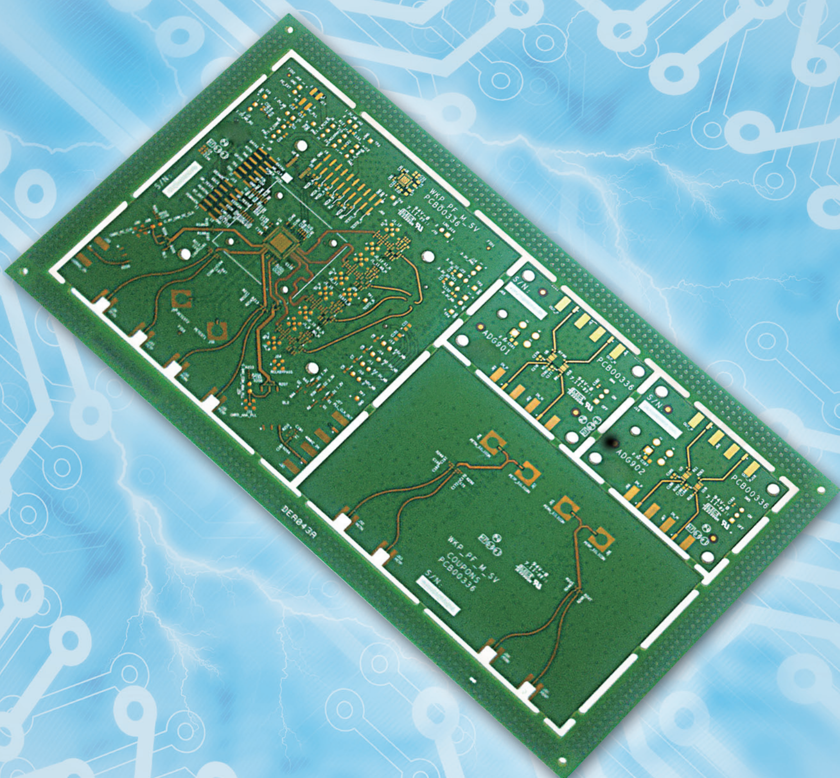
Elec & Eltek 依利安達

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

(Incorporated in the Republic of Singapore with Limited Liability)

Singapore Company Registration Number: 199300005H
Singapore Stock Code: E16.SI
Hong Kong Stock Code: 1151



POWERING AHEAD

2011 Annual Report

* *For identification purpose only*

Contents

Corporate Profile

Elec & Eltek International Company Limited (the "**Company**") through its subsidiaries (the "**Group**") is the leading global provider in the manufacture of high density interconnects (HDI), backplane and technologically advanced printed circuit boards (PCB) up to 46-layer. In addition, the Group provides Quick-Turn Around (QTA) service with 3 to 4 days delivery lead time. The Company was publicly listed on the Mainboard of Singapore Exchange Securities Trading Limited under stock code E16.SI in 1994, and dual-listed on the Mainboard of The Stock Exchange of Hong Kong Limited under stock code 1151 in 2011.

Elec & Eltek currently has 14 manufacturing plants, including 1 in Hong Kong, 1 in Thailand and 12 in Mainland China with annual production capacity of approximately 60 million square feet. We have 7 representative offices in Asia and Europe so as to serve a broad base of customers worldwide.

With over 39 years of experience, we are dedicated to providing quality PCBs to customers including global leaders in a wide variety of electronics sectors, specialized in computer & computer peripherals, communication & networking, consumer electronics and automotive industries.

We continue to expand our presence and to increase the production facilities to gear up for increased market demands, as well as to strengthen our competitive edge. We committed to deliver high reliability products and excellent service to our customers and enhance shareholders value.

Elec & Eltek's mission is to be a leading PCB manufacturer that supplies high quality and high technology PCBs in mass volume at competitive prices with excellent services.

Financial Highlights and Calendar

31 December 2011

FINANCIAL HIGHLIGHTS

	Twelve months ended 31 December 2011 US$'000	2010 US$'000	Change
Revenue	**612,456**	598,853	2%
EBITDA*	**105,696**	136,951	-23%
EBITDA margin*	**17.3%**	22.9%	
Underlying profit before tax*	**60,759**	88,420	-31%
Net profit attributable to owners of the Company			
– Underlying net profit*	**56,223**	81,622	-31%
– Reported net profit	**51,223**	81,622	-37%
Basic earnings per share			
– Based on underlying net profit*	**US30.09 cents**	US44.22 cents	-32%
– Based on reported net profit	**US27.42 cents**	US44.22 cents	-38%
Full-year dividend per share			
– Interim dividend per share	**US15.0 cents**	US15.0 cents	0%
– Proposed final dividend per share	**US12.0 cents**	US25.0 cents	-52%
Dividend payout ratio	**98.5%**	91.5%	
Net asset value per share	**US$2.04**	US$2.15	-5%
Net gearing ratio	**18.2%**	8.3%	

* *excluding the professional expenses of approximately US$5.0 million incurred in the June 2011 quarter in relation to the Company's dual primary listing for its shares on The Stock Exchange of Hong Kong Limited on 8 July 2011.*

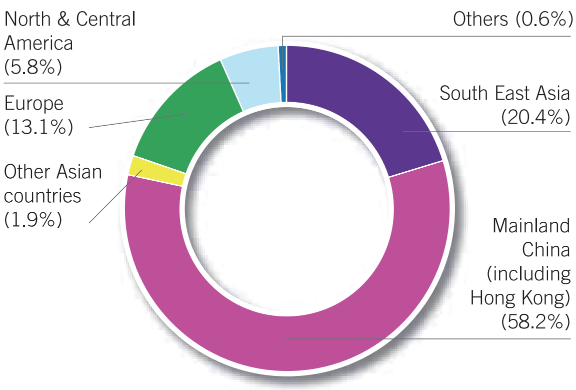
	2011	2010
Financial Calendar		
Financial year results announced on	**23 February 2012**	24 February 2011
Annual Report and Accounts issued on	**23 March 2012**	22 March 2011
Annual General Meeting held on	**26 April 2012**	6 April 2011
Registers of Shareholders closed on	**5:00 pm (for Singapore shareholders) and 4:30 pm (for Hong Kong shareholders) 11 May 2012**	5:00 pm 12 April 2011
Dividend paid/payable on		
Interim	**31 August 2011**	25 August 2010
Final	**25 May 2012**	27 April 2011

