlord") and Elec & Eltek Printed Circuit Board Corporation (the "Tenant"), the property with a rentable area of 1,116 sq.ft. is leased to the Tenant for a term extended to 30 September 2011. The current monthly base rent is US\$3,883.68. In addition, the Tenant shall pay for its proportionate share of operating costs and taxes at 0.3980% in accordance with the terms of the Lease.
- (2) We have been advised by the Company that Elec & Eltek Printed Circuit Board Corporation is a wholly-owned subsidiary of the Company.

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## APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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Set out below is a summary of certain provisions of the memorandum and articles of association of our Company and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our memorandum and articles of association.

The Company was incorporated in the Republic of Singapore as a private limited company on January 2, 1993 under the Companies Act (Chapter 50) of Singapore (the “**Singapore Companies Act**”). The memorandum of association of the Company (the “**Memorandum**”) and the articles of association of the Company (the “**Articles**”) comprise its constitution.

### 1. MEMORANDUM OF ASSOCIATION

The registration number with which the Company was incorporated is 199300005H. The Memorandum sets out, *inter alia*, the Company’s name, the location of its registered office and limits the liability of the members.

### 2. ARTICLES OF ASSOCIATION

The Articles were adopted on January 2, 1993. The following is a summary of certain provisions of the Articles.

#### (a) Directors

- (i) *a Director’s power to vote on a proposal, arrangement or contract in which the Director is interested*

#### *Article 100A*

- (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:
- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associate(s) or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;
  - (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND  
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- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
  - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in five per cent. (5%) or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associate is derived); or
  - (vi) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors or his associate(s) and to employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five per cent. (5%) or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five per cent. (5%) or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.
- (3) Where a company in which a Director and/or his associate(s) holds five per cent. (5%) or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND  
SALIENT PROVISIONS OF THE LAWS OF SINGAPORE**

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- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or the significance of a contract, arrangement or transaction or proposed contract, arrangement or transaction or as to the entitlement of any Director to vote or form part of a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting (or, where question relates to the interest of the chairman of the meeting, to the other Directors at the meeting) and his ruling (or, as appropriate, the ruling of the other Directors) in relation to such other Director (or, as appropriate, the chairman of the meeting) shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned (or, as appropriate, the chairman of the meeting) as known to such Director (or, as appropriate, the chairman of the meeting) has not been fairly disclosed to the Board. Upon approval by a majority of the independent non-executive Directors, professional advisors at the cost of the Company can be engaged without the need to obtain prior approval from other members of the Board.

*Article 90*

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Article, a general notice to the Board by a Director to the effect that:

- (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm; or
- (b) he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him;

shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract or arrangement, PROVIDED ALWAYS THAT no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

***(ii) the Director's power to vote on remuneration (including pension or other benefits) for himself or for any other Director***

*Article 80*

Fees payable to the Directors shall from time to time be determined by the Company in general meeting and such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the meeting. Unless otherwise directed by the said ordinary resolution, such

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fees shall be divided among the Directors in such proportions and manner as they may agree and in default of agreement equally, except that if a Director has held office for part only of the period in respect of which such fees are payable, such a Director shall be entitled only to that proportion of the fees as is related to the period during which he has held office. Fees payable to non-executive directors shall be by a fixed sum and not by way of commission on or percentage of profits or turnover. Salaries payable to executive directors may not include a commission on or percentage of turnover. The Directors shall also be paid such travelling, hotel and other expenses as may reasonably be incurred by them in the execution of their duties including any such expenses incurred in connection with their attendance at meetings of Directors. If by arrangement with the other Directors any Director shall perform or render any special duties or services outside his ordinary duties as a Director, the Directors may pay him special remuneration, in addition to his ordinary remuneration, and such special remuneration may be by way of salary, commission, participation in profits or otherwise, as may be arranged

*(iii) borrowing powers exercisable by the Directors and how such borrowing powers can be varied*

*Article 86*

The Directors may borrow or raise from time to time for the purposes of the Company or secure the payment of such sums as they may think fit, and may secure the repayment or payment of any such sums by mortgage or charge upon all or any of the property or assets of the Company or by the issue of debentures or otherwise as they may think fit.

*(iv) election of Directors*

*Article 95*

- (1) An election of Directors shall take place at every annual general meeting of the Company. All Directors except any Director appointed to fill a casual vacancy pursuant to Article 96 are subject to retirement by rotation as prescribed in Article 95(2) below.
- (2) At such annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number rounded to the nearest one-third shall retire from office by rotation PROVIDED ALWAYS THAT every Director shall be subject to retirement at an annual general meeting at least once every three years.
- (3) A retiring Director shall be eligible for re-election.
- (4) A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to



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retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

*(v) the number of shares, if any, required for Director's qualification*

*Article 78*

A Director shall not be required to hold any share qualification in the Company.

**(b) Alteration to the Memorandum and Articles**

*Article 129*

No Article shall be rescinded, altered or amended and no new Article shall be made until the same has been approved by a special resolution of the Members. A special resolution shall be required to alter the provisions of the memorandum of association or to change the name of the Company and as permitted in the circumstances provided under the Singapore Companies Act.

**(c) Alterations of capital**

*Article 50*

The Company may by ordinary resolution:

- (1) consolidate and divide all or any existing shares;
- (2) sub-divide its existing shares, or any of them, in accordance with the Singapore Companies Act and listing rules of the Designated Stock Exchange and so that as between the resulting shares, one or more of such shares may by the resolution by which such subdivision is effected be given any preference or advantage as regards dividend, capital, voting or otherwise over the others or any other of such shares;
- (3) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled or, in the case of shares, without par value, diminish the number of shares into which its capital is divided; and/or
- (4) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine PROVIDED ALWAYS THAT where the Company issues shares which do not

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carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

*Article 51(a)*

The Company may, subject to and in accordance with the Statutes and any applicable rules of the Designated Stock Exchange, purchase or otherwise acquire shares in the issued share capital of the Company on such terms and in such manner as the Company may from time to time think fit. If required by the Statutes, any share which is so purchased or acquired by the Company shall, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles and the Statutes, the amount of share capital of the Company shall be reduced accordingly.

*Article 51(b)*

The Company may by special resolution reduce its share capital or other undistributable reserve in any manner authorised and subject to any conditions prescribed under the Singapore Companies Act.

**(d) Variation of rights of existing shares or classes of shares**

*Article 52*

Subject to the provisions of Section 74 of the Singapore Companies Act, all or any of the rights, privileges or conditions for the time being attached or belonging to any class of shares for the time being forming part of the share capital of the Company may from time to time be modified, affected, varied, extended or surrendered in any manner with the consent in writing of the holders who represent not less than three-fourths of the total voting rights of all the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the Members of that class. To any such separate meeting all the provisions of these Articles as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be Members of the class holding or representing by proxy one-third of the total voting rights of all the issued shares of the class, and every holder of shares of the class in question shall be entitled on a poll to one vote for every such share held by him.

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**(e) Special resolutions**

***(i) Modification of Rights of Preference Shareholders***

*Article 8*

The repayment of preference capital other than redeemable preference capital, or any other alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned; PROVIDED ALWAYS THAT where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths of the preference shares concerned within two months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

***(ii) Company May Reduce Its Capital***

*Article 51(b)*

The Company may by special resolution reduce its share capital or other undistributable reserve in any manner authorised and subject to any conditions prescribed under the Singapore Companies Act.

***(iii) Rights of Shareholders May Be Altered***

*Article 52*

Subject to the provisions of Section 74 of the Singapore Companies Act, all or any of the rights, privileges or conditions for the time being attached or belonging to any class of shares for the time being forming part of the share capital of the Company may from time to time be modified, affected, varied, extended or surrendered in any manner with the consent in writing of the holders who represent not less than three-fourths of the total voting rights of all the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the Members of that class. To any such separate meeting all the provisions of these Articles as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be Members of the class holding or representing by proxy one-third of the total voting rights of all the issued shares of the class, and every holder of shares of the class in question shall be entitled on a poll to one vote for every such share held by him.

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*(iv) Notice of Meeting*

*Article 56*

Subject to such other minimum period as may be specified in the Statutes from time to time, an annual general meeting shall be called by notice of not less than twenty-one clear days or twenty clear business days (whichever is longer) and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one clear days or ten clear business days (whichever is longer). All other extraordinary general meetings may be called by notice of not less than fourteen clear days and not less than ten clear business days (whichever is longer), PROVIDED ALWAYS THAT a general meeting notwithstanding that it has been called by a shorter notice than that specified above, shall be deemed to have been duly called if it is so agreed (a) in the case of an annual general meeting by all the Members entitled to attend and to vote thereat; and (b) in the case of an extraordinary general meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all the Members having a right to vote thereat. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the general meeting is to be held. Every notice calling a general meeting shall specify the place and the day and the hour of meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint more than one proxy to attend and vote instead of him and that a proxy need not be a Member of the Company and be given in manner hereinafter mentioned to such persons as are under the provisions of these Articles entitled to receive notices of general meetings from the Company. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen clear business days' notice of every such meeting shall be given by advertisement in the daily press and in writing to the Designated Stock Exchange, and in the case of any annual general meeting or any extraordinary general meeting at which it is proposed to pass a special resolution, at least twenty-one clear business days' notice in writing of such annual general meeting or extraordinary general meeting shall be given to the Designated Stock Exchange. For the avoidance of doubt, "business day" shall mean any day on which the Designated Stock Exchange is open for business of dealing in securities. The accidental omission to give such notice to, or the non-receipt of such notice by, any such person shall not invalidate the proceedings or any resolution passed at any such meeting.

*(v) Removal of Auditor*

*Article 120B*

The Members may, at any general meeting convened and held in accordance with these Articles, by special resolution remove the Auditor at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another Auditor in his stead for the remainder of his term.

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*(vi) Distribution in Specie*

*Article 125*

If the Company shall be wound up, the liquidators may, with the sanction of a special resolution, divide among the Members in specie any part of the assets of the Company and any such division may be otherwise than in accordance with the existing rights of the Members, but so that if any division is resolved on otherwise than in accordance with such rights the Members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to Section 306 of the Singapore Companies Act. A special resolution sanctioning a transfer or sale to another company duly passed pursuant to the said Section may in like manner authorise the distribution of any shares or other consideration receivable by the liquidators amongst the Members otherwise than in accordance with their existing rights, and any such determination shall be binding upon all the Members subject to the right of dissent and consequential rights conferred by the said Section.

*(vii) Alteration of the Memorandum and the Articles*

*Article 129*

No Article shall be rescinded, altered or amended and no new Article shall be made until the same has been approved by a special resolution of the Members. A special resolution shall be required to alter the provisions of the memorandum of association or to change the name of the Company and as permitted in the circumstances provided under the Singapore Companies Act.

**(f) Voting rights and right to demand a poll**

*Article 7*

Holders of preference shares shall have the same rights as ordinary shareholders as regards receiving notices, reports and Balance Sheets, and attending general meetings of the Company. They shall have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividends on the preference shares are in arrears more than six months.

*Article 52*

Subject to the provisions of Section 74 of the Singapore Companies Act, all or any of the rights, privileges or conditions for the time being attached or belonging to any class of shares for the time being forming part of the share capital of the Company may from time to time be modified, affected, varied, extended or surrendered in any manner with the consent in writing of the holders who represent not less than three-fourths of the total voting rights of all the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the Members of that class. To any such

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separate meeting all the provisions of these Articles as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be Members of the class holding or representing by proxy one-third of the total voting rights of all the issued shares of the class, and every holder of shares of the class in question shall be entitled on a poll to one vote for every such share held by him.

*Article 59*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. For all purposes the quorum shall be two Members personally present or represented by proxy, PROVIDED ALWAYS THAT (i) a proxy representing more than one Member shall only count as one Member for purpose of determining if the quorum aforesaid is present; and (ii) where a Member is represented by more than one proxy, such proxies of such Member shall only count as one Member for purposes of determining if the quorum aforesaid is present.

*Article 63*

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless voting by way of a poll is required by the rules of the Designated Stock Exchange or before or on the declaration of the result of the show of hands a poll is demanded by the Chairman or by any person for the time being entitled to vote at the meeting, and unless a poll is so demanded a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or carried by a particular majority, or lost, shall be conclusive, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence thereof without proof of the number or proportion of the votes recorded in favour of or against such resolutions. Notwithstanding anything contained in these Articles, where more than one proxy is appointed by a Member which is the Depositor or the clearing house (or its nominee(s)), each proxy shall have one vote on a show of hands.

*Article 65*

All questions submitted to a meeting shall be decided by a simple majority of votes except where a greater majority is required by these Articles or by the Statutes. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman shall be entitled to a second or casting vote.

*Article 66*

Subject to any rights or restrictions for the time being attached to any class or classes of shares, every Member present in person and each proxy and each attorney shall have one vote for each Share on a show of hands and on a poll, every Member present in person or by proxy shall have one vote for each share which he holds or represents. For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any general meeting on a poll, the reference

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to shares held or represented shall in relation to shares of the Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of relevant general meeting (the “cut-off time”) as certified by the Depository or a clearing house (as the case may be) to the Company.

*Article 67*

On a poll a Member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

*Article 71*

- (1) A Member, if he holds more than one share, may appoint one or more than one proxy to attend and vote at the same general meeting, PROVIDED ALWAYS THAT if the Member is a Depositor, the Company shall be:
  - (i) entitled to reject any instrument of proxy lodged if the person first named in that instrument, being the Depositor, is not shown in the records of the Depository as at the cut-off time certified by the Depository to the Company, to have any shares credited to a Securities Account; and
  - (ii) bound to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares credited to the Securities Account of the relevant Depositor, as shown in the records of the Depository as at the cut-off time, certified by the Depository to the Company, whether that number is greater or smaller than the number so specified.
- (2) Where the Member appoints more than one proxy to attend and vote at the same general meeting he shall specify on each instrument of proxy the number of shares in respect of which the appointment is made, failing which, the appointment shall be deemed to be in the alternative.
- (3) The instruments of proxy shall be in any common form or in such other form as the Board may approve (PROVIDED ALWAYS THAT this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting.
- (4) No instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the Depositor’s shareholding specified in the instrument of proxy, or where the same has been apportioned to more than one proxy, the aggregate of the proportions of the Depositor’s shareholding they are specified to represent, and the true balance standing to the Securities Account of the Depositor as appears on the Depository Register forty-eight hours before the general meeting.
- (5) A proxy or representative need not be a Member.

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- (6) The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- (7) The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

**(g) Requirements for annual general meetings / extraordinary general meeting**

*Article 53*

Subject to the Statutes, an annual general meeting of the Company shall be held once in every calendar year, at such time and place as may be determined by the Directors, but so that not more than fifteen months shall be allowed to elapse between any two such annual general meetings and the interval between the close of the Company's financial year and the date of the Company's forthcoming annual general meeting shall not be more than four months.

*Article 55*

The Directors may call an extraordinary general meeting whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an extraordinary general meeting.

**(h) Accounts and audit**

*Article 117*

The Directors shall cause proper accounts to be kept:-

- (1) of the property, assets, credits and liabilities of the Company;
- (2) of all sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditures take place;
- (3) of all sales and purchases by the Company; and
- (4) of all other matters required by the Statutes or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The books of account shall be kept at the Office, or at such other place as the Directors shall think fit, and shall always be open to the inspection of the Directors.



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*Article 118*

The Directors shall from time to time determine whether in any particular case or class of cases, or generally, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them shall be open to the inspection of Members, and no Member (not being a Director) shall have any rights of inspecting any account or book or document of the Company, except as conferred by the Statutes or authorised by the Directors or by a resolution of the Company in general meeting.

*Article 119*

Subject to Article 120, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditors' report, shall be sent to each person entitled thereto at least twenty-one days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting held in accordance with Article 53 PROVIDED ALWAYS THAT this Article shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures.

*Article 119A*

Subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Article 119 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes, summarised financial statements derived from the Company's annual accounts and the directors' report which shall be in the form and containing the information required by applicable laws and regulations, PROVIDED ALWAYS THAT any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

*Article 119B*

The requirement to send to a person referred to in Article 119 the documents referred to in that article or a summary financial report in accordance with Article 119A shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, the Company publishes copies of the documents referred to in Article 119 and, if applicable, a summary financial report complying with Article 119A, on the

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Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents.

*Article 120*

Subject to the provisions of the Statutes, once at least in every year the accounts of the Company shall be examined, and the correctness of the profit and loss account and balance sheet ascertained by one or more Auditor or Auditors, and the provisions of Sections 205, 206, 207, 208 and 209 of the Singapore Companies Act and any modification or re-enactment thereof for the time being in force in regard to audit and Auditors shall be observed.

**(i) Notices of meetings and business to be conducted thereat**

*Article 56*

Subject to such other minimum period as may be specified in the Statutes from time to time, an annual general meeting shall be called by notice of not less than twenty-one clear days or twenty clear business days (whichever is longer) and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one clear days or ten clear business days (whichever is longer). All other extraordinary general meetings may be called by notice of not less than fourteen clear days and not less than ten clear business days (whichever is longer), PROVIDED ALWAYS THAT a general meeting notwithstanding that it has been called by a shorter notice than that specified above, shall be deemed to have been duly called if it is so agreed (a) in the case of an annual general meeting by all the Members entitled to attend and to vote thereat; and (b) in the case of an extraordinary general meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all the Members having a right to vote thereat. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the general meeting is to be held. Every notice calling a general meeting shall specify the place and the day and the hour of meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint more than one proxy to attend and vote instead of him and that a proxy need not be a Member of the Company and be given in manner hereinafter mentioned to such persons as are under the provisions of these Articles entitled to receive notices of general meetings from the Company. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen clear business days' notice of every such meeting shall be given by advertisement in the daily press and in writing to the Designated Stock Exchange, and in the case of any annual general meeting or any extraordinary general meeting at which it is proposed to pass a special resolution, at least twenty-one clear business days' notice in writing of such annual general meeting or extraordinary general meeting shall be given

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to the Designated Stock Exchange. For the avoidance of doubt, “business day” shall mean any day on which the Designated Stock Exchange is open for business of dealing in securities. The accidental omission to give such notice to, or the non-receipt of such notice by, any such person shall not invalidate the proceedings or any resolution passed at any such meeting.

**(j) Transfer of shares**

*Article 28*

There shall be no restriction on the transfer of fully paid up shares (except where required by law or, the rules, bye-laws or listing rules of the Designated Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve, PROVIDED ALWAYS THAT in the event of the Directors refusing to register a transfer of shares, they shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) beginning with the day on which the application for such transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

*Article 28A*

Subject to and in accordance with the Statutes and any applicable rules of the Designated Stock Exchange and unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the Register shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the Register, at the Office or such other place at which the Register is kept in accordance with the Statutes.

*Article 29*

Every transfer shall be in writing in the form approved by the Directors and by the Designated Stock Exchange. Every instrument of transfer must be in respect of only one class of shares and must be duly stamped in accordance with any applicable law for the time being in force relating to stamp duty and shall be left at the Office accompanied by the certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer.

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*Article 30*

The instrument of transfer of any share shall be executed by or on behalf of both the transferor and the transferee and be witnessed, PROVIDED ALWAYS THAT an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository, or if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors approve from time to time. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

*Article 32*

The Directors may decline to register any transfer unless all the preceding requirements are fully complied with. All instruments of transfer which are registered may be retained by the Company.

*Article 33*

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine; PROVIDED ALWAYS THAT such registration shall not be suspended for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, to the Designated Stock Exchange, stating the period and purpose or purposes for which such closure is made.

**(k) Power for our Company to purchase our own shares**

*Article 6B*

Except as allowed by the Statutes and subject further to compliance with the rules and regulations of the Designated Stock Exchange and any other relevant regulatory authority the Company shall not give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

**(l) Power of any subsidiary to own securities in our Company**

There are no provisions in the Articles relating to ownership of securities in our Company by a subsidiary.

**(m) Dividends and other methods of distribution**

*Article 110*

Subject to any preferential or other special rights for the time being attached to any special class of shares and except as otherwise permitted under the Statutes, the profits of the Company which it shall from time to time determine to distribute by way of dividend shall be applied in payment of

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dividends upon the shares of the Company in proportion to the number of shares held by a Member but where shares are partly paid, all dividends must be apportioned and paid proportionately to the amounts paid up or credited as paid on the partly paid shares thereon respectively otherwise than in advance of calls.

*Article 111*

The Directors may, with the sanction of a general meeting, from time to time declare dividends, but no such dividend shall be payable except out of the profits of the Company. The Directors may, if they think fit, from time to time declare and pay to the Members such interim dividends as appear to them to be justified by the position of the Company, and may also from time to time if in their opinion such payment is so justified, pay any preferential dividends which by the terms of issue of any shares are made payable on fixed dates. No higher dividend shall be paid than is recommended by the Directors, and the declaration of the Directors as to the amount of the net profits shall be conclusive.

*Article 112*

The Directors may deduct from any dividend payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

*Article 113*

Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

*Article 114*

The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves, which shall at the discretion of the Directors be applicable for meeting contingencies, or for repairing or maintaining any works connected with the business of the Company, or for equalising dividends, or for distribution by way of special dividend or bonus, or may be applied for such other purposes for which the profits of the Company may lawfully be applied as the Directors may think expedient in the interests of the Company, and pending such application the Directors may employ the sums from time to time so set

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apart as aforesaid in the business of the Company or invest the same in such securities, other than the shares of the Company, as they may select. The Directors may also from time to time carry forward such sums as they may deem expedient in the interests of the Company. In carrying such sums to reserve and in applying the same, the Directors shall comply with the provisions of the Statutes.

*Article 115*

Every dividend warrant may, unless otherwise directed, be sent by post to the last registered address of the Member entitled thereto, and the receipt of the person, whose name at the date of the declaration of the dividend appears on the Register of Members as the owner of any share or, in the case of joint holders, of any one of such joint holders, shall be a good discharge to the Company for all payments made in respect of such share. No unpaid dividend or interest shall bear interest as against the Company.

*Article 115A*

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

**(n) Proxies**

*Article 71*

- (1) A Member, if he holds more than one share, may appoint one or more than one proxy to attend and vote at the same general meeting, PROVIDED ALWAYS THAT if the Member is a Depositor, the Company shall be:
  - (i) entitled to reject any instrument of proxy lodged if the person first named in that instrument, being the Depositor, is not shown in the records of the Depository as at the cut-off time certified by the Depository to the Company, to have any shares credited to a Securities Account; and
  - (ii) bound to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares credited to the Securities Account of the relevant Depositor, as shown in the records of the Depository as at the cut-off time, certified by the Depository to the Company, whether that number is greater or smaller than the number so specified.
- (2) Where the Member appoints more than one proxy to attend and vote at the same general meeting he shall specify on each instrument of proxy the number of shares in respect of which the appointment is made, failing which, the appointment shall be deemed to be in the alternative.

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- (3) The instruments of proxy shall be in any common form or in such other form as the Board may approve (PROVIDED ALWAYS THAT this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting.
- (4) No instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the Depositor's shareholding specified in the instrument of proxy, or where the same has been apportioned to more than one proxy, the aggregate of the proportions of the Depositor's shareholding they are specified to represent, and the true balance standing to the Securities Account of the Depositor as appears on the Depository Register forty-eight hours before the general meeting.
- (5) A proxy or representative need not be a Member.
- (6) The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- (7) The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

*Article 72*

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority shall be deposited at the Office or Registration Office not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

*Article 73*

An instrument appointing a proxy or representative shall be in writing in the common form or any other form approved by the Directors and:

- (a) in the case of an individual, shall be signed by the appointor or by his attorney; and
- (b) in the case of a corporation, shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

*Article 74*

In the event that forms of proxy are sent to Members of the Company together with any notice of meeting, the accidental omission to include the form of proxy to, or the non-receipt of such form of proxy by any person entitled to receive a notice of meeting shall not invalidate any resolution passed or any proceeding at any such meeting.

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**(o) Corporate representatives**

*Article 75*

Any corporation which is a Member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company, and such corporation shall for the purposes of these Articles (but subject to the Singapore Companies Act) be deemed to be present in person at any such meeting if a person so authorised is present thereat

**(p) Calls on shares and forfeiture of shares**

*Article 20*

The Directors may, subject to the provisions of these Articles, from time to time make such calls upon the Members in respect of all moneys unpaid on their shares as they think fit; PROVIDED ALWAYS THAT fourteen days' notice at least is given of each call and each Member shall be liable to pay the amount of every call so made upon him to the persons, by the instalments (if any) and at the times and places appointed by the Directors. A call may be revoked or postponed as the Directors may determine.

*Article 21*

A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.

*Article 22*

The joint holders of a share shall be jointly and severally liable to pay all calls and instalments in respect thereof.

*Article 23*

If before or on the day appointed for payment thereof a call or instalment payable in respect of a share is not paid, the person from whom the same is due shall pay interest on the amount of the call or instalment at such rate as the Directors shall fix from the day appointed for payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part.

*Article 24*

Any Member may pay to the Company and the Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the monies for the time being remaining uncalled on his shares but the monies so paid in advance shall not, whilst carrying interest, confer a right to participate in the profits of the Company.



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*Article 25*

In respect of any monies paid in advance of any call, or so much thereof as exceeds the amount for the time being called up on the shares in respect of which such advance has been made, the Directors may pay or allow such interest as may be agreed between them and such Member, in addition to the dividend payable upon such part of the share in respect of which such advance has been made as is actually called up.

*Article 26*

Any sum which by the terms of allotment of a share is made payable upon allotment or at any fixed date, on account of the amount of the share, shall, for all purposes of these Articles, be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all the relevant provisions of these Articles, shall apply as if such sum were a call duly made and notified as hereby provided.

*Article 27*

The Directors may, from time to time, make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls.

*Article 36*

If any Member fails to pay the whole or any part of any call or instalment of a call on or before the day appointed for the payment thereof, the Directors may at any time thereafter, during such time as the call or instalment or any part thereof remains unpaid, serve a notice on him or on the person entitled to the share by transmission requiring him to pay such call or instalment or such part thereof as remains unpaid, together with interest at such rate as the Directors shall determine, and any expenses that may have accrued by reason of such non-payment.

*Article 37*

The notice shall name a further day (not earlier than the expiration of seven days from the date of the notice) on or before which such call or instalment, or such part as aforesaid, and all interest and expenses that have accrued by reason of such non-payment, are to be paid. It shall also name the place where payment is to be made, and shall state that, in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made will be liable to be forfeited.

*Article 38*

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. A forfeiture of shares shall include all dividends in respect of the shares not actually paid before the forfeiture notwithstanding that they shall have been declared.

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*Article 39*

When any share has been forfeited in accordance with these Articles, notice of the forfeiture shall forthwith be given to the holder of the share or to the person entitled to the share by transmission, as the case may be, and an entry of such notice having been given and of the forfeiture with the date thereof, shall forthwith be made in the Register of Members opposite to the shares; but the provisions of this Article are directory only, and no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

*Article 40*

Notwithstanding any such forfeiture as aforesaid the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit to impose.

*Article 41*

Every share which shall be forfeited may be sold, re-allotted or otherwise disposed of, either to the person who was before forfeiture the holder thereof or entitled thereto, or to any other person upon such terms and in such manner as the Directors shall think fit, and the Directors may, if necessary, authorise some person to transfer the same to such other person as aforesaid.

*Article 42*

A shareholder whose shares have been forfeited shall, notwithstanding such forfeiture, be liable to pay to the Company all calls made and not paid on such shares at the time of forfeiture, and interest thereon to the date of payment, in the same manner in all respects as if the shares had not been forfeited, and to satisfy all (if any) the claims and demands which the Company might have enforced in respect of the shares at the time of forfeiture, without any deduction of allowance for the value of the shares at the time of forfeiture.

*Article 43*

The forfeiture of a share shall involve the extinction at the time of forfeiture of all interests in and all claims and demands against the Company in respect of the share and all other rights and liabilities incidental to the share as between the shareholder whose share is forfeited and the Company, except only such of those rights and liabilities as are by these Articles expressly saved or as are by the Statutes given or imposed in the case of past Members.

*Article 44*

A statutory declaration in writing that the declarant is a Director of the Company and that a share has been duly forfeited in pursuance of these Articles and stating the date upon which it was forfeited shall, as against all persons claiming to be entitled to the share adversely to the forfeiture thereof, be

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conclusive evidence of the facts therein stated, and such declaration, together with the receipt of the Company for the consideration (if any) given for the share on the sale or disposition thereof, and a certificate of proprietorship of the share under the Seal delivered to the person to whom the same is sold or disposed of, shall constitute a good title to the share, and (subject to the execution of any necessary transfer) such person shall be registered as the holder of the share and shall be discharged from all calls made prior to such sale or disposition, and shall not be bound to see to application of the purchase money (if any) nor shall his title to the share be affected by any act, omission or irregularity relating to or connected with the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the share.

**(q) Inspection of register of members**

*Article 75B*

- (1) The Company shall keep in one or more books a Register of its Members and shall enter therein the following particulars, that is to say:
  - (a) the name and address of each Member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;
  - (b) the date on which each person was entered in the Register; and
  - (c) the date on which any person ceased to be a Member.
- (2) The Company may keep an overseas or local or other branch register of Members resident in any place, and the Board may make and vary such regulations as it determines necessary, desirable or expedient in respect of the keeping of any such register and maintaining a Registration Office in connection therewith.

*Article 75C*

The Register and branch register of Members, as the case may be, shall be open to inspection for at least two (2) hours on every business day by Members without charge or by any other person, upon a maximum payment of \$2.50 or such lesser sum specified by the Board, at the Office or such other place at which the Register is kept in accordance with the Statutes or, if appropriate, upon a maximum payment of \$1.00 or such lesser sum specified by the Board at the Registration Office. The Register including any overseas or local or other branch register of Members may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.

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**(r) Inspection of register of Directors**

There are no provisions in the Articles relating to inspection of register of Directors

**(s) Quorum for meetings and separate class meetings**

*Article 59*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. For all purposes the quorum shall be two Members personally present or represented by proxy, PROVIDED ALWAYS THAT (i) a proxy representing more than one Member shall only count as one Member for purpose of determining if the quorum aforesaid is present; and (ii) where a Member is represented by more than one proxy, such proxies of such Member shall only count as one Member for purposes of determining if the quorum aforesaid is present.

*Article 60*

If within half an hour from the time appointed for the holding of a general meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint, and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the Members present shall be a quorum.