Financial Highlights and Calendar

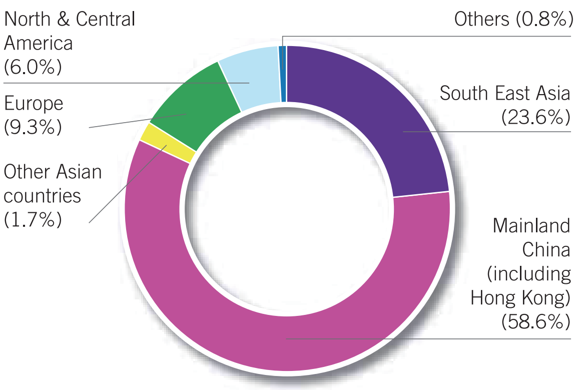
31 December 2011

TURNOVER BY GEOGRAPHICAL LOCATIONS

Financial year 2011

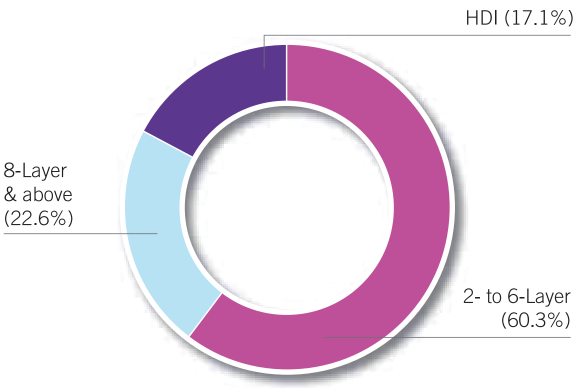


Financial year 2010

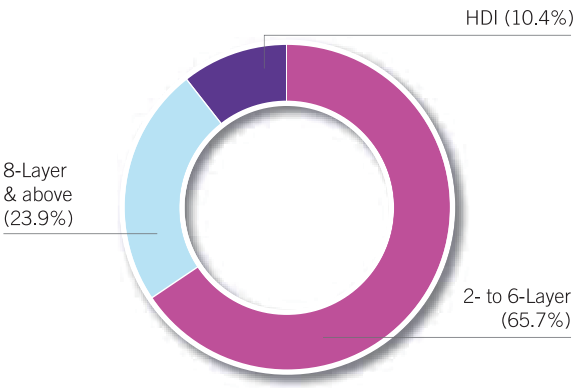


TURNOVER BY LAYER COUNT

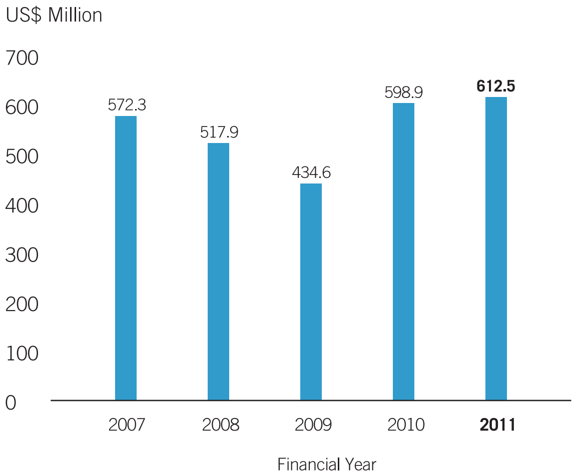
Financial year 2011



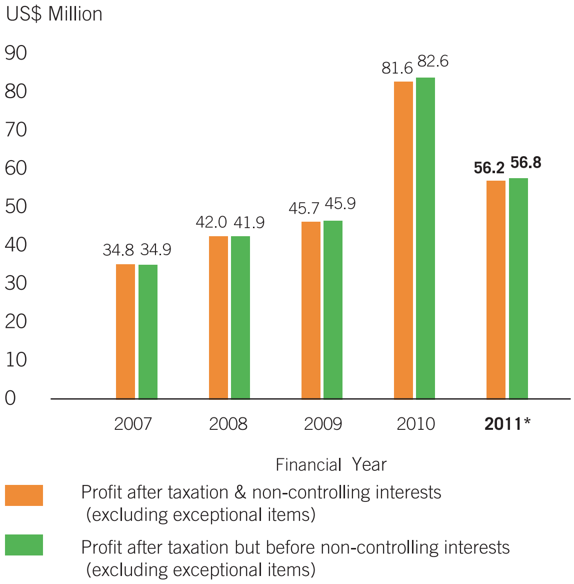
Financial year 2010



TURNOVER

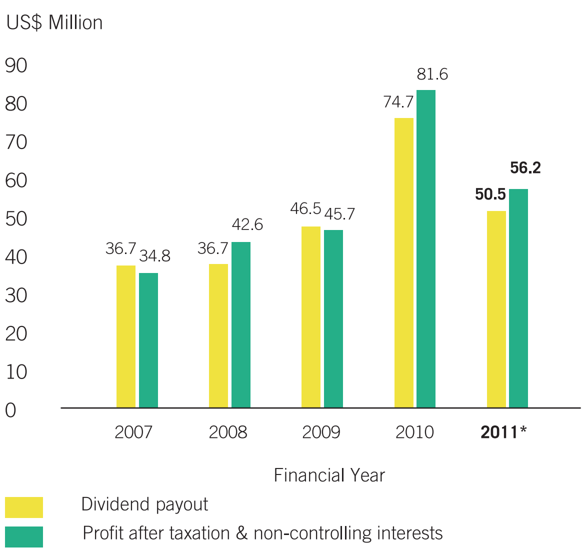


PROFIT TREND



* excluding the professional expenses of approximately US$5.0 million incurred in the June 2011 quarter in relation to the Company's dual primary listing for its shares on The Stock Exchange of Hong Kong Limited on 8 July 2011

EARNINGS & DIVIDEND PAYOUT TREND



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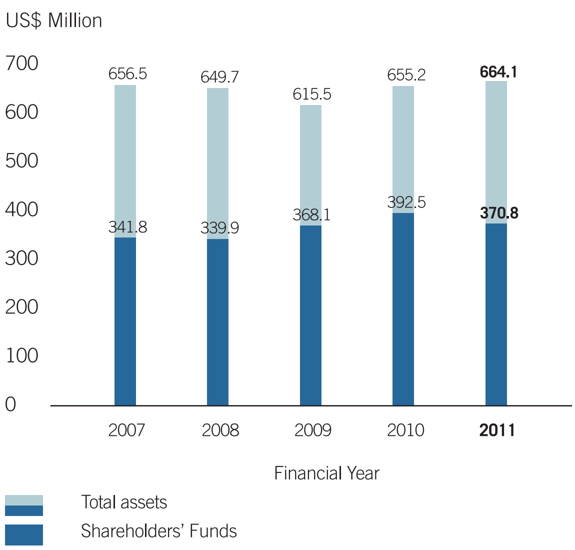
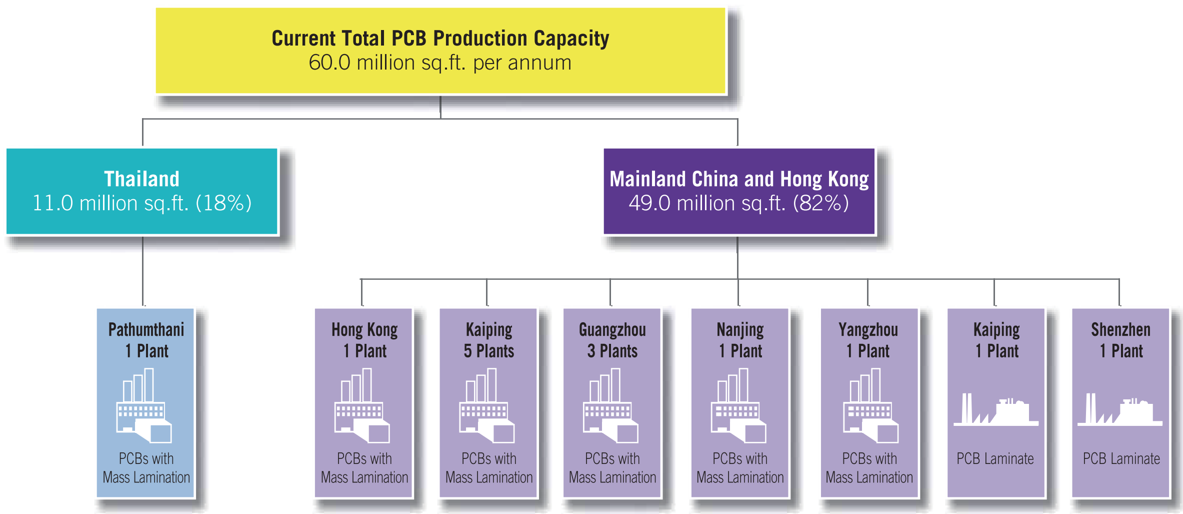
COMPARE TOTAL ASSETS WITH SHAREHOLDERS' FUNDS



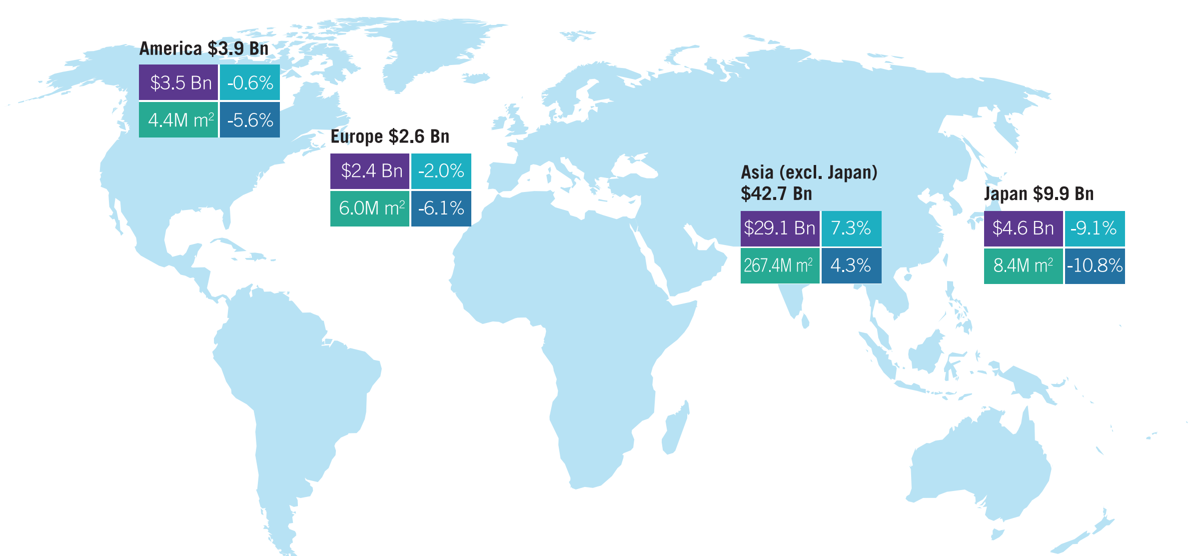
Production and Market Information

PRODUCTION CAPACITY AS AT 31 DECEMBER 2011



2012 WORLDWIDE PROJECTED PCB MARKET

		2011	2012	2016
Projected World PCB Production	USD Billion	55.4	59.1	72.0
Projected World Rigid PCB Production	USD Billion	37.6	39.6	46.9
Regional Rigid PCB Value Growth Forecast CAAGR (2011-2016)	%			
Projected PCB Production By Area	M m²	317.5	333.4	390.7
Projected Rigid PCB Production By Area	M m²	274.7	286.2	328.1
Regional Rigid PCB Area Growth Forecast CAAGR (2011-2016)	%			



CAAGR: Compounded Annual Average Growth Rate

Source: Prismark Partners LLC, The Printed Circuit Report, Fourth Quarter, February 2012

Five Years' Financial Summary

	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000
Consolidated Results					
Turnover	**612,456**	598,853	434,565	517,931	572,274
Profit before taxation*	**60,759**	88,420	49,317	45,137	37,163
Taxation	**(4,002)**	(5,858)	(3,419)	(2,626)	(2,272)
Profit after taxation*	**56,757**	82,562	45,898	42,511	34,891
Non-controlling interests	**(534)**	(940)	(221)	117	(94)
Profit for the year*	**56,223**	81,622	45,677	42,628	34,797
Financial Positions					
Property, plant and equipment	**350,879**	326,218	338,121	370,746	347,881
Prepaid land use rights – non-current portion	**14,698**	14,817	8,767	8,932	9,191
Non-current deposits	**918**	1,815	1,253	1,664	3,825
Investment in an associate	**—**	—	—	8,388	8,169
Investment properties	**25,500**	21,300	19,262	15,756	8,733
Deferred tax assets	**612**	1,047	1,437	1,446	1,351
Current assets	**271,528**	290,040	246,651	242,730	277,347
Total assets	**664,135**	655,237	615,491	649,662	656,497
Non-current liabilities	**69,181**	54,770	35,031	58,713	52,178
Current liabilities	**214,264**	198,538	203,131	241,473	252,827
Total liabilities	**283,445**	253,308	238,162	300,186	305,005
Net assets	**380,690**	401,929	377,329	349,476	351,492
Represented by:					
Shareholders' funds	**370,756**	392,513	368,065	339,870	341,815
Non-controlling interests	**9,934**	9,416	9,264	9,606	9,677
	380,690	401,929	377,329	349,476	351,492

* excluding the professional expenses of approximately US$5.0 million incurred in the June 2011 quarter in relation to the Company's dual primary listing for its shares on The Stock Exchange of Hong Kong Limited on 8 July 2011.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Chadwick Mok Cham Hung
Vice-Chairman
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