*Article 62*

The Chairman may, with the consent of any meeting at which a quorum is present and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned for ten days or more, notice of the adjourned meeting shall be given in the same manner as in the case of an original meeting. Save as aforesaid, no Member shall be entitled to any notice of any adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

*Article 100*

The Directors may meet together for the despatch of business adjourn, and otherwise regulate their meetings, as they think fit. The quorum necessary for the transaction of business may be fixed by the Directors, and unless so fixed shall be two. Questions arising at any meeting shall be decided by a simple majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote except when only two Directors are present and form a quorum or only two are competent to vote on the question at issue.

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*Article 104*

A Committee may meet and adjourn as its members think proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in case of an equality of votes, the Chairman shall have a second or casting vote except when only two members are present and form a quorum or only two are competent to vote on the question at issue.

*Article 106*

- (1) A resolution in writing signed or approved by letter, telex or facsimile or by any electronic communication by a majority of the Directors shall (PROVIDED ALWAYS THAT such number is sufficient to constitute a quorum and further provided that a copy of such resolution has been given or the contents thereof communicated to all the Directors for the time being entitled to receive notices of Board meetings in the same manner as notices of meetings are required to be given by these Articles) be as effective for all purposes as a resolution passed at a meeting of the Directors duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in like form each signed by one or more of the Directors or alternate Directors and for this purpose a facsimile signature of a Director or an alternate Director shall be treated as valid.
- (2) The meetings of Directors may be conducted by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means PROVIDED ALWAYS THAT, save for meetings which are convened for urgent or emergency matters, a majority of the Directors attending such a meeting shall be present at one place where such a meeting is held by means of telephone conference. The minutes of such a meeting signed by the Chairman shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.

**(t) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of the minorities in relation to fraud or oppression.

**(u) Procedures on liquidation**

*Article 125*

If the Company shall be wound up, the liquidators may, with the sanction of a special resolution, divide among the Members in specie any part of the assets of the Company and any such division may be otherwise than in accordance with the existing rights of the Members, but so that if any division is resolved on otherwise than in accordance with such rights the Members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to Section 306 of the Singapore Companies Act. A special resolution sanctioning a transfer or sale to another company duly passed pursuant to the said Section may in like manner authorise the

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distribution of any shares or other consideration receivable by the liquidators amongst the Members otherwise than in accordance with their existing rights, and any such determination shall be binding upon all the Members subject to the right of dissent and consequential rights conferred by the said Section.

*Article 125A*

The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.

*Article 126*

If the Company shall be wound up voluntarily, no commission or fee shall be paid to the liquidator unless it shall have been ratified by Members of the Company in a general meeting. The amount of such payment shall be notified to all shareholders at least seven days prior to the meeting at which it is to be considered.

**(v) Stock**

*Article 45*

The Company may by ordinary resolution passed at a general meeting convert any paid up shares into stock and reconvert any stock into paid up shares.

*Article 46*

The holders of stock may transfer the same or any part thereof in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit; but the Directors may from time to time fix the minimum number of stock units transferable and restrict or forbid the transfer of fractions of that minimum.

*Article 47*

The holders of stock shall according to the number of the stock units held by them have the same rights privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such number of stock units which would not if existing in shares have conferred that privilege or advantage.

*Article 48*

Such of the regulations of the Company as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” therein shall include “stock” and stockholder”.

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**(w) Other provisions**

*Indemnity*

*Article 127*

Subject to the provisions of and so far as may be permitted by the Statutes, every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all expenses, charges, cost, damages, claims, proceedings, losses or liabilities whatsoever which he may sustain or incur in or about the execution and discharge of the duties of his office or otherwise in relation thereto including any liability by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgment is given in his favour (or the proceedings otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the court. Without prejudice to the generality of the foregoing, no Director, Manager, Secretary or other officer of the Company shall be liable for the acts, receipts, neglect or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatsoever which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto unless the same shall happen through his own negligence, wilful default, breach of duty or breach of trust.

**3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION**

*Article 129*

No Article shall be rescinded, altered or amended and no new Article shall be made until the same has been approved by a special resolution of the Members. A special resolution shall be required to alter the provisions of the memorandum of association or to change the name of the Company and as permitted in the circumstances provided under the Singapore Companies Act.

**4. SINGAPORE COMPANY LAW**

The following summarizes the salient provisions of the laws of Singapore as at the date of this document. The summaries below are for general guidance only and do not constitute legal advice, nor must they be used as a substitute for, or specific legal advice, on the corporate law of Singapore. The summaries below are not meant to be a comprehensive or exhaustive description of all the obligations, rights and privileges of Shareholders imposed or conferred by the corporate laws of Singapore. In

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addition, prospective investors and/or Shareholders should also note that the laws applicable to Shareholders may change, whether as a result of proposed legislative reforms to the Singapore laws or otherwise. Prospective investors and/or Shareholders should consult their own legal advisors for specific legal advice concerning their legal obligations under the relevant laws.

Prospective investors and/or Shareholders can access the full text of the relevant Singapore legislations cited in the summaries below via the weblinks listed in Appendix VII to this document.

### CORPORATE LAW OF SINGAPORE

#### 1. REPORTING OBLIGATIONS OF SHAREHOLDERS

##### 1.1 Obligation to notify Company of substantial shareholding and change in Substantial shareholding

*Section 81 of the Companies Act (Chapter 50) of Singapore (the “Singapore Companies Act”)*

A person has a substantial shareholding in a company if he has an interest or interests in one or more voting shares in the company, and the total votes attached to that share, or those shares, is not less than 5 per cent of the total votes attached to all the voting shares in the company.

*Section 82 of the Singapore Companies Act*

A substantial shareholder of a company is required to notify the company of his interests in the voting shares in the company within two business days after becoming a substantial shareholder.

*Sections 83 and 84 of the Singapore Companies Act*

A substantial shareholder is required to notify the company of changes in the percentage level of his shareholding or his ceasing to be a substantial shareholder, within two business days after he is aware of such changes.

The reference to changes in “percentage level” means any changes in a substantial shareholder’s interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1% threshold.

For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

##### 1.2 Consequences of non-compliance

*Section 89 of the Singapore Companies Act*

Section 89 of the Companies Act provides for the consequences of non-compliance with sections 82, 83 and 84. Under section 89, a person who fails to comply shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and in the case of a continuing offence to a further fine of S\$500 for every day during which the offence continues after conviction.



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### *Section 90 of the Singapore Companies Act*

Section 90 provides for a defence to a prosecution for failing to comply with sections 82, 83 or 84. It is a defence if the defendant proves that his failure was due to his not being aware of a fact or occurrence the existence of which was necessary to constitute the offence and that he was not so aware on the date of the summons; or he became so aware less than 7 days before the date of the summons. However, a person will conclusively be presumed to have been aware of a fact or occurrence at a particular time (a) of which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware at that time; or (b) of which an employee or agent of the person, being an employee or agent having duties or acting in relation to his master's or principal's interest or interests in a share or shares in the company concerned, was aware or would, if he had acted with reasonable diligence in the conduct of his master's or principal's affairs, have been aware at that time.

### **1.3 Powers of the court with respect to defaulting substantial shareholders**

#### *Section 91 of the Singapore Companies Act*

Under section 91 of the Companies Act, where a substantial shareholder fails to comply with sections 82, 83 or 84, the Court may, on the application of the Minister, whether or not the failure still continues, make one of the following orders:

- (a) an order restraining the substantial shareholder from disposing of any interest in shares in the company in which he is or has been a substantial shareholder;
- (b) an order restraining a person who is, or is entitled to be registered as, the holder of shares referred to in paragraph (a) from disposing of any interest in those shares;
- (c) an order restraining the exercise of any voting or other rights attached to any share in the company in which the substantial shareholder has or has had an interest;
- (d) an order directing the company not to make payment, or to defer making payment, of any sum due from the company in respect of any share in which the substantial shareholder has or has had an interest;
- (e) an order directing the sale of all or any of the shares in the company in which the substantial shareholder has or has had an interest;
- (f) an order directing the company not to register the transfer or transmission of specified shares;
- (g) an order that any exercise of the voting or other rights attached to specified shares in the company in which the substantial shareholder has or has had an interest be disregarded;
- (h) for the purposes of securing compliance with any other order made under this section, an order directing the company or any other person to do or refrain from doing a specified act.

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Any order made under this section may include such ancillary or consequential provisions as the Court thinks just.

The Court shall not make an order other than an order restraining the exercise of voting rights, if it is satisfied (a) that the failure of the substantial shareholder to comply was due to his inadvertence or mistake or to his not being aware of a relevant fact or occurrence; and (b) that in all the circumstances, the failure ought to be excused.

Any person who contravenes or fails to comply with an order made under this section that is applicable to him shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and, in the case of a continuing offence, to a further fine of S\$500 for every day during which the offence continues after conviction.

### **1.4 Obligation to notify the SGX-ST of substantial shareholding and change in substantial shareholding**

*Section 137(1) of the Securities and Futures Act (“SFA”)*

A substantial shareholder is also required under section 137(1) of the SFA to give the above notifications to the SGX-ST, when the shareholder becoming a substantial shareholder, changes to the percentage level of his substantial shareholding, or his ceasing to be a substantial shareholder. Any person who fails to comply with section 137(1) is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$25,000 and, in the case of a continuing offence, to a further fine of S\$2,500 for every day or part thereof during which the offence continues after conviction.

### **1.5 Duty not to furnish false statements to securities exchange, futures exchange, designated clearing house and Securities Industry Council**

*Section 330 of the SFA*

Under section 330 of the SFA, any person who, with intent to deceive, makes or furnishes, or knowingly and wilfully authorizes or permits the making or furnishing of, any false or misleading statement or report to a securities exchange, futures exchange, designated clearing house or any officers thereof relating to, *inter alia*, dealing in securities shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 2 years or to both. Section 330 further provides that any person who, with intent to deceive, makes or furnishes or knowingly and wilfully authorizes or permits the making or furnishing of, any false or misleading statement or report to the Securities Industry Council or any of its officers, relating to any matter or thing required by the Securities Industry Council in the exercise of its functions under the SFA shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 2 years or to both.

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### 1.6 Obligation to disclose beneficial interest in the voting shares of the company

#### *Section 92 of the Singapore Companies Act*

Section 92 of the Companies Act provides that a company which has all of its shares listed on a stock exchange in Singapore may by notice in writing require any member within such reasonable time to inform it whether the member holds the voting shares in the company as beneficial owner or trustee, and in the latter, who the beneficiaries are. If the member discloses that he is holding the shares on trust for another party, the company may by notice in writing additionally require the other party within such reasonable time to inform it whether the other party holds the interests as beneficial owner or as trustee and if the latter, for whom. A listed company also has the right to require the member to inform it of any voting agreement that he may have in relation to the shares held by him.

### 1.7 Consequences of non-compliance

#### *Section 92 of the Singapore Companies Act*

Under section 92(6) and 92(7), the failure to comply with a notice requiring disclosure of information is an offence, unless it can be shown that the information was already in the possession of the company or that the requirement to give it was frivolous or vexatious. A person who deliberately or recklessly makes a statement that is false in a material particular in compliance to a request for information under section 92 is also guilty of an offence, and shall be liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 2 years.

### 1.8 Securities and Futures (Amendment) Act 2009

The Securities and Futures (Amendment) Act 2009 (“**Amendment Act**”) has, *inter alia*, migrated all the disclosure obligations in the Singapore Companies Act into the SFA and has also introduced new disclosure requirements, for example, the requirement for foreign incorporated companies which have a primary listing on the SGX-ST to comply with the disclosure obligations in the SFA. The new amendments to the SFA would also expand the current scope of disclosure obligations. The Amendment Act was passed by the Singapore parliament on January 19, 2009 but the said amendments on the disclosure obligations have not come into force.

A summary of the relevant amendments to the SFA under the Amendment Act with regard to disclosure by substantial shareholders and directors are as follows:

- (i) Consolidated disclosure obligations of substantial shareholders, directors and chief executive officer (“**CEO**”) to be complied with by a corporation not incorporated in Singapore with a primary listing on the SGX-ST and by a Singapore incorporated company listed on the SGX-ST.

Under the Amendment Act, a corporation refers to a company incorporated in Singapore listed on the SGX-ST, or a corporation (not incorporated in Singapore) having a primary listing on the SGX-ST.

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## APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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Under the Amendment Act, the disclosure obligations currently under the SFA and the Companies Act have been consolidated and inserted into the SFA. Further, substantial shareholders, directors and the CEO of a corporation would need to comply with the disclosure requirements under the Amendment Act.

(ii) *Obligation to Disclose and Timing of Disclosure*

Under the Amendment Act, substantial shareholders, directors and the CEO would only need to disclose their interest in shares to the Corporation, within 2 business days after they are aware (acting with reasonable diligence in the conduct of his affairs) of the change which requires disclosure.

The Amendment Act further introduces disclosure requirements for the beneficial owner of voting shares (“**Beneficial Owner**”) to ensure notification by the person who holds, acquires or disposes interests of shares on his behalf, and disclosure requirements for the person who holds voting shares in which the Beneficial Owner has an interest, to notify the Beneficial Owner after acquiring or disposing of the shares in accordance with the instructions of the Beneficial Owner.

The corporation then has the obligation to announce and disclose the information provided by the substantial shareholder, director or CEO as soon as practicable and in any case, not later than the end of the business day following the day on which the corporation receives the notice.

(iii) *Disclosure obligations of directors to include disclosure by a CEO*

The Amendment Act also expands the categories of persons to whom the disclosure requirements apply to include the CEO. A person whom, irrespective of his title, is principally responsible for the management and conduct of the business of the listed company also falls within the definition of CEO.

(iv) *Criminal liability*

In addition to the migration of the criminal liability applicable for contravention of disclosure obligations of substantial shareholders and directors under the Singapore Companies Act to the SFA, the Amendment Act introduces new provisions for criminal liability for substantial shareholders, directors or a CEO who (i) intentionally or recklessly breaches their disclosure obligations, or (ii) furnishes information which he knows is false or misleading in a material particular or is reckless as to whether it is.

(v) *Civil liability*

The Amendment Act introduces new provisions which allow the Monetary Authority of Singapore to bring an action in court against a person to seek an order for a civil penalty if the person has, *inter alia*, contravened the provisions on disclosure obligations for substantial shareholders, directors (including a CEO) and a corporation, or furnished, announced or disseminated any information which he knows is false or misleading.

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**2.    PROHIBITED CONDUCT IN RELATION TO TRADING IN THE SECURITIES OF THE  
COMPANY**

**2.1   Prohibitions against false trading and market manipulation**

*Section 197 of the SFA*

Section 197 of the SFA prohibits (i) the creation of a false or misleading appearance of active trading in any securities on a securities exchange; (ii) the creation of a false or misleading appearance with respect to the market for, or price of, any securities on a securities exchange; (iii) affecting the price of securities by way of purchases or sales which do not involve a change in the beneficial ownership of those securities; and (iv) affecting the price of securities by means of any fictitious transactions or devices.

Under section 197(3), a person is deemed to have created a false or misleading appearance of active trading in securities on a securities market if he does any of the following acts:

- (i) if he effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction of purchase or sale of any securities, which does not involve any change in the beneficial ownership of the securities;
- (ii) if he makes or causes to be made an offer to sell any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price; or
- (iii) if he makes or causes to be made an offer to purchase any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price,

unless he establishes that the purpose or purposes for which he did the act was not, or did not include, the purpose of creating a false or misleading appearance of active trading in securities on a securities market.

Section 197(5) provides that a purchase or sale of securities does not involve a change in the beneficial ownership if a person who had an interest in the securities before the purchase or sale, or a person associated with the first-mentioned person in relation to those securities, has an interest in the securities after the purchase or sale.

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Section 197(6) provides a defence to proceedings against a person in relation to a purchase or sale of securities that did not involve a change in the beneficial ownership of those securities. It is a defence if the defendant establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, securities.

### **2.2 Prohibition against securities market manipulation**

#### *Section 198 of the SFA*

Under section 198(1) of the SFA, no person shall carry out directly or indirectly, 2 or more transactions in securities of a corporation, being transactions that have, or likely to have, the effect of raising, lowering, maintaining or stabilizing the price of the securities with intent to induce other persons to purchase them. Section 198(2) provides that transactions in securities of a corporation includes (i) the making of an offer to purchase or sell such securities of the corporation; and (ii) the making of an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such securities of the corporation.

### **2.3 Prohibition against the manipulation of the market price of securities by the dissemination of misleading information**

#### *Sections 199 and 202 of the SFA*

Section 199 of the SFA prohibits the making of false or misleading statements. Under this provision, a person shall not make a statement, or disseminate information, that is false or misleading in a material particular and is likely (a) to induce other persons to subscribe for securities; (b) to induce the sale or purchase of securities by other persons; or (c) to have the effect of raising, lowering, maintaining or stabilizing the market price of securities, if, when he makes the statement or disseminates the information, he either does not care whether the statement or information is true or false, or knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

Section 202 of the SFA prohibits the dissemination of information about illegal transactions. This provision prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will rise, fall or be maintained by reason of transactions entered into in contravention of sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements (i) is the person who entered into the illegal transaction; or (ii) is associated with the person who entered into the illegal transaction; or (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

#### **2.4 Prohibition against fraudulently inducing persons to deal in securities**

*Section 200 of the SFA*

Section 200 of the SFA prohibits a person from inducing or attempting to induce another person to deal in securities, (a) by making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive; (b) by any dishonest concealment of material facts; (c) by the reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or (d) by recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular, unless it is established that, at the time when the defendant so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to any other person.

#### **2.5 Prohibition against employment of manipulative and deceptive devices**

*Section 201 of the SFA*

Section 201 of the SFA prohibits (i) the employment of any device, scheme or artifice to defraud; (ii) engaging in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person; and (iii) making any untrue statement of a material fact or omitting to state a material fact necessary to make statements made not misleading, in connection with the subscription, purchase or sale of any securities.

#### **2.6 Prohibition against the dissemination of information about illegal transactions**

*Section 202 of the SFA*

Section 202 of the SFA prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will rise, fall or be maintained by reason of any transaction entered into or to be entered into in contravention of sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements (i) is the person who entered into the illegal transaction; or (ii) is associated with the person who entered into the illegal transaction; or (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

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**3.    PROHIBITION AGAINST INSIDER TRADING**

*Sections 218 and 219 of the SFA*

Sections 218 and 219 of the SFA prohibit persons from dealing in securities of a corporation if person knows or reasonably ought to know that he is in possession of information that is not generally available, which is expected to have a material effect on the price or value of securities of that corporation. Such persons include substantial shareholders of a corporation or a related corporation, and persons who occupy a position reasonably expected to give him access to inside information by virtue of professional or business relationship by being an officer or a substantial shareholder of the corporation or a related corporation, or any other person in possession of inside information. For an alleged contravention of section 218 or 219, section 220 makes it clear that it is not necessary for the prosecution or plaintiff to prove that the accused person or defendant intended to use the information referred to in section 218(1)(a) or (1A)(a) or 219(1)(a) in contravention of section 218 or 219, as the case may be.

*Section 216 of the SFA*

Section 216 sets out when a reasonable person would be taken to expect information to have a material effect on the price or value of securities. Section 216 provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

**3.1 Penalties**

*Section 232 of the SFA*

Section 232 of the SFA provides that the Monetary Authority of Singapore may, with the consent of the Public Prosecutor, bring an action in a court against the offender to seek an order for a civil penalty in respect of any contravention. If the court is satisfied on the balance of probabilities that the contravention resulted in the gain of a profit or avoidance of a loss by the offender, the offender may have to pay a civil penalty of a sum (a) not exceeding 3 times the amount of the profit that the person gained; or the amount of the loss that he avoided, as a result of the contravention; or (b) equal to S\$50,000 if the person is not a corporation, or S\$100,000 if the person is a corporation, whichever is the greater. If the court is satisfied on a balance of probabilities that the contravention did not result in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum not less than S\$50,000 and not more than S\$2 million.



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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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### *Section 204 of the SFA*

Any person who contravenes sections 197, 198, 199, 200, 201, 202 or 203 of the SFA is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both under section 204 of the SFA. Section 204 further provides that no proceedings shall be instituted against a person for the offence after a court has made an order against him for the payment of a civil penalty under section 232 of the SFA in respect of the contravention.

### *Section 221 of the SFA*

Any person who contravenes section 218 or 219 of the SFA, is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both under section 221 of the SFA. Section 221 further provides that no proceedings shall be instituted against a person for an offence in respect of a contravention of section 218 or 219 after a court has made an order against him for the payment of a civil penalty under section 232 of the SFA in respect of that contravention.

## **4. TAKEOVER OBLIGATIONS**

### **4.1 Offences and obligations relating to takeovers**

#### *Section 140 of the SFA*

Section 140 of the SFA provides that a person shall not give notice or publicly announce that he intends to make a take-over offer if (a) he has no intention to make a take-over offer; or (b) he has no reasonable or probable grounds for believing that he will be able to perform his obligations if the take-over offer is accepted or approved, as the case may be. A person who contravenes section 140 is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both.

### **4.2 Obligations under the Singapore Code on Take-overs and Mergers (the “Singapore Code”) and the consequences of non-compliance**

#### *(i) Obligations under the Singapore Code*

The Singapore Code regulates the acquisition of ordinary shares of public companies and contains certain provisions that may delay, deter or prevent a future takeover or change in control of the Company.

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## APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

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Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of voting Shares in any six-month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Code.

“Parties acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other. They are as follows:

- a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- a company and its pension funds and employee share schemes;
- a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis;
- a financial or other professional advisor and its clients in respect of Shares held by the advisor and persons controlling, controlled by or under the same control as the advisor and all the funds managed by the advisor on a discretionary basis, where the shareholdings of the advisor and any of those funds in the client total 10.0% or more of the client’s equity share capital;
- directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- partners; and
- an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

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In the event that one of the abovementioned trigger-points is reached, the person acquiring an interest (the “**Offeror**”) must make a public announcement stating, *inter alia*, the terms of the offer and its identity. The Offeror must post an offer document not earlier than 14 days and not later than 21 days from the date of the offer announcement. An offer must be kept open for at least 28 days after the date on which the offer document was posted.

The Offeror may vary the offer by offering more for the shares or by extending the period in which the offer remains open. If a variation is proposed, the Offeror is required to give a written notice to the offeree company and its shareholders, stating the modifications made to the matters set out in the offer document. The revised offer must be kept open for at least another 14 days. Where the consideration is varied, shareholders who agree to sell before the variation are also entitled to receive the increased consideration.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of Shares that triggered the mandatory offer obligation.

Under the Singapore Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

### *(ii) Consequences of non-compliance with the requirements under the Singapore Code*

The Singapore Code is non-statutory in that it does not have the force of law. Therefore, as provided in section 139(8) of the SFA, a failure of any party concerned in a take-over offer or a matter connected therewith to observe any of the provisions of the Singapore Code shall not of itself render that party liable to criminal proceedings.

However, the failure of any party to observe any of the provisions of the Singapore Code may, in any civil or criminal proceedings, be relied upon by any party to the proceedings as tending to establish or to negate any liability which is in question in the proceedings.

Section 139 further provides that where the Securities Industry Council has reason to believe that any party concerned in a take-over offer or a matter connected therewith is in breach of the provisions of the Singapore Code or is otherwise believed to have committed acts of misconduct in relation to such take-over offer or matter, the Securities Industry Council has power to enquire into the suspected breach or misconduct. The Securities Industry Council may summon any person to give evidence on oath or affirmation, which it is thereby authorized to administer, or produce any document or material necessary for the purpose of the enquiry.

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**5.    MINORITY RIGHTS**

*Section 216 of the Companies Act*

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any shareholder of the Company, as they think fit to remedy any of the following situations:

- (a) the affairs of the Company are being conducted or the powers of the Board are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the shareholders; or
- (b) the Company takes an action, or threatens to take an action, or the shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the shareholders, including the applicant.

Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, Singapore courts may:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of the affairs of the Company in the future;
- (c) authorise civil proceedings to be brought in the name of, or on behalf of, the Company by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority shareholder's shares by the other shareholders or by the Company and, in the case of a purchase of shares by the Company, a corresponding reduction of its share capital;
- (e) provide that the Memorandum or the Articles be amended; or
- (f) provide that the Company be wound up.

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**6.    EXCHANGE CONTROLS**

There are no Singapore governmental laws, decrees, regulations or other legislation that may affect the following:

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and
- (b) the remittance of dividends, interest or other payments to non-resident holders of our Company's securities.

**7.    MEMBERS' REQUISITION TO CONVENE EXTRAORDINARY GENERAL MEETINGS**

*Section 176 of the Companies Act*

Section 176 of the Companies Act provides that the directors shall, on the requisition of members holding not less than 10% of such of the paid-up capital of a company or in the case of a company not having a share capital, of members representing not less than 10% of the total voting rights of all the members, proceed to convene an extraordinary general meeting of the Company.

*Section 183 of the Companies Act*

Section 183 of the Companies Act provides that a company is under a duty, on the requisition in writing of such number of members, to give to members of such company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting and to circulate to such members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. Number of members as required for such a requisition shall be any number of members representing not less than 5% of the total voting rights of all members having at the date of the requisition a right to vote at the meeting to which the requisition relates or not less than 100 members holding shares in the company on which there has been paid up an average sum, per member, of not less than S\$500.

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## APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS

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The Shares are currently listed on the SGX-ST and the Company intends to list its Shares on the Stock Exchange. The Company sets out below a summary of the major differences between the Hong Kong Listing Rules and the SGX Listing Manual, certain applicable laws and regulations of Singapore and Hong Kong, the takeover rules under the Singapore Code on Take-overs and Mergers (the “**Singapore Code**”), the Codes on Takeovers and Mergers and Share Repurchases (the “**Takeovers Code**”) and certain relevant legislations concerning companies with listed securities. However, this summary is for general guidance only and is not and shall not be relied on as legal advice or any other advice to Shareholders. The summary is not meant to be a comprehensive or exhaustive description of all the relevant Singapore and Hong Kong laws, rules and regulations. In addition, Shareholders should also note that the laws, rules and regulations applicable to the Company and Shareholders may change, whether as a result of proposed legislative reforms to the Singapore or Hong Kong laws, rules or regulations or otherwise. Prospective investors and/or Shareholders should consult their own legal advisors for specific legal advice concerning their legal rights and obligations under Singapore laws and Hong Kong laws. In the event of any conflict between the Hong Kong Listing Rules and the SGX Listing Manual, the Company shall comply with the more restrictive and stringent rule. The Sole Sponsor and the Directors are not aware of any major conflicts between the Hong Kong Listing Rules and the SGX Listing Manual, which may cause difficulties to the Company to comply with the rules under both regimes.

### 1. MAJOR DIFFERENCES BETWEEN THE SGX LISTING MANUAL AND THE HONG KONG LISTING RULES AND CERTAIN APPLICABLE SINGAPORE AND HONG KONG LAWS AND REGULATIONS

NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
<b>Reporting Requirements</b>		
1.	Issuers in Hong Kong are required to comply with disclosure obligations under the Hong Kong Listing Rules upon the occurrence of the events which are prescribed under such rules.	Issuers in Singapore are required to comply with disclosure obligations under the SGX Listing Manual upon the occurrence of the events which are prescribed in the SGX Listing Manual.
	In the case that the Company makes a disclosure pursuant to Hong Kong laws, it will make the same disclosure in Singapore.	In the case that the Company makes a disclosure pursuant to Singapore laws, it will make the same disclosure in Hong Kong.

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<p><b>Chapter 13 of the Hong Kong Listing Rules</b> <b>Rule 13.09(1): General obligation of disclosure</b></p> <p>An issuer in Hong Kong is required to keep the Stock Exchange and members of the listed company and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group (including information on any major new developments in the group’s sphere of activity which is not public knowledge) which:</p> <p>(1) is necessary to enable them and the public to appraise the position of the group; or</p> <p>(2) is necessary to avoid the establishment of false market in its securities; or</p> <p>(3) might be reasonably expected materially to affect market activity and the price of its securities.</p> <p><b>Rule 13.09(2)</b></p> <p>If securities of the issuer are also listed on other stock exchanges, the Stock Exchange must be simultaneously informed of any information released to any of such other exchanges and the issuer must ensure that such information is released to the market in Hong Kong at the same time as it is released to the other markets.</p>	<p><b>Chapter 7 of the SGX Listing Manual</b> <b>(Continuing Obligations) Rule 703, SGX Listing Manual: Disclosure of Material Information</b></p> <p>(1) An issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which:</p> <p>(a) is necessary to avoid the establishment of a false market in the issuer’s securities; or</p> <p>(b) would be likely to materially affect the price or value of its securities.</p> <p>(2) Rule 703(1) does not apply to information which it would be a breach of law to disclose.</p> <p>(3) Rule 703(1) does not apply to particular information while each of the following conditions applies:</p> <p>Condition 1: a reasonable person would not expect the information to be disclosed;</p> <p>Condition 2: the information is confidential; and</p> <p>Condition 3: one or more of the following applies:</p> <p>(i) the information concerns an incomplete proposal or negotiation;</p> <p>(ii) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;</p> <p>(iii) the information is generated for the internal management purposes of the entity;</p> <p>(iv) the information is a trade secret.</p>

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**APPENDIX V      MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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<b>NO.</b>	<b>Hong Kong Listing Rules and Hong Kong Laws</b>	<b>SGX Listing Manual and Singapore Laws</b>
		<p>(4) In complying with the SGX-ST's disclosure requirements, an issuer must:</p> <p style="margin-left: 40px;">(a) observe the Corporate Disclosure Policy set out in Appendix 7.1 of the SGX Listing Manual, and</p> <p style="margin-left: 40px;">(b) ensure that its directors and executive officers are familiar with the SGX-ST's disclosure requirements and Corporate Disclosure Policy.</p> <p>(5) The SGX-ST will not waive any requirements under this Rule.</p>
	<b>Rule 13.51: Notification on changes</b>	<b>Rule 704, SGX Listing Manual: Announcement of Specific Information</b>
	An issuer shall publish an announcement as soon as practicable in respect of:	In addition to Rule 703, an issuer must immediately announce the following:
	<p>(1) any proposed alteration of the issuer's memorandum or articles of association or equivalent documents;</p> <p>(2) any changes in its directorate or supervisory committee, including any appointment or resignation or re-designation of director or supervisor or any important change in the holding of an executive office;</p> <p>(3) any change in the rights attaching to any class of listed securities and any change in the rights attaching to any shares into which any listed debt securities are convertible or exchangeable;</p> <p>(4) any change in its auditors or financial year end; and</p> <p>(5) any change in its secretary or registered address or where applicable, agent for the service of process in Hong Kong or registered office or registered place of business in Hong Kong.</p>	<p><b>General</b></p> <p>(1) Any change of address of the registered office of the issuer or of any office at which the register of members or any other register of securities of the issuer is kept.</p> <p>(2) Any proposed alteration to the memorandum of association or articles of association or constitution of the issuer.</p> <p>(3) Any notice of substantial shareholders' and directors' interests in the issuer's securities or changes thereof received by the issuer.</p> <p>(4) Any call to be made on partly paid securities of the issuer or of any of its principal subsidiaries.</p>



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**APPENDIX V            MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<p><b>Rule 13.25A and Rule 13.25B: Changes in issued share capital</b></p> <p>An issuer shall submit to the Stock Exchange for publication whenever there is a change in its issued share capital:</p> <p>(1) a next day disclosure return no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day following an issue of shares reporting the changes resulting from a placing, consideration issue, open offer, rights issue or other capital reorganization. The disclosure is subject to a 5% de minimis threshold and certain other criteria including aggregation requirements; and</p> <p>(2) a monthly return no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the fifth business day after the end of each calendar month, updating share capital and other movements in securities, including future obligations and commitments to issue shares.</p> <p>A suspension of trading may be required if an issuer is not able to file the relevant disclosure forms in time.</p>	<p>(5) Any qualification or emphasis of a matter by the auditors on the financial statements of:</p> <p>(a) the issuer; or</p> <p>(b) any of the issuer’s subsidiaries or associated companies, if the qualification or emphasis of a matter has a material impact on the issuer’s consolidated accounts or the group’s financial position.</p> <p>(6) If an issuer has previously announced its preliminary full-year results, any material adjustment to the issuer’s preliminary full year results made subsequently by auditors.</p> <p style="text-align: center;"><b>Appointment or cessation of service</b></p> <p>(7) Any appointment or cessation of service of any director, chief executive officer, chief financial officer, general manager or other executive officer of equivalent rank, company secretary, registrar or auditors of the issuer.</p> <p>(8) Any appointment or reappointment of a director to the audit committee.</p> <p>(9) Any appointment of a person who is a relative of a director or chief executive officer or substantial shareholder of the issuer to a managerial position in the issuer or any of its principal subsidiaries.</p> <p>(10) Any promotion of an appointee referred to in Rule 704(9).</p> <p>(11) Within two months after each financial year, the issuer must make an announcement in the format in Appendix 7.4 of the SGX Listing Manual of each person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer. If there are no such persons, the issuer must make</p>

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an appropriate negative statement. The SGX-ST may require the issuer to provide additional information on any such person, including his remuneration, any changes to his duties, responsibilities and remuneration package.

**Appointment of Special Auditors**

(12) SGX-ST may require an issuer to appoint a special auditor to review or investigate the issuer’s affairs and report its findings to SGX-ST or the issuer’s audit committee or such other party as SGX-ST may direct. The issuer may be required by the SGX-ST to immediately announce the requirement, together with such other information as SGX-ST directs. The issuer may be required by SGX-ST to announce the findings of the special auditors.

**Rules 13.73, 13.39 and Paragraph E.1.3 in General Meetings  
Appendix 14: General meetings**

An issuer is required to give notice of every general meeting of its shareholders which should contain details of the meeting including the proposed resolutions, and the date, time and place of the meeting. If voting at a general meeting is taken on a poll, the issuer shall announce the results of the poll.

According to paragraph E.1.3 in Appendix 14 to the Hong Kong Listing Rules, the issuers are required to provide:

- (1) at least 20 clear business days notice for annual general meetings; and
- (2) at least 10 clear business days notice for all other general meetings.

(13) The date, time and place of any general meeting. All notices convening meetings must be sent to shareholders at least 14 calendar days before the meeting (excluding the date of the notice and the date of meeting). For meetings to pass special resolution(s), the notice must be sent to shareholders at least 21 calendar days before the meeting (excluding the date of notice and the date of meeting).

(14) All resolutions put to a general meeting of an issuer, and immediately after such meeting, whether or not the resolutions were passed.

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<b>Rule 13.23(1): Notifiable transactions and connected transactions</b>	<b>Acquisitions and Realizations</b>
	An issuer is required to disclose details of acquisitions and realizations of assets and other transactions as required by Chapters 14 and 14A of the Hong Kong Listing Rules, and where applicable shall circularise holders of its securities with details thereof and obtain their approval thereto.	(15) Any acquisition of:
	<b>Rules 14.06, 14.07: Classification of transactions</b>	(a) shares resulting in the issuer holding 10% or more of the total number of issued shares excluding treasury shares of a quoted company;
	Under Chapter 14 of the Hong Kong Listing Rules, the transactions are classified as:	(b) except for an issuer which is a bank, finance company, securities dealing company or approved financial institution, quoted securities resulting in the issuer's aggregate cost of investment exceeding each multiple of 5% of the issuer's latest audited consolidated net tangible assets;
	(1) share transaction: an acquisition of assets (excluding cash) by a listed issuer where the consideration includes securities for which listing will be sought and where all percentage ratios are less than 5%;	(c) shares resulting in a company becoming a subsidiary or an associated company of the issuer; and
	(2) discloseable transaction: a transaction or a series of transactions by a listed issuer where any percentage ratio is 5% or more, but less than 25%;	(d) shares resulting in the issuer increasing its shareholding in a subsidiary or an associated company.
	(3) discloseable major transaction: a transaction or a series of transactions by a listed issuer where any percentage ratio is 25% or more, but less than 100% for an acquisition or 75% for a disposal;	(16) Any sale of:
	(4) very substantial disposal: a disposal or a series of disposals of assets by a listed issuer where any percentage ratio is 75% or more;	(a) shares resulting in the issuer holding less than 10% of the total number of issued shares excluding treasury shares of a quoted company;
	(5) very substantial acquisition: an acquisition or a series of acquisitions of assets by a listed issuer where any percentage ratio is 100% or more;	(b) except for an issuer which is a bank, finance company, securities dealing company or an approved financial institution, quoted securities resulting in the issuer's aggregate cost of investment in quoted securities falling below each multiple of 5% of the issuer's latest audited consolidated net tangible assets;

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**APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS**

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	<p>(6) reverse takeover: an acquisition or a series of acquisitions of assets by a listed issuer which, in the opinion of the Stock Exchange, constitutes, or is part of a transaction or arrangement or series of transactions or arrangements which constitute, an attempt to achieve a listing of the assets to be acquired and a means to circumvent the requirements for new applicants set out in Chapter 8 of the Hong Kong Listing Rules.</p>	<p>(c) Shares resulting in a company ceasing to be a subsidiary or an associated company of the issuer; and</p> <p>(d) Shares resulting in the issuer reducing its shareholding in a subsidiary or an associated company.</p>
	<p>The relevant category that a transaction falls under depends on the following percentage ratios computed on the following basis:</p>	<p>(17) Any acquisition or disposal of shares or other assets which is required to be announced under Chapter 10 of the SGX Listing Manual.</p>
		<p><b>Chapter 10 of the SGX Listing Manual (Acquisitions and Realizations)</b></p>
	<p>(1) asset ratio: the total assets which are the subject of the transaction divided by the total assets of the listed issuer;</p> <p>(2) profits ratio: the profits attributable to the assets which are the subject of the transaction divided by the profits of the listed issuer;</p> <p>(3) revenue ratio: the revenue attributable to the assets which are the subject of the transaction divided by the revenue of the listed issuer;</p> <p>(4) consideration ratio: the consideration divided by the total market capitalization of the listed issuer. The total market capitalization is the average closing price of the listed issuer's securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the transaction; and</p> <p>(5) equity ratio: the nominal value of the listed issuer's equity capital issued as consideration divided by the nominal value of the listed issuer's issued equity capital immediately before the transaction.</p>	<p>Under Chapter 10, transactions are classified as:</p> <p>(a) non-discloseable transactions;</p> <p>(b) discloseable transactions;</p> <p>(c) major transactions; and</p> <p>(d) very substantial acquisitions or reverse takeovers.</p> <p><b>Rule 1005, SGX Listing Manual</b></p> <p>In determining whether a transaction falls within category (a), (b), (c) or (d) of Rule 1004, SGX-ST may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction.</p> <p><b>Rule 1006, SGX Listing Manual</b></p> <p>The relevant category that a transaction falls under depends on the size of the relative figures computed on the following bases:</p> <p>(a) the net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets;</p>

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	<p>An announcement in respect of the above transactions shall be made by the listed issuer as soon as practicable after the terms of such transactions have been finalized.</p> <p>Further, major transaction, very substantial disposal, very substantial acquisition and reverse takeover require prior shareholders' approval.</p>	<p>(b) the net profits attributable to the assets acquired or disposed of, compared with the group's net profits;</p> <p>(c) the aggregate value of the consideration given or received, compared with the issuer's market capitalization based on the total number of issued shares excluding treasury shares;</p> <p>(d) the number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.</p> <p>Transactions are categorized as follows:</p> <ul style="list-style-type: none"> <li>— non-discloseable transaction: where all of the relative figures computed on the bases set out in Rule 1006 amount to 5% or less;</li> <li>— discloseable transaction: where any of the relative figures computed on the bases set out in Rule 1006 exceeds 5% but does not exceed 20%;</li> <li>— major transaction: where any of the relative figures computed on the bases set out in Rule 1006 exceeds 20%; and</li> <li>— very substantial acquisition or reverse takeover: Where an acquisition of assets (whether or not the acquisition is deemed in the issuer's ordinary course of business) is one where any of the relative figures as computed on the bases set out in Rule 1006 is 100% or more, or is one which will result in a change in control of the issuer, the transaction is classified as a very substantial acquisition or reverse takeover.</li> </ul>

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## APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
		<p data-bbox="842 331 1414 524">Where a transaction is classified as a discloseable transaction, major transaction or very substantial acquisition/reverse takeover, the Company must make an immediate announcement, which includes the details prescribed in Rule 1010 of the SGX Listing Manual (as set out below):</p> <ol data-bbox="842 568 1414 1883" style="list-style-type: none"><li data-bbox="842 568 1414 658">(1) particulars of the assets acquired or disposed of, including the name of any company or business, where applicable;</li><li data-bbox="842 703 1414 734">(2) a description of the trade carried on, if any;</li><li data-bbox="842 779 1414 904">(3) the aggregate value of the consideration, stating the factors taken into account in arriving at it and how it will be satisfied, including the terms of payment;</li><li data-bbox="842 949 1414 1039">(4) whether there are any material conditions attaching to the transaction including a put, call or other option and details thereof;</li><li data-bbox="842 1084 1414 1308">(5) the value (book value, net tangible asset value and the latest available open market value) of the assets being acquired or disposed of, and in respect of the latest available valuation, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation;</li><li data-bbox="842 1352 1414 1509">(6) in the case of a disposal, the excess or deficit of the proceeds over the book value, and the intended use of the sale proceeds. In the case of an acquisition, the source(s) of funds for the acquisition;</li><li data-bbox="842 1554 1414 1688">(7) the net profits attributable to the assets being acquired or disposed of. In the case of a disposal, the amount of any gain or loss on disposal;</li><li data-bbox="842 1733 1414 1883">(8) the effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year;</li></ol>

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**APPENDIX V            MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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<b>NO.</b>	<b>Hong Kong Listing Rules and Hong Kong Laws</b>	<b>SGX Listing Manual and Singapore Laws</b>
		(9) the effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year;
		(10) the rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction;
		(11) whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests;
		(12) details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction; and
		(13) the relative figures that were computed on the bases set out in Rule 1006.

For very substantial acquisitions/reverse takeovers, the issuer must also immediately announce the latest three years of proforma financial information of the assets to be acquired.

Further, transactions that are major transactions are conditional upon the prior approval of shareholders. Very substantial acquisitions/reverse takeovers transactions are conditional upon the approval of shareholders and the approval of the SGX-ST.

A circular to shareholders will need to be distributed to seek shareholders' approval.

The disclosures required to be made in such circular for these types of transactions are prescribed in the SGX Listing Manual.

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**APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS**

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<p><b>Rules 13.09(1) and 13.25: Announcement of winding-up and liquidation</b></p> <p>An issuer is required to make an announcement in respect of the winding up or liquidation of the issuer, its holding company or its subsidiary, if the value of such subsidiary’s total assets, profits or revenue represents 5% or more under any of the percentage ratios as defined in the paragraph below under the heading “Chapter 14 of the Hong Kong Listing Rules.”</p>	<p><b>Rule 704, SGX Listing Manual: Announcement of Specific Information Winding Up, Judicial Management, etc</b></p> <p>(18) Any application filed with a court to wind up the issuer or any of its subsidiaries, or to place the issuer or any of its subsidiaries under judicial management.</p> <p>(19) The appointment of a receiver, judicial manager or liquidator of the issuer or any of its subsidiaries.</p> <p>(20) Any breach of any loan covenants or any notice received from principal bankers or from the trustee of any debenture holders to demand repayment of loans granted to the issuer or any of its subsidiaries which, in the opinion of the issuer’s directors, would result in the issuer facing a cash flow problem.</p> <p>(21) Where Rule 704(18), (19) or (20) applies, a monthly update regarding the issuer’s financial situation. If any material development occurs between the monthly updates, it must be announced immediately.</p>
	<p><b>Rules 13.09(1), 13.45(1), (2): Notification of dividends</b></p> <p>An issuer is required to inform the Stock Exchange of and make an announcement on its decision regarding declaration, recommendation or payment of dividends.</p>	<p>(22) Any recommendation or declaration of a dividend (including a bonus or special dividend, if any), the rate and amount per share and date of payment. If dividends are not taxable in the hands of shareholders, this must be stated in the announcement and in the dividend advice to shareholders. If there is a material variation in the interim or final dividend rate compared to that for the previous corresponding period, the directors must state the reasons for the variation at the time the dividend is recommended or declared. If the directors decide not to declare or recommend a dividend, this must be announced.</p>



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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
		<p>(23) After the end of each of the first three quarters of its financial year, half year or financial year, as the case may be, an issuer must not announce any:</p> <ul style="list-style-type: none"> <li>(a) dividend;</li> <li>(b) capitalization or rights issue;</li> <li>(c) closing of the books;</li> <li>(d) capital return;</li> <li>(e) passing of a dividend; or</li> <li>(f) sales or turnover</li> </ul> <p>unless it is accompanied by the results of the quarter, half year or financial year, as the case may be, or the results have been announced.</p>

**Rule 13.66: Closure of books and record date            Books Closure**

<p>An issuer is required to publish a notice of closure of its transfer books or register of members in respect of securities listed in Hong Kong at least 6 business days before such closure in the case of a rights issue, or 10 business days before such closure in other cases. Where the dates of such closure are altered, the issuer is required to publish a further notice.</p>	<p>(24) Any intention to fix a books closure date, stating the date, reason and address of the share registry at which the relevant documents will be accepted for registration. At least 5 market days of notice (excluding the date of announcement and the books closure date) must be given for any books closure date. The issuer could consider a longer notice period, where necessary. Subject to the provisions of the Singapore Companies Act, the SGX-ST may agree to a shorter books closure period. In fixing a books closure date, an issuer must ensure that the last day of trading on a cum basis falls at least 1 day after the general meeting, if a general meeting is required to be held.</p> <p>(25) The issuer must not close its books for any purpose until at least 8 market days after the last day of the previous books closure period. This rule does not prohibit identical books closure dates for different purposes.</p>
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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
		<b>Treasury Shares</b>
		<p>(26) Any sale, transfer, cancellation and/ or use of treasury shares, stating the following:</p> <p style="margin-left: 40px;">(a) date of the sale, transfer, cancellation and/or use;</p> <p style="margin-left: 40px;">(b) purpose of such sale, transfer, cancellation and/or use;</p> <p style="margin-left: 40px;">(c) number of treasury shares sold, transferred, cancelled and/or used;</p> <p style="margin-left: 40px;">(d) number of treasury shares before and after such sale, transfer, cancellation and/or use;</p> <p style="margin-left: 40px;">(e) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and</p> <p style="margin-left: 40px;">(f) value of the treasury shares if they are used for a sale or transfer, or cancelled.</p>

**Chapter 17 of the Hong Kong Listing Rules: Employee share option scheme  
Share option schemes**

**Rule 843(3), SGX Listing Manual**

The adoption of share option scheme for employees is subject to the approval of the shareholders of the issuer, and the board shall be authorized by the shareholders to grant options to subscribe for the shares under the scheme and to allot and issue shares pursuant to the exercise of such option. The total number of securities which may be issued upon the exercise of the option to be granted under the scheme and any other schemes must not in aggregate exceed 10% of the relevant class of securities of the

The approval of an issuer's shareholders must be obtained for any share option scheme or share scheme implemented by:

- (a) the issuer; and
- (b) a principal subsidiary of the issuer if the scheme may cause Rule 805(2) to apply.

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	<p>scheme of the issuer (or the subsidiary) in issue as at the date of approval of the scheme. The issuer may seek shareholders' approval to refresh the 10% limit under the scheme, in which event the shareholders will also authorize the board to grant option to subscribe for shares under the scheme and to allot and issue the same pursuant to the exercise of such option.</p>	<p><b>Rule 844, SGX Listing Manual</b></p> <p>Participation in a scheme must be restricted to directors and employees of the issuer and its subsidiaries, except that:</p> <ol style="list-style-type: none"> <li>(1) directors and employees of an associated company of the issuer may participate in the scheme if the issuer has control over the associated company.</li> <li>(2) directors and employees of the issuer's parent company and its subsidiaries who have contributed to the success and development of the issuer may participate in the scheme.</li> </ol> <p><b>Rule 845, SGX Listing Manual</b></p> <p>A limit on the size of each scheme, the maximum entitlement for each class or category of participant (where applicable), and the maximum entitlement for any one participant (where applicable) must be stated. For SGX-ST main board issuers, the following limits must not be exceeded:</p> <ol style="list-style-type: none"> <li>(1) the aggregate number of shares available under all schemes must not exceed 15% of the total number of issued shares excluding treasury shares from time to time;</li> <li>(2) the aggregate number of shares available to controlling shareholders and their associates must not exceed 25% of the shares available under a scheme;</li> <li>(3) the number of shares available to each controlling shareholder or his associate must not exceed 10% of the shares available under a scheme;</li> <li>(4) the aggregate number of shares available to directors and employees of the issuer's parent company and its subsidiaries must not exceed 20% of the shares available under a scheme; and</li> </ol>

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		<p>(5) the maximum discount under the scheme must not exceed 20%. The discount must have been approved by shareholders in a separate resolution.</p> <p><b>Rule 847, SGX Listing Manual</b></p> <p>The exercise price of options to be granted must be set out in the scheme. Options granted at a discount may be exercisable after 2 years from the date of grant. Other options may be exercisable after 1 year from the date of grant.</p>
	<p><b>17.06A: Announcement on grant of options</b></p> <p>According to Rule 17.06A, as soon as possible upon the granting by the issuer of an option under its share option scheme, the issuer must publish an announcement setting out the following details:</p> <p>(a) date of grant;</p> <p>(b) exercise price of the options granted;</p> <p>(c) number of options granted;</p> <p>(d) market price of its securities on the date of grant;</p> <p>(e) where any of the grantees is a director, chief executive or substantial shareholder of the issuer, or an associate of any of them, the names of such grantees and the number of options granted to each of them; and</p> <p>(f) validity period of the options.</p>	<p><b>Rule 704(27): Announcement on employee share option scheme</b></p> <p>(27) Any grant of options. The announcement must be made on the date of the offer and provide details of the grant, including the following:</p> <p>(a) date of grant;</p> <p>(b) exercise price of options granted;</p> <p>(c) number of options granted;</p> <p>(d) market price of its securities on the date of grant;</p> <p>(e) number of options granted to directors and controlling shareholder (and their associates), if any; and</p> <p>(f) validity period of the options.</p>
2.	<p><b>Rules 13.46 to 13.50 of the Hong Kong Listing Rules: Disclosure of financial information</b></p> <p>An issuer is required to:</p> <p>(1) publish its annual report within 4 months after its financial year end;</p> <p>(2) publish its interim report within 3 months after the end of the first half year period in its financial year;</p>	<p><b>Announcement of financial results and annual reports</b></p> <p><b>Rule 705, SGX Listing Manual: Financial Statements</b></p> <p>(1) An issuer must announce the financial statements for the full financial year immediately after the figures are available, but in any event not later than 60 days after the relevant financial period.</p>

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
(3)	announce its preliminary results in respect of each financial year within 4 months for annual accounting periods ending before December 31, 2010 or within 3 months for annual accounting periods ending on or after December 31, 2010; and	(2) An issuer must announce the financial statements for each of the first three quarters of its financial year immediately after the figures are available, but in any event not later than 45 days after the quarter end if:
(4)	announce its preliminary results for the first half of each of its financial year period within 3 months after the end of such half year period.	(a) its market capitalization exceeded S\$75 million as at March 31, 2003; or  (b) it was listed after March 31, 2003 and its market capitalization exceeded S\$75 million at the time of listing (based on the IPO issue price); or  (c) its market capitalization is S\$75 million or higher on the last trading day of each calendar year commencing from December 31, 2006. An issuer whose obligation falls within this sub-section (c) will have a grace period of a year to prepare for quarterly reporting. As an illustration, an issuer whose market capitalization is S\$75 million or higher as at the end of the calendar year December 31, 2006 must announce its quarterly financial statements for any quarter of its financial year commencing in 2008.
	<p><b>Rule 4.03</b></p> <p>All accountants' reports must be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance (Chapter 50 of the laws of Hong Kong) for appointment as auditors of a company and who are independent of both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants.</p>	<p>Notwithstanding the grace period, all issuers whose obligation falls under this sub-section (c) are strongly encouraged to adopt quarterly reporting as soon as possible.</p>
		(3) (a) An issuer who falls within the sub-sections in Rule 705(2) above must comply with Rule 705(2) even if its market capitalization subsequently decreases below S\$75 million.

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<b>NO.</b>	<b>Hong Kong Listing Rules and Hong Kong Laws</b>	<b>SGX Listing Manual and Singapore Laws</b>
		<p>(b) An issuer who does not fall within the sub-sections in Rule 705(2) above must announce its first half financial statements immediately after the figures are available, but in any event not later than 45 days after the relevant financial period.</p>
		<p>(4) Notwithstanding the foregoing, with respect to the first announcement to be made by the issuer pursuant to Rules 705(1) or (2) following its listing on the SGX-ST, where the time period between the date of its listing and the final date for the issuer to make the relevant announcement pursuant to Rule 705(1) or (2) above is less than 30 days, the issuer shall have 30 days from the relevant deadline to make the relevant announcement of the financial statements provided that the following conditions are satisfied:</p> <p>(a) the extension is announced by the issuer at the time of the issuer's listing; and</p> <p>(b) in the announcement referred to in paragraph (a), the issuer must confirm that there is no material adverse change to the financial position of the issuer since the date of its prospectus or introductory document in connection with its listing on SGX-ST.</p>
		<p>(5) In the case of an announcement of interim financial statements (quarterly or half-yearly, as applicable, but excluding full year financial statements), an issuer's directors must provide a confirmation that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial statements to be false or misleading in any material aspect. In order to make this confirmation, directors would not be expected to commission an audit of these financial statements. The confirmation may be signed by 2 directors on behalf of the board of directors.</p>

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**APPENDIX V            MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
HONG KONG AND SINGAPORE LAWS AND REGULATIONS**

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
		<p><b>Rule 712, SGX Listing Manual: Appointment of Auditors</b></p> <p>(1) An issuer must appoint a suitable accounting firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the accounting firm and the persons assigned to the audit, the firm’s audit engagements, the size and complexity of the listed group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit.</p> <p>(2) A change in auditors must be specifically approved by shareholders in a general meeting.</p>
		<p><b>Rule 713, SGX Listing Manual</b></p> <p>(1) An issuer must disclose in its annual report the date of appointment and the name of the audit partner in charge of auditing the issuer and its group of companies. The audit partner must not be in charge of more than 5 consecutive audits for a full financial year, the first audit being for the financial year beginning on or after January 1, 1997, regardless of the date of listing. The audit partner may return after two years.</p> <p>(2) If the listing of an issuer occurs after 5 consecutive audits by the same audit partner in charge, the same audit partner may complete the audit of the financial year in which the issuer lists.</p>
		<p><b>Rule 707, SGX Listing Manual</b></p> <p>(1) The time between the end of an issuer’s financial year and the date of its annual general meeting (if any) must not exceed four months.</p> <p>(2) An issuer must issue its annual report to shareholders and the SGX-ST at least 14 days before the date of its annual general meeting.</p>

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## APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<b>Public Float Requirement</b>	
3.	<b>Rule 8.08</b>	<b>Rule 723, SGX Listing Manual</b>
	Save and except for the circumstances specified under Chapter 8 of the Hong Kong Listing Rules, an issuer must maintain at least 25% of its total issued share capital at all times be held by the public.	An issuer must ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public.
		<b>Rule 724, SGX Listing Manual</b>
		If the percentage of securities in public hands falls below 10%, the issuer must, as soon as practicable, make an announcement and the SGX-ST may suspend trading of the class, or all of the securities of the issuer.
		<b>Rule 725, SGX Listing Manual</b>
		The SGX-ST may allow the issuer a period of 3 months, or such longer period as the SGX-ST may agree, to raise the percentage of securities in public hands to at least 10%, failing which the issuer may be delisted.



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**APPENDIX V            MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
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**Shareholders’ Reporting Obligations**

4.	<b>Part XV of the SFO: Disclosure of interests by substantial shareholders</b>	Obligation to notify the Company and SGX-ST of substantial shareholding and change in substantial shareholding
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Substantial shareholders, being individuals and corporations who are interested in 5% or more of any class of voting shares in an issuer must disclose their interests and short positions in voting shares of such issuer upon the occurrence of the relevant events as prescribed under the SFO.

For relevant events falling under the category of “initial notification” as provided for under section 2.7 of the “Outline of Part XV of the SFO — Disclosure of Interests” issued by the SFC (the “**Outline**”), the time allowed for filing a notice is 10 business days after the occurrence of the relevant event. As for other relevant events, the time allowed for filing a notice is 3 business days after the occurrence of the relevant event.

**Substantial shareholder**

Under the Singapore Companies Act (Cap 50) (“**Singapore Companies Act**”), a substantial shareholder (i.e. shareholder having not less than 5 per cent of the total votes attached to all the voting shares in the company) of a company shall within 2 business days after becoming a substantial shareholder, or when there is a change in the percentage level (as defined in the Singapore Companies Act) of the substantial shareholder’s interest, or when he ceases to be a substantial shareholder, give notice in writing to the company.

Under the Securities and Futures Act (Cap 289) (“**SFA**”), a substantial shareholder shall within 2 business days after becoming a substantial shareholder, or when there is a change in the percentage level of the substantial shareholder’s interest, or when he ceases to be a substantial shareholder give notice in writing to the SGX-ST.

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**APPENDIX V            MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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<b>NO.</b>	<b>Hong Kong Listing Rules and Hong Kong Laws</b>	<b>SGX Listing Manual and Singapore Laws</b>
		<b>Section 81 of the Singapore Companies Act</b>  A person has a substantial shareholding in a company if he has an “interest” in one or more voting shares in the company, and the total votes attached to those shares is not less than 5 per cent of the total votes attached to all the voting shares in the company.
		<b>Section 82 of the Singapore Companies Act</b>  A substantial shareholder of a company is required to notify the company of his “interests” in the voting shares in the company within two business days after becoming a substantial shareholder.
		<b>Sections 83 and 84 of the Singapore Companies Act</b>  A substantial shareholder is required to notify the company of changes in the “percentage level” of his shareholding or his ceasing to be a substantial shareholder, again within <b>two business days</b> after he is aware of such changes.  The reference to changes in “percentage level” means any changes in a substantial shareholder’s interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1% threshold. For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.
		<b>Section 137(1), SFA</b>  A substantial shareholder is also required to give the above notifications to the SGX-ST at the same time.