Non-executive Directors
Mr. Cheung Kwok Wing
Chairman
Mr. Chan Wing Kwan
Mr. Chang Wing Yiu

Independent Non-executive Directors
Mr. Larry Lai Chong Tuck
Professor Raymond Leung Hai Ming
Mr. Stanley Chung Wai Cheong
(appointed on 11 April 2011)

AUDIT COMMITTEE
Mr. Larry Lai Chong Tuck *(Chairman)*
Professor Raymond Leung Hai Ming
Mr. Chan Wing Kwan
Mr. Stanley Chung Wai Cheong
(appointed on 11 April 2011)

NOMINATING COMMITTEE
Professor Raymond Leung Hai Ming *(Chairman)*
Mr. Larry Lai Chong Tuck
Mr. Chan Wing Kwan
Mr. Stanley Chung Wai Cheong
(appointed on 11 April 2011)

REMUNERATION COMMITTEE
Professor Raymond Leung Hai Ming *(Chairman)*
Mr. Larry Lai Chong Tuck
Mr. Chan Wing Kwan
Mr. Stanley Chung Wai Cheong
(appointed on 11 April 2011)

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE
Mr. Cheung Kwok Wing
Mr. Chan Wing Kwan
Mr. Chang Wing Yiu

SECRETARIES
Ms. Claudia Heng Nguan Leng
Ms. Marian Ho Wui Mee

REGISTERED OFFICE
80 Raffles Place
#33-00 UOB Plaza 1
Singapore 048624
Tel : 65 6225 2626
Fax : 65 6225 1838

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1st Floor, Harbour View 1
No. 12 Science Park East Avenue
Phase II, Hong Kong Science Park
Shatin, New Territories
Hong Kong
Tel : 852 2954 3333
Fax : 852 2954 3111

SINGAPORE PRINCIPAL OFFICE
4 Leng Kee Road
#03-02 SiS Building
Singapore 159088
Tel : 65 6226 0488
Fax : 65 6220 2377

PRINCIPAL SHARE REGISTRAR

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

BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

STATUTORY AUDITORS

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants
Partner: Mr. Kee Cheng Kong Michael
(appointed since the financial year ended 31 December 2007)

SINGAPORE SOLICITORS

Rodyk & Davidson LLP
Chang See Hiang & Partners

HONG KONG LEGAL ADVISORS

King & Wood Mallesons

PRINCIPAL BANKERS

The Hongkong and Shanghai
Banking Corporation Limited
Standard Chartered Bank
Hang Seng Bank Limited
Citibank, N.A.
DBS Bank Ltd.
Bank of America, N.A.
Citic Bank International
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

COMPLIANCE ADVISER

Investec Capital Asia Limited
3609, 36/F
Two International Finance Centre
8 Finance Street
Central, Hong Kong

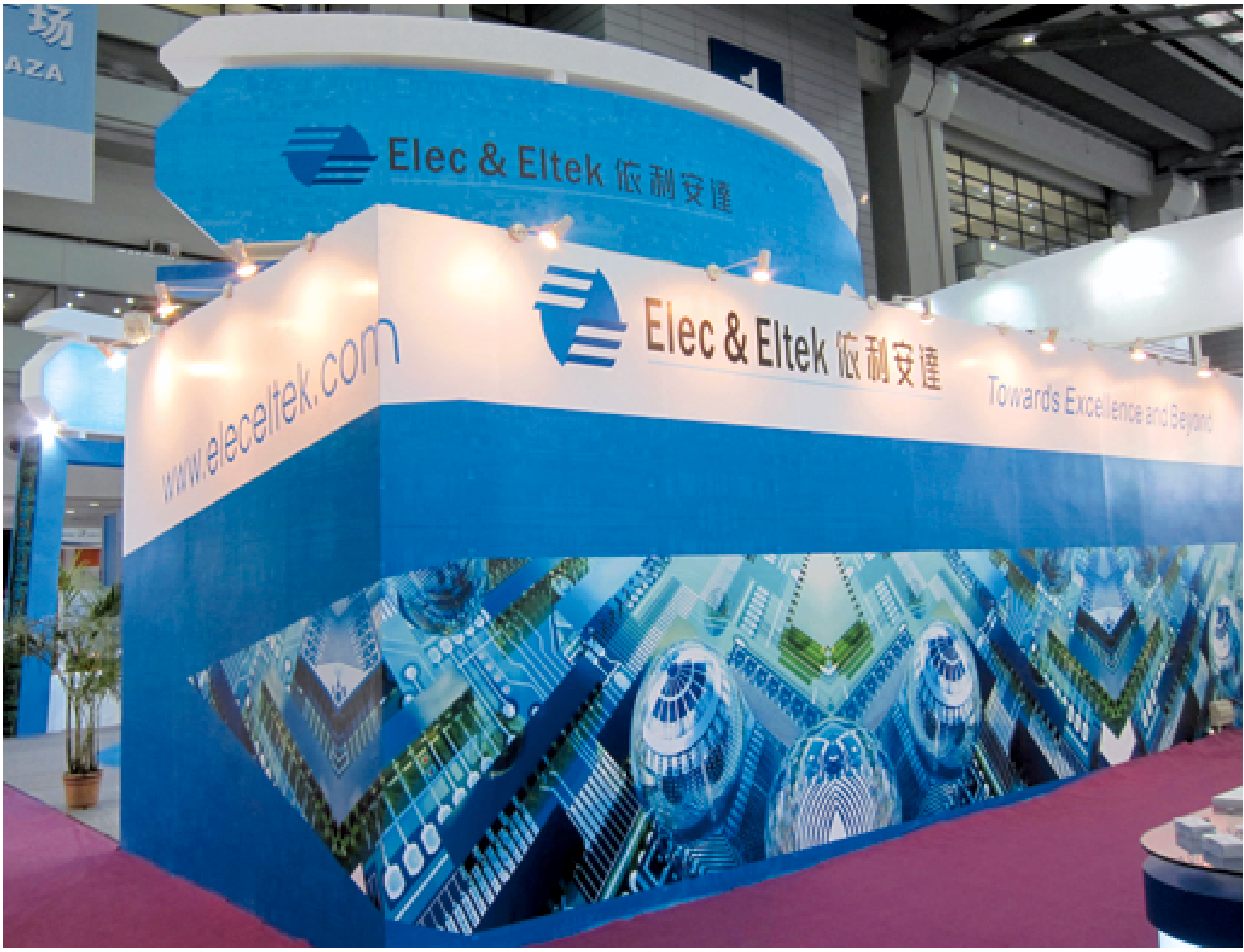
COMPANY WEBSITE

http://www.eleceltek.com

Structure of the Group

31 December 2011

- **Elec & Eltek International Company Limited Singapore**
  - **Investment Holdings**
    - **Major Subsidiary Companies**
      - **The People's Republic of China ("PRC")/Hong Kong /Macao**
        - Kaiping Pacific Insulating Material Company Limited — PRC (100%)
        - Nanjing Elec & Eltek Electronic Co., Ltd. — PRC (100%)
        - Yangzhou Elec & Eltek Electronic Co., Ltd. — PRC (100%)
        - Elec & Eltek Company (Macao Commercial Offshore) Limited — Macao (100%)
        - Elec & Eltek Multilayer PCB Limited — Hong Kong (100%)
      - **Overseas**
        - Elec & Eltek (Thailand) Limited — Thailand (100%)
        - Elec & Eltek Technology Research & Marketing Pte. Ltd. — Singapore (100%)
    - **Major Joint Ventures**
      - **PRC**
        - Kai Ping Elec & Eltek Company Limited (95%)
        - Kaiping Elec & Eltek No.3 Company Limited (95%)
        - Kaiping Elec & Eltek No.5 Company Limited (95%)
        - Elec & Eltek (Guangzhou) Electronic Company Limited (98%)
        - Guangzhou Elec & Eltek Microvia Technology Limited (98%)
        - Shenzhen Pacific Insulating Material Co., Ltd. (93.5%)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Towards Excellence and Beyond


Elec & Eltek 依利安達
HDI Backplane 2-46L Multilayer QTA(as short as 3 days)
Expansion in Yangzhou

Chairman's Statement

Share Passion
Create Harmony

BUSINESS REVIEW

On behalf of the board of directors (the "**Board**"), it is my pleasure to present to all of our valued investors the first annual results of Elec & Eltek International Company Limited (the "**Company**") and its subsidiaries (the "**Group**") for the financial year ended 31 December 2011 ("**CY2011**") since our successful listing on The Stock Exchange of Hong Kong Limited ("**SEHK**") on 8 July 2011.

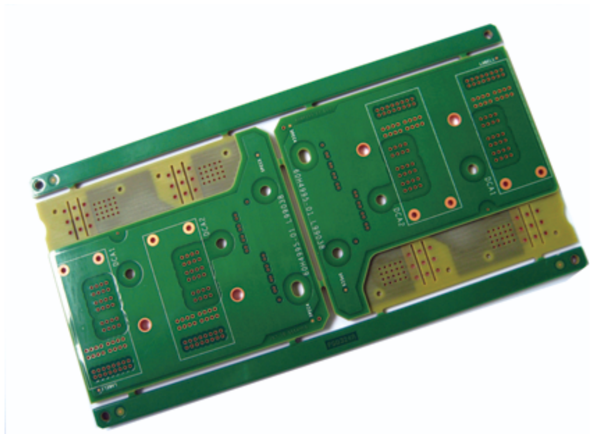
CY2011 was a period of mixed economic signals. It began on a positive note with a series of fiscal stimulus packages initiated by various governments in 2010. By leveraging on this growth momentum, the management has actively engaged with new and existing customers to capture a bigger share of the increased demand for the Group's products, especially in the area of High Density Interconnect ("**HDI**") printed circuit boards ("**PCBs**"). Our revenue growth up to September 2011 was a clear indicator that our strategy to expand our products offering to advanced product categories has paid off. However, due to the faltering global economy as well as the temporary stoppage of production of the main Thailand facilities towards the 4th Quarter, the Group's revenue and profit growth for CY2011 was inadvertently affected.

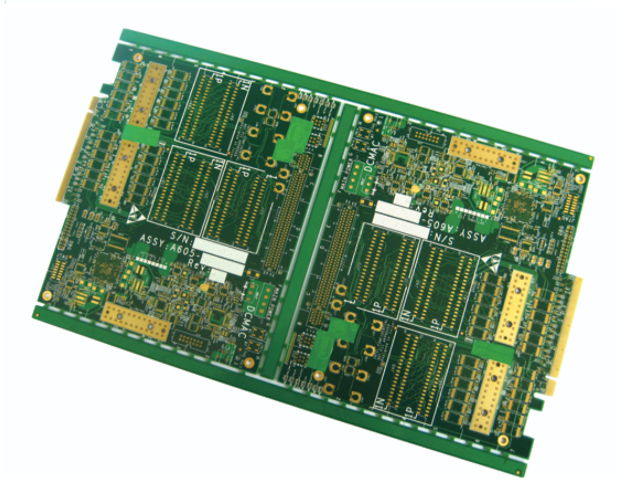
During the year, we continued to improve the quality and efficiency of our business, which has always been one of our focus and priorities. Hence, the Group has continued to report revenue growth and profitable performance in CY2011 amidst a challenging global environment.

Given our healthy financial position achieved through financial prudence and in appreciation of our shareholders for their long-standing support, the Board has recommended a final tax-exempt cash dividend of US12.0 cents per share, to be approved at the forthcoming Annual General Meeting. Together with the interim dividend of US15.0 cents per share paid in August 2011, this constitutes a total dividend of US27.0 cents, representing a payout ratio of 98.5% of net profit.

PERFORMANCE

The financial performance of the Group for year 2011 reflects the faltering global economy caused by the sovereign debt problem in the Euro areas and the temporary stoppage of production of the main Thailand facilities towards the 4th Quarter. The Group's revenue for 4QCY11 declined by 11.6% to US$130.8 million over the corresponding period of the last financial year. Supported by the good performance of the past three financial quarters, the Group's revenue for CY2011 grew by 2.3% to US$612.5 million from US$598.9 million in CY2010.





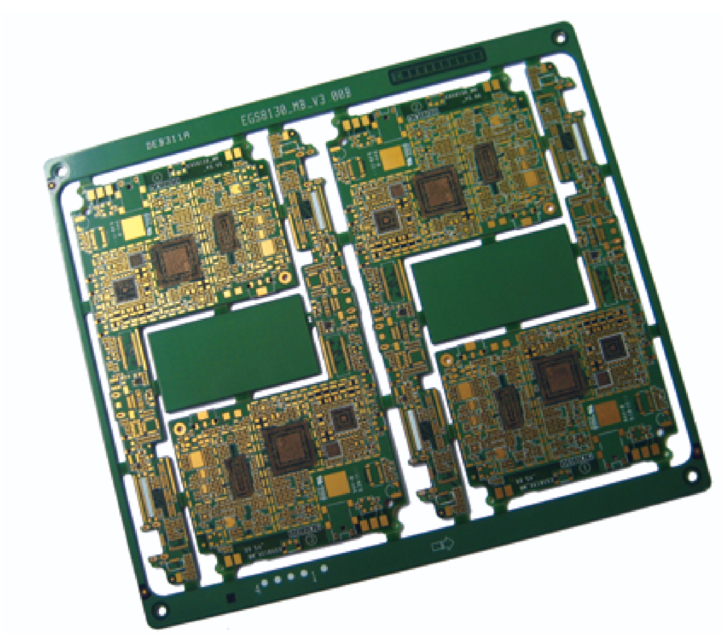
The Group's proportion of sales of HDI PCBs grew to 17.1% in CY2011 against 10.4% in CY2010. Sales of PCBs of 2-layers to 6-layers, and 8-layers and above, accounted for 60.3% and 22.6% respectively of total PCBs sales in CY2011 as compared to 65.7% and 23.9% respectively of total PCBs sales in CY2010.

Gross profit margin of the Group declined to 16.3% in CY2011 compared to 21.6% in CY2010. The decrease was mainly due to the sustained high levels of raw material costs and labour costs as well as the appreciation of Renminbi.

The increase in distribution and selling expenses by 6.8% to approximately US$16.8 million in CY2011 from approximately US$15.7 million in CY2010 was largely attributable to different shipment locations between the financial years under review.

Other operating expenses and losses increased by approximately US$12.0 million to approximately US$15.9 million in CY2011 were mainly attributable to the professional expenses of approximately US$5.0 million relating to the Company's dual primary listing of its shares on SEHK; and the losses on damaged property, plant and equipment and inventories due to the severe flooding in October 2011 in Thailand.

However, the Group is now claiming losses including the accidental physical damage of the property, plant and equipment, inventories and loss on business interruption. The amount of the ultimate insurance claims to be claimed back will be in accordance with the terms and provision of insurance policies based on the replacement cost basis of the damaged property, plant and equipment, and the ascertainment of ultimate loss on gross profits and additional increased cost of working during the indemnity period.



Chairman's Statement

Finance costs increased by 7.2% to approximately US$1.4 million in CY2011 from US$1.3 million in CY2010 as a result of the increase in outstanding bank borrowings and higher interest rate environment during the financial year.

The Group achieved net profit and profit margin of approximately US$51.2 million and 8.4%, respectively in CY2011, after taking into account the one-off SEHK listing related expenses. Excluding the one-off SEHK listing related expenses, the Group's net profit and profit margin for CY2011 would have been approximately US$56.2 million and 9.2%, respectively.

In the opinion of the Board, no factor has arisen during the period from 31 December 2011 to the date of this report that would materially affect the results of the Company and/or the Group for that period.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2011, the Group's net current assets was approximately US$57.3 million (31 December 2010: approximately US$91.5 million), making the current ratio 1.27 as compared to 1.46 as at 31 December 2010.

The net working capital cycle shortened to 31 days as at 31 December 2011 from 32 days as compared to 31 December 2010 on the following key metrics:

— Inventories, in terms of stock turnover days, increased to 31 days as the Group stocked up key raw materials strategically in CY2011 (31 December 2010: 29 days).

— Trade receivables, in terms of debtors turnover days, reduced to 83 days (31 December 2010: 84 days).

— Trade payables, in terms of creditors turnover days, increased to 83 days (31 December 2010: 81 days).

The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) as at 31 December 2011 was approximately 18.2% (31 December 2010: 8.3%). The proportion of short-term and long-term bank borrowings stood at 47%:53% (31 December 2010: 48%:52%). The total equity of the Group as at 31 December 2011 was approximately US$380.7 million (31 December 2010: approximately US$401.9 million). As at 31 December 2011, the Group had cash on hand and undrawn loan facilities of approximately US$57.3 million and US$35.2 million respectively.

The Group's transactions and monetary assets are principally denominated in United States dollars, Renminbi and Hong Kong dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the twelve months ended 31 December 2011.

HUMAN RESOURCES

As at 31 December 2011, the Group had a workforce of approximately 10,199 (31 December 2010: 11,233). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time. The Group awards discretionary bonuses to eligible employees based upon profits achievements of the Company and individual performance.

The Company has also implemented share option scheme in order to attract and retain the best available personnel and to align individual interests with the Group's interests.

PROSPECTS

2011 has been a period of uncertainty and volatility in the global environment, and we foresee that 2012 will not be any easier. The Board is aware of the mounting challenges in the years ahead. Nonetheless, the Group is committed to building and managing a resilient business through various cost control measures, and the maintenance of a lean organization structure and streamlined business processes on an ongoing basis.

In view that PCB is one of the essential platforms for a wide range of electronics products, we remain confident about the medium and long term prospects of the PCB industry. We believe that China and India would constitute the next growth engines in Asia. Given that the Group is one of the largest PCB capacity holders in China, the Group is well-positioned to take advantage of any additional business opportunities that come along in the region, despite the global volatility.

The Group's new Yangzhou plant phase I is currently under the pilot testing phase, and is expected to commence commercial production in 2nd quarter of 2012. Yangzhou plant phase I is expected to add another approximately 6.0 million square footage of available annual production capacity when the plant is fully ramped up before end of 2012. With new capacity coming on stream, the Group expects to be able to meet greater demands from its existing customers and potential new customers. The Yangzhou plant phase I would also facilitate the ongoing rationalization of the Group's products offering in due course.

In spite of the positive outlook of the PCB industry in the medium and long term, demand from the customers remained soft at the beginning of the new financial year. Accordingly, the Board anticipates the performance of 1st quarter 2012 in terms of both sales revenue and profits will decline from the 4th quarter 2011 just ended. Nevertheless, with the recovering sign in the recent order intake, the Board expects a recovery from the 2nd quarter 2012 onward.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the Board of Directors and our global employees for their continued loyalty, diligence and unreserved support to the Group.

Cheung Kwok Wing
Chairman

23 February 2012

Statement on Corporate Governance

INTRODUCTION

The board (the "**Board**") of directors (the "**Directors**") and management of Elec & Eltek International Company Limited (the "**Company**") continue to be committed to complying with the Code of Corporate Governance 2005 (the "**Singapore 2005 CG Code**") issued by the Corporate Governance Committee, Singapore for the year under review, and has also complied with the Code on Corporate Governance Practices (the "**HK CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**HK Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**SEHK**") from the date on which the shares of the Company are listed on the SEHK so as to promote greater corporate transparency and protection of shareholders' interests.

This Statement describes the corporate governance practices of the Company during the financial year ended 31 December 2011 with reference to the Singapore 2005 CG Code and the HK CG Code. The Board is pleased to confirm that the Company has generally adhered to the principles and guidelines as set out in the Singapore 2005 CG Code and the HK CG Code, save for Guideline 2.1 of the Singapore 2005 CG Code (that there should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board) and paragraph A.4.1 of the HK CG Code (that non-executive directors should be appointed for a specific term, subject to re-election). The reasons for the above deviation are set out below.