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**APPENDIX V            MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
5.	<p><b>Part XV of the SFO: Disclosure of interests by directors and chief executives</b></p> <p>Directors and chief executives of an issuer must disclose any of their interests, short and long positions in any shares in the issuer (or any of its associated corporations) and their interests in any debentures of the issuer (or any of its associated corporations) upon the occurrence of the relevant events as prescribed under the SFO.</p> <p>For relevant events falling under the category of “initial notification” as provided for under section 3.9 of the Outline, the time allowed for filing a notice is 10 business days. As for other relevant events, the time allowed for filing a notice is 3 business days after the occurrence of the relevant event.</p>	<p><b>Directors</b></p> <p>Under section 164(1) of the Singapore Companies Act, a company shall keep a register showing with respect to each director of the company particulars of:</p> <ul style="list-style-type: none"> <li>(a) shares;</li> <li>(b) debentures;</li> <li>(c) rights or options of the director; and</li> <li>(d) contracts to which the director or under which he is entitled to a benefit;</li> </ul> <p>of the company or a related company.</p> <p>A director of a company shall be deemed to hold or have an interest or a right in or over any shares or debentures if the spouse or infant child of the director holds or has an interest or a right in or over any shares or debentures or makes or is granted any contract, assignment or right of subscription.</p> <p>Under section 165(1) of the Singapore Companies Act, a director of a company shall give notice in writing to the company of such particulars relating to shares, debentures, participatory interests, rights, options and contracts as are necessary for the purposes of compliance by the first-mentioned company with section 164, among other disclosure requirements.</p> <p><b>Securities and Futures (Amendment) Act 2009</b></p> <p>The Securities and Futures (Amendment) Act 2009 (“<b>Amendment Act</b>”) has, inter alia, migrated all the disclosure obligations in the Singapore Companies Act into the Singapore SFA and has also introduced new disclosure requirements, for example, the requirement for foreign incorporated companies which have a primary listing on the SGX-ST to comply with the disclosure obligations in the Singapore SFA. The new amendments to the Singapore SFA would also expand the current</p>

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## APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
		<p data-bbox="842 331 1414 450">scope of disclosure obligations. The Amendment Act was passed by the Singapore parliament on January 19, 2009 but the said amendments on the disclosure obligations have not come into force.</p> <p data-bbox="842 495 1414 613">A summary of the relevant amendments to the Singapore SFA under the Amendment Act with regards to disclosure by substantial shareholders and directors are as follows:</p> <p data-bbox="842 658 1414 869">(i) Consolidated disclosure obligations of substantial shareholders, directors and chief executive officer (“CEO”) to be complied with by a corporation not incorporated in Singapore with a primary listing on the SGX-ST and by a Singapore incorporated company listed on the SGX-ST.</p> <p data-bbox="906 913 1414 1061">Under the Amendment Act, a corporation refers to a company incorporated in Singapore listed on the SGX-ST, or a corporation (not incorporated in Singapore) having a primary listing on the SGX-ST.</p> <p data-bbox="906 1106 1414 1346">Under the Amendment Act, the disclosure obligations currently under the Singapore SFA and the Singapore Companies Act have been consolidated and inserted into the Singapore SFA. Further, substantial shareholders, directors and the CEO of a corporation would need to comply with the disclosure requirements under the Amendment Act.</p> <p data-bbox="842 1391 1414 1442">(ii) Obligation to disclose and timing of disclosure</p> <p data-bbox="906 1487 1414 1697">Under the Amendment Act, substantial shareholders, directors and the CEO would only need to disclose their interest in shares to the corporation, within 2 business days after they are aware (acting with reasonable diligence in the conduct of his affairs) of the change which requires disclosure.</p> <p data-bbox="906 1742 1414 1924">The Amendment Act further introduces disclosure requirements for the beneficial owner of voting shares (“<b>Beneficial Owner</b>”) to ensure notification by the person who holds, acquires or disposes interests of shares on his behalf, and disclosure requirements for</p>

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## APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
		<p>the person who holds voting shares in which the Beneficial Owner has an interest, to notify the Beneficial Owner after acquiring or disposing of the shares in accordance with the instructions of the Beneficial Owner.</p> <p>The corporation then has the obligation to announce and disclose the information provided by the substantial shareholder, director or CEO as soon as practicable and in any case, not later than the end of the business day following the day on which the corporation receives the notice.</p>
		<p>(iii) Disclosure obligations of directors to include disclosure by a CEO</p> <p>The Amendment Act also expands the categories of persons to whom the disclosure requirements apply to include the CEO. A person whom, irrespective of his title, is principally responsible for the management and conduct of the business of the listed company also falls within the definition of CEO.</p>
		<p>(iv) Criminal liability</p> <p>In addition to the migration of the criminal liability applicable for contravention of disclosure obligations of substantial shareholders and directors under the Singapore Companies Act to the Singapore SFA, the Amendment Act introduces new provisions for criminal liability for substantial shareholders, directors or a CEO who (i) intentionally or recklessly breaches their disclosure obligations, or (ii) furnishes information which he knows is false or misleading in a material particular or is reckless as to whether it is.</p>
		<p>(v) Civil liability</p> <p>The Amendment Act introduces new provisions which allow the Monetary Authority of Singapore to bring an action in court against a person to seek an order for a civil penalty if the person has, inter alia, contravened the provisions on disclosure obligations for substantial shareholders, directors (including a CEO) and a corporation, or furnished, announced or disseminated any information which he knows is false or misleading.</p>

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**APPENDIX V      MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<b>Restrictions on Repurchase of Shares</b>	
6.	<b>Rule 10.06: Restrictions and notification requirements on issuers purchasing their own shares</b>	<b>Share Buyback</b> <b>(a) Shareholder Approval:</b> <b>Rule 881, SGX Listing Manual</b>
	An issuer with primary listing on the Stock Exchange can purchase its shares on the Stock Exchange if the relevant shares are fully-paid up, the issuer has provided its shareholders with the information as required by Rule 10.06(1) of the Hong Kong Listing Rules and that the shareholder of the issuer has given specific approval or a general mandate to the directors to make such a purchase, provided that the amount of shares so purchased under the general mandate shall not exceed 10% of the issued share capital of the issuer as at the date of the passing of the relevant shareholders' resolution granting the mandate of purchase.	An issuer may purchase its own shares if it has obtained the prior specific approval of shareholders in general meeting.  <b>Rule 882, SGX Listing Manual</b>  A share buy-back may only be made on the SGX-ST or on another stock exchange on which the issuer's securities are listed ("Market Purchases") or by way of an off-market acquisition in accordance with an equal access scheme as defined in section 76C of the Singapore Companies Act.  <b>Rule 883, SGX Listing Manual</b>
	<b>Rule 10.06(1)(a)</b>  For the purpose of obtaining shareholders' approval, the issuer must have previously sent to its shareholders an explanatory statement which sets out information required under Rule 10.06(1)(b) of the Hong Kong Listing Rules, including:	For the purpose of obtaining shareholder approval, the issuer must provide at least the following information to shareholders:
	(1) the total number and description of shares which the issuer proposes to purchase;	(1) the information required under the Singapore Companies Act;
	(2) reasons for the proposed purchase of shares;	(2) the reasons for the proposed share buy-back;
	(3) proposed source of funds for making the proposed purchase of shares;	(3) the consequences, if any, of share purchases by the issuer that will arise under the Singapore Code or other applicable takeover rules;
	(4) any material adverse impact on the working capital or gearing position of the issuer in the event that the proposed purchases were to be carried out in full at any time during the proposed purchase period;	(4) whether the share buy-back, if made, could affect the listing of the issuer's equity securities on the SGX-ST;
	(5) particulars of the directors who have a present intention to sell shares to the issuer in the event that the proposal is approved by shareholders;	(5) details of any share buy-back made by the issuer in the previous 12 months, giving the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and

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(6)	undertaking by the directors to the Stock Exchange to exercise the power of the issuer to make purchases pursuant to the proposed resolution in accordance with the Hong Kong Listing Rules and the laws of the jurisdiction in which the issuer is incorporated or otherwise established;	(6) whether the shares purchased by the issuer will be cancelled or kept as treasury shares.  <b>(b) Dealing Restrictions: Rule 884, SGX Listing Manual</b>  In the case of a Market Purchase, the purchase price must not exceed 105% of the average closing price (“Average Closing Price”).  “Average Closing Price” means the average of the closing market prices of a share over the last 5 market days preceding the day of the market purchase on which transactions in the shares were recorded and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.  <b>Rule 885, SGX Listing Manual</b>  In the case of off market acquisition in accordance with an equal access scheme, an issuer must issue an offer document to all shareholders containing at least the following information:  (1) terms and conditions of offer,  (2) period and procedures for acceptances, and  (3) information in Rule 883(2), (3), (4) and (5).
(7)	the consequences of any purchases which will arise under the Takeovers Code of which the directors are aware, if any;	
(8)	details of any purchases by the issuer of shares made in previous 6 months (whether on the Stock Exchange or otherwise);	
(9)	whether or not any connected persons of the issuer have notified the issuer that they have any present intention to sell shares to the issuer or have undertaken not to sell any of the shares held by them to the issuer, in the event that the issuer is authorized to make purchases of shares;	
(10)	the highest and lowest prices at which the relevant shares have traded on the Stock Exchange during each of the previous 12 months; and	
(11)	the disclaimer of the Stock Exchange in the form set out under the Hong Kong Listing Rules.	
	<b>Rule 10.06(2)</b>  The repurchase of shares by an issuer is subject to various dealing restrictions, including, among others, that an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange.	<b>(c) Reporting Requirements: Rule 886(1), SGX Listing Manual</b>  Where an issuer purchases its shares by way of a market purchase, the issuer shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9:00 a.m. on the market day following the day of purchase of any of its shares.  In a case of an off market purchase under an equal access scheme, an issuer must notify the SGX-ST by 9:00 a.m. on the second market day after the close of acceptances of the offer.

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**Rule 10.06(4)**

**Rule 886(2), SGX Listing Manual**

An issuer is required to submit for publication to the Stock Exchange within 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the issuer makes a purchase of shares (whether on the Stock Exchange or otherwise), the total number of shares purchased by the issuer the previous day, the purchase price per share or the highest and lowest prices paid for such purchases, where relevant, and shall confirm that those purchases which were made on the Stock Exchange were made in accordance with the Hong Kong Listing Rules and if the issuer's primary listing is on the Stock Exchange, that there have been no material changes to the particulars contained in the Explanatory Statement. In respect of purchases made on another stock exchange, the issuer's report must confirm that those purchases were made in accordance with the domestic rules applying to purchases on that other stock exchange. Such reports shall be made on a return in such form and containing such information as the Stock Exchange may from time to time prescribe. In the event that no shares are purchased on any particular day then no return need be made to the Stock Exchange. The issuer should make arrangements with its brokers to ensure that they provide to the issuer in a timely fashion the necessary information to enable the issuer to make the report to the Stock Exchange.

Notification of a purchase by the issuer of its shares must be in the form of Appendix 8.3.2 of the SGX Listing Manual. Such notification would include, inter alia, the name of the overseas exchange on which the company's shares are also listed, the maximum number of shares authorized for purchase, details of the total number of shares authorized for purchase, the date of purchases, the total number of shares purchased, the purchase price per share, the highest and lowest prices paid for such shares, the total purchase consideration, the cumulative number of shares purchased to date and the number of issued shares after the purchase.

An issuer is also required to include in its annual report and accounts a monthly breakdown of purchases of shares made during the financial year under review showing the number of shares purchased each month (whether on the Stock Exchange or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid by the issuer for such purchases. The directors' report shall contain reference to the purchases made during the year and the directors' reasons for making such purchases.



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## APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS

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### Solicitation for Proxy

7. Investors holding securities in listed companies listed on the Stock Exchange through CCASS who want to attend the shareholders' meetings in person or appoint proxies to vote on their behalf have to solicit for proxy by giving instructions to CCASS directly or through their broker firms (as the case may be) to authorize the investors as corporate representatives or proxies of HKSCC Nominees (or any successor thereto) in respect of such shareholding of the investors in the listed companies.
- Depositors who wish to attend and vote at the extraordinary general meeting, and whose names are shown in the records of the Central Depository (Pte) Limited ("CDP") as at a time not earlier than 48 hours prior to the time of the extraordinary general meeting supplied by CDP to the company, may attend the extraordinary general meeting in person. Such depositors who are individuals and who wish to attend the extraordinary general meeting in person need not take any further action and can attend and vote at the extraordinary general meeting.

### Issuance of New Shares, Convertible Bonds or Bonds with Warrants

8. **Section 57B of the Companies Ordinance and Rule 13.36 of the Hong Kong Listing Rules: Pre-emptive rights**
- Powers of directors to issue and allot shares or otherwise grant securities convertible into shares or options or warrants or similar rights to subscribe for any shares or such convertible securities are usually vested in them subject to the provisions in the memorandum and articles of association of the issuer.
- The power to issue shares in a company is usually vested with the directors of that company subject to any restrictions in the articles of association of that company. However, notwithstanding anything to the contrary in the articles of association of a company, prior approval of the company at a general meeting is required to authorize the directors to exercise any power of the company to issue shares. Such approval need not be specific but may be general.

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**APPENDIX V      MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<p>Notwithstanding anything to the contrary in a company's memorandum or articles, the directors shall not without the prior approval of the company in general meeting exercise any power of the company to allot shares. However, no such prior approval from shareholders of an issuer is required in relation to the allotment of shares in the issuer under an offer made pro rata by the issuer to its members. Shareholders may grant a general mandate to the directors to issue and allot shares, provided that the amount of shares to be issued in aggregate must be within 20% of the total amount of issued shares of the issuer at the time when the mandate was granted.</p> <p><b>Rule 13.36(1) and (2): Power of directors to allot, issue and grant shares</b></p> <p>Unless otherwise excepted under the Hong Kong Listing Rules, which include the issue and allotment pursuant to a general mandate granted to the directors of the issuer, the directors of the issuer shall obtain the consent of shareholders in general meeting prior to allotting, issuing or granting:</p> <p>(i) any shares;</p> <p>(ii) securities convertible into shares;</p> <p>(iii) options, warrants or similar rights to subscribe for any shares or such convertible securities.</p> <p>The aggregate number of securities allotted or agreed to be allotted must not exceed the aggregate of 20% of the existing issued share capital of the issuer plus the number of such securities repurchased by the issuer itself since the granting of the general mandate (up to a maximum number equivalent to 10% of the existing issued share capital of the issuer), provided that the existing shareholders of the issuer have by a separate ordinary resolution in general meeting given a general mandate to the directors of the issuer to add such repurchased securities to the 20% general mandate.</p>	<p><b>Rule 805, SGX Listing Manual</b></p> <p>Except as provided in Rule 806, an issuer must obtain the prior approval of shareholders in general meeting for the following:</p> <p>(1) the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer; or</p> <p>(2) if a principal subsidiary of an issuer issues shares or convertible securities or options that will or may result in:</p> <p>(a) the principal subsidiary ceasing to be a subsidiary of the issuer; or</p> <p>(b) a percentage reduction of 20% or more of the issuer's equity interest in the principal subsidiary.</p> <p><b>Rule 806(1), SGX Listing Manual</b></p> <p>A company need not obtain the prior approval of shareholders in a general meeting for the issue of securities if the shareholders had by ordinary resolution in a general meeting, given a general mandate to the directors of the issuer to issue:</p> <p>(i) shares; or</p> <p>(ii) convertible securities; or</p> <p>(iii) additional convertible securities issued pursuant to Rule 829, notwithstanding that the general mandate may have ceased to be in force at the time the securities are issued, provided that the adjustment does not give the holder a benefit that a shareholder does not receive; or</p> <p>(iv) shares arising from the conversion of the securities in (ii) and (iii) notwithstanding that the general mandate may have ceased to be in force at the time the shares are to be issued.</p>

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<b>Rule 13.36(3): Effectiveness of general mandate</b>	<b>Rule 806(2), SGX Listing Manual</b>
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A general mandate to directors to issue and allot shares shall only continue in force until (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution at which time it shall lapse, unless such mandate is renewed by the shareholders; or (b) revoked or varied by the shareholders at general meeting, whichever occurs first.

A general mandate must limit the aggregate number of shares and convertible securities that may be issued. The limit must be not more than 50% of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares excluding treasury shares.

Unless prior shareholder approval is required under the SGX Listing Manual, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

**Rule 806(6), SGX Listing Manual**

A general mandate may remain in force until the earlier of the following:

- (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution. By an ordinary resolution passed at that meeting, the mandate may be renewed, either unconditionally or subject to conditions; or
- (b) it is revoked or varied by ordinary resolution of the shareholders in general meeting.

**Specific Mandate  
Rule 824, SGX Listing Manual**

Every issue of company warrants or other convertible securities not covered under a general mandate must be specifically approved by shareholders in general meeting.

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<p><b>Rule 13.36(5): Placing of securities for cash</b></p> <p>In case of a placing of securities for cash consideration, unless the Stock Exchange is satisfied that the issuer is in a serious financial position and the only way that it can be saved is by an urgent rescue operation, or that there are other exceptional circumstances, the issuer may not issue any securities pursuant to a general mandate given by its shareholders if the relevant price represents a discount of 20% or more to the benchmarked price of the securities prescribed under the Hong Kong Listing Rules. Such benchmarked price being the higher of:—</p> <p>(a) the closing price on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the general mandate; and</p> <p>(b) the average of the closing prices in the 5 trading days immediately prior to the earlier of:</p> <p style="padding-left: 20px;">(i) the date of the announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the general mandate;</p> <p style="padding-left: 20px;">(ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the general mandate; and</p> <p style="padding-left: 20px;">(iii) the date on which the placing or subscription price is fixed.</p>	<p><b>Issue of Shares, Company Warrants and Convertible Securities For Cash (Other than Rights Issues)</b></p> <p><b>Rule 811, SGX Listing Manual</b></p> <p>(1) An issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed. If trading in the issuer's shares is not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement agreement is signed.</p>

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**APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
HONG KONG AND SINGAPORE LAWS AND REGULATIONS**

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<p><b>Rule 15.02: Issue or grant of warrants</b></p> <p>The securities to be issued on exercise of warrants to subscribe securities must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued equity capital of the issuer at the time such warrants are issued.</p> <p>Options granted under employee or executive share schemes which comply with Chapter 17 of the Hong Kong Listing Rules are excluded for the purpose of this limit.</p> <p>Also, such warrants must expire not less than 1 year and not more than 5 years from the date of issue or grant and must not be convertible into further rights to subscribe securities which expire less than 1 year or more than 5 years after the date of issue or grant of the original warrants.</p> <p><b>Rule 15.03: Notification of issue or grant of warrants</b></p> <p>The circular or notice to be sent to shareholders convening the requisite meeting under Rule 15.02 must include, among others, the maximum number of securities which would be issued on exercise of the warrants, the period during which the warrants may be exercised and the date when this right commences, the amount payable on the exercise of the warrants, a summary of any other material terms of the warrants, etc.</p>	<p><b>Rule 811(2): Issuance of warrants and other convertible securities</b></p> <p><b>Rule 811(2), SGX Listing Manual</b></p> <p>An issue of company warrants or other convertible securities is subject to the following requirements:</p> <p>(a) if the conversion price is fixed, the price must not be more than 10% discount to the prevailing market price of the underlying shares prior to the signing of the placement or subscription agreement; and</p> <p>(b) if the conversion price is based on a formula, any discount in the price-fixing formula must not be more than 10% of the prevailing market price of the underlying shares before conversion.</p> <p><b>Rule 811(3), SGX Listing Manual</b></p> <p>Rule 811(1) and (2) is not applicable if specific shareholder approval is obtained for the issue of shares, company warrants or other convertible securities.</p> <p><b>Rule 811(4), SGX Listing Manual</b></p> <p>Where specific shareholders' approval is sought, the circular must include the following:</p> <p>(a) information required under Rule 810 of the SGX Listing Manual; and</p> <p>(b) the basis upon which the discount was determined.</p> <p><b>Rule 824, SGX Listing Manual</b></p> <p>Every issue of company warrants or other convertible securities not covered under a general mandate (Rule 806, SGX Listing Manual) must be specifically approved by shareholders in general meeting.</p>

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**APPENDIX V            MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
HONG KONG AND SINGAPORE LAWS AND REGULATIONS**

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**NO.**            **Hong Kong Listing Rules and Hong Kong Laws**            **SGX Listing Manual and Singapore Laws**

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**Rule 825, SGX Listing Manual**

In procuring the approval of shareholders in a general meeting, the circular to the shareholders must include the recommendations of the board of directors of the issuer on such an issue of company warrants or convertible securities and the basis for such recommendation(s).

**Rule 826, SGX Listing Manual**

If application is made for the listing of company warrants or other convertible securities, SGX-ST will normally require a sufficient spread of holdings to provide for an orderly market in the securities. As a guide, SGX-ST expects at least 100 warrantholders for a class of company warrants.

**Rule 827, SGX Listing Manual**

Company warrants or other convertible securities may be listed only if the underlying securities are (or will become at the same time) one of the following:

- (1) a class of equity securities listed on the SGX-ST; or
- (2) a class of equity securities listed or dealt in on a stock market approved by the SGX-ST.

**Rule 828, SGX Listing Manual**

Each company warrant must:

- (1) give the registered holder the right to subscribe for or buy one share in the total number of issued shares excluding treasury shares of the issuer; and
- (2) not be expressed in terms of dollar value.

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**APPENDIX V            MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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**NO.            Hong Kong Listing Rules and Hong Kong Laws            SGX Listing Manual and Singapore Laws**

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**Rule 829, SGX Listing Manual**

The terms of the issue must provide for:

- (1) adjustment to the exercise or conversion price and, where appropriate, the number of company warrants or other convertible securities, in the event of rights, bonus or other capitalization issues;
- (2) the expiry of the company warrants or other convertible securities to be announced, and notice of expiry to be sent to all holders of the company warrants or other convertible securities at least 1 month before the expiration date; and
- (3) any material alteration to the terms of company warrants or other convertible securities after issue to the advantage of the holders of such securities to be approved by shareholders, except where the alterations are made pursuant to the terms of the issue.

**Rule 830, SGX Listing Manual**

An issuer must announce any adjustment made pursuant to Rule 829(1).

**Rule 831, SGX Listing Manual**

Except where the alterations are made pursuant to the terms of an issue, an issuer must not:

- (i) extend the exercise period of an existing company warrant;
- (ii) issue a new company warrant to replace an existing company warrant;
- (iii) change the exercise price of an existing company warrant; or
- (iv) change the exercise ratio of an existing company warrant.

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**APPENDIX V            MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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<b>NO.</b>	<b>Hong Kong Listing Rules and Hong Kong Laws</b>	<b>SGX Listing Manual and Singapore Laws</b>
		<b>Rule 832, SGX Listing Manual</b>
		A circular or notice to be sent to shareholders in connection with a general meeting to approve the issue of company warrants or other convertible securities must include at least the following information:
		<ol style="list-style-type: none"><li data-bbox="842 611 1410 786">(1) the maximum number of the underlying securities which would be issued or transferred on exercise or conversion of the company warrants or other convertible securities;</li><li data-bbox="842 824 1410 958">(2) the period during which the company warrants or other convertible securities may be exercised and the dates when this right commences and expires;</li><li data-bbox="842 996 1410 1099">(3) the amount payable on the exercise of the company warrants or other convertible securities;</li><li data-bbox="842 1137 1410 1240">(4) the arrangement for transfer or transmission of the company warrants or other convertible securities;</li><li data-bbox="842 1279 1410 1346">(5) the rights of the holders on the liquidation of the issuer;</li><li data-bbox="842 1384 1410 1559">(6) the arrangements for the variation in the subscription or purchase price and in the number of company warrants or other convertible securities in the event of alterations to the share capital of the issuer;</li><li data-bbox="842 1597 1410 1700">(7) the rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer;</li><li data-bbox="842 1738 1410 1830">(8) a summary of any other material terms of the company warrants or other convertible securities;</li></ol>



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**APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS**

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
		(9) the purpose for and use of proceeds of the issue, including the use of future proceeds arising from the conversion/exercise of the company warrants or other convertible securities; and
		(10) the financial effects of the issue to the issuer.

**Rules 17.19(6): Rights issue**

If the proposed rights issue would increase either the issued share capital or the market capitalization of the issuer by more than 50% (i) within the 12 month period immediately preceding the announcement of the proposed rights issue or (ii) prior to such 12 month period where dealing in respect of the shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities granted or to be granted to shareholders as part of such rights issues or open offers:-

The rights issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favor. The issuer must disclose the information required under rule 2.17 in the circular to shareholders;

The issuer shall set out in the circular to shareholders the purpose of the proposed rights issue, together with the total funds expected to be raised and a detailed breakdown and description of the proposed use of the proceeds. The issuer shall also include the total funds raised and a detailed breakdown and description of the funds raised on any issue of equity securities in the 12 months immediately preceding the announcement of the proposed rights issue, the use of such proceeds, the intended use of any amount not yet utilized and how the issuer has dealt with such amount

**Chapter 8 Part V: Rights Issue**

**Rule 814, SGX Listing Manual**

- (1) An issuer which intends to make a right issue must announce (having regard to Rule 704(23)) the issue promptly, stating the following:
- (a) price, terms and purpose of the issue, including the amount of proceeds proposed to be raised from the issue and the intended use of such proceeds on a percentage allocation basis (which could be expressed as a range if the exact allocation has not been determined);
  - (b) whether the issue will be underwritten;
  - (c) the financial circumstances which call for the issue; and
  - (d) whether it has obtained or will be seeking the approval of the SGX-ST for the listing and quotation of the new shares arising from the rights issue.

In addition, an issuer must observe the disclosure requirements in Appendix 8.2 of the SGX Listing Manual.

- (2) If a right issue involves an issue of convertible securities, the issuer must also comply with Part VI of Chapter 8 of the SGX Listing Manual.

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<b>NO.</b>	<b>Hong Kong Listing Rules and Hong Kong Laws</b>	<b>SGX Listing Manual and Singapore Laws</b>
		<p><b>Rule 815, SGX Listing Manual</b></p> <p>An issuer must announce any significant disbursement of the proceeds raised from the right issue.</p>
		<p><b>Rule 816, SGX Listing Manual</b></p> <p>A rights issue must provide for the rights to subscribe for securities to be renounceable in part or in whole in favour of a third party at the option of the entitled shareholders.</p>
		<p><b>Rule 823, SGX Listing Manual</b></p> <p>An issuer making a rights issue must observe any time-table published by the SGX-ST.</p>
		<p><b>Rule 833, SGX Listing Manual</b></p> <p>The following additional requirements apply to an offer of company warrants or other convertible securities by way of a rights issue or bought deal:</p> <ol style="list-style-type: none"><li>(1) The issuer's announcement of the rights issue or bought deal must include either:<ol style="list-style-type: none"><li>(a) the exercise or conversion price of the company warrants or other convertible securities; or</li><li>(b) a price-fixing formula to determine the exercise or conversion price. The price-fixing formula must not contain any discretionary element and the amount of premium or discount (in relation to the underlying share price) must be specified.</li></ol></li><li>(2) Where a price-fixing formula is adopted:<ol style="list-style-type: none"><li>(a) if the issue is not underwritten, the issuer must fix and announce the exercise or conversion price before the close of the offer; or</li><li>(b) if the issue is underwritten, the issuer must fix and announce the exercise or conversion price before the commencement of nil-paid rights trading.</li></ol></li></ol>

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<b>Rule 17.03: Terms of share option schemes</b>	<b>Share Option Schemes or Share Schemes</b>
	The terms and provisions of the scheme must provide, <i>inter alia</i> :	<b>Rule 844, SGX Listing Manual</b>
	(1) the total number of securities which may be issued upon exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10% of the relevant class of securities of the issuer (or the subsidiary) in issue as at the date of approval of the scheme;	Participation in a scheme must be restricted to directors and employees of the issuer and its subsidiaries, except that:  (1) directors and employees of an associated company of the issuer may participate in the scheme if the issuer has control over the associated company; and
	(2) the limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30% of the relevant class of securities of the issuer (or subsidiary) in issue from time to time;	(2) directors and employees of the issuer's parent company and its subsidiaries who have contributed to the success and development of the issuer may participate in the scheme.
	(3) the maximum entitlement of each participant under the scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the issuer (or the subsidiary) in issue; and	<b>Rule 845, SGX Listing Manual</b>  A limit on the size of each scheme, the maximum entitlement for each class or category of participant (where applicable), and the maximum entitlement for any one participant (where applicable) must be stated.
	(4) the exercise price of the scheme, which must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. When securities are offered to the public, a prospectus must be prepared and registered unless the offer falls within the scope of exempted offers specified under the Companies Ordinance.	For SGX main board issuers, the following limits must not be exceeded:  (1) the aggregate number of shares available under all schemes must not exceed 15% of the total number of issued shares excluding treasury shares from time to time;  (2) the aggregate number of shares available to controlling shareholder and their associates must not exceed 25% of the shares available under a scheme;  (3) the number of shares available to each controlling shareholder or his associate must not exceed 10% of the shares available under a scheme;

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<b>NO.</b>	<b>Hong Kong Listing Rules and Hong Kong Laws</b>	<b>SGX Listing Manual and Singapore Laws</b>
		<p>(4) the aggregate number of shares available to directors and employees of the issuer's parent company and its subsidiaries must not exceed 20% of the shares available under a scheme; and</p> <p>(5) the maximum discount under the scheme must not exceed 20%. The discount must have been approved by shareholders in a separate resolution.</p>
9.	<p><b>Section 270 of the SFO</b></p> <p>In general terms, subject to the specified exempted circumstances, Section 270 of the SFO prohibits persons from dealing in listed securities (or their derivatives) of a corporation, or otherwise counsels or procures another person to deal in such listed shares (or their derivatives) when such person is connected with the corporation and has information which he knows is relevant information in relation to the corporation.</p> <p><b>Section 278 of the SFO</b></p> <p>In general terms, Section 278 of the SFO prohibits persons to carry out 2 or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction increase, or are likely to affect the price of any securities traded on a relevant recognized market or by means of authorized automated trading services, with the intention of inducing another person to purchase or subscribe for, or to refrain from selling, securities of the corporation or of a related corporation of the corporation.</p>	<p><b>Sections 218 and 219, SFA</b></p> <p>Sections 218 and 219 of the Singapore SFA prohibit persons from dealing in securities of a corporation if any such person knows or reasonably ought to know that he is in possession of information that is not generally available, and if it was generally available it might have a material effect on the price or value of securities of that corporation.</p> <p>Such persons include:</p> <p>(1) officers of a corporation or a related corporation;</p> <p>(2) substantial shareholders of a corporation or a related corporation; and</p> <p>(3) person who occupy position reasonably expected to give him access to inside information by virtue of:</p> <ul style="list-style-type: none"> <li>— any professional or business relationship existing between himself (or his employer or a corporation of which he is an officer) and that corporation or a related corporation; or</li> <li>— being an officer of a substantial shareholder in that corporation or in a related corporation.</li> </ul>

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**APPENDIX V      MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
		<b>Securities Market Manipulation Section 198(1), SFA</b>
		No person shall effect, take part in, be concerned in or carry out, directly or indirectly, 2 or more transactions in securities of a corporation, being transactions that have or likely to have the effect of raising, lowering, maintaining, or stabilizing the price of the securities with intent to induce other persons to subscribe for, purchase or sell securities of the corporation or of a related corporation.
	<b>Rules 3.10 and 8.12: Board composition</b>	<b>Board composition</b>
	Every board of directors of an issuer must include at least three independent non-executive directors. A new applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means to have at least two of its executive directors be ordinarily resident of Hong Kong.	<b>Rule 720 (read with Rule 221) SGX Listing Manual</b> Foreign issuers are required to have at least two independent directors who are Singapore residents on the board of directors on a continuing basis, and not just on listing.
	<b>Rules 3.21, 3.22 and paragraph C.3 of Appendix 14 of the Hong Kong Listing Rules: Audit Committee</b>	<b>Audit Committee</b> <b>Rule 11 of the Code of Corporate Governance (“COCG”)</b>
	Every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The board of directors of the listed issuer must approve and provide written terms as required under Rules 3.10 and 3.21 of reference for the audit committee.	The board of directors should establish an audit committee (“AC”) with written terms of reference which clearly set out its authority and duties. <b>Rule 11.1, COCG</b> The AC should comprise at least three directors, all non-executive, the majority of whom including the chairman should be independent. <b>Rule 11.2, COCG</b> The board of directors should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least 2 members of the AC should have accounting or related financial management expertise or experience, as the board of directors interprets such qualification in its business judgment.

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<b>Rule 3.25 &amp; Paragraph B.1 of Appendix 14 of the Hong Kong Listing Rules: Remuneration Committee</b>	<b>Remuneration Committee</b>  <b>Rule 7.1, COCG</b>
	It is a recommended best practice that issuers should establish a remuneration committee with specific written terms of reference. A majority of the members of the remuneration committee should be independent non-executive directors.	The board of directors should set up a remuneration committee (“RC”) comprising a entirely of non-executive directors, the majority of whom, including the chairman should be independent
	<b>Rule 3.25 &amp; Paragraph A.4 of Appendix 14 of the Hong Kong Listing Rules: Nominating Committee</b>	<b>Nominating Committee</b>  <b>Rule 4.1, COCG</b>
	It is a recommended best practice that issuers should establish a nomination committee. A majority of the members should be independent non-executive directors.	Companies should establish a nominating committee (“NC”) to make recommendations to the board on all board appointments. The NC should comprise at least 3 directors, a majority of whom, including the chairman should be independent.

**Interested Person Transactions or Connected Transactions**

10.	<b>Chapter 14A of the Hong Kong Listing Rules</b>	<b>Chapter 9, SGX Listing Manual</b>
	Chapter 14A of the Hong Kong Listing Rules specifies circumstances in which transactions between an issuer and certain specified persons (including connected persons) are, unless otherwise exempted, subject to the reporting, announcement and independent shareholders’ approval requirements.	Chapter 9 of the SGX Listing Manual, which applies to the Company, prescribes situations in which transactions between entities at risk (as defined in the SGX Listing Manual) and interested persons (as defined in the SGX Listing Manual) are required to be disclosed or are subject to the prior approval of shareholders.
	<b>Rules 14A.10 and 11</b>	<b>Rule 904, SGX Listing Manual</b>
	“Connected person” is defined to include a director, chief executive or substantial shareholder of the listed issuer, any person who was a director of the listed issuer within the preceding 12 months, a supervisor of a PRC issuer (as defined under the Hong Kong Listing Rules), the associates (with meaning ascribed to it under the Hong Kong Listing Rules) of the respective persons as aforesaid, any non wholly-owned subsidiary of the listed issuer where any connected person(s) of the listed issuer	For the purposes of Chapter 9, the following definitions apply:  (1) “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9;

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	<p>(other than at the level of its subsidiaries) is/are (individually or together) entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of such non wholly-owned subsidiary, and any subsidiary of such non wholly-owned subsidiary.</p> <p>“Financial assistance” includes granting credit, lending money, providing security for, or guaranteeing a loan;</p> <p>“Transaction” by an issuer, whether or not it is of a revenue nature in the ordinary and usual course of business, includes:</p> <p>(a) the acquisition or disposal of assets including deemed disposals;</p> <p>(b) any transaction involving a listed issuer writing, accepting, transferring, exercising or terminating an option to acquire or dispose of assets or to subscribe for securities;</p> <p>(c) entering into or terminating finance leases;</p> <p>(d) entering into or terminating operating leases or sub-leases, including those of properties;</p> <p>(e) granting an indemnity or a guarantee or providing financial assistance;</p> <p>(f) entering into any arrangement or agreement involving the formation of a joint venture entity in any form, such as a partnership or a company, or any other form of joint arrangement;</p> <p>(g) issuing new securities;</p> <p>(h) the provision of or receipt of services;</p> <p>(i) sharing of services; and</p> <p>(j) providing or acquiring raw materials, intermediate products and finished goods.</p>	<p>(2) “entity at risk” means:</p> <p>(a) the issuer;</p> <p>(b) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange; or</p> <p>(c) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.</p> <p>(3) “financial assistance” includes:</p> <p>(a) the lending or borrowing of money, the guaranteeing or providing security for a debt incurred or the indemnifying of a guarantor for guaranteeing or providing security; and</p> <p>(b) the forgiving of a debt, the releasing of or neglect in enforcing an obligation of another, or the assuming of the obligations of another.</p> <p>(4) “interested person” means:</p> <p>(a) a director, chief executive officer, or controlling shareholder of the issuer; or</p> <p>(b) an associate of any such director, chief executive officer, or controlling shareholder.</p> <p>(5) “interested person transaction” means a transaction between an entity at risk and an interested person.</p> <p>(6) “transaction” includes:</p> <p>(a) the provision or receipt of financial assistance;</p> <p>(b) the acquisition, disposal or leasing of assets;</p>

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		<ul style="list-style-type: none"> <li>(c) the provision or receipt of services;</li> <li>(d) the issuance or subscription of securities;</li> <li>(e) the granting of or being granted options; and</li> <li>(f) the establishment of joint ventures or joint investments;</li> </ul> <p>whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).</p>

**Rules 14A.31 to 34: Reporting, announcement and independent shareholders' approval requirements for connected transactions**      **When Announcement Required Rule 905, SGX Listing Manual**

Where any connected transaction is proposed, the transaction must be announced publicly and a circular must be sent to shareholders giving information about the transaction. Prior approval of the independent shareholders in general meeting will be required before the transaction can proceed, unless it is otherwise exempted under the Hong Kong Listing Rules. Certain categories of transactions are exempt from the disclosure and independent shareholders' approval requirements, and certain transactions are subject only to disclosure requirements. Amongst other exemptions under the Hong Kong Listing Rules:

- (1) a one-off connected transaction on normal commercial terms will constitute a de minimis transaction under Rule 14A.31(2), which will be exempt from the reporting, announcement and independent shareholders' approval requirements, where each of the percentage ratios (other than the profits ratio) is less than 0.1% or less than 1% (where the connected transaction only involves a connected person at the issuer's subsidiary's level), or each of the percentage ratios (other than the profits ratio) is less than 5% and the total consideration is less than HK\$1,000,000; and

- (1) An issuer must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group's latest audited net tangible assets.
- (2) If the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group's latest audited net tangible assets, the issuer must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.
- (3) Rule 905(1) and (2) does not apply to any transaction below \$100,000.

**When Shareholder Approval Required Rule 906, SGX Listing Manual**

- (1) An issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than:
  - (a) 5% of the group's latest audited net tangible assets; or



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**APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS**

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<p>(2) a one-off connected transaction on normal commercial terms will be exempt from the independent shareholders' approval requirement only under Rule 14A.32 of the Hong Kong Listing Rules where each of the percentage ratios (other than the profits ratio) is less than 5%, or each of the percentage ratios (other than the profits ratio) is less than 25% and the total consideration is less than HK\$10,000,000.</p>	<p>(b) 5% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.</p>
	<p>As regards continuing connected transactions, amongst other exemptions under the Hong Kong Listing Rules:</p>	<p>(2) Rule 906(1) does not apply to any transaction below S\$100,000.</p>
	<p>(1) a continuing connected transaction on normal commercial terms will constitute a de minimis transaction under Rule 14A.33(3), which will be exempt from the reporting, announcement and independent shareholders' approval requirements, where each of the percentage ratios (other than the profits ratio) is on an annual basis less than 0.1% or less than 1% (where the connected transaction only involves a connected person at the issuer's subsidiary's level), or each of the percentage ratios (other than the profits ratio) is on an annual basis less than 5% and the annual consideration is less than HK\$1,000,000; and</p>	<p><b>Rule 907, SGX Listing Manual</b></p> <p>An issuer must disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report. The name of the interested person and the corresponding aggregate value of the interested person transactions entered into with the same interested person must be presented in the prescribed format.</p>
	<p>(2) a continuing connected transaction on normal commercial terms will be exempt from the independent shareholders' approval requirement only under Rule 14A.34 where each of the percentage ratios (other than the profits ratio) is on an annual basis less than 5%, or each of the percentage ratios (other than the profits ratio) is on an annual basis less than 25% and the annual consideration is less than HK\$10,000,000.</p>	<p><b>Rule 920, SGX Listing Manual</b></p> <p>(1) An issuer may seek a general mandate from shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.</p> <p>(a) An issuer must:</p> <p>(i) disclose the general mandate in the annual report, giving details of the aggregate value of transactions conducted pursuant to the general mandate during the financial year; and</p>

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**APPENDIX V            MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
HONG KONG AND SINGAPORE LAWS AND REGULATIONS**

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<p><b>Rule 14A.45: Reporting requirements</b></p> <p>The following details of the connected transaction must be included in the listed issuer's next published annual report and accounts:</p> <p>(1) the transaction date;</p> <p>(2) the parties to the transaction and a description of their connected relationship;</p> <p>(3) a brief description of the transaction and its purpose;</p> <p>(4) the total consideration and terms; and</p> <p>(5) the nature and extent of the connected person's interest in the transaction.</p>	<p>(ii) announce the aggregate value of transactions conducted pursuant to the general mandate for the financial periods which it is required to report on pursuant to Rule 705 within the time required for the announcement of such report.</p> <p>(b) A circular to shareholders seeking a general mandate must include:</p> <p>(i) the class of interested persons with which the entity at risk will be transacting;</p> <p>(ii) the nature of the transactions contemplated under the mandate;</p> <p>(iii) the rationale for and benefit to the entity at risk;</p> <p>(iv) the methods or procedures for determining transaction prices;</p> <p>(v) the independent financial adviser's opinion on whether the methods or procedures in (iv) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders;</p> <p>(vi) an opinion from the audit committee if it takes a different view to the independent financial adviser;</p> <p>(vii) a statement from the issuer that it will obtain a fresh mandate from shareholders if the methods or procedures in (iv) become inappropriate; and</p> <p>(viii) a statement that the interested person will abstain and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the transaction.</p>

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
		<p>(c) An independent financial adviser’s opinion is not required for the renewal of a general mandate provided that the audit committee confirms that:</p> <p style="padding-left: 20px;">(i) the methods or procedures for determining the transaction prices have not changed since last shareholder approval; and</p> <p style="padding-left: 20px;">(ii) the methods or procedures in Rule 920(1)(c)(i) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.</p> <p>(d) Transactions conducted under a general mandate are not separately subject to Rules 905 and 906.</p>

**Rules 14A.25, 14A.26 and 14A.27A:  
Aggregation rule**

The Stock Exchange will aggregate a series of connected transactions and treat them as if they were one transaction if they were all completed within a 12-month period or are otherwise related. In such cases, the listed issuer must comply with the requirements for the relevant classification of the connected transactions when aggregated.

Factors which the Stock Exchange may take into account in determining whether connected transactions will be aggregated include whether the transactions:

- (1) are entered into by the listed issuer with the same party or with parties connected or otherwise associated with one another;
- (2) involve the acquisition or disposal of securities or an interest in one particular company or group of companies;

**Rule 908, SGX Listing Manual**

In interpreting the term “same interested person” for the purpose of aggregation in Rules 905 and 906, the following applies:

Transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person.

If an interested person, (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit committees whose members are completely different.

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**APPENDIX V      MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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<b>NO.</b>	<b>Hong Kong Listing Rules and Hong Kong Laws</b>	<b>SGX Listing Manual and Singapore Laws</b>
(3)	involve the acquisition or disposal of parts of one asset; or	<b>Rule 918, SGX Listing Manual</b>
(4)	together lead to a substantial involvement by the listed issuer in a business activity which did not previously form part of the listed issuer's principal business activities.	If a transaction requires shareholder approval, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.
	For the purpose of aggregating connected transactions, the issuer must consult the Stock Exchange before it enters into any proposed connected transaction(s) if:	<b>Rule 919, SGX Listing Manual</b>
(1)	any circumstances described in Rule 14A.26 or Rule 14A.27 exist in respect of such proposed connected transaction(s) and any other connected transaction(s) entered into by the listed issuer in the preceding 12-month period; or	In a meeting to obtain shareholder approval, the interested person and any associate of the interested person must not vote on the resolution.
(2)	the proposed connected transaction(s) and any other transaction(s) entered into by the issuer involve acquisitions of assets from a person or group of persons or any of his/their associates within 24 months of such person or group of persons gaining control (as defined in the Takeovers Code) of the issuer (other than at the level of its subsidiaries).	
	The issue must provide details of the transactions to the Stock Exchange to enable it to determine whether the transactions will be aggregated.	

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**APPENDIX V      MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<b>Rules 14A.31 and 34: Exemptions</b>	<b>Exceptions Rule 915, SGX Listing Manual</b>
	<p>The connected transactions which can be exempt from all the reporting, announcement and independent shareholders' approval requirements include:</p> <ol style="list-style-type: none"> <li>(1) intra-group transactions;</li> <li>(2) de minimis transactions;</li> <li>(3) issue of new securities if (a) the connected person receives a pro rata entitlement to securities in its capacity as shareholder, or (b) securities are issued under a share option scheme;</li> <li>(4) Stock Exchange dealings;</li> <li>(5) any purchase by a listed issuer of its own securities from a connected person on the Stock Exchange or a recognized stock exchange or under a general offer;</li> <li>(6) the entering into of a service contract by a director of the listed issuer with the listed issuer;</li> <li>(7) the acquisition as consumer or realization in the ordinary and usual course of business of consumer goods or consumer services on normal commercial terms if such goods and services are (a) of a type ordinarily supplied for private use or consumption, (b) for the acquirer's own consumption or use, (c) consumed or used by the acquirer in the same state as when they were acquired (d) of a total consideration or value that is or represents less than 1% of the total revenue or total purchases of the listed issuer and (e) on terms no more favorable to the connected person than those available to independent third parties or no less favorable to the listed issuer than those available from independent third parties;</li> </ol>	<p>The following transactions are not required to comply with Rules 905, 906 and 907:</p> <ol style="list-style-type: none"> <li>(1) a payment of dividends, a subdivision of shares, an issue of securities by way of a bonus issue, a preferential offer, or an off-market acquisition of the issuer's shares, made to all shareholders on a pro-rata basis, including the exercise of rights, options or company warrants granted under the preferential offer;</li> <li>(2) the grant of options, and the issue of securities pursuant to the exercise of options, under an employees' share option scheme approved by the SGX-ST;</li> <li>(3) a transaction between an entity at risk and an investee company, where the interested person's interest in the investee company, other than that held through the issuer, is less than 5%;</li> <li>(4) a transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the issuer at the time of the transaction;</li> <li>(5) a transaction between an entity at risk and an interested person for the provision of goods or services if: <ol style="list-style-type: none"> <li>(a) the goods or services are sold or rendered based on a fixed or graduated scale, which is publicly quoted; and</li> <li>(b) the sale prices are applied consistently to all customers or class of customers.</li> </ol> </li> </ol> <p>Such transactions include telecommunication and postal services, public utility services, and sale of fixed price goods at retail outlets.</p>

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**APPENDIX V      MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE  
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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
(8)	the sharing of administrative services between a listed issuer and a connected person on a cost basis;	(6) the provision of financial assistance or services by a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business;
(9)	transactions with persons connected at the level of subsidiaries;	
(10)	transactions with associates of a passive investor.	(7) the receipt of financial assistance or services from a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business;
		(8) director's fees and remuneration, and employment remuneration (excluding "golden parachute" payments).

**Rule 916, SGX Listing Manual**

The following transactions are not required to comply with Rule 906:

- (1) the entering into, or renewal of a lease or tenancy of real property of not more than 3 years if the terms are supported by independent valuation;
- (2) investment in a joint venture with an interested person if:
  - (a) the risks and rewards are in proportion to the equity of each joint venture partner;
  - (b) the issuer confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders; and
  - (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.

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<b>NO.</b>	<b>Hong Kong Listing Rules and Hong Kong Laws</b>	<b>SGX Listing Manual and Singapore Laws</b>
		<p>(3) The provision of a loan to a joint venture with an interested person if:</p> <ul style="list-style-type: none"><li>(a) the loan is extended by all joint venture partners in proportion to their equity and on the same terms;</li><li>(b) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture; and</li><li>(c) the issuer confirms by an announcement that its audit committee is of the view that:<ul style="list-style-type: none"><li>(i) the provision of the loan is not prejudicial to the interests of the issuer and its minority shareholders; and</li><li>(ii) the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders.</li></ul></li></ul>
		<p>(4) the award of a contract by way of public tender to an interested person if:</p> <ul style="list-style-type: none"><li>(a) the awarder entity at risk announces the following information:<ul style="list-style-type: none"><li>(i) the prices of all bids submitted;</li><li>(ii) an explanation of the basis for selection of the winning bid; and</li></ul></li><li>(b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.</li></ul>

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**APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS**

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
		<p>(5) the receipt of a contract which was awarded by way of public tender, by an interested person if:</p> <p>(a) the bidder entity at risk announces the prices of all bids submitted; and</p> <p>(b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awardee (or if the awardee is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.</p>

**RESTRICTIONS ON DEALINGS OF DIRECTORS BEFORE PUBLICATION OF THE FINANCIAL RESULTS**

<b>Appendix 10 of the Hong Kong Listing Rules</b>	<b>Rule 1207(18)(c), SGX Listing Manual</b>
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A director must not deal in any securities of the listed issuer on any day on which its financial results are published and:-

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results,

A listed issuer and its officers should not deal in the listed issuer's securities during the period commencing two weeks before the announcement of the company financial statements for each of the first three quarters of its financial year and one month before the announcement of the company's full year financial statement (if required to announce quarterly financial statements), or one month before the announcement of the company's half year and full year financial statements (if not required to announce quarterly financial statements).

unless the circumstances are exceptional as described in the immediately succeeding paragraph below. In any event, the director must comply with the procedure in the rules of the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Directors Dealing Code**").



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## APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS

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NO.	Hong Kong Listing Rules and Hong Kong Laws	SGX Listing Manual and Singapore Laws
	<p>If a director proposes to sell or otherwise dispose of securities of the listed issuer under exceptional circumstances where the sale or disposal is otherwise prohibited under the Directors Dealing Code, the director must comply with the provisions of the rules in the Directors Dealing Code regarding prior written notice and acknowledgement.</p> <p>The director must satisfy the chairman or the designated director that the circumstances are exceptional and the proposed sale or disposal is the only reasonable course of action available to the director before the director can sell or dispose of the securities.</p> <p>The listed issuer shall give written notice of such sale or disposal to the Stock Exchange as soon as practicable stating why it considered the circumstances to be exceptional. The listed issuer shall publish an announcement in accordance with the Hong Kong Listing Rules immediately after any such sale or disposal and state that the chairman or the designated director is satisfied that there were exceptional circumstances for such sale or disposal of securities by the director.</p> <p>Under the Directors Dealing Code, a director must not deal in any securities of the listed issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement. In his own case, the chairman must first notify the board at a board meeting, or alternatively notify a director (otherwise than himself) designated by the board for the purpose and receive a dated written acknowledgement before any dealing. The designated director must not deal in any securities of the listed issuer without first notifying the chairman and receiving a dated written acknowledgement.</p> <p>In each case, (a) a response to a request for clearance to deal must be given to the relevant director within five business days of the request being made; and (b) the clearance to deal in accordance with (a) above must be valid for no longer than five business days of clearance being received.</p>	

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## APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS

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### 2. TAKEOVER OBLIGATIONS

#### 2.1 The Singapore Code

The Singapore Code regulates the acquisition of ordinary shares of public companies and contains certain provisions that may delay, deter or prevent a future takeover or change in control of the Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the Company's voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of the Company's voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of the Company's voting Shares in any six-month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Code.

"Parties acting in concert" comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other. They are as follows:

- a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- a company and its pension funds and employee share schemes;
- a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis;
- a financial or other professional adviser and its clients in respect of Shares held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;
- directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;

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## APPENDIX V MAJOR DIFFERENCES BETWEEN CERTAIN APPLICABLE HONG KONG AND SINGAPORE LAWS AND REGULATIONS

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- partners; and
- an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of shares that triggered the mandatory offer obligation.

Under the Singapore Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

### 2.2 Takeovers Code

Public companies with a primary listing of their equity securities in Hong Kong fall within the regulatory framework of the Takeovers Code. The Takeovers Code is not legally enforceable. Its purpose is to provide guidelines for companies and their advisers contemplating, or becoming involved in, takeovers and mergers affecting public companies in Hong Kong. The aim of the Takeovers Code is to ensure fair treatment of shareholders affected by merger or takeover transactions. It requires the timely disclosure of adequate information to enable shareholders to make an informed decision as to the merits of any offer.

The Takeovers Code regulates acquisitions of shares (whether by way of takeovers, mergers and share repurchases) in an offeree company which changes its control, currently defined as a holding, or aggregate holdings, of 30% or more of the voting rights of a company, regardless of whether that holding or holdings gives de facto control.

The Takeovers Code also applies not only to the offeror and the offeree company, but also to those persons “acting in concert” with the offeror. Under the Takeovers Code, “persons acting in concert” are persons who “pursuant to an agreement or understanding, actively co-operate to obtain or consolidate control of a company through the acquisition by any of them of voting rights of the company.” The Takeovers Code also describes classes of persons who are presumed to be acting in concert with others in the same class.

The Takeovers Code requires the making of a mandatory general offer to all shareholders of the offeree company, unless a waiver has been granted by the SFC, where a person or a group of persons acting in concert (1) acquires control of a company (meaning 30% or more of the voting rights), whether by a series of transactions over a period of time, or not, or (2) when already holding between 30% and 50% of the voting rights of a company, acquires more than 2% of the voting rights in the target company in a 12-month period from the date of the relevant acquisition.

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In either of the above cases, an offer must be made to the shareholders for the balance of the shares of the public company. The offer must be in cash or accompanied by a cash alternative at not less than the highest price paid by the purchaser (or persons acting in concert with it) for Shares of that class during the offer period and within 6 months prior to its commencement.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Incorporation**

Our Company was incorporated in Singapore under the Companies Act as a private limited company on January 2, 1993 under the name of Brandeur Holdings Pte Ltd. On February 4, 1994, the name of our Company was changed to Elec & Eltek International Company Pte Ltd. On July 12, 1994, our Company changed its name to our current name, Elec & Eltek International Company Limited in connection with our Company's conversion to a public company limited by shares. Our Company has established our headquarters and our principal place of business in Hong Kong at 1/F, Harbour View 1, No. 12 Science Park East Avenue, Phase II, Hong Kong Science Park, Shatin, New Territories, Hong Kong and was registered as a non-Hong Kong company under Part XI of the Companies Ordinance on April 12, 2005. Mr. Chadwick Mok Cham Hung of 4A, 20 Babington Path, Hong Kong and Ms. Claudia Heng Nguan Leng of Flat G, 14/F, Block 8, Site 11, Whampoa Garden, Bauhinia Mansion, 6 Tak Hong Street, Hung Hom, Kowloon, Hong Kong have been appointed as the authorized representatives of our Company to accept service of legal process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in Singapore, our operations are subject to, *inter alia*, the Companies Act and to our Memorandum of Association and Articles of Association. A summary of various relevant provisions of the Companies Act, the major differences between certain applicable Hong Kong and Singapore laws and regulations and our Company's Memorandum of Association and Articles of Association are set out in Appendices IV and V to this document, respectively.

**2. Changes in share capital of our Company**

- (a) On March 29, 2010, 6,953,000 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.033 per Share.
- (b) On May 6, 2010, 25,000 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.033 per Share.
- (c) On May 14, 2010, 152,000 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.033 per Share.
- (d) On May 24, 2010, 220,000 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.033 per Share.
- (e) On August 4, 2010, 60,000 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.375 per Share.
- (f) On August 4, 2010, 292,500 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.40 per Share.

- (g) On August 5, 2010, 8,000 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.40 per Share.
- (h) On August 24, 2010, 7,000 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.40 per Share.
- (i) On October 25, 2010, 5,000 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.40 per Share.
- (j) On November 18, 2010, 18,400 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.40 per Share.
- (k) On November 29, 2010, 4,000 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.40 per Share.
- (l) On December 6, 2010, 22,000 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.40 per Share.
- (m) On December 22, 2010, 28,000 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.40 per Share.
- (n) On January 6, 2011, 9,600 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.40 per Share.
- (o) On January 20, 2011, 24,000 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.40 per Share.
- (p) On February 15, 2011, 748,000 Shares held by our Company as treasury Shares were cancelled pursuant to Section 76K(d) of the Companies Act.
- (q) On April 4, 2011, 129,800 Shares were allotted and issued pursuant to the exercise of share options under the 2002 Share Option Scheme at a consideration of US\$2.40 per Share.

Save as disclosed above, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

### **3. Resolutions of our Shareholders passed on April 6, 2011 and June 14, 2011**

At the annual general meeting of our Company held on April 6, 2011, resolutions of our Shareholders were passed whereby, amongst other things, pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual, authority was given to our Directors to:

- (a) (i) issue Shares in the capital of our Company whether by way of rights, bonus or otherwise; and/or

- (ii) make or grant offers, agreements or options (collectively “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may in their absolute discretion deem fit; and

- (b) issue Shares in pursuance of any Instrument made or granted by our Directors while the resolution was in force, notwithstanding that the authority granted by the resolution may have ceased to be in force at the time of such issuance of Shares.

**PROVIDED THAT**

- (1) the aggregate number of Shares to be issued pursuant to the resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to the resolution) shall not exceed 50% of the total number of issued Shares excluding treasury Shares (if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing Shareholders of our Company shall not exceed 20% of the total number of issued Shares excluding treasury Shares (if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares, excluding treasury Shares (if any), at the time the resolution is passed (i.e. April 6, 2011), after adjusting for:
  - (i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time the resolution is passed; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of our Shares;
- (3) in exercising the authority conferred by the resolution, our Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles for the time being; and
- (4) unless revoked or varied by our Company in general meeting, the authority conferred by the resolution shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law or the Articles to be held, whichever is the earlier.

Notwithstanding the above, it must be noted that the Listing Rules provide that the general mandate obtained from Shareholders in general meeting shall be subject to a restriction that the aggregate number of Shares allotted or agreed to be allotted under the general mandate must not exceed the aggregate of 37,369,072 Shares, representing 20% of the existing issued share capital of our Company. Consequently, going forward, our Company will comply with the Listing Rules in relation to the issue of general mandate as the Listing Rules are generally more onerous than the Listing Manual in this aspect.

At an extraordinary general meeting of our Company held on April 6, 2011, resolutions of our Shareholders were passed pursuant to which, amongst other things:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by our Directors of all the powers of our Company to purchase or otherwise acquire the Shares not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by our Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of: (i) off-market purchases (each, an “**Off-Market Share Purchase**”) effected in accordance with any equal access scheme(s) as may be determined or formulated by our Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act; and/ or (ii) on-market purchases (each an “**On-Market Share Purchase**”) on the SGX-ST, and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorized and approved generally and unconditionally (the “**Share Repurchase Mandate**”);
- (b) unless varied or revoked by our Company in general meeting, the authority conferred on the Directors pursuant to the Share Repurchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of the resolution (i.e. April 6, 2011), and expiring on the earlier of: (i) the date on which the next annual general meeting of our Company is held or required by law or the Articles of Association to be held; or (ii) the date on which the purchase of Shares by our Company pursuant to the Share Repurchase Mandate is carried out to the full extent mandated.

“**Prescribed Limit**” means ten per cent. (10%) of the issued ordinary share capital of our Company as at the date of the passing of the above resolution (i.e. April 6, 2011) (excluding treasury Shares);

“**Maximum Price**” in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding: (i) in the case of an On-Market Share Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as hereinafter defined); and (ii) in the case of an Off-Market Share Purchase, one hundred and twenty per cent. (120%) of the Average Closing Price (as hereinafter defined); and



“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) Market Days (“**Market Day**” being a day on which the SGX-ST is open for securities trading), on which transactions in the Shares were recorded, immediately preceding the date of making the On-Market Share Purchase or, as the case may be, the date of making an announcement for an offer pursuant to the Off-Market Share Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days.

At an extraordinary general meeting of our Company held on June 14, 2011, our Shareholders approved (a) the proposed dual primary listing of all Shares in issue on the Stock Exchange by way of an introduction and all matters relating thereto were approved; and that any Director was authorized and empowered to take all necessary steps, to do all such acts and things and sign all such documents and deeds (including approving any matters in relation to the Introduction) as he/she may consider necessary, desirable or expedient to give effect to or carrying into effect the above; and (b) contingent upon the passing of (a) above, the adoption of the proposed amendments to the Articles.

#### 4. Changes in the share capital of the subsidiaries of our Company

The present subsidiaries of our Company are referred to in the accountants’ report, the text of which is set forth in Appendix I to this document.

The following are alterations in the share or registered capital of each of our subsidiaries which have taken place within the two years immediately preceding the date of this document:

- (a) On November 9, 2009, Elec & Eltek Kaiping (BVI) No. 5 Limited and Elec & Eltek Kaiping Laminates (Hong Kong) Limited entered into an equity transfer agreement. Pursuant to the equity transfer agreement, Elec & Eltek Kaiping (BVI) No. 5 Limited agreed to transfer its 100% equity interest in 開平太平洋絕緣材料有限公司 (Kaiping Pacific Insulating Material Company Limited) to Elec & Eltek Kaiping Laminates (Hong Kong) Limited at a consideration of HK\$116,508,330. The transfer was completed on February 9, 2010.
- (b) On April 12, 2010, Elec & Eltek Yangzhou (Hong Kong) Company Limited (formerly known as New Blossom Investments Limited) was incorporated in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Fernside Limited was the founder member and subscribed for one share.
- (c) On April 26, 2010, Fernside Limited transferred its one share in Elec & Eltek Yangzhou (Hong Kong) Company Limited to our Company at a consideration of HK\$1.00.
- (d) On May 27, 2010, 揚州依利安達電子有限公司 (Yangzhou Elec & Eltek Electronic Company Limited) was established in the PRC as a limited liability company (wholly foreign-owned enterprise) with a registered capital of US\$40,000,000. Elec & Eltek Yangzhou (Hong Kong) Company Limited has been the sole owner of 揚州依利安達電子有限公司 (Yangzhou Elec & Eltek Electronic Company Limited) since its establishment.

- (e) On June 17, 2010, 依利安達(廣州)電子有限公司 (Elec & Eltek (Guangzhou) Electronic Company Limited) merged with 廣州依利安達精密互連科技第一有限公司 (Guangzhou Elec & Eltek High Density Interconnect Technology No.1 Company Limited) and the registered capital of 依利安達(廣州)電子有限公司 (Elec & Eltek (Guangzhou) Electronic Company Limited) increased from US\$70,596,000 to US\$95,596,000.
- (f) On November 1, 2010, 開平依利安達電子有限公司 (Kai Ping Elec & Eltek Company Limited) merged with 開平依利安達電子第二有限公司 (Kaiping Elec & Eltek No.2 Company Limited) and the registered capital of 開平依利安達電子有限公司 (Kai Ping Elec & Eltek Company Limited) increased from US\$27,850,000 to US\$49,520,000.

## 5. Repurchase of its own securities by our Company

This section includes information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities by our Company:

### (a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of our Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the Shareholders' resolutions passed at the extraordinary general meeting of our Company on April 6, 2011, a repurchase mandate was granted to our Directors authorizing any repurchase of Shares by our Company as described above in the paragraph headed "Resolutions of our Shareholders passed on April 6, 2011 and June 14, 2011" in this Appendix VI.

Under the Listing Rules, the shares which are proposed to be repurchased by a company must be fully paid up.