BOARD MATTERS

Board's Conduct of Its Affairs

Principle 1: Effective board to lead and control the company

The Board oversees the business of the Company and every Director is expected to exercise objective judgment on the Company's affairs and to always consider the interests of the Company and its subsidiary companies (the "**Group**"). The Board reviews and discusses reports prepared by the management on the performance, plans and prospects of the Group.

In addition to general overseeing of the management, the Board also performs various other functions, including, without limitation:

(i) reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;

(ii) approving major acquisitions or disposals, corporate or financial restructuring, issuance of shares and other equity or debt instruments, payment of dividends and other distributions to shareholders;

(iii) assessing risks facing the Group and reviewing and implementing appropriate measures to manage such risks;

(iv) selecting and evaluating the performance and compensation of key management executives;

(v) approving nominations to the Board;

(vi) reviewing and endorsing the recommended framework of remuneration for the Board and key management executives by the Remuneration Committee; and

(vii) assuming overall responsibility for corporate governance.

To give effect to the discharge of its responsibilities, the Board has established four Board Committees, namely, the Nominating Committee, the Remuneration Committee, the Employees' Share Option Scheme Committee and the Audit Committee. These committees have written mandates and operating procedures which are reviewed periodically. The Chairman of each Board Committee will report to the Board the outcome of the respective Board Committee meetings.

The Board conducts scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly and year end results, and as may be warranted by particular circumstances from time to time. The Articles of Association of the Company (the "**Articles**") provides for directors to convene meetings by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means. The number of Board meetings and Board committee ("**Board Committee**") meetings held from the date of the last annual report to the date of this annual report, as well as the attendance of each Board member at these meetings are disclosed below:

		Board Committee		
	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Total number of meetings held	**6**	**4**	**1**	**1**
Executive Directors				
Chadwick Mok Cham Hung *(Vice-Chairman)*	6	—	—	—
Li Muk Kam	6	—	—	—
Philip Chan Sai Kit	6	—	—	—
Clement Sun	6	—	—	—
Claudia Heng Nguan Leng	6	—	—	—
Li Chiu Cheuk	6	—	—	—
Chan Wai Leung	6	—	—	—
Ng Hon Chung	6	—	—	—
Non-executive Directors				
Cheung Kwok Wing *(Chairman)*	6	—	—	—
Chan Wing Kwan	6	4	1	1
Chang Wing Yiu	6	—	—	—

Statement on Corporate Governance

	Board	Board Committee		
		Audit Committee	Nominating Committee	Remuneration Committee
Independent Non-executive Directors				
Larry Lai Chong Tuck	6	4	1	1
Raymond Leung Hai Ming	6	4	1	1
Stanley Chung Wai Cheong [1]	6	3	0	0

[1] Appointed with effect from 11 April 2011

The Board adopts an internal framework whereby a formal letter is sent to each newly appointed Director explaining his statutory duties and responsibilities as a Director. All newly appointed Directors receive an orientation kit comprising, but not limited to, the Articles, Directors' code of professional conduct, Directors' duties on notification, internal code for securities transactions, code of corporate governance and other relevant materials. Directors also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of the Group's business operations.

Board Composition and Guidance

Principle 2: Strong and independent element on the board

Presently, the Board comprises fourteen Directors, eight of whom are Executive Directors, three of whom are Non-executive Directors and three of whom are Independent Non-executive Directors. The composition of the Board is as follows:

Executive Directors
Chadwick Mok Cham Hung *(Vice-Chairman)*
Li Muk Kam
Philip Chan Sai Kit
Clement Sun
Claudia Heng Nguan Leng
Li Chiu Cheuk
Chan Wai Leung
Ng Hon Chung

Non-executive Directors
Cheung Kwok Wing *(Chairman)*
Chan Wing Kwan
Chang Wing Yiu

Independent Non-executive Directors
Larry Lai Chong Tuck
Raymond Leung Hai Ming
Stanley Chung Wai Cheong

Mr. Chang Wing Yiu is the brother-in-law of Mr. Cheung Kwok Wing. Mr. Chadwick Mok Cham Hung is the son-in-law of Mr. Chan Wing Kwan. Mr. Chan Wai Leung is the son of Mr. Chan Wing Kwan. Mr Chan Wai Leung is the brother-in-law of Mr. Chadwick Mok Cham Hung.

The Board considers that the present Board size and the number of Board Committees facilitate effective decision making and are appropriate for the nature and scope of the Group's operations. The Nominating Committee and the Board will continuously examine its size and composition from time to time, with a view to ensuring effective decision-making.

During the year under review, the non-executive Directors and independent non-executive Directors are not appointed for specific terms pursuant to paragraph A.4.1 of the HK CG Code. Notwithstanding the aforesaid deviation, all the Directors (including the non-executive Directors and independent non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meeting, as required under the Articles. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the HK CG Code.

The Board examines the independence of its Directors based on the criterion of independence as defined in the Singapore 2005 CG Code and Rule 3.13 of the HK Listing Rules. An independent Director is one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the Director's independent business judgment with a view to ensuring that they act in the best interests of the Company.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence as required under Rule 3.13 of the HK Listing Rules.

Chairman and Chief Executive Officer

Principle 3: Chairman and Chief Executive Officer to be separate persons to ensure appropriate balance of power, increased accountability and greater capacity of the board for independent decision making

The Chairman and the Vice-Chairman (who assumes the role and responsibility of the Chief Executive Officer), collectively bear responsibility for the workings of the Board and ensure the integrity and effectiveness of the governance process of the Board. Whilst the Chairman plays a pivotal role in steering the strategic direction for the Board, the Vice-Chairman manages the business of the Group and ensures the execution of the Board's decisions.

Statement on Corporate Governance

Board Membership

Principle 4: Formal and transparent process for the appointment of new directors to the board

The Board endeavours to ensure that there is an appropriate mix of core competencies and collective expertise to provide the necessary knowledge and objective judgment to meet its responsibilities.

The Board benefits from the depth and breadth of expertise each Director possesses, collectively providing core competencies in finance, industry, business and management.

Nominating Committee

The current Nominating Committee members comprise Professor Raymond Leung Hai Ming (Chairman), Mr. Larry Lai Chong Tuck and Mr. Stanley Chung Wai Cheong, all of whom are Independent Non-executive Directors, and Mr. Chan Wing Kwan who is a Non-executive Director.

The Nominating Committee is responsible for the following functions:

(i) evaluating the independence of the Directors on an annual basis and being satisfied that notwithstanding that less than one-third of the current Board is made up of independent Directors, the Board is able to exercise sound judgment on corporate affairs objectively and independently;

(ii) reviewing and recommending to the Board, the retirement and re-election of Directors in accordance with the Articles at each annual general meeting;

(iii) evaluating the Board's performance as a whole, as well as the contributions of each Director to the effectiveness of the Board; and

(iv) where a Director has multiple board representations, to assess if such Director is able to and has been adequately carrying out his duties as a Director of the Company.

Where it is considered that the Board would benefit from the services of a new Director with particular skills, the Nominating Committee would, in consultation with the Board, determine the selection criteria and identify candidates with the appropriate expertise for the position. The Nominating Committee then nominates the most suitable candidate to the Board. Upon appointment, a formal letter of appointment shall be provided to the appointed Director indicating the Director's scope of duties as well as the functions of the Board.

During the period from the date of the last annual report to the date of this annual report, the Nominating Committee had convened one meeting during which they considered, among other things, which Directors should retire as Directors at the forthcoming annual general meeting of the Company.

In accordance with the Singapore 2005 CG Code, the HK CG Code and the Articles, each Director is required to retire at least once every three years by rotation and all newly appointed Directors are required to retire at the next annual general meeting. The retiring Directors are eligible to offer themselves for re-election. The Nominating Committee (save that a member shall abstain from recommendation in respect of his own re-appointment) has recommended to the Board, the re-appointment of Mr. Cheung Kwok Wing, Mr. Chan Wing Kwan, Mr. Chang Wing Yiu, Mr. Chadwick Mok Cham Hung and Ms. Claudia Heng Nguan Leng, all of whom are retiring by rotation pursuant to the Articles, and a newly appointed Director, Mr. Stanley Chung Wai Cheong, as Directors of the Company, at the forthcoming Annual General Meeting. The Board has accepted the Nominating Committee's recommendation, and all the abovementioned Directors, having accepted the Company's invitation for re-election, will be offering themselves for re-election at the forthcoming Annual General Meeting.

The profiles of the Directors and their respective shareholdings in the Company and its subsidiary companies are set forth on pages 31 to 34 and 39 to 41 respectively of this Annual Report. The dates of initial appointment and last re-election of each Director, together with his directorships (if any) in other listed companies are set out below:

Name of director	**Appointment**	**Date of initial appointment**	**Date of last re-election**	**Directorships in other listed companies**
Cheung Kwok Wing	Non-executive/ non-independent	13 December 2004	16 April 2009	Kingboard
Chan Wing Kwan	Non-executive/ non-independent	13 December 2004	16 April 2009	Kingboard
Chang Wing Yiu	Non-executive/ non-independent	13 December 2004	5 April 2010	Kingboard
Chadwick Mok Cham Hung	Executive/ non-independent	13 December 2004	16 April 2009	Kingboard
Li Muk Kam	Executive/ non-independent	18 January 2005	5 April 2010	Nil
Philip Chan Sai Kit	Executive/ non-independent	18 January 2005	5 April 2010	Nil
Clement Sun	Executive/ non-independent	15 January 2007	5 April 2010	Nil
Claudia Heng Nguan Leng	Executive/ non-independent	17 July 1995	16 April 2009	Nil
Li Chiu Cheuk	Executive/ non-independent	1 January 2008	6 April 2011	Nil

Statement on Corporate Governance

Name of director	Appointment	Date of initial appointment	Date of last re-election	Directorships in other listed companies
Chan Wai Leung	Executive/ non-independent	1 January 2008	6 April 2011	Nil
Ng Hon Chung	Executive/ non-independent	1 May 2010	6 April 2011	Nil
Larry Lai Chong Tuck	Non-Executive/ independent	26 February 2005	6 April 2011	Nil
Raymond Leung Hai Ming	Non-Executive/ independent	1 January 2008	6 April 2011	China State Construction International Holdings Ltd.
Stanley Chung Wai Cheong	Non-Executive/ independent	11 April 2011	Not applicable	Nil

Kingboard – Kingboard Chemical Holdings Limited

Board Performance

Principle 5: Formal assessment of the effectiveness of the board as a whole and the contribution by each director to the effectiveness of the board

The Board uses its best efforts to ensure that each Director appointed to the Board possesses the background and expertise in technology, business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions.

The Nominating Committee has identified a set of performance criteria, which has also been approved by the Board, that is linked to long term shareholders' value, to be used for evaluating the effectiveness of the Board as a whole, as well as the performance of each Director. The set of performance criteria includes qualitative and quantitative factors, including (without limitation), the performance of principal functions and fiduciary duties, level of participation at meetings, guidance provided to the management and attendance records. Other performance criteria that may be used include return on assets, return on equity, return on investment and the comparison of the Company's share price performance against appropriate indices of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

Access to Information

Principle 6: Board members to have complete, adequate and timely information

The management provides the Board and its various Board Committees with adequate and timely information and reports prior to their respective meetings and on an on-going basis.

The Directors have separate and independent access to the Company's senior management and the joint company secretaries for additional information. In addition, should the Directors, whether as a group or individually, need independent professional advice relating to the Company's affairs, the management will, upon direction by the Board, appoint the appropriate professional advisor(s) selected by the Group or the individual Director, to render the requisite advice. The cost of such professional advice will be borne by the Company.

At least one of the joint company secretaries will attend Board meetings, particularly the meetings for reviewing the draft announcements of the Group's quarterly and full year results, and is responsible for ensuring that Board procedures are followed. Together with the management, the joint company secretaries are responsible for ensuring compliance with the Companies Act (Cap. 50, Singapore Statutes), the SGX-ST rules, the HK Listing Rules and all other regulations applicable to the Company.

The Articles provide that the appointment and removal of any company secretary are subject to the approval of the Board.

REMUNERATION MATTERS

Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors

Principle 8: Remuneration of directors should be adequate but not excessive

Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration

Statement on Corporate Governance

Remuneration Committee

The current Remuneration Committee members comprise Professor Raymond Leung Hai Ming (Chairman), Mr. Larry Lai Chong Tuck and Mr. Stanley Chung Wai Cheong, all of whom are Independent Non-executive Directors, and Mr. Chan Wing Kwan who is a Non-executive Director.

The Remuneration Committee will review and recommend remuneration policies and packages for key management executives. The review will cover all aspects of remuneration, including but not limited to, salaries, allowances, bonuses, share options and benefits-in-kind. In conducting its review, the Remuneration Committee will give due regard to the financial and commercial health and business needs of the Group. Where appropriate, external consultants will be appointed to assist the Remuneration Committee in conducting its review and making its recommendations. The Remuneration Committee's recommendations will thereafter be submitted for endorsement by the entire Board.

The Remuneration Committee has a set of terms of reference defining its scope of authority, and is responsible for the following functions:

(i) to ensure the Remuneration Committee's recommendations have been made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board; and

(ii) to liaise with the Board in relation to the preparation of executive compensation for inclusion in the Company's Annual Report as required.

During the period from the date of the last annual report to the date of this annual report, the Remuneration Committee had convened one meeting during which they considered, among other things, the remuneration packages for all Directors and senior management.

The Group's remuneration policy is to provide compensation packages at rates which reward successful performance and the enhancement of shareholder value and to attract, retain and motivate the Directors and employees. Details of remuneration and benefits of Directors and top five key management executives are disclosed in Note 10 to the Financial Statements on pages 101 to 103.

Employees' Share Option Scheme Committee

The Employees' Share Option Scheme Committee comprises Mr. Cheung Kwok Wing, Mr. Chan Wing Kwan and Mr. Chang Wing Yiu, all of whom are Non-executive Directors.

The Employees' Share Option Scheme Committee is authorised to administer the 2002 Elec & Eltek Employees' Share Option Scheme and the 2008 Elec & Eltek Employees' Share Option Scheme (collectively the "**Option Schemes**"), including but not limited to, offer and grant of share options to eligible participants in accordance with the rules of the Option Schemes, to modify and/or amend the 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 Option Schemes.

Information on the Option Schemes is disclosed on pages 42 to 44 in the Report of the Directors and pages 128 to 130 in Note 28 to the Financial Statements.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price-sensitive public reports and reports to regulators (if required). In presenting the quarterly and annual financial statements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and comprehensible assessment of the Group's position and prospects. The management is responsible for providing the Board with appropriately detailed management accounts of the Group's performance, position and prospects.

The Directors acknowledge their responsibilities for preparing the Company's account which gives a true and fair view of the financial position of the Group. The Company deploys appropriate and sufficient resources to prepare unaudited quarterly account and audited yearly account. The senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board, and respond to the queries and concerns raised by the Audit Committee and the Board to their satisfaction. The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 53 and 54 of this annual report.

Statement on Corporate Governance

Audit Committee

Principle 11: Establishment of Audit Committee with written terms of reference

The current Audit Committee members comprise Mr. Larry Lai Chong Tuck (Chairman), Professor Raymond Leung Hai Ming and Mr. Stanley Chung Wai Cheong, all of whom are Independent Non-executive Directors, and Mr. Chan Wing Kwan who is a Non-executive Director.

The Audit Committee has written terms of reference defining its scope of authority. During the financial year and up to the date of this report, the Audit Committee met with the management, internal auditor and statutory auditors of the Company and performed, inter alia, the following functions:

(i) reviewed the annual audit plan of the Company's statutory auditors and the results of their examination of the financial statements of the Company, the consolidated financial statements of the Group and statutory auditors' report on those financial statements before submission to the Board;

(ii) reviewed the Group's financial and operating results and accounting policies;

(iii) recommended to the Board, subject to shareholders' approval, the re-appointment of the Company's statutory auditors;

(iv) reviewed the internal audit plans, the results of internal audits and evaluation of the Group's systems of internal accounting controls, and the effectiveness of actions or policies taken by the management on its recommendations and observations;

(v) reviewed the Group's interested person transactions and continuing connected transactions;

(vi) reviewed the quarterly and annual announcements on the results and financial position of the Company and the Group; and

(vii) reviewed the co-operation and assistance given by the management to the Company's statutory auditors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the audited annual financial statements for the year ended 31 December 2011.

In addition, the Audit Committee reviewed all non-audit services provided by the statutory auditors during the financial year, and is of the opinion that the provision of such services will not affect the independence of the statutory auditors.

The Audit Committee has full access to and co-operation from the management and the statutory and internal auditors and has full discretion to invite any Director or executive officer to attend its meeting. The statutory and internal auditors have unrestricted access to the Audit Committee.

The Company has adopted a whistleblower policy which allows the staff of the Group to raise concerns, in confidence, about suspected improper conduct or incidents on matters of financial reporting, internal accounting controls, auditing and other matters or potential violations of the laws; and for the independent investigation of such matters and appropriate follow-up actions.

During the year under review, the fees paid or payable to the Company's statutory auditors in respect of audit and non-audit services provided by the Company's statutory auditors to the Group were as follows:

Nature of services	**Amount (US$'000)**
Audit services	446
Non-audit services	
Tax services	56
Other services	52
One-off service fees relating to the Company's dual primary listing for its shares on SEHK on 8 July 2011	364

The Audit Committee has undertaken a review of all the non-audited services provided by the Company's statutory auditors and concluded that in their opinion, such services did not affect the independence of the auditors.

Internal Controls

Principle 12: Sound system of internal controls

The Group's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication are reliable.

The statutory auditors, in the course of conducting their annual audit procedures on the statutory financial statements, also reviewed the Group's significant internal financial controls to the extent of their scope as laid out in their audit plan. Any material non-compliance and internal financial control weaknesses noted by the auditors are reported to the Audit Committee together with the auditors' recommendations. The management would then take appropriate actions to rectify the weaknesses highlighted.

Statement on Corporate Governance

The Audit Committee, in the course of their review of the reports presented by the internal auditors and statutory auditors, also reviewed the effectiveness of the Group's system of internal controls and is satisfied that there are adequate internal controls to meet the needs of the Group in its current business environment. As such, the Board is satisfied with the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems.

Internal Audit

Principle 13: Independent internal audit function

The Group has an adequately resourced independent internal audit function to conduct regular review of the systems of internal controls and to report independently the findings and recommendations of any internal control weakness to the Audit Committee and to the senior management for remedial action.

The internal auditors would report to the Chairman of the Audit Committee and assist the Board in monitoring and managing business risks and internal controls. The Audit Committee reviews and approves the internal audit plan. Reports from the internal auditors containing the summary of findings and recommendations are tabled and discussed at quarterly meetings by the Audit Committee members.

The Audit Committee has reviewed the internal audit function and is satisfied as to its adequacy.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Regular, effective and fair communication with shareholders

Principle 15: Greater shareholder participation at Annual General Meeting

The Board is mindful of its obligation to provide timely and fair disclosure of material information to its shareholders. Financial results, annual reports, circulars and other announcements are released through SGXNET and SEHK, and annual reports and circulars are sent to all shareholders by post.

Price-sensitive information is first publicly released, either before the Company meets with any group of investors or investment analysts or simultaneously with such meetings, if necessary.

All materials on the Company's quarterly and annual financial results and other announcements are available on the Company's website.

Notices of shareholders' meetings are advertised in the newspapers in Singapore. Shareholders are encouraged to communicate their views and ask questions regarding the Group and resolutions being proposed during shareholders' meetings.

At shareholders' meetings, each distinct issue is proposed as a separate resolution.