### (b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole to have a general authority from our Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or our earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

***(c) Exercise of the repurchase mandate***

Exercise in full of the repurchase mandate, on the basis of 186,845,362 Shares in issue immediately after completion of the Introduction, but not taking into account any options which may be granted under the Share Option Schemes, could accordingly result in up to 18,684,536 Shares being repurchased by our Company during the course of the period prior to (i) the date on which the next annual general meeting is held or required by law or the Articles of Association to be held; (ii) the date on which the share repurchases are carried out to the full extent mandated; or (iii) the date on which the authority conferred by the repurchase mandate is revoked or varied by our Company in a general meeting, whichever is the earliest.

***(d) Funding of repurchases***

Our Company may, in accordance with the provisions of the Companies Act and the Listing Manual, purchase or otherwise acquire the Shares if it is expressly permitted to do so by the Articles of Association. In purchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of Singapore. Our Company may not purchase our Shares for a consideration other than cash and where relevant, settlement shall be in accordance with the trading rules of the SGX-ST. Previously, any payment made by our Company in consideration of the purchase or acquisition of our Shares may only be made out of distributable profits. The Companies Act now permits our Company to purchase or acquire our own Shares out of capital, as well as from our distributable profits, so long as our Company is solvent. Furthermore, our Company may obtain or incur borrowings to finance our purchase or acquisition of Shares.

However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the liquidity (for example, share trading volume) of our Group.

***(e) Directors' undertaking***

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of our Company to make purchase of our Company's securities in accordance with the Listing Rules, the Listing Manual, the applicable laws of Singapore and the Articles of Association.

***(f) Disclosure of interests***

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates has any present intention, if the repurchase mandate is exercised, to sell any Shares to our Company or our subsidiaries.

No connected person of our Company has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

*(g) Takeovers Code consequences*

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and the provision may apply as a result of any such increase. Our Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchase under the repurchase mandate.

**B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

**1. Summary of material contracts**




The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years immediately preceding the date of this document and are or may be material:

- (a) a shareholder's loan agreement dated October 19, 2009 entered into among Jamplan (BVI) Limited, Elec & Eltek Jiangmen (BVI) High Tech Limited and United Hill Group Limited, pursuant to which Elec & Eltek Jiangmen (BVI) High Tech Limited provided a shareholder's loan in an amount of US\$2,159,002 to United Hill Group Limited;
- (b) an equity transfer agreement dated November 9, 2009 entered into between Elec & Eltek Kaiping (BVI) No. 5 Limited and Elec & Eltek Kaiping Laminates (Hong Kong) Limited, pursuant to which Elec & Eltek Kaiping (BVI) No. 5 Limited transferred its 100% equity interest in 開平太平洋絕緣材料有限公司 (Kaiping Pacific Insulating Material Company Limited) to Elec & Eltek Kaiping Laminates (Hong Kong) Limited at a consideration of HK\$116,508,330;
- (c) an equity transfer agreement dated November 17, 2009 entered into between 廣州建智科技實業有限公司 and Elec & Eltek Huangpu (Singapore) No. 5 Pte. Ltd., pursuant to which 廣州建智科技實業有限公司 transferred its 2% equity interest in 廣州依利安達印刷有限公司 (Elec & Eltek (Guangzhou) P.C.B. Company Limited) to Elec & Eltek Huangpu (Singapore) No. 5 Pte. Ltd. at a consideration of US\$48,000;
- (d) a sale and purchase agreement dated December 16, 2009 entered into between Elec & Eltek Jiangmen (BVI) High Tech Limited and Ocean Glory Ltd., pursuant to which Elec & Eltek Jiangmen (BVI) High Tech Limited transferred its 49% shareholding interest in United Hill Group Limited to Ocean Glory Ltd. at a consideration of HK\$82,000,000;
- (e) a supplemental agreement and supplemental articles dated December 21, 2009 entered into between Kaiping City Mechanical & Electrical Industrial Co. and Elec & Eltek Kaiping (Singapore) Pte. Ltd., pursuant to which certain amendments were made to the sino-foreign joint venture agreement and articles dated May 16, 2008 respectively which were entered into between the parties in relation to the scope of operations of 開平依利安達電子有限公司 (Kai Ping Elec & Eltek Company Limited);

- (f) a supplemental agreement and supplemental articles dated December 21, 2009 entered into between Kaiping City Mechanical & Electrical Industrial Co. and Elec & Eltek Kaiping (Singapore) No. 3 Pte. Ltd., pursuant to which certain amendments were made to the sino-foreign joint venture agreement and articles, and all related supplemental agreements and articles respectively which were entered into between the parties in relation to the scope of operations of 開平依利安達電子第三有限公司 (Kaiping Elec & Eltek No.3 Company Limited);
- (g) a supplemental agreement and supplemental articles dated December 21, 2009 entered into between Kaiping City Mechanical & Electrical Industrial Co. and Elec & Eltek Kaiping (Singapore) No. 4 Pte. Ltd., pursuant to which certain amendments were made to the sino-foreign joint venture agreement and articles, and all related supplemental agreements and articles respectively which were entered into between the parties in relation to the scope of operations of 開平依利安達電子第五有限公司 (Kaiping Elec & Eltek No.5 Company Limited);
- (h) an articles dated May 10, 2010 executed by Elec & Eltek Yangzhou (Hong Kong) Company Limited, pursuant to which 揚州依利安達電子有限公司 (Yangzhou Elec & Eltek Electronic Company Limited) was established;
- (i) a supplemental articles dated June 12, 2010 executed by Elec & Eltek Yangzhou (Hong Kong) Company Limited, pursuant to which certain amendments were made to the articles for wholly foreign-owned enterprises in relation to the increase in the total investment amount and the registered capital of 揚州依利安達電子有限公司 (Yangzhou Elec & Eltek Electronic Company Limited);
- (j) a supplemental agreement and supplemental articles dated April 28, 2011 entered into between Kaiping City Mechanical & Electrical Industrial Co. and Elec & Eltek Kaiping (Singapore) Pte. Ltd., pursuant to which certain amendments were made to the sino-foreign joint venture agreement and articles dated May 16, 2008, and all related supplemental agreements and articles respectively which were entered into between the parties in relation to the addition of supervisor of 開平依利安達電子有限公司 (Kai Ping Elec & Eltek Company Limited);
- (k) a supplemental agreement and supplemental articles dated April 28, 2011 entered into between Kaiping City Mechanical & Electrical Industrial Co. and Elec & Eltek Kaiping (Singapore) No. 3 Pte. Ltd., pursuant to which certain amendments were made to the sino-foreign joint venture agreement and articles, and all related supplemental agreements and articles respectively which were entered into between the parties in relation to the addition of supervisor of 開平依利安達電子第三有限公司 (Kaiping Elec & Eltek No.3 Company Limited);

- (l) a supplemental agreement and supplemental articles dated April 28, 2011 entered into between Kaiping City Mechanical & Electrical Industrial Co. and Elec & Eltek Kaiping (Singapore) No. 4 Pte. Ltd., pursuant to which certain amendments were made to the sino-foreign joint venture agreement and articles, and all related supplemental agreements and articles respectively which were entered into between the parties in relation to the addition of supervisor of 開平依利安達電子第五有限公司 (Kaiping Elec & Eltek No.5 Company Limited);
- (m) a supplemental articles dated April 28, 2011 executed by Elec & Eltek Kaiping Laminates (Hong Kong) Limited, pursuant to which certain amendments were made to the articles for wholly foreign-owned enterprises and all related supplemental articles respectively which were executed by Elec & Eltek Kaiping Laminates (Hong Kong) Limited in relation to the scope of operations and addition of supervisor of 開平太平洋絕緣材料有限公司 (Kaiping Pacific Insulating Material Company Limited);
- (n) a supplemental agreement and supplemental articles dated April 28, 2011 entered into between Elec & Eltek Shenzhen (Singapore) Pte. Ltd., Homou Enterprises Limited and Zhou Guo Bin, pursuant to which certain amendments were made to the sino-foreign joint venture agreement and articles and all related supplemental agreements and articles respectively which were entered into between the parties in relation to the addition of supervisor of 深圳太平洋絕緣材料有限公司 (Shenzhen Pacific Insulating Material Co., Ltd.);
- (o) a new sino-foreign joint venture agreement and articles dated June 4, 2011 entered into between Guangzhou Development Zone Construction Development Corporation and Elec & Eltek Huangpu (Singapore) Pte. Ltd., for the addition of supervisor and replaced the sino-foreign joint venture agreement and articles dated September 30, 2008 respectively which were entered into between the joint venture parties of 依利安達(廣州)電子有限公司 (Elec & Eltek (Guangzhou) Electronic Company Limited);
- (p) a new sino-foreign joint venture agreement and articles dated June 4, 2011 entered into between Guangzhou Development Zone Construction Development Corporation and Elec & Eltek Huangpu (Singapore) No. 2 Pte. Ltd., for the addition of supervisor and replaced the sino-foreign joint venture agreement and articles dated October 11, 2004 and all related supplemental agreement and articles respectively which were entered into between the joint venture parties of 依利安達(廣州)電子科技有限公司 (Elec & Eltek (Guangzhou) Technology Company Limited);
- (q) a new sino-foreign joint venture agreement and articles dated June 4, 2011 entered into between Guangzhou Development Zone Construction Development Corporation and Elec & Eltek Huangpu (Singapore) No. 3 Pte. Ltd., for the addition of supervisor and replaced the sino-foreign joint venture agreement and articles dated November 29, 2004 and all related supplemental agreement and articles respectively which were entered into between the joint venture parties of 廣州依利安達微通科技有限公司 (Guangzhou Elec & Eltek Microvia Technology Limited);



- (r) a deed of trademark assignment dated June 4, 2011 entered into by our Company and EEIH, pursuant to which EEIH assigned to our Company its ownership in relation to the mark “ ” registered in Hong Kong at a consideration comprising (i) an aggregate nominal cash consideration of HK\$1.00; and (ii) our Company allowing EEIH and its subsidiaries to continue to use the mark on certain products which are unrelated to our Group’s business;
- (s) a deed of trademark assignment dated June 4, 2011 entered into by our Company and EEIH, pursuant to which EEIH assigned to our Company its ownership in relation to the mark “ Elec & Eltek 依利安達” registered in Hong Kong at a consideration comprising (i) an aggregate nominal cash consideration of HK\$1.00; and (ii) our Company allowing EEIH and its subsidiaries to continue to use the mark on certain products which are unrelated to our Group’s business;
- (t) a deed of trademark assignment dated June 4, 2011 entered into by our Company and EEIH, pursuant to which EEIH assigned to our Company its ownership in relation to the mark “ Elec & Eltek 依利安達” registered in Singapore at a consideration comprising (i) an aggregate nominal cash consideration of HK\$1.00; and (ii) our Company allowing EEIH and its subsidiaries to continue to use the mark on certain products which are unrelated to our Group’s business;
- (u) a supplemental articles dated June 18, 2011 entered into Elec & Eltek Qingyuan (BVI) Limited, pursuant to which certain amendments were made to the articles for solely foreign-owned enterprises and all related supplemental articles respectively which were entered into by Elec & Eltek Qingyuan (BVI) Limited in relation to the addition of supervisor of 依利安達(清遠)線路板有限公司 (Elec & Eltek (Qingyuan) P.C.B. Company Limited);
- (v) a deed of non-competition dated June 27, 2011 entered into by Kingboard with and in favor of our Company (for ourselves and on behalf of our subsidiaries). For details, please refer to the paragraph headed “Non-compete Undertakings” under the section headed “Relationship with our Controlling Shareholders — Independence from the Kingboard Group” in this document;
- (w) an option deed dated June 27, 2011 entered into among the Company, Kingboard and Hallgain Management Limited. For details, please refer to the paragraph headed “PCB Subsidiaries Option Deed” under the section headed “Relationship with our Controlling Shareholders — Independence from the Kingboard Group” in this document; and
- (x) a sponsor’s agreement dated June 29, 2011 entered into by the Company and the Sole Sponsor in relation to the Listing.

## 2. Commercially sensitive contract

Under paragraph 53(2) of Part A of Appendix I to the Listing Rules (“**Paragraph 53(2)**”), our Company is required to make available, for a reasonable period of time (being not less than 14 days), copies of all material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within two years immediately preceding the issue of this document for potential investors and Shareholders to inspect.

Our Company has applied to the Stock Exchange for waivers from strict compliance with Paragraph 53(2) so as to enable details in relation to (i) the names of the nine common customers served by our Group and the Kingboard Group as at December 31, 2010; (ii) the sales amount of PCBs sold to each of the nine common customers by our Group and the Kingboard Group during the Track Record Period; (iii) the names of the existing non-common end customers of our Group (with annual sales amount of USD100,000 or above) as at December 31, 2010; and (iv) the names of the existing non-common end customers of the Kingboard Group (with annual sales amount of USD100,000 or above) as at December 31, 2010 (the “**Information**”) to be redacted from the deed of non-competition which is available for public inspection.

Our Company has applied for the waiver on the grounds that:

- (a) the waiver would not prejudice the interests of the investing public and the Shareholders;
- (b) the Information to be redacted as mentioned above would be commercially sensitive and the disclosure of which would be inappropriate and unduly burdensome and would have adverse effect on the business and operations of our Group and our Group may lose competitiveness in sales and marketing and/or strategic planning in the future;
- (c) it is difficult and burdensome for our Company to ask for consent from each and every of those customers which will be disclosed in the deed of non-competition (which total to approximately 150 customers) for making the deed of non-competition containing the Information available for public inspection; and
- (d) sufficient information has been disclosed in this document for the investing public and the Shareholders. For the avoidance of doubt, the shipment locations of the nine common customers served by our Group and the Kingboard Group as at December 31, 2010 will be included without revealing their actual names in the deed of non-competition which is available for public inspection.

Our Directors confirm that in their opinion, the material terms of the deed of non-competition in respect of which waiver is sought are sufficiently disclosed in this document to enable a reasonable person to understand the arrangements effected by the deed of non-competition and therefore to form a valid and justifiable opinion of our Company. As a result, our Directors are of the view that the grant of the waiver requested will not prejudice the interests of the investing public and the Shareholders. On the contrary, for the reasons set out above, our Directors are of the view that full disclosure of the Information contained in the deed of non-competition would prejudice the interests of our Company, and therefore, the investing public and the Shareholders.

The Stock Exchange has granted a partial waiver from strict compliance with Paragraph 53(2) for the reasons set out above. The partial waiver has been granted in respect of the deed of non-competition set out in the above on the condition that a copy of every material contracts referred to in the paragraph headed “Summary of material contracts” in this Appendix VI (except in relation to the deed of non-competition, the omission of details in relation to (i) the names of the nine common customers served by our Group and the Kingboard Group as at December 31, 2010; (ii) the sales amount of PCBs sold to each of the nine common customers by our Group and the Kingboard Group



during the Track Record Period; (iii) the names of the existing non-common end customers (with annual sales amount of USD100,000 or above) as at December 31, 2010 of our Group; and (iv) the names of the existing non-common end customers of the Kingboard Group (with annual sales amount of USD100,000 or above) as at December 31, 2010) are made available for inspection in accordance with the section headed “Documents Available for Inspection” in Appendix VII to this document.

### 3. Particulars of our subsidiaries in China

As at the Latest Practicable Date, we had 12 subsidiaries in the PRC, particulars of which are as follows:

(a) *Elec & Eltek (Guangzhou) Electronic Company Limited* 依利安達(廣州)電子有限公司

Date of establishment	:	December 30, 1993
Nature of enterprise	:	Limited liability company (sino-foreign joint venture)
Registered capital	:	US\$95,596,000
Paid-up capital	:	US\$95,596,000
Percentage of equity interest held by us	:	98%
Registered owners	:	廣州開發區建設發展集團有限公司 (Guangzhou Development Zone Construction Development Corporation) (2%) Elec & Eltek Huangpu (Singapore) Pte. Ltd. (98%)
Term of operation	:	50 years from December 30, 1993 to December 30, 2043
Principal scope of business	:	Research, development and manufacture of high density multi-layer PCBs, new models of PCBs, new electrical components and related products; sale of self-manufactured products and provision of related technical services
Directors	:	Chadwick Mok Cham Hung Nick Deng Chan Wing Kwan Chan Wai Leung
Legal representative	:	Chadwick Mok Cham Hung

**(b) Elec & Eltek (Guangzhou) Technology Company Limited 依利安達(廣州)電子科技有限公司**

Date of establishment	:	August 7, 1998
Nature of enterprise	:	Limited liability company (sino-foreign joint venture)
Registered capital	:	US\$6,000,000
Paid-up capital	:	US\$6,000,000
Percentage of equity interest held by us	:	98%
Registered owners	:	廣州開發區建設發展集團有限公司 (Guangzhou Development Zone Construction Development Corporation) (2%) Elec & Eltek Huangpu (Singapore) No. 2 Pte. Ltd. (98%)
Term of operation	:	50 years from August 7, 1998 to August 7, 2048
Principal scope of business	:	Research, development and manufacture of high density multi-layer PCBs, new models of PCBs, new electrical components and related products; sale of self-manufactured products and provision of related technical services
Directors	:	Chadwick Mok Cham Hung Nick Deng Chan Wing Kwan Chan Wai Leung
Legal representative	:	Chadwick Mok Cham Hung

**(c) Elec & Eltek (Qingyuan) P.C.B. Company Limited 依利安達(清遠)綫路板有限公司**

Date of establishment	:	November 30, 2006
Nature of enterprise	:	Limited liability company (wholly foreign-owned enterprise)
Registered capital	:	US\$18,000,000
Paid-up capital	:	US\$18,000,000
Percentage of equity interest held by us	:	100%
Registered owner	:	Elec & Eltek Qingyuan (BVI) Limited (100%)
Term of operation	:	5 years from November 30, 2006 to November 30, 2011
Principal scope of business	:	Development of semi-conductors and materials specialized for components; planning and construction of production projects (prohibited from production and operations during the planning and construction period)

Directors : Chadwick Mok Cham Hung  
Cheung Kwok Wing  
Lam Ka Po

Legal representative : Chadwick Mok Cham Hung

**(d) *Guangzhou Elec & Eltek Microvia Technology Limited* 廣州依利安達微通科技有限公司**

Date of establishment : August 23, 1999

Nature of enterprise : Limited liability company (sino-foreign joint venture)

Registered capital : US\$24,800,000

Paid-up capital : US\$24,800,000

Percentage of equity  
interest held by us : 98%

Registered owners : 廣州開發區建設發展集團有限公司 (Guangzhou Development  
Zone Construction Development Corporation) (2%)  
Elec & Eltek Huangpu (Singapore) No. 3 Pte. Ltd. (98%)

Term of operation : 50 years from August 23, 1999 to August 23, 2049

Principal scope of  
business : Research, development and manufacture of high density  
multi-layer PCBs, new models of PCBs, new electrical  
components and related products; sale of self-manufactured  
products and provision of related technical services

Directors : Chadwick Mok Cham Hung  
Nick Deng  
Chan Wing Kwan  
Chan Wai Leung

Legal representative : Chadwick Mok Cham Hung

**(e) *Kai Ping Elec & Eltek Company Limited* 開平依利安達電子有限公司**

Date of establishment : September 30, 1992

Nature of enterprise : Limited liability company (sino-foreign joint venture)

Registered capital : US\$49,520,000

Paid-up capital : US\$49,520,000

Percentage of equity  
interest held by us : 95%

Registered owners : Kaiping City Mechanical & Electrical Industrial Co. (5%)  
Elec & Eltek Kaiping (Singapore) Pte. Ltd. (95%)

Term of operation	:	50 years from September 30, 1992 to September 29, 2042
Principal scope of business	:	Research, development, manufacture and sale of HDI Laminates, high density multi-layer PCBs, new models of PCBs, other new electrical components and provision of related technical services
Directors	:	Chadwick Mok Cham Hung Chan Wing Kwan 張永裕 Chan Wai Leung
Legal representative	:	Chadwick Mok Cham Hung

(f) ***Kaiping Elec & Eltek No.3 Company Limited*** 開平依利安達電子第三有限公司

Date of establishment	:	March 3, 2000
Nature of enterprise	:	Limited liability company (sino-foreign joint venture)
Registered capital	:	US\$87,800,000
Paid-up capital	:	US\$86,960,000
Percentage of equity interest held by us	:	95%
Registered owners	:	Kaiping City Mechanical & Electrical Industrial Co. (5%) Elec & Eltek Kaiping (Singapore) No. 3 Pte. Ltd. (95%)
Term of operation	:	50 years from March 3, 2000 to March 2, 2050
Principal scope of business	:	Research, development, manufacture and sale of HDI Laminates, high density multi-layer PCBs, new models of PCBs, other new electrical components and provision of related technical services
Directors	:	Chadwick Mok Cham Hung Chan Wing Kwan 張永裕 Chan Wai Leung
Legal representative	:	Chadwick Mok Cham Hung

(g) ***Kaiping Elec & Eltek No.5 Company Limited*** 開平依利安達電子第五有限公司

Date of establishment	:	July 3, 2002
Nature of enterprise	:	Limited liability company (sino-foreign joint venture)
Registered capital	:	US\$30,075,100

Paid-up capital	:	US\$30,075,100
Percentage of equity interest held by us	:	95%
Registered owners	:	Kaiping City Mechanical & Electrical Industrial Co. (5%) Elec & Eltek Kaiping (Singapore) No. 4 Pte. Ltd. (95%)
Term of operation	:	50 years from July 3, 2002 to July 2, 2052
Principal scope of business	:	Research, development, manufacture and sale (70% export sales) of HDI Laminates, high density multi-layer PCBs, new models of PCBs, other new electrical components and provision of related technical services
Directors	:	Chadwick Mok Cham Hung Chan Wing Kwan 張永裕 Chan Wai Leung
Legal representative	:	Chadwick Mok Cham Hung

**(h) *Kaiping Pacific Insulating Material Company Limited* 開平太平洋絕緣材料有限公司**

Date of establishment	:	May 12, 2005
Nature of enterprise	:	Limited liability company (wholly foreign-owned enterprise)
Registered capital	:	US\$15,000,000
Paid-up capital	:	US\$15,000,000
Percentage of equity interest held by us	:	100%
Registered owner	:	Elec & Eltek Kaiping Laminates (Hong Kong) Limited (100%)
Term of operation	:	50 years from May 12, 2005 to May 11, 2055
Principal scope of business	:	Research, development and manufacture of copper foil laminates, prepreg, other semi-conductors and materials specialized for components
Directors	:	Chadwick Mok Cham Hung Chan Wing Kwan Chan Wai Leung
Legal representative	:	Chadwick Mok Cham Hung

**(i) Nanjing Elec & Eltek Electronic Co., Ltd. 南京依利安達電子有限公司**

Date of establishment	:	November 25, 1994
Nature of enterprise	:	Limited liability company (wholly foreign-owned enterprise)
Registered capital	:	US\$11,400,000
Paid-up capital	:	US\$11,400,000
Percentage of equity interest held by us	:	100%
Registered owner	:	Elec & Elek Nanjing (Singapore) Pte. Ltd. (100%)
Term of operation	:	50 years from November 25, 1994 to November 24, 2044
Principal scope of business	:	Research, development and manufacture of electronic components, which include high density multi-layer PCBs, new models of PCBs, new electrical components and related products, electronic materials, equipment and devices; sale of self-manufactured products and provision of related technical services
Directors	:	Chadwick Mok Cham Hung Chan Wing Kwan Chan Wai Leung
Legal representative	:	Chadwick Mok Cham Hung

**(j) Shenzhen Pacific Insulating Material Co., Ltd. 深圳太平洋絕緣材料有限公司**

Date of establishment	:	February 28, 1987
Nature of enterprise	:	Limited liability company (sino-foreign joint venture)
Registered capital	:	RMB 67,491,500
Paid-up capital	:	RMB 67,491,500
Percentage of equity interest held by us	:	93.501%
Registered owners	:	Zhou Guo Bin (1.550%) Homou Enterprises Limited (4.949%) Elec & Eltek Shenzhen (Singapore) Pte. Ltd. (93.501%)
Term of operation	:	65 years from February 28, 1987 to February 28, 2052
Principal scope of business	:	Manufacture of copper foil laminates, laminates and other electrical insulating products.

Directors : Chadwick Mok Cham Hung  
Chan Wing Kwan  
Chan Wai Leung  
馬春舒  
Philip Chan Sai Kit  
Clement Sun  
Zhou Guo Bin

Legal representative : Chadwick Mok Cham Hung

**(k) Yangzhou Elec & Eltek Electronic Company Limited 揚州依利安達電子有限公司**

Date of establishment : May 27, 2010

Nature of enterprise : Limited liability company (wholly foreign-owned enterprise)

Registered capital : US\$40,000,000

Paid-up capital : US\$28,000,000

Percentage of equity interest held by us : 100%

Registered owner : Elec & Eltek Yangzhou (Hong Kong) Company Limited (100%)

Term of operation : 50 years from May 27, 2010 to May 26, 2060

Principal scope of business : Research, development and manufacture of components of new electronic models, HDI Laminates, high density multi-layer PCBs, new models of PCBs, new electrical components and related products; sale of self-manufactured products and provision of related technical services

Directors : Chadwick Mok Cham Hung  
Chang Wing Yiu  
Chan Wai Leung

Legal representative : Chadwick Mok Cham Hung

**(l) Yi Sheng Trading (Shanghai) Co. Ltd. 奕升貿易(上海)有限公司**

Date of establishment : June 13, 2007

Nature of enterprise : Limited liability company (wholly foreign-owned enterprise)

Registered capital : US\$200,000

Paid-up capital : US\$200,000





Percentage of equity interest held by us : 100%

Registered owner	:	Instant Up International Limited (100%)
Term of operation	:	30 years from June 13, 2007 to June 12, 2037
Principal scope of business	:	Engaging in international trade, re-export trade, trading among enterprises in tariff-free zones and agency services for trading in tariff-free zones; simple commercial input processing in tariff-free zones; providing consultation services on trading in tariff-free zones; wholesale of copper products, electronic components and parts; commission agent (other than auction); engaging in related supporting business in relation to import-export trading; storage and distribution business mainly for copper products, electronic components and parts in the tariff-free zones (other than hazardous products) (products subject to quota, permits management and specific regulations are dealt with in accordance with the relevant rules and regulations promulgated by the State)
Directors	:	Chadwick Mok Cham Hung Cheung Kwok Wing Chan Wai Leung
Legal representative	:	Chadwick Mok Cham Hung

#### 4. Intellectual property rights

##### (a) Trademarks

As at the Latest Practicable Date, we were interested in the following trademarks:

Trademark	Owner	Place of		Registration Date	Expiration Date
		Registration	Class		
	Shenzhen Pacific Insulating Material Co., Ltd. 深圳太平洋絕緣材料有限公司	PRC	17	January 10, 1993	January 9, 2013
	EEIH <i>(Note)</i>	Hong Kong	9	January 17, 1990	January 17, 2021
 Elec & Eltek 依利安達	EEIH <i>(Note)</i>	Hong Kong	9	January 29, 1997	January 29, 2014
 Elec & Eltek 依利安達	EEIH <i>(Note)</i>	Singapore	9	December 20, 1996	December 20, 2016



*Note:* Pursuant to the three trademark assignment deeds entered into between our Company and EEIH on June 4, 2011, EEIH, as the registered owner of the respective trademark, assigned its ownership in the respective trademark to our Company. EEIH has filed the necessary applications to the Trade Marks Registry in Hong Kong and the Intellectual Property Office of Singapore, respectively, in relation to the respective assignments as at the Latest Practicable Date.

**(b) Patents**

As at the Latest Practicable Date, we were the owner of the following patents:

<b>Patent</b>	<b>Owner</b>	<b>Place of Registration</b>	<b>Patent Number</b>	<b>Application Date</b>	<b>Expiry Date</b>
Backing device (一種墊板裝置)	Elec & Eltek (Guangzhou) Electronic Company Limited 依利安達(廣州) 電子有限公司	PRC	ZL200920050675.1	January 22, 2009	January 21, 2019
Solder mask exposure device (一種印刷電路板 綠油曝光裝置)	Elec & Eltek (Guangzhou) Electronic Company Limited 依利安達(廣州) 電子有限公司	PRC	ZL200920050676.6	January 22, 2009	January 21, 2019
Washing tank for drawdown bar (一種刮刀清洗槽)	Guangzhou Elec & Eltek Microvia Technology Limited 廣州依利 安達微通科技有限 公司	PRC	ZL201020141655.8	March 23, 2010	March 22, 2020
Cu removal device for lead-free hot air leveling (一種用於無鉛噴 錫工藝的除銅裝 置)	Guangzhou Elec & Eltek Microvia Technology Limited 廣州依利 安達微通科技有限 公司	PRC	ZL201020141653.9	March 23, 2010	March 22, 2020
Device for positioning of solder mask exposure (一種綠油曝光對 位的定位裝置)	Guangzhou Elec & Eltek Microvia Technology Limited 廣州依利 安達微通科技有限 公司	PRC	ZL2010201416662.8	March 23, 2010	March 22, 2020

Patent	Owner	Place of	Patent Number	Application	Expiry Date
		Registration		Date	
Resin processing system (膠液加工系統)	Shenzhen Pacific Insulating Material Co., Ltd. 深圳太平洋絕緣材料有限公司	PRC	ZL200710125198.7	December 21, 2007	December 21, 2027
Seamless repair tool for PCB golden fingerboard (一種PCB金手指板無痕修理工具)	Elec & Eltek (Guangzhou) Electronic Company Limited 依利安達(廣州)電子有限公司	PRC	201020141664.7	March 23, 2010	March 22, 2020
Plugging device for circuit board (一種綫路板塞孔裝置)	Elec & Eltek (Guangzhou) Electronic Company Limited 依利安達(廣州)電子有限公司	PRC	201020587288.4	October 29, 2010	October 28, 2020
Electrolysis board for electroplating (一種用於電鍍工藝的拖缸板)	Elec & Eltek (Guangzhou) Electronic Company Limited 依利安達(廣州)電子有限公司	PRC	201020587299.2	October 29, 2010	October 28, 2020
Measuring device for curvature and camber of PCB (一種印製綫路板彎、板翹測量裝置)	Elec & Eltek (Guangzhou) Electronic Company Limited 依利安達(廣州)電子有限公司	PRC	201020587308.8	October 29, 2010	October 28, 2020
Auxiliary supporting device for die cut mould (一種用於啤板的輔助支撐裝置)	Guangzhou Elec & Eltek Microvia Technology Limited 廣州依利安達微通科技有限公司	PRC	201020587266.8	October 29, 2010	October 28, 2020

Patent	Owner	Place of	Patent Number	Application	
		Registration		Date	Expiry Date
Technique for drilling holes with small diameter and high density on PCB (印刷電路板的小孔徑高密度鑽孔方法)	Nanjing Elec & Eltek Electronic Co., Ltd. 南京依利安達電子有限公司	PRC	200810242920.9	December 30, 2008	December 29, 2028

(c) **Domain names**

As at the Latest Practicable Date, we had registered the following domain names:

Domain Name	Registration Date	Expiration Date
www.eleceltek.com	October 23, 1996	October 22, 2011
www.piclamine.com.cn	December 29, 2008	December 29, 2012

We intend to renew our trademarks and domain names registration upon their expiration.

**C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

**1. Disclosure of interests**

(a) **Interests and short positions of our Directors and chief executive in the shares, underlying shares and debentures of our Company or its associated corporation**

Immediately following completion of the Introduction (without taking into account any Shares which may be issued pursuant to the exercise of options under the Share Option Schemes), our Directors and chief executive will have the following interests and/or short positions in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to us and the Stock Exchange once our Shares are listed:

(i) **Interests in the shares of our Company or the associated corporations of our Company**

Name of Director	Name of corporation	Capacity/ Nature of interests	Number of shares directly or indirectly held	Approximate percentage of shareholding
Cheung Kwok Wing	Our Company	Beneficial owner	1,448,200	0.78%
	Kingboard	Beneficial owner	3,369,675	0.39%

<u>Name of Director</u>	<u>Name of corporation</u>	<u>Capacity/ Nature of interests</u>	<u>Number of shares directly or indirectly held</u>	<u>Approximate percentage of shareholding</u>
	Kingboard Laminates	Beneficial owner	253,500	0.01%
	Kingboard Copper Foil	Beneficial owner	1,000,000	0.14%
	Kingboard Laminates Limited	Beneficial owner ( <i>Note 11</i> )	1,904,400	N/A
Chadwick Mok Cham Hung	Our Company	Beneficial owner	1,120,200	0.60%
	Kingboard	Beneficial owner and/or interest of spouse ( <i>Note 1</i> )	2,940,000	0.34%
	Kingboard Laminates	Interest of spouse ( <i>Note 2</i> )	60,000	0.00%
Li Muk Kam	Our Company	Beneficial owner	1,803,876	0.97%
	Kingboard Laminates	Beneficial owner and/or interest of spouse ( <i>Note 3</i> )	137,500	0.00%
Philip Chan Sai Kit	Our Company	Beneficial owner	734,481	0.39%
	Kingboard	Beneficial owner	28,000	0.00%
	Kingboard Laminates	Beneficial owner	52,500	0.00%
Clement Sun	Our Company	Beneficial owner	110,000	0.06%
	Kingboard Laminates	Beneficial owner	30,000	0.00%
Claudia Heng Nguan Leng	Our Company	Beneficial owner	474,800	0.25%
Chan Wing Kwan	Our Company	Beneficial owner and/or interest of spouse ( <i>Note 4</i> )	1,018,600	0.54%
	Kingboard	Beneficial owner and/or interest of spouse ( <i>Note 5</i> )	1,655,250	0.19%

<u>Name of Director</u>	<u>Name of corporation</u>	<u>Capacity/ Nature of interests</u>	<u>Number of shares directly or indirectly held</u>	<u>Approximate percentage of shareholding</u>
	Kingboard Laminates	Interest of spouse (Note 6)	100,000	0.00%
	Kingboard Laminates Limited	Beneficial owner (Note 11)	1,481,200	N/A
Chang Wing Yiu	Our Company	Beneficial owner	486,600	0.26%
	Kingboard	Beneficial owner and/or interest of spouse (Note 7)	4,115,274	0.48%
	Kingboard Laminates	Interest of spouse (Note 8)	100,000	0.00%
	Kingboard Laminates Limited	Beneficial owner (Note 11)	423,200	N/A
Chan Wai Leung	Our Company	Beneficial owner	34,000	0.02%
	Kingboard	Beneficial owner and/or interest of spouse (Note 9)	50,500	0.01%
	Kingboard Laminates	Beneficial owner	40,000	0.00%
Li Chiu Cheuk	Our Company	Beneficial owner	10,000	0.01%
	Kingboard Laminates	Interest of spouse (Note 10)	20,000	0.00%
Ng Hon Chung	Our Company	Beneficial owner	60,000	0.03%
	Kingboard Laminates	Beneficial owner	20,000	0.00%
Lai Chong Tuck	Our Company	Beneficial owner	40,000	0.02%

*Notes:*

- (1) These represent the 2,830,000 shares and 110,000 shares in Kingboard which are beneficially owned by Mr. Chadwick Mok Cham Hung and his spouse, respectively.
- (2) These represent the 60,000 shares in Kingboard Laminates which are beneficially owned by the spouse of Mr. Chadwick Mok Cham Hung.
- (3) These represent 117,500 shares and 20,000 shares in Kingboard Laminates which are beneficially owned by Mr. Li Muk Kam and his spouse, respectively.
- (4) These represent 978,600 Shares and 40,000 Shares which are beneficially owned by Mr. Chan Wing Kwan and his spouse, respectively.

- (5) These represent the 1,595,250 shares and 60,000 shares in Kingboard which are beneficially owned by Mr. Chan Wing Kwan and his spouse, respectively.
- (6) These represent the 100,000 shares in Kingboard Laminates which are beneficially owned by the spouse of Mr. Chan Wing Kwan.
- (7) These represent the 3,397,074 shares and 718,200 shares in Kingboard which are beneficially owned by Mr. Chang Wing Yiu and his spouse, respectively.
- (8) These represent the 100,000 shares in Kingboard Laminates which are beneficially owned by the spouse of Mr. Chang Wing Yiu.
- (9) These represent the 50,000 shares and 500 shares in Kingboard which are beneficially owned by Mr. Chan Wai Leung and his spouse, respectively.
- (10) These represent the 20,000 shares in Kingboard Laminates which are beneficially owned by the spouse of Mr. Li Chiu Cheuk.
- (11) These refer to the non-voting deferred shares of HK\$1.00 each in Kingboard Laminates Limited, a non-wholly owned subsidiary of Kingboard. These non-voting deferred shares carry no voting rights to receive notice of or to attend or vote at any general meeting of Kingboard Laminates Limited and have practically no rights to dividends or to participate in any distribution on winding up.

(ii) *Interests in equity derivatives (including share options and warrants) of our Company or the associated corporations of our Company*

<u>Name of Director</u>	<u>Name of corporation</u>	<u>Capacity/ Nature of interests</u>	<u>Number of equity derivatives</u>	<u>Number of underlying shares</u>
Cheung Kwok Wing	Kingboard	Beneficial owner (Note 1)	2,965,222	2,965,222
Chadwick Mok Cham Hung	Kingboard	Beneficial owner and/or interest of spouse (Note 2)	2,782,000	2,782,000
	Kingboard Laminates	Interest of spouse (Note 3)	10,000,000	10,000,000
Philip Chan Sai Kit	Kingboard	Beneficial owner (Note 4)	2,800	2,800
Chan Wing Kwan	Kingboard	Beneficial owner and/or interest of spouse (Note 5)	78,025	78,025
Chang Wing Yiu	Kingboard	Beneficial owner and/or interest of spouse (Note 6)	2,935,527	2,935,527
Chan Wai Leung	Kingboard	Beneficial owner (Note 7)	2,440,000	2,440,000
	Kingboard Laminates	Beneficial owner (Note 8)	9,000,000	9,000,000

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*Notes:*

- (1) These represent the interests in the underlying shares of Kingboard in respect of 165,222 units of warrants of Kingboard beneficially owned by Mr. Cheung Kwok Wing, entitling Mr. Cheung Kwok Wing to subscribe for the shares in Kingboard at an exercise price of HK\$40 per share in Kingboard during the period from May 5, 2010 to October 31, 2012 and 2,800,000 share options granted by Kingboard to Mr. Cheung Kwok Wing, entitling Mr. Cheung Kwok Wing to subscribe for the shares in Kingboard at an exercise price of HK\$40.70 per share in Kingboard during the period from March 21, 2011 to March 22, 2019.
- (2) These represent the interests in the underlying shares of Kingboard in respect of 181,000 units and 1,000 units of warrants of Kingboard beneficially owned by Mr. Chadwick Mok Cham Hung and his spouse, respectively entitling Mr. Chadwick Mok Cham Hung and his spouse to subscribe for the shares in Kingboard at an exercise price of HK\$40 per share in Kingboard during the period from May 5, 2010 to October 31, 2012 and 2,600,000 share options granted by Kingboard to Mr. Chadwick Mok Cham Hung, entitling Mr. Chadwick Mok Cham Hung to subscribe for the shares in Kingboard at an exercise price of HK\$40.70 per share in Kingboard during the period from March 21, 2011 to March 22, 2019.
- (3) These represent the interests in the underlying shares of Kingboard Laminates in respect of 10,000,000 share options granted by Kingboard Laminates to the spouse of Mr. Chadwick Mok Cham Hung, entitling the spouse of Mr. Chadwick Mok Cham Hung to subscribe for the shares in Kingboard Laminates at an exercise price of HK\$6.54 per share in Kingboard Laminates during the period from March 21, 2011 to May 17, 2017.
- (4) These represent the interests in the underlying shares of Kingboard in respect of 2,800 units of warrants of Kingboard beneficially owned by Mr. Philip Chan Sai Kit, entitling Mr. Philip Chan Sai Kit to subscribe for the shares in Kingboard at an exercise price of HK\$40 per share in Kingboard during the period from May 5, 2010 to October 31, 2012.
- (5) These represent the interests in the underlying shares of Kingboard in respect of 72,025 units and 6,000 units of warrants of Kingboard beneficially owned by Mr. Chan Wing Kwan and his spouse, respectively, entitling Mr. Chan Wing Kwan and his spouse to subscribe for the shares in Kingboard at an exercise price of HK\$40 per share in Kingboard during the period from May 5, 2010 to October 31, 2012.
- (6) These represent the interests in the underlying shares of Kingboard in respect of 267,707 units and 67,820 units of warrants of Kingboard beneficially owned by Mr. Chang Wing Yiu and his spouse, respectively, entitling Mr. Chang Wing Yiu and his spouse to subscribe for the shares in Kingboard at an exercise price of HK\$40 per share in Kingboard during the period from May 5, 2010 to October 31, 2012 and 2,600,000 share options granted by Kingboard to Mr. Chang Wing Yiu, entitling Mr. Chang Wing Yiu to subscribe for the shares in Kingboard at an exercise price of HK\$40.70 per share in Kingboard during the period from March 21, 2011 to March 22, 2019.
- (7) These represent the interests in the underlying shares of Kingboard in respect of 2,440,000 share options granted by Kingboard to Mr. Chan Wai Leung, entitling Mr. Chan Wai Leung to subscribe for the shares in Kingboard at an exercise price of HK\$40.70 per share in Kingboard during the period from March 21, 2011 to March 22, 2019.
- (8) These represent the interests in the underlying shares of Kingboard Laminates in respect of 9,000,000 share options granted by Kingboard Laminates to Mr. Chan Wai Leung, entitling Mr. Chan Wai Leung to subscribe for the shares in Kingboard Laminates at an exercise price of HK\$6.54 per share in Kingboard Laminates during the period from March 21, 2011 to May 17, 2017.

**(b) *Interests and short positions of the substantial shareholders in the Shares and underlying Shares***

Save as disclosed in the section headed “Substantial Shareholders” in this document, our Directors and chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares and underlying shares of our Company which, once our Shares are listed, would be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company.

**2. Particulars of Directors' letters of appointment**

For the purpose of the Listing, each of our Directors has entered into a letter of appointment with our Company on June 24, 2011, which supersedes and/or substitutes the original letter of appointment, if any.

**3. Directors' remuneration**

For the three years ended December 31, 2008, 2009 and 2010, the aggregate of remuneration paid and benefits in kind granted to our Directors by our Group were approximately US\$1,870,000, US\$1,887,000 and US\$2,031,000, respectively.

Under the arrangements currently in force, the aggregate emoluments payable by our Group to and benefits in kind receivable by our Directors for the year ending December 31, 2011 is estimated to be approximately US\$2,539,000.

**4. Related party transactions**

Save as disclosed in the accountants' report set out in Appendix I to this document and other parts of this document, we have not engaged in any dealings with our Directors and their associates within the two years immediately preceding the date of this document.

**5. Disclaimers**

- (a) Save as disclosed in the paragraph headed "Disclosure of interests" in this appendix, so far as our Directors are aware, none of our Directors or chief executive has any interest and/or short position in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to us and the Stock Exchange once our Shares are listed.
- (b) None of our Directors or the experts referred to under the paragraph headed "Consents of experts" in this Appendix VI has any direct or indirect interest in the promotion of our Company or any of our subsidiaries, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.
- (c) None of our Directors or the experts referred to under the paragraph headed "Consents of experts" in this Appendix VI is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business taken as a whole.



- (d) None of our Directors has any existing or proposed service contracts with our Company or any of our subsidiaries, excluding contracts which are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).
- (e) None of the experts referred to under the paragraph headed “Consents of experts” in this Appendix VI has any shareholding in our Company or any of our subsidiaries or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.
- (f) Other than the common directorships as disclosed in the section headed “Relationship with our Controlling Shareholders” in this document and the shareholding interests of our Directors as disclosed in the paragraph headed “Disclosure of Interests” in this appendix, none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interest in our Group’s five largest customers and five largest suppliers.

## D. OTHER INFORMATION

### 1. 2002 Share Option Scheme

Our Company adopted the 2002 Share Option Scheme on November 12, 2002, the terms of which are in compliance with the provisions of Chapter 17 of the Listing Rules. Set out below are the principal terms of the 2002 Share Option Scheme:

#### (a) Definitions

- |                      |   |
|----------------------|---|
| “Adoption Date”      | November 12, 2002;  |
| “Associated Company” | a company in which at least 20% but not more than 50% of its shares are held by our Company or our Group; provided that our Company has control over such company;  |
| “Associates”         | (a) in relation to any Director, the chief executive officer of our Company, Substantial Shareholder or Controlling Shareholder (being an individual) means: <ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</li><li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 25% or more; and</li></ul> |

	(b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its Subsidiary or holding company or is a Subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 25% or more;
“Committee”	the Employees’ Share Option Scheme Committee, being duly authorized and appointed by the Board to administer the 2002 Share Option Scheme, consisting of Directors of our Company;
“Controlling Shareholder”	a person who or a corporation which:  (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury Shares in our Company unless the SGX-ST determines otherwise; or  (b) in fact exercises control over our Company, as defined under the Listing Manual;
“Date of Grant”	the date of the letter of offer offering the grant of an Option to the Offeree which is duly accepted pursuant to the rules of the 2002 Share Option Scheme;
“Director”	any director, whether an executive or non-executive director of our Company, or any other company within our Group, or the Parent Group, or of an Associated Company (as the case may be);
“Discounted Option”	the right to subscribe for Scheme Shares granted or to be granted pursuant to the 2002 Share Option Scheme and for the time being, subsisting, and in respect of which the Subscription Price is at a discount to the market price of the Shares, as determined in accordance with the rules of the 2002 Share Option Scheme;
“Employees”	full-time employees and directors of any company within our Group, the Parent Group, or of an Associated Company (as the case may be);
“Market Day”	a day on which the Shares are traded on the SGX-ST;
“Market Price Option”	the right to subscribe for Scheme Shares granted or to be granted pursuant to the 2002 Share Option Scheme and for the time being subsisting, and in respect of which the Subscription Price is equivalent to the market price of the Shares, as determined in accordance with the rules of the 2002 Share Option Scheme;

“Offeree”	a person who meets the criteria set out in the rules of the 2002 Share Option Scheme and has been selected by the Committee to participate in the 2002 Share Option Scheme;
“Option”	the right to subscribe for Scheme Shares pursuant to the 2002 Share Option Scheme;
“Option Period”	a period to be notified by the Committee to each Participant during which an Option granted to him may be exercised, as follows:  (a) in respect of a Market Price Option, commencing on a date not earlier than the first anniversary date of the Date of Grant, and ending on a date not later than five years after the Date of Grant; and  (b) in respect of a Discounted Option, commencing on a date not earlier than the second anniversary date of the Date of Grant, and ending on a date not later than five years after the Date of Grant;
“Parent Company”	holding company of our Company;
“Parent Group”	the Parent Company and its subsidiaries (other than our Group and our Associated Companies);
“Participant”	the holder of an Option;
“Scheme Shares”	Shares to be issued under the 2002 Share Option Scheme;
“Subscription Price”	the price at which a Participant may subscribe for each Scheme Share upon the exercise of an Option (as determined in accordance with the rules of the 2002 Share Option Scheme);
“Subsidiary”	a corporation which is deemed to be a subsidiary within the meaning of Section 5 of the Companies Act;
“Substantial Shareholder”	a person (including a corporation) who has an interest in not less than 5% of the issued voting shares of our Company.

**(b) Administration**

The 2002 Share Option Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board.

A Director who is a member of the Committee shall not be involved in the deliberation in respect of Option(s) to be granted to him. The Committee members are Mr. Cheung Kwok Wing, Mr. Chan Wing Kwan and Mr. Chang Wing Yiu.

*(c) Purpose of the 2002 Share Option Scheme and who may join*

The purpose of the 2002 Share Option Scheme is to (i) motivate Employees towards excellence in performance and to maintain a high level of contribution for the benefit of our Group; and (ii) attract and retain Employees whose contributions are important to the long-term growth and profitability of our Group.

The Committee may, at its absolute discretion, select any of the following persons to participate in the 2002 Share Option Scheme:

- (i) Employees of our Group;
- (ii) Parent Group Employees; and
- (iii) Employees of an Associated Company, provided that our Company has control over the Associated Company.

provided always that any of the aforesaid persons selected by the Committee to participate in the 2002 Share Option Scheme:

- (i) must be at least of 21 years of age;
- (ii) must not be an undischarged bankrupt; and
- (iii) is not a Controlling Shareholder or an Associate of a Controlling Shareholder.

*(d) Maximum number of Shares*

The aggregate number of Shares which may be issued upon the exercise of all Options to be granted pursuant to the 2002 Share Option Scheme and any other share option scheme(s) of our Company in issue shall not exceed 10% of the issued share capital of our Company as at the Adoption Date, being 14,602,539 Shares.

The Listing Rules also allow our Company to seek approval of shareholders of the Parent Company in general meeting to renew the 10% limit such that the total number of Shares in respect of which Options may be granted under the 2002 Share Option Scheme and any other share option scheme(s) of our Company shall not exceed a further 10% of the issued share capital of our Company as at the date of approval of the limit. Options previously granted under the 2002 Share Option Scheme and any other share option scheme(s) of our Company (including outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% limit. In addition, the Committee may grant Options to Participant(s) notwithstanding that such grant will result in the 10% limit being exceeded; provided that the grant of such Options is specifically approved by the shareholders of the Parent Company in general meeting; and provided further that such Participant(s) shall be subject to the maximum entitlement for the category of Participants to which he belongs, as prescribed by the Listing Manual and the Listing Rules.

In compliance with the Listing Manual, the maximum number of Shares in respect of which Options may be granted under the 2002 Share Option Scheme together with any options outstanding and yet to be exercised under the 2002 Share Option Scheme and any other share option scheme(s) of our Company must not exceed 15% of our Company's issued share capital from time to time.

*(e) Maximum entitlement of each Participant and connected persons*

The number of Scheme Shares to be offered to an Offeree in accordance with the 2002 Share Option Scheme shall be determined at the discretion of the Committee who shall in addition to the performance of our Company, take into account criteria such as the rank, length of service and performance of the Offeree; provided always that the following limits shall be complied with:

- (i) the aggregate number of Scheme Shares available to Parent Group Employees shall not exceed 20% of the Shares available under the 2002 Share Option Scheme; and
- (ii) the aggregate number of Scheme Shares available to Employees of Associated Companies shall not exceed 20% of the Shares available under the 2002 Share Option Scheme.

The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the total number of Shares in issue from time to time (the "**1% Limit**").

Any further grant of Options in excess of the 1% Limit shall be subject to the approval of shareholders of the Parent Company with such Participant and his associates abstaining from voting. The number and terms of the Options to be granted to such Participant shall be fixed before the approval by the shareholders of the Parent Company of the grant of such Options and the date of the Committee's meeting for proposing such further grant should be taken as the Date of Grant for the purpose of calculating the Subscription Price.

Any proposed grant of Options to a Participant who is a Director, chief executive or substantial shareholder of the Parent Company or any of their respective associates shall be approved by independent non-executive directors of the Parent Company (excluding such independent non-executive director who is the Participant to which the Options are proposed to be granted).

Where the Committee proposes to grant any Options to an Offeree who is a substantial shareholder or an independent non-executive director of the Parent Company or any of their respective associate, and such grant of Options would result in the Scheme Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such Offeree in the 12-month period up to and including the date on which such proposal is made by the Committee representing in aggregate more than 0.1% of the total number of Shares in issue on such date of proposal, such proposed granted of Options must be approved by the shareholders of the Parent Company in general meeting, with the Offeree concerned and all connected persons of the Parent Company abstaining from voting (except where any connected person intends to vote against the relevant resolution). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

**(f) *Date of grant and restriction on the time of grant***

The Committee may grant Option(s) to such Offeree as it may select in its absolute discretion at any time, except that no Options shall be granted:

- (i) during the period commencing one month (or such other period as may from time to time be determined by the Board) before the announcement of our Group's half-yearly or final results (as the case may be), and ending on the day such results are announced; and
- (ii) at any time after any matter of an exceptional nature involving unpublished price sensitive information has occurred or has been the subject of a decision until after such price sensitive information has been publicly announced.

**(g) *Subscription Price for Shares***

Subject to any adjustment as mentioned in the sub-paragraph headed "Alteration of capital" below, the Subscription Price for each Scheme Share on the exercise of a Market Price Option shall be the average of the last dealt prices for the Shares, as determined by reference to the daily official list or any other publication published by the SGX-ST for the last five Market Days immediately preceding the relevant Date of Grant, or the nominal value of the Shares, whichever is the higher.

The Subscription Price for each Scheme Share in respect of which a Discounted Option is exercisable shall be subject to such discount which may be set by the Committee in its absolute discretion, provided that:

- (i) the maximum discount shall not exceed 20% of the Subscription Price applicable to the Market Price Option (as determined in accordance with the rules of the 2002 Share Option Scheme); and
- (ii) the discounted Subscription Price shall not be lower than the nominal value of the Shares.

A consideration of S\$1.00 is payable on acceptance of the offer of the grant of an Option.

**(h) *Exercise period***

The Committee will determine in its absolute discretion, the Option Period applicable to Options granted to each Participant, subject to the following limitations:-

- (i) A Market Price Option may be exercised during the period commencing on a date not earlier than the first anniversary date of the Date of Grant and ending on a date not later than five years after the Date of Grant.
- (ii) A Discounted Option may be exercised during the period commencing on a date not earlier than the second anniversary date of the Date of Grant and ending on a date not later than five years after the Date of Grant.

No performance targets are required to be achieved by the holders of the Options before the Options can be exercised by them.

An Option shall, to the extent unexercised, immediately lapse without any claim against our Company:

- (i) upon the expiry of the Option Period;
- (ii) upon the expiry of the periods referred to in relation to the rules of the 2002 Share Option Scheme;
- (iii) on the date on which a Participant ceases to be an Employee on the grounds that he has been guilty of misconduct, or has been convicted of any criminal offence involving his integrity or honesty;
- (iv) on the date on which a Participant transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part of any Options, if the Committee treats the grant of the Option as being invalid and ineffective;
- (v) except as provided in the rules of the 2002 Share Option Scheme, upon the Participant for any reason whatsoever ceasing to satisfy the eligibility criteria as mentioned in the sub-paragraph headed “Purpose of the 2002 Share Option Scheme and who may join” above; or
- (vi) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option.

**(i) *Period of the 2002 Share Option Scheme***

The 2002 Share Option Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of five years, commencing from the Adoption Date.

**(j) *Ranking of Shares***

The Scheme Shares, when issued, shall be subject to all the provisions of the Memorandum of Association and Articles of Association of our Company, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing issued Shares, the record date for which is on or after the date upon which such allotment takes place, and shall in all other respects rank *pari passu* with other Shares then in issue.

***(k) Alteration of the 2002 Share Option Scheme***

The 2002 Share Option Scheme may be altered in any respect by resolution of the Committee except that:

- (i) no alteration shall alter adversely the rights attaching to any Options granted prior to such alteration except with the consent in writing of such number of Participants who, if they exercise their Option(s) in full, would thereby become entitled to not less than three-quarters in nominal value of all the Scheme Shares which would be allotted upon exercise in full of all outstanding Options;
- (ii) the definitions of “Committee”, “Employee”, “Offeree”, “Option Period”, “Participant” and “Subscription Price” and certain other provisions of the 2002 Share Option Scheme shall not be altered to the advantage of Participants except with the prior sanction of our Company in general meeting and of the Parent Company in general meeting and provided that any alteration of the 2002 Share Option Scheme must comply with the Listing Manual and the Listing Rules; and
- (iii) no alteration shall be made without the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

The Committee may at any time by resolution and save for the prior approval of the SGX-ST amend or alter the 2002 Share Option Scheme in any way to the extent necessary to cause the 2002 Share Option Scheme to comply with any law or enactment, or any rules, regulations or guidelines of any regulatory or other relevant authority or body (including, without limitation, the SGX-ST and the Stock Exchange) for the time being in force.

***(l) Alteration of capital***

If a variation in the issued share capital of our Company (whether by way of a capitalization of profits or reserves or rights issue, capital reduction, sub-division or consolidation of Shares or distribution) shall take place, then:

- (i) the Subscription Price for the Scheme Shares;
- (ii) the nominal value and/or number of Scheme Shares comprised in outstanding Options to the extent unexercised; and/or
- (iii) the nominal value and/or number of Scheme Shares over which additional Option may be granted to the Participants,

shall be adjusted in such manner as the Committee may determine to be appropriate and upon the written confirmation of the auditors of our Company (acting only as experts and not as arbitrators), except in relation to a capitalization issue where no such certification shall be required, that in their opinion, such adjustment is fair and reasonable.



No adjustment shall be made:

- (i) if as a result of such adjustment, the Subscription Price would fall below the nominal value of a Share; or
- (ii) if as a result of such adjustment, the Participant would receive any benefit or benefits which a Shareholder does not receive; and
- (iii) unless the Committee having considered all relevant circumstances, considers it equitable to do so.

For the avoidance of doubt, any adjustment mentioned in this paragraph shall comply with the Listing Rules, the supplemental guidance issued by the Stock Exchange dated September 5, 2005 and any future guidance, interpretations and rules issued by the Stock Exchange from time to time.

***(m) Rights on winding up of our Company***

- (i) In the event of a take-over offer being made for the Shares of our Company, Participants (including Participants holding Options which are not then exercisable pursuant to the rules of the 2002 Share Option Scheme) holding Options as yet unexercised shall, subject to sub-paragraph (v) below, be entitled to exercise such Options in full or in part in the period commencing on the date on which such take-over offer is made or, if such take-over offer is conditional, the date on which the take-over offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:-
  - (a) the expiry of three months thereafter (unless prior to the expiry of such three months' period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto)); or
  - (b) the date of the expiry of the Option Period relating thereto,

whereupon any Option then remaining unexercised shall lapse and be null and void. If during the aforesaid period, the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under Section 215 of the Companies Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Options shall remain exercisable until the specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be. If such rights of acquisition or obligations to acquire have not been exercised or performed, as the case may be, the Options shall, subject to the rules of the 2002 Share Option Scheme, remain exercisable until the expiry of the Option Period relating thereto.

- (ii) If under the Companies Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of our Company or our amalgamation with another company or companies, each Participant shall be entitled, subject to sub-paragraph (v) below, to exercise any Option then held by him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement, as the case may be, becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon any unexercised Option shall lapse and become null and void.
- (iii) In the event of our Company's solvent voluntary winding up (other than for the purposes of amalgamation or reconstruction), the Participants shall, notwithstanding that the resolution in respect of such winding up is passed prior to the commencement of the Option Period relating to any of the Options of any Participant, subject to sub-paragraph (v) below, be entitled within 21 days of the passing of the resolution of such winding up (but not after the expiry of the Option Period relating thereto) to exercise in full any unexercised Options, after which such unexercised Options shall lapse and become null and void.
- (iv) If an order or an effective resolution is passed for the winding up of our Company on the basis of our insolvency, all Options, to the extent unexercised, shall lapse and become null and void.
- (v) If in connection with the making of a general offer referred to in sub-paragraph (i) above or the scheme referred to in sub-paragraph (ii) above or the winding-up referred to in sub-paragraphs (iii) and (iv) above, arrangements are made (which are confirmed in writing by the auditors of our Company, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Option(s) or the payment of cash or the grant of other option(s) or otherwise, a Participant holding an Option, which is not then exercisable, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this sub-paragraph (m).
- (vi) To the extent that an Option is not exercised within the periods referred to in this sub-paragraph (m), it shall automatically lapse and become null and void.

**(n) Cancellation of Options**

Our Company may by resolution in general meeting at any time cancel any Option granted but not exercised. Where our Company offers Options to the same Option holder, the offer of such new Options may only be made, under the 2002 Share Option Scheme with available Options (to the extent not yet granted and excluding cancelled Options) within the limit approved by Shareholders pursuant to the rules of the 2002 Share Option Scheme.

*(o) Present status of the 2002 Share Option Scheme*

The 2002 Share Option Scheme was terminated in 2007 upon its expiry without affecting the rights of holders of any Options granted and outstanding under the 2002 Share Option Scheme and no further Options may be granted under the 2002 Share Option Scheme after such termination. The provisions of the 2002 Share Option Scheme will continue to apply to Options granted before such termination.