Under the Articles, a shareholder of the Company is allowed to appoint one or two proxies to attend and vote at all shareholders' meetings on his or her behalf. The Articles currently do not allow a shareholder to vote in absentia such as voting via mail, e-mail or facsimile due to security, integrity and other pertinent issues.

The Board endeavours to maintain an on-going dialogue with shareholders. All directors are encouraged to attend the general meetings to have personal communication with shareholders.

The statutory auditors and the members of the Audit Committee, Nominating Committee and/or Remuneration Committee are present at shareholders' meetings to assist the Directors in addressing any queries by shareholders.

The Company has also set up a public relations website which enables the shareholders and public to post their questions, comments and opinions to the Board in relation to the Group.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. For the current financial year, the amount of interested person transactions to be disclosed pursuant to Rule 920(1)(a)(i) of the Listing Manual of SGX-ST is disclosed in the section "Interested Person Transactions" on pages 136 to 137.

CONTINUING CONNECTED TRANSACTIONS

Details of continued connected transactions for the financial year ended 31 December 2011 which fall under Chapter 14A of the HK Listing Rules are set out in the section "Continuing Connected Transactions" on page 50.

INTERNAL CODE ON DEALING IN SECURITIES

The Company has adopted the Model Code set out in Appendix 10 of the HK Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all members of the Board confirmed that they have complied with the requirements set out in the Model Code throughout the year ended 31 December 2011. The Model Code also applies to other specified members of the senior management of the Group.

Statement on Corporate Governance

NON-COMPETE UNDERTAKINGS

The Company has received an annual declaration from Kingboard that Kingboard has complied with the non-compete undertakings pursuant to the terms of the deed of non-competition dated 27 June 2011 entered into between Kingboard and the Company (the "**Deed**") as referred to on pages 141 to 144 in the listing document of the Company dated 30 June 2011 ("**Non-compete Undertakings**"). Appropriate compliance procedures have been established by the Company to minimize the effect of any actual or potential business competition.

The independent non-executive Directors of the Company, to the best of their knowledge and beliefs, are of the view that:

(1) Kingboard has complied with the terms of the Deed during the period from 1 July to 31 December 2011 and has not entered into any transaction with the intent to breach the terms of the Deed during the abovementioned period; and

(2) The Company has complied with the Corporate Governance Report as described in Appendix 23 of the HK Listing Rules for the period from 1 July to 31 December 2011.

There was no new business investment and other merger and acquisition opportunity being deliberated, accepted or declined by the Company for the period from 1 July to 31 December 2011.

On behalf of the Board

Chadwick Mok Cham Hung
Vice-Chairman

Chan Wing Kwan
Director

23 February 2012

Profiles of Board of Directors and Core Management

EXECUTIVE DIRECTORS

Mr. Chadwick Mok Cham Hung(莫湛雄), aged 47, 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 13 December 2004. He became our Vice-Chairman on 18 January 2005. Mr. Mok is also an executive director of Kingboard Chemical Holdings Limited ("**Kingboard**"). He is currently assuming the role and responsibilities of our Chief Executive Officer and is responsible for developing the overall business directions and 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 18 January 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 18 January 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 52, 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 15 January 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.

Profiles of Board of Directors and Core Management

Ms. Claudia Heng Nguan Leng（王玩玲）, aged 57, 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 17 July 1995. She was appointed as our company secretary on 20 February 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.

Mr. Li Chiu Cheuk（李超卓）, aged 52, is our executive Director. He joined our Group in November 1986 and was appointed as our executive Director on 1 January 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 printed circuit board ("**PCB**") fabrication plants in Guangzhou site. 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 39, is our executive Director. He joined our Group in May 2007 and was appointed as our executive Director on 1 January 2008. Mr. Chan is responsible for the overall management of the laminate plants in Shenzhen and Kaiping and the PCB fabrication plants in Nanjing and Yangzhou, the People's Republic of China ("**PRC**"), the business development of HDI product. 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 54, is our executive Director. He joined our Group in May 1979 and was appointed as our executive Director on 1 May 2010. Mr. Ng has served in various senior positions in the manufacturing operations in Hong Kong and the PRC. He is now responsible for the overall operational management of the PCB fabrication plants in Kaiping site. 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 56, 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 13 December 2004. He was appointed as the Chairman of our Company on 3 February 2005. Mr. Cheung is also the chairman, executive director and co-founder of Kingboard. 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. In 2011, Mr. Cheung had been awarded the Honorary University Fellowships of The University of Hong Kong. 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.

Mr. Chan Wing Kwan（陳永錕）, aged 66, is our non-executive Director. He joined our Group in December 2004 and was appointed as our non-executive Director on 13 December 2004. He is a co-founder of Kingboard and a non-executive director and chief consultant of Kingboard from January 2011. Prior to that, Mr. Chan has been the executive director of Kingboard since 1993. 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 13 December 2004. Mr. Chang is also an executive director of Kingboard. Mr. Chang has over 22 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.

Profiles of Board of Directors and Core Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Larry Lai Chong Tuck（黎忠德）, aged 55, is our independent non-executive Director. He joined our Group in February 2005 and was appointed as our independent non-executive Director on 26 February 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.

Professor Raymond Leung Hai Ming（梁海明）, aged 57, is our independent non-executive Director. He joined our Group in January 2008 and was appointed as our independent non-executive Director on 1 January 2008. Professor 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. Professor 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). Professor Leung is presently the Chief Executive Officer of C & L Holdings Ltd., whose business activities comprise direct investment and China business consultancy. Professor Leung is also a director of China State Construction International Holdings Ltd., a company listed on the main board of the Stock Exchange (stock code: 3311). Professor 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 1 January 2010.

Mr. Stanley Chung Wai Cheong（鍾偉昌）, aged 42, is our independent non-executive Director. He joined our Group in April 2011 and was appointed as our independent non-executive Director on 11 April 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 18 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.

SENIOR MANAGEMENT

Mr. Oscar Cheung Yiu Wai（張耀威）, aged 54, 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, around 20 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（張寶琼）, aged 50, 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 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 Jermsawasdipong, aged 54, 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.

Profiles of Board of Directors and Core Management

JOINT COMPANY SECRETARIES

Ms. Marian Ho Wui Mee（何韋郿）, aged 44, is one of our joint company secretaries. She was appointed as our joint company secretary on 22 December 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, 2010, 2011 and 2012 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.

Report of the Directors

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2011.

DIRECTORS

The directors of the Company in office at the date of this report are:

Executive Directors:
Chadwick Mok Cham Hung (Vice-Chairman)
Li Muk Kam
Philip Chan Sai Kit
Clement Sun
Claudia Heng Nguan Leng
Li Chiu Cheuk
Chan Wai Leung
Ng Hon Chung

Non-executive Directors:
Cheung Kwok Wing (Chairman)
Chan Wing Kwan
Chang Wing Yiu

Independent non-executive Directors:
Larry Lai Chong Tuck
Raymond Leung Hai Ming
Stanley Chung Wai Cheong (appointed on 11 April 2011)

Mr. Stanley Chung Wai Cheong was appointed by the board of directors of the Company as a new independent non-executive director with effect from 11 April 2011. In accordance with Article 77 of the Company's Articles of Association, Mr. Chung will hold directorship only until the annual general meeting of the Company following his appointment and will be eligible for re-election. Accordingly, Mr. Chung will retire at the forthcoming annual general meeting of the Company and will be eligible for re-election as an independent non-executive director.

In accordance with Article 95(2) and 95(4) of the Company's Articles of Association, Mr. Cheung Kwok Wing, Mr. Chan Wing Kwan, Mr. Chang Wing Yiu, being the non-executive directors, Mr. Chadwick Mok Cham Hung and Ms. Claudia Heng Nguan Leng, being the executive directors, will retire from directorship by rotation and will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

No director of the Company proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Except as disclosed in this Report, neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company, its ultimate holding company, Kingboard Chemical Holdings Limited ("**Kingboard**"), and related corporations (other than wholly-owned subsidiary companies) as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act (Cap. 50, Singapore Statutes) (the "**Act**") and recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the Hong Kong Securities and Futures Ordinance ("**SFO**") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("**SEHK**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, except as follow:

	Shareholdings registered in name of or beneficially held by directors		Shareholdings in which directors are deemed to have an interest	
Name of directors and companies in which interests are held	**At 31.12.2011**	**At 31.12.2010**	**At 31.12.2011**	**At 31.12.2010**
The Company				
Long position				
(Ordinary shares)				
Cheung Kwok Wing	1,507,200	1,257,200	—	—
Chadwick Mok Cham Hung	1,120,200	1,120,200	—	—
Li Muk Kam	1,803,876	1,803,876	—	—
Philip Chan Sai Kit	724,481	734,481	—	—
Clement Sun	110,000	110,000	—	—
Claudia Heng Nguan Leng	480,800	474,800	—	—
Li Chiu Cheuk	10,000	10,000	—	—
Chan Wai Leung	52,000	34,000	—	—
Ng Hon Chung	60,000	60,000	—	—
Chan Wing Kwan	1,010,000	908,600	40,000	30,000
Chang Wing Yiu	486,600	486,600	—	—
Larry Lai Chong Tuck	25,000	40,000	—	—
Kingboard				
Long position				
(Ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	3,673,175	2,198,675	—	—
Chan Wing Kwan	1,850,250	1,120,250	60,000	60,000
Chang Wing Yiu	3,397,074	3,052,074	718,200	698,200
Chadwick Mok Cham Hung	2,830,000	1,810,000	110,000	10,000
Philip Chan Sai Kit	28,000	28,000	—	—
Chan Wai Leung	55,000	—	500	500

Report of the Directors

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (Continued)