As at the Latest Practicable Date, our Company had the following outstanding Options:

Grant Date	Exercisable		Name	Residential Address	Number of Shares under Options	Exercise Price (US\$)
	From	To				
December 12, 2006	November 13, 2008	November 12, 2011	Seeto Xiao Ling	Flat F, 48/F, Tower 2, Grand Promenade, 38 Tai Hong Street, Sai Wan Ho, Hong Kong	1,800	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Li Min	K2-702, Bao Shui Guang Chang, Qingnian Road, Guangzhou Economic and Technological Development Zone, PRC	1,200	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Leung Hoi Yau	Rm 8, 14/F, Block J, Hang Chien Court, Wyler Gardens, Tokwawan, Kowloon, Hong Kong	2,400	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Liu Yu	G/F, Flat C1, BLK C, Pine Villa, 4-14 Lok Yuen Path, Fo Tan, New Territories, Hong Kong	1,800	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Sumarn Jernsawasdipong	101/5 Soi 7 Maneeya 3, Tha-it Road, Amphur Muang, Nonthaburi 10120 Thailand	1,200	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Ngern Sangayat	35/365 Bansuan Navamin Soi 7 Moo 13, Navamin 70 Road, Tambol Khongkhum, Amphur Buengkhum, Bangkok 10240, Thailand	600	2.40

## APPENDIX VI

## STATUTORY AND GENERAL INFORMATION

Grant Date	Exercisable		Name	Residential Address	Number of Shares under Options	Exercise Price (US\$)
	From	To				
December 12, 2006	November 13, 2008	November 12, 2011	Wannapa Munintrangkul	10/532 Moo 6 Navamin 93 Road, Amphur Buengkhum Bangkok 10240, Thailand	1,200	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Krit Kusuwan	601/204 Poonpon Village Moo 7, Phaholyothin Road, Tambol Kookod, Amphur Lumlukka, Pathumthani 12130, Thailand	2,200	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Zhang Bao Ping	Room 503, Block 1, Fanghuiyuan, Yuquan Road, Nanshan District, Shenzhen City, PRC	1,200	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Wu Hui Dong	Room 303, No.221 QingNian Road, Guangzhou Economy and Development District, Guangzhou City, Guangdong Province, PRC	1,200	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Lai Man Piu	Flat D, 9/F, Block 2, Site 12, Whampoa Garden, Hung Hom, Kowloon, Hong Kong	5,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Wang Ming Kin	Flat F, 48/F, Tower 2, Grand Promenade 38 Tai Hong Street, Sai Wan Ho, Hong Kong	2,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Leung Yiu Wing	Flat H, 35/F, Tower 7, Park Central, No.9 Tong Tak Street, Tseung Kwan O, New Territories Hong Kong	15,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Leung Chi Fai	Flat E, 4/F, Fung On Building, 9 Ting On Street, Ngau Tau Kok, Kowloon, Hong Kong	2,000	2.40

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Grant Date	Exercisable		Name	Residential Address	Number of Shares under Options	Exercise Price (US\$)
	From	To				
December 12, 2006	November 13, 2008	November 12, 2011	To Tsz Leung	Room C3307, Cheung Tak House, Cheung Wah Estate, Fanling, New Territories, Hong Kong	10,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Choi On Pong	Flat D, 56/F, Tower 6, The Palazzo, 28 Lok King Street, Shatin, New Territories	4,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Gu Ling Qian	Room 1210, Block 2, No. 1 Beiyuan East Road, Xuanwu District, Nanjing City, Jiangsu Province, PRC	15,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Li Jing	Room 204, Block 2, Zone 58, 2 Qingwu Road, Science and Technology Park, Nanshan District, Shenzhen City, Guangdong Province, PRC	1,500	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Zhou Hai Hua	Room 1702, Block 6, Huijingwan, 33 Xianglongzhong Road, Kaiping City, PRC	1,500	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Cheung Tat Ming	2/F, 16, San Lok Street, Sheung Shui, New Territories, Hong Kong	10,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Li Kam Yeung	Flat D, 20/F, Tower 6, Residence Oasis, 15 Pui Shing Road, Tseung Kwan O, New Territories, Hong Kong	1,500	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Pang Yuet Wah	1214, BLK A, Lung Poon Court, Diamond Hill, Kowloon, Hong Kong	7,500	2.40

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Grant Date	Exercisable		Name	Residential Address	Number of Shares under Options	Exercise Price (US\$)
	From	To				
December 12, 2006	November 13, 2008	November 12, 2011	Pan Guan Ping	Room 902, Block 10, Jinyuan, No.3 Guangchang South Road, Changsha, Kaiping City, PRC	1,500	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Songsaeng Preechatheerasart	1/9 Moo 6, Tambol Kubangluang, Amphur Ladlumkaew, Pathumthani 12140, Thailand	2,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Lai Yong Heng	Room 29B, Block 4, Xiangshimeilin, Zhuzilinsi Road, Futian District, Shenzhen City, PRC	1,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Xu Zhi Dan	Room 404, Block 5, Lane 82, Zhaohua East Road, Changning District, Shanghai, PRC	18,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Mok Kei Wai	5A, 273 Prince Edward Road, Mong Kok, Kowloon, Hong Kong	3,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Lo Kin Ping	Flat G, 34/F, Block 9, Flora Plaza, Fanling, New Territories, Hong Kong	2,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Alan Hackney	25 Maple Drive, Vicarage Heights, Kendal, Cumbria, LA9 5BN, United Kingdom	20,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Cheng Yun Chuen, Danny	918 Chehalis Drive, Sunnyvale, CA94087, USA	2,000	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Deng Rong Jun	Room 301, Block 21, Hai Lun Bao, Kaiping City, PRC	7,500	2.40
December 12, 2006	November 13, 2008	November 12, 2011	Jennifer Ang Bee Leng	Blk 166 Gangsa Road, #22-56, Singapore 670166, Singapore	1,200	2.40

Grant Date	Exercisable		Name	Residential Address	Number of Shares under Options	Exercise Price (US\$)
	From	To				
December 12, 2006	November 13, 2008	November 12, 2011	Yang Fan	Room 103, Block 7, Fu Hao District, Liang Yuan Road, Tian Fu Hao Ting, Changsha, Kaiping, PRC	1,200	2.40

As at the Latest Practicable Date, the total number of Shares under the 2002 Share Option Scheme are 149,200 Shares, representing approximately 0.08% of the total issued share capital of our Company.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any Options under the 2002 Share Option Scheme, as described above.

## 2. 2008 Share Option Scheme

Our Company adopted the 2008 Share Option Scheme on May 9, 2008, the terms of which are in compliance with the provisions of Chapter 17 of the Listing Rules. Set out below are the principal terms of the 2008 Share Option Scheme:

### (a) Definitions

“Adoption Date”	May 9, 2008;
“Associated Company”	a company in which at least 20% but not more than 50% of its shares are held by our Company or our Group and over which our Company has control;
“Associates”	shall have the meaning ascribed to it in the Listing Manual;
“Committee”	the Employees’ Share Option Scheme Committee, being duly authorized and appointed by the Board to administer the 2008 Share Option Scheme;
“Controlling Shareholder”	a person who: <ul style="list-style-type: none"> <li>(a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury Shares in our Company unless the SGX-ST determines otherwise; or</li> <li>(b) in fact exercises control over our Company, as defined under the Listing Manual;</li> </ul>
“Date of Grant”	the date on which an Option is granted to an Offeree pursuant to the rules of the 2008 Share Option Scheme;

“Employees”	full-time employees and directors of any company within our Group, the Parent Group, or of an Associated Company (as the case may be);
“Exercise Period”	the period during which an Option is exercisable, being a period commencing after the first or second anniversary of the Date of Grant of the Option (as may be prescribed under the 2008 Share Option Scheme) and expiring on the fifth anniversary of the Date of Grant of the said Option;
“Exercise Price”	the price at which an Offeree shall subscribe for each Share upon the exercise of an Option, as determined and adjusted (if applicable) in accordance with the rules of the 2008 Share Option Scheme;
“Grantee”	a person to whom an offer of an Option is made in accordance with the terms of the 2008 Share Option Scheme;
“Market Day”	a day on which the SGX-ST is open for trading of securities;
“Market Price”	the average of the last dealt prices for a Share determined by reference to the daily official list published by the SGX-ST for a period of five consecutive Market Days immediately prior to the relevant Date of Grant, provided always that in the case of a Market Day on which the Shares of the Company were not traded on the SGX-ST, the last dealt price for Shares on such Market Day shall be deemed to be the last dealt price of the Shares on the immediately preceding Market Day on which the Shares were traded, rounded up to the nearest whole cent in the event of fractional prices;
“Offeree”	a person who meets the criteria of a Participant and has been selected by the Committee to participate in the 2008 Share Option Scheme;
“Option”	the right to subscribe for Option Shares pursuant to the 2008 Share Option Scheme;
“Option Holder”	the holder of an Option;
“Option Shares”	Shares obtained pursuant to an exercise of the Option(s);
“Parent Company”	holding company of our Company;
“Parent Group”	the Parent Company and its subsidiaries (other than our Group and our Associated Companies);
“Parent Group Employees”	Employees of the Parent Group (other than those who are also employees and directors under the employment of our Group and/or our Associated Companies);



“Participant” Employees of our Group, Parent Group Employees and Employees of the Associated Companies who have attained the age of 21 years on or prior to the relevant Date of Grant and are not undischarged bankrupts and have not entered into a composition with their respective creditors.

*(b) Administration*

The 2008 Share Option Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board.

A Director who is a member of the Committee shall not be involved in the deliberation in respect of Option(s) to be granted to him. The Committee members are Mr. Cheung Kwok Wing, Mr. Chan Wing Kwan and Mr. Chang Wing Yiu.

*(c) Purpose of the 2008 Share Option Scheme and who may join*

The Committee may, at its absolute discretion, invite a Participant to take up Options to subscribe for Shares in accordance with the rules of the 2008 Share Option Scheme.

The purpose of the 2008 Share Option Scheme is to provide an opportunity for Employees who have contributed significantly to the growth and performance of our Group and who satisfy the eligibility criteria as set out in the relevant rules of the 2008 Share Option Scheme, to participate in the equity of our Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services. Additionally, the 2008 Share Option Scheme will help our Group to attract and retain the services of appropriate, qualified and experienced Employees who would be able to contribute to our Group’s business and operations.

*(d) Maximum number of Shares*

- (i) The maximum number of Shares to be issued upon exercise of all outstanding Options granted under the 2008 Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date (the “**10% Limit**”), being 17,888,706 Shares. Options lapsed in accordance with the terms of the 2008 Share Option Scheme will not be counted for the purpose of calculating the 10% Limit.
- (ii) Notwithstanding (i) above, the Committee may grant Options to specifically identified Participant(s) beyond the 10% Limit if the grant of such Options is specifically approved by shareholders of the Parent Company in general meeting and provided that all the relevant rules of the 2008 Share Option Scheme are being complied with.
- (iii) Our Company may seek approval of shareholders of the Parent Company in general meeting to renew the 10% Limit, such that the total number of Shares in respect of which options may be granted under the 2008 Share Option Scheme and any other share option schemes of our Company under the limit so renewed shall not exceed a further 10% of the number

of Shares in issue as at the date of approval of the limit. Options previously granted under the 2008 Share Option Scheme and any other share option schemes of our Company (including outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% Limit as renewed.

- (iv) Notwithstanding anything to the contrary therein provided, the aggregate number of Shares over which the Committee may offer to grant Option(s) on any date, when added to the aggregate number of Shares issued or issuable in respect of all Option(s) granted under the 2008 Share Option Scheme and in respect of all other share-based incentive schemes of our Company (if any), shall not in any event exceed 15% of the total issued Shares of our Company excluding treasury Shares from time to time as prescribed under the Listing Manual, provided always that, such aggregate number of Shares shall not exceed 30% of the Shares of our Company from time to time as prescribed under the Listing Rules or such other maximum percentage as may be prescribed under the Listing Rules.

*(e) Maximum entitlement of each Participant and connected persons*

Subject to the other relevant rules of the 2008 Share Option Scheme, the aggregate number of Shares in respect of which Option(s) may be offered to a Grantee for subscription in accordance with the 2008 Share Option Scheme shall be determined at the absolute discretion of the Committee who shall take into account, where applicable, criteria such as rank, past performance, years of service and potential contribution of the Participant, provided always that the following limits shall be complied with:

- (i) the aggregate number of Shares over which the Committee may offer to grant Option(s) to the Controlling Shareholders and their Associates under the 2008 Share Option Scheme, shall not exceed 25% of the Shares available under the 2008 Share Option Scheme, provided always that the number of Shares available to each Controlling Shareholder or each of his Associates shall not exceed 10% of the Shares available under the 2008 Share Option Scheme;
- (ii) the aggregate number of Shares over which the Committee may offer to grant Option(s) to the Parent Group Employees under the 2008 Share Option Scheme, shall not exceed 20% of the Shares available under the 2008 Share Option Scheme; and
- (iii) the aggregate number of Shares over which the Committee may offer to grant Option(s) to Employees of Associated Companies under the 2008 Share Option Scheme, shall not exceed 20% of the Shares available under the 2008 Share Option Scheme.

In addition, the Listing Rules requires that the total number of Shares issued and to be issued upon exercise of the Options granted to a Participant (including both exercised and outstanding Options granted under the 2008 Share Option Scheme and any previous share option schemes of the Company) in any 12-month period, shall not exceed 1% of the total number of Shares in issue from time to time. Subject to the rules of the 2008 Share Option Scheme, any further grant of Options in excess of the 1% limit shall be subject to approval of the shareholders of the Parent Company with such Participant and his associates abstaining from voting. Subject to the rules of the 2008 Share

Option Scheme, where the Committee proposes to grant any Options to an Offeree who is a substantial shareholder or an independent non-executive director of the Parent Company or any of their respective associates, and such grant of Options would result in the Option Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such Offeree in the 12-month period, up to and including the date on which such proposal is made by the Committee, representing in aggregate more than 0.1% of the total number of Shares in issue on such date of proposal, such proposed grant of Options must be approved by the shareholders of the Parent Company in general meeting with the connected persons of the Parent Company abstaining from voting (except where any connected person intends to vote against the relevant resolution). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

***(f) Date of grant and restriction on the time of grant***

The Committee may offer to grant Option(s) in its absolute discretion at any time during the period when the 2008 Share Option Scheme is in force, except that no offer to grant Option(s) shall be made during the period of one month immediately preceding the date of announcement of our Company's half-year or final results (as the case may be) and two weeks before the announcement of the results of our Company for each of the first, second and third quarters of its financial year (as the case may be).

In addition, no offer of grant of Option(s) shall be made at any time after any matter of an exceptional nature involving unpublished price sensitive information has occurred or has been the subject of a decision until after such price sensitive information has been publicly announced or published in accordance with the Listing Rules.

***(g) Exercise Price for Shares***

Subject to any adjustment as mentioned in the sub-paragraph headed "Alteration of capital" below, the Exercise Price for each Share in respect of which an Option is exercisable shall be determined by the Committee at its absolute discretion, and fixed by the Committee at:-

- (i) the Market Price; or
- (ii) a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed 20% of the Market Price and approved by the Shareholders at a general meeting in a separate resolution.

A consideration of S\$1.00 is payable on acceptance of the offer of the grant of an Option.

***(h) Rights are personal to Grantees***

Option(s) are personal to the Grantees and the Option Holders to whom they are offered or granted as the case may be, and shall not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part or in any way whatsoever without the Committee's prior written approval.

**(i) Exercise Period**

Option(s) granted with the Exercise Price set at Market Price shall only be exercisable, in whole or in part, at any time, by an Option Holder during the Exercise Period which shall commence after the first anniversary of the Date of Grant of the Option(s), failing which all unexercised Option(s) shall immediately lapse and become null and void and the Option Holder shall have no claim against our Company.

Option(s) granted with the Exercise Price set at a discount to Market Price shall only be exercisable, in whole or in part, at any time, by an Option Holder during the Exercise Period which shall commence after the second anniversary of the Date of Grant of the Option(s), failing which all unexercised Option(s) shall immediately lapse and become null and void and the Option Holder shall have no claim against our Company.

An Option shall, to the extent unexercised, immediately lapse and become null and void and the Option Holder shall have no claim against our Company:

- (i) subject to the rules of the 2008 Share Option Scheme, upon the Option Holder ceasing to be in the employment of the Group, the Associated Company or the Parent Group for any reason whatsoever;
- (ii) upon the bankruptcy of the Option Holder or the happening of any other event which result in his being deprived of the legal or beneficial ownership of such Option;
- (iii) in the event of misconduct on the part of the Option Holder, as determined by the Committee in its absolute discretion; or
- (iv) upon the expiry of the Exercise Period.

No performance targets are required to be achieved by the Option Holders before the Options can be exercised by them.

**(j) Period of the 2008 Share Option Scheme**

The 2008 Share Option Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten years, commencing from the Adoption Date.

**(k) Ranking of Shares**

Shares allotted and issued or treasury Shares which are transferred, upon the exercise of an Option shall be subject to all provisions of the Memorandum of Association and Articles of Association of our Company and shall rank *pari passu* in all respects with the then existing issued Shares in the capital of our Company except for any dividends, rights (including voting rights), allotments or other distributions declared or recommended in respect of the then existing issued Shares, the record date for which falls prior to the date of allotment and issue or transfer (as the case may be) of the said Shares.

*(l) Alteration of the 2008 Share Option Scheme*

The 2008 Share Option Scheme may be altered in any respect by resolution of the Committee except that:

- (i) any modification or alteration which shall alter adversely the rights attaching to any Option granted prior to such modification or alteration and which in the opinion of the Committee, materially alters the rights attaching to any Option granted prior to such modification or alteration may only be made with the consent in writing of such number of Option Holders who, if they exercised their Option(s) in full, would thereby become entitled to not less than three-quarters in number of all the Shares which would fall to be issued and allotted upon exercise in full of all outstanding Option(s);
- (ii) subject to the provisions of the 2008 Share Option Scheme, any alterations to the terms and conditions of the 2008 Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by the shareholders of the Parent Company, except where the alterations take effect automatically under the existing terms of the 2008 Share Option Scheme;
- (iii) any modification or alteration which would be to the advantage of Option Holders under the 2008 Share Option Scheme shall be subject to the prior approval of Shareholders and the shareholders of the Parent Company (subject to the provisions of the 2008 Share Option Scheme) at a general meeting; and
- (iv) no modification or alteration shall be made without the prior approval of the SGX-ST on which the Shares are quoted or listed or (if required) any other stock exchange including the Stock Exchange and such other regulatory authorities as may be necessary.

The Committee may at any time by resolution (and save for the prior approval of the SGX-ST and the Stock Exchange and compliance with any other formalities required by the SGX-ST and/or the Stock Exchange) amend or alter the 2008 Share Option Scheme in any way to the extent necessary to cause the 2008 Share Option Scheme to comply with any statutory provision or the provisions or regulations of any regulatory or other relevant authority or body (including the SGX-ST and the Stock Exchange).

*(m) Alteration of capital*

If a variation in the issued share capital of our Company (whether by way of a capitalization of profits or reserves or rights issue or reduction (including any reduction arising by reason of the Company purchasing or acquiring its issued Shares), subdivision, consolidation or distribution, or otherwise howsoever) should take place, then:

- (i) the Exercise Price in respect of the Shares comprised in the Option to the extent unexercised; and/or

- (ii) the number of Shares comprised in the Option to the extent unexercised and the rights attached thereto; and/or
- (iii) the number of Shares in respect of which additional Option(s) may be granted to Option Holders,

may, at the discretion of the Committee, be adjusted in such manner as the Committee may determine to be appropriate and except in relation to a capitalization issue, upon the written confirmation of the auditors of our Company (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable and the written confirmation of an independent financial advisor or the auditors of the Parent Company that such adjustments satisfy the requirements set out in the Listing Rules.

For the avoidance of doubt, any adjustment mentioned in this paragraph shall comply with the Listing Rules, the supplemental guidance issued by the Stock Exchange dated September 5, 2005 and any future guidance, interpretations and rules issued by the Stock Exchange from time to time.

**(n) *Rights on winding up of our Company***

- (i) Notwithstanding rule 12 of the 2008 Share Option Scheme but subject to rule 16.5 of the 2008 Share Option Scheme, in the event of a take-over offer being made for the Shares, a Participant shall be entitled to exercise any Option(s) held by him and as yet unexercised (including any Option(s) which is/are then not yet exercisable), in respect of such number of Shares comprised in that Option(s) in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:
  - (a) the expiry of six months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the expiry of the Exercise Period relating thereto); or
  - (b) the date of expiry of the Exercise Period relating thereto, whereupon the Option(s) then remaining unexercised shall lapse and become null and void.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Companies Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option(s) shall remain exercisable by the Participant until the expiry of such specified date or the expiry of the Exercise Period relating thereto, whichever is earlier. Any Option(s) not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option(s) shall, notwithstanding rule 12 of the 2008 Share Option Scheme, remain exercisable until the expiry of the Exercise Period relating thereto. For the avoidance of doubt, the provisions of therein shall not come into operation in the event that a take-over offer which is conditional does not become or is not declared unconditional.

- (ii) If under the Companies Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of our Company or our amalgamation with another company or companies or if under the Companies Act, the Registrar of Companies of Singapore issues a notice of amalgamation for the purposes of, or in connection with the amalgamation of our Company with another company or companies, each Participant shall be entitled, notwithstanding rule 12 of the 2008 Share Option Scheme but subject to rule 16.5 of the 2008 Share Option Scheme, to exercise any Option(s) then held by him and as yet unexercised (including any Option(s) which is/are then not yet exercisable), during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court or the date on which the notice of amalgamation is issued by the Registrar of Companies of Singapore, as the case may be, and ending either on the expiry of 60 days thereafter or the date upon which the compromise, arrangement or amalgamation, as the case may be, becomes effective, whichever is later (but not after the expiry of the Exercise Period relating thereto), whereupon the Option(s) then remaining unexercised shall lapse and become null and void.
- (iii) If an order is made for the winding-up of our Company on the basis of our insolvency, all Option(s), to the extent unexercised, shall automatically lapse and become null and void.
- (iv) In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date or as soon as practicable after we dispatch such notice to each member of our Company give notice thereof to all Participants (together with a notice of the existence of the provision therein) and thereupon, each Participant (or his personal representatives) shall be entitled to exercise all or any of his Option(s) held by him and as yet unexercised (including any Option(s) which is/are then not yet exercisable) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the aggregate Exercise Price whereupon our Company shall as soon as possible and in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Participant credited as fully paid.
- (v) If in connection with the making of a general offer referred to in sub-paragraph (i) above or the scheme referred to in sub-paragraph (ii) above or the winding-up referred to in sub-paragraph (iv) above, arrangements are made (which are confirmed in writing by the auditors of our Company, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Option(s) or the payment of cash or the grant of other Option(s) or otherwise, notwithstanding the provisions of this sub-paragraph (n), a Participant holding an Option, as yet unexercised, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this sub-paragraph (n).
- (vi) To the extent that an Option is not exercised within the periods referred to in this sub-paragraph (n), it shall automatically lapse and become null and void.



*(o) Cancellation of Options*

Our Company may by resolution in general meeting at any time cancel any Option granted but not exercised. Where our Company offers Options to the same Option Holder, the offer of such new Options may only be made, under the 2008 Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by Shareholders as mentioned in the sub-paragraph headed “Maximum number of Shares” above.

*(p) Termination of the 2008 Share Option Scheme*

The 2008 Share Option Scheme may be terminated at any time by the Board, or the Committee or by resolution of the Shareholders at a general meeting subject to all other relevant approvals which may be required and if the 2008 Share Option Scheme is so terminated, no further Option(s) shall be offered by our Company thereunder but in all respects, the provisions of the 2008 Share Option Scheme shall remain in full force and effect.

The termination, discontinuance or expiry of the 2008 Share Option Scheme shall be without prejudice to the rights accrued to the Option(s) which have been granted and accepted as provided in the rules of the 2008 Share Option Scheme, whether such Option(s) have been exercised (whether fully or partially) or not.

*(q) Present status of the 2008 Share Option Scheme*

As of the date of this document, no options has been granted or agreed to be granted under the 2008 Share Option Scheme. Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any Options under the 2008 Share Option Scheme, as described above.

**3. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in Hong Kong, Singapore, BVI, PRC, Thailand, Macau and the United States.

**4. Litigation**

Save as disclosed in the section headed “Business — Legal Proceedings and Compliance” in this document, as at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial position.

**5. Sole Sponsor**

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and any Shares which may be issued pursuant to the exercise of options under the Share Option Schemes as mentioned in this document.



The Sole Sponsor has declared pursuant to Rule 3A.08 of the Listing Rules that it is independent pursuant to Rule 3A.07 of the Listing Rules.

## **6. Compliance advisor**

In accordance with the requirements of the Listing Rules, our Company has appointed Investec Capital Asia Limited as our compliance advisor to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date.

## **7. Taxation on holders of Shares**

### **(a) Hong Kong**

The sale, purchase and transfer of Shares registered with the Hong Kong branch share register will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

### **(b) Singapore**

#### *(i) Dividend distributions*

A one-tier corporate system took effect from January 1, 2003 under which the tax collected on corporate profits is final and Singapore dividends are tax exempt in the hands of all shareholders. There will be no tax credits attached to such dividends.

Our Company falls under the one-tier system. Thus dividends of our Company will be tax exempt to all Shareholders. The dividends will have no tax credit attached.

No withholding tax is imposed on dividend payments made, whether to resident or non-resident Shareholders.

#### *(ii) Gains on disposal of ordinary shares*

Singapore does not impose tax on capital gains. However, gains arising from the disposal of the Shares that are construed to be of an income nature will be subject to tax. Hence, any profits from the disposal of the Shares are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature, in which case the gains on disposal of the Shares would be taxable. Similarly, if the gains are regarded by the Inland Revenue Authority of Singapore as having arisen from the carrying on of a trade or business in Singapore, such gains may be taxed as trading income.

*(iii) Stamp duty*

Where existing Shares evidenced with a certificate are acquired in Singapore, stamp duty is payable on the instrument of transfer of the Shares at the rate of S\$2.00 for every S\$1,000 or any part thereof of the consideration for or market value of, the Shares, whichever is higher. The purchaser is liable for paying such stamp duty, unless otherwise agreed.

No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore. However, stamp duty will be payable if the instrument of transfer which is executed outside Singapore is subsequently sent back to Singapore.

*(c) Consultation with professional advisors*

Potential holders of the Shares are recommended to consult their professional advisors if they are in any doubt about the taxation implications of the subscription, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares. It is emphasized that none of our Company, the Sole Sponsor, any of their respective directors, agents, employees, advisors or affiliates or any other person involved in the Introduction accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares.

**8. Register of members and branch register of members**

Subject to the provisions of the Companies Act, the principal register of members of our Company will be maintained in Singapore and the branch register of members of our Company will be maintained in Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title of Shares which are traded on the Stock Exchange must be lodged for registration with and registered with, the Hong Kong branch share registrar, and may not be lodged in Singapore.

**9. Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK\$38,000,000 and are payable by our Group.

**10. Promoter**

Our Company has no promoter.

**11. Qualification of experts**

The following are the qualifications of the experts which have given their opinion or advice which are contained in, or referred to in, this document:

Expert	Qualification
Standard Chartered Securities (Hong Kong) Limited	Licensed under the SFO for types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) of the regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
B.I. Appraisals Limited	Property valuer
Rodyk & Davidson LLP	Legal advisors on Singapore law to our Company
Commerce & Finance Law Offices	Legal advisors on PRC law to our Company
Nishizawa Consulting Co., Ltd.	Legal advisors on Thai law to our Company
DS Law Firm	Legal advisors on French law to our Company
Shandong MTLR Law Firm	Legal advisors to our Company on the Kaiping Elec & Eltek No. 3 Company Limited litigation case

**12. Consents of experts**

Each of Standard Chartered Securities (Hong Kong) Limited, Deloitte Touche Tohmatsu, B.I. Appraisals Limited, Rodyk & Davidson LLP, Commerce & Finance Law Offices, Nishizawa Consulting Co., Ltd., DS Law Firm and Shandong MTLR Law Firm has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports, letters, valuation certificate, opinions or summaries of opinions (as the case may be) and the references to its name included herein in the form and context in which they are respectively included.

**13. Binding effect**

This document shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all of the provisions (other than penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**14. No material adverse change**

Our Directors believe that there has been no material adverse change in our financial or trading position or prospects since December 31, 2010 (being the date on which the latest audited combined financial statements of our Group was made up).

**15. Bilingual document**

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**16. Miscellaneous**

- (a) Save as disclosed in the paragraphs headed “Changes in share capital of our Company” and “Changes in the share capital of the subsidiaries of our Company” in this appendix, within the two years immediately preceding the date of this document, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash.
- (b) Save as disclosed in the paragraphs headed “2002 Share Option Scheme” and “2008 Share Option Scheme” in this appendix, within the two years immediately preceding the date of this document, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) Within the two years immediately preceding the date of this document, no commission has been paid or payable to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries.
- (d) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (e) Our Company has no outstanding convertible debt securities or debentures.
- (f) Save for our Company, no member of our Group is presently listed on any stock exchange or traded on any trading system.
- (g) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.
- (h) All necessary arrangements have been made to enable our Shares to be admitted to CCASS for clearing and settlement.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Mallesons Stephen Jaques at 13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 calendar days from the date of this document:

- the Memorandum of Association and the Articles of Association;
- the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;
- the audited consolidated financial statements of the Group for the three years ended December 31, 2008, 2009 and 2010;
- the report on unaudited interim condensed financial information of the Group for the three-month periods ended March 31, 2011 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this document;
- the annual reports of the Company for each of the years ended December 31, 2008, 2009 and 2010;
- the full valuation report dated June 30, 2011 relating to the property interests of our Company prepared by B.I. Appraisals Limited, the text of which is set out in Appendix III to this document;
- the Singapore legal opinion dated June 30, 2011 issued by Rodyk & Davidson LLP, our Company's Singapore legal advisors;
- the PRC legal opinion dated June 30, 2011 issued by Commerce and Finance Law Offices, our Company's PRC legal advisors;
- the Thai legal opinion dated June 30, 2011 issued by Nishizawa Consulting Co., Ltd., our Company's Thai legal advisors;
- the French legal opinion dated June 30, 2011 issued by DS Law Firm, our Company's French legal advisors;
- the PRC legal opinion dated June 30, 2011 issued by Shandong MTLR Law Firm, our Company's legal advisors on the Kaiping Elec & Eltek No. 3 Company Limited litigation;
- copies of material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix VI to this document;
- the letters of appointment referred to in the paragraph headed "Particulars of Directors' letters of appointment" in Appendix VI to this document;

- the written consents referred to in the paragraph headed “Consents of experts” in Appendix VI to this document; and
- the rules of the Share Option Schemes.

In addition, prospective investors and/or Shareholders can access copies of the following documents (all of which are very large documents) via the following weblinks:

- Companies Act:

<http://statutes.agc.gov.sg/>

- Singapore Securities and Futures Act:

<http://statutes.agc.gov.sg/>

- Singapore Code:

[http://www.mas.gov.sg/legislation\\_guidelines/securities\\_futures/sub\\_legislation/SFA\\_Codes.html](http://www.mas.gov.sg/legislation_guidelines/securities_futures/sub_legislation/SFA_Codes.html)

- Listing Manual:

[http://www.sgx.com/wps/portal/corporate/cp-en/listing\\_on\\_sgx/listing\\_manual](http://www.sgx.com/wps/portal/corporate/cp-en/listing_on_sgx/listing_manual)



Elec & Eltek 依利安達