	Shareholdings registered in name of or beneficially held by directors		Shareholdings in which directors are deemed to have an interest	
Name of directors and companies in which interests are held	**At 31.12.2011**	**At 31.12.2010**	**At 31.12.2011**	**At 31.12.2010**
Kingboard (Options to subscribe for unissued ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	2,800,000	—	—	—
Chan Wing Kwan	—	591,600	—	—
Chang Wing Yiu	2,600,000	484,800	—	—
Chadwick Mok Cham Hung	2,600,000	—	—	—
Chan Wai Leung	2,440,000	—	—	—
Kingboard (Warrants to subscribe for unissued ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	165,222	285,222	—	—
Chan Wing Kwan	72,025	102,025	6,000	6,000
Chang Wing Yiu	267,707	267,707	67,820	67,820
Chadwick Mok Cham Hung	181,000	181,000	1,000	1,000
Philip Chan Sai Kit	—	2,800	—	—
Kingboard Laminates Holdings Limited (fellow subsidiary) Long position (Ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	453,500	41,500	—	—
Chan Wing Kwan	—	—	100,000	100,000
Chang Wing Yiu	—	—	100,000	100,000
Chadwick Mok Cham Hung	—	—	60,000	60,000
Li Muk Kam	117,500	117,500	20,000	20,000
Philip Chan Sai Kit	52,500	27,500	—	25,000
Clement Sun	30,000	30,000	—	—
Li Chiu Cheuk	—	—	20,000	20,000
Chan Wai Leung	60,000	40,000	—	—
Ng Hon Chung	20,000	20,000	—	—

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (Continued)

Name of directors and companies in which interests are held	Shareholdings registered in name of or beneficially held by directors At 31.12.2011	At 31.12.2010	Shareholdings in which directors are deemed to have an interest At 31.12.2011	At 31.12.2010
Kingboard Laminates Holdings Limited (fellow subsidiary)				
(Options to subscribe for unissued ordinary shares of HK$0.10 each)				
Chadwick Mok Cham Hung	—	—	10,000,000	—
Chan Wai Leung	9,000,000	—	—	—
Kingboard Copper Foil Holdings Limited (fellow subsidiary)				
Long position (Ordinary shares of US$0.10 each)				
Cheung Kwok Wing	1,000,000	1,000,000	—	—

Between the end of the financial year and 21 January 2012, Mr. Cheung Kwok Wing's direct interest in Kingboard decreased to 3,553,175 ordinary shares due to an open market disposal of 120,000 ordinary shares in Kingboard.

Save as disclosed above, there were no changes in any of the above-mentioned interests between the end of the financial year and 21 January 2012.

DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for:

(a) Salaries, bonuses and other benefits as disclosed in the financial statements.

(b) Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

Report of the Directors

SHARE OPTIONS

(a) Options to take up unissued shares

The 2008 Elec & Eltek Employee's Share Option Scheme (the "**2008 Scheme**") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 21 April 2008 and was adopted by the Company on 9 May 2008 upon fulfilment of all the conditions precedent as set out in Rule 2 of the 2008 Scheme. Since its adoption, no option has been granted by the Company pursuant to the 2008 Scheme.

Under the 2008 Scheme, options granted to the directors and employees may, except in certain special circumstances, be exercised at any time after the first or second anniversary of the date of grant but no later than the expiry date. The options may be exercised in full or in respect of 1,000 ordinary shares of the Company ("**Shares**") or a multiple thereof, on the payment of the aggregate exercise price. The exercise price is based on the average of the last dealt prices for a Share on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for a period of five consecutive market days immediately preceding the date of grant. The Employees' Share Option Scheme Committee may at its discretion fix the exercise price at a discount not exceeding 20 percent to the above price.

The Company has granted share options to eligible employees under the 2002 Elec & Eltek Employees' Share Option Scheme (the "**2002 Scheme**") which was terminated upon its expiry without affecting the rights of holders of any options granted and outstanding under the 2002 Scheme. Particulars of the options granted under the 2002 Scheme are set out below in this Report and in Note 28 to the financial statements. The last batch of options granted under the 2002 Scheme had expired on 12 November 2011.

Under the 2002 Scheme, options granted to the directors and employees may, except in certain special circumstances, be exercised at any time after one or two years from the date of grant but no later than the expiry date. The options may be exercised in full or in respect of 1,000 Shares or a multiple thereof, on the payment of the aggregate subscription price. The subscription price is based on the average of the last dealt price of the share on the SGX-ST for the last five market days immediately preceding the date of grant. The Employees' Share Option Scheme Committee may at its discretion fix the subscription price at a discount not exceeding 20 percent to the above price.

The 2002 Scheme and the 2008 Scheme is administered by the Employees' Share Option Scheme Committee whose members are:

Mr. Cheung Kwok Wing
Mr. Chan Wing Kwan
Mr. Chang Wing Yiu

SHARE OPTIONS (Continued)

(b) Unissued shares under option and options exercised

The number of Shares available under the 2002 Scheme, subject to certain conditions being satisfied, shall not exceed 15% of the issued share capital of the Company. The number of outstanding share options under the 2002 Scheme is as follows:

Date of grant	Number of options to subscribe for ordinary shares: Balance as at 31.12.2010	Exercised	Lapsed	Balance as at 31.12.2011	Subscription price per share US$	Exercisable period
12.12.2006	316,100	(238,000)	(78,100)	—	2.400	13.11.2008 to 12.11.2011

There were no share options granted to full time employees of the Group during the financial year. A total of 15,714,000 options were granted under the 2002 Scheme since the commencement of the 2002 Scheme to the expiry of the 2002 Scheme.

The weighted average closing price of the Shares on the five trading days immediately before the dates on which the options were exercised was USD3.23.

The information on directors of the Company participating in the 2002 Scheme is as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the 2002 Scheme to the end of financial year	Aggregate options exercised since commencement of the 2002 Scheme to the end of financial year	Aggregate options lapsed since commencement of the 2002 Scheme to the end of financial year	Aggregate options outstanding at the end of financial year
Cheung Kwok Wing	—	973,200	(973,200)	—	—
Chadwick Mok Cham Hung	—	973,200	(973,200)	—	—
Li Muk Kam	—	960,000	(960,000)	—	—
Philip Chan Sai Kit	—	960,000	(780,000)	(180,000)	—
Clement Sun	—	240,000	(60,000)	(180,000)	—
Claudia Heng Nguan Leng	—	240,000	(240,000)	—	—
Li Chiu Cheuk	—	162,000	(10,000)	(152,000)	—
Chan Wing Kwan	—	973,200	(973,200)	—	—
Chang Wing Yiu	—	973,200	(973,200)	—	—
Larry Lai Chong Tuck	—	60,000	(60,000)	—	—

Report of the Directors

SHARE OPTIONS (Continued)

Save for (as disclosed above), Messrs. Cheung Kwok Wing, Chadwick Mok Cham Hung, Li Muk Kam, Philip Chan Sai Kit, Chan Wing Kwan and Chang Wing Yiu, none of the participants under the 2002 Scheme have received more than 5% of the total number of options available under the 2002 Scheme.

Save as disclosed above, there have been no other options granted to the eligible employees, directors and the Company's substantial shareholders and their associates pursuant to the 2002 Scheme and the 2008 Scheme.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising all non-executive directors, is chaired by Mr. Larry Lai Chong Tuck, an independent non-executive director, and includes Professor Raymond Leung Hai Ming and Mr. Stanley Chung Wai Cheong, independent non-executive directors, and Mr. Chan Wing Kwan, a non-executive director. The Audit Committee has met four times since the last Annual General Meeting ("**AGM**") and has reviewed the following, where relevant, with the executive directors and statutory and internal auditors of the Company:

(a) the internal audit plans, the results of the internal audits and evaluation of the Group's systems of internal accounting controls and the effectiveness of actions or policies taken by the management on its recommendations and observations;

(b) the Group's financial and operating results and accounting policies;

(c) the annual audit plan of the Company's statutory auditors and the results of their examination of the financial statements of the Company, the consolidated financial statements of the Group and statutory auditors' report on those financial statements before their submission to the directors of the Company;

(d) the quarterly and annual announcements on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Company's statutory auditors;

(f) recommended to the Board, subject to shareholders' approval, the re-appointment of the statutory auditors of the Company; and

(g) the Group's interested person transactions and continuing connected transactions.

In addition, the Audit Committee reviewed all non-audit services provided by the statutory auditors during the financial year, and is of the opinion that the provision of such services will not affect the independence of the statutory auditors.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The statutory and internal auditors have unrestricted access to the Audit Committee.

AUDIT COMMITTEE (Continued)

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as statutory auditors of the Company at the forthcoming AGM of the Company.

AUDITORS

The auditor, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ADDITIONAL INFORMATION

The directors are pleased to present in the report the following additional information as required under the Companies Ordinance (Chapter 32, the Laws of Hong Kong) and other relevant laws and regulations governed in Hong Kong.

LISTING ON SEHK

The Company's Shares were successfully listed on the main board of the SEHK on 8 July 2011 by introduction. As a result, the Company now has a dual primary listing of its Shares on both the SGX-ST and SEHK. Whilst the directors consider that it is important to maintain the Singapore listing, they consider that it would be desirable and beneficial for our Company to have a dual primary listing of the Shares in both Hong Kong and Singapore as the directors believe that the stock markets in Hong Kong and Singapore attract different investors. The dual listing can provide the Company ready access to two different equity markets if any opportunity arises, as well as widen the investor base of our Company. Listing on the SEHK may also enhance the Company's profile in Hong Kong and The People's Republic of China ("**PRC**"), facilitate investment by Hong Kong investors, enable the Company to gain access to Hong Kong's capital markets and benefit from our exposure to a wide range of private and institutional investors. The directors consider that this is important for our Group's potential future growth and long term development, in particular, our Group's operations are principally located in Hong Kong and PRC.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of major subsidiaries of the Company are set out in Note 20 to the Financial Statements.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2011 are set out in Note 20 to the Financial Statements.

Report of the Directors

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 55.

An interim dividend of US15 cents per ordinary share was paid to the shareholders of the Company during the year. The directors now recommend the payment of a final dividend of US12 cents per ordinary share to the Company's shareholders whose names appear on the register of members of the Company on 11 May 2012, and the retention of the remaining profit in the Company.

The Singapore Principal Share Transfer Books, Singapore Register of Members of the Company, Hong Kong Share Transfer Books and Hong Kong Register of Members of the Company will be closed from 12 May 2012 to 14 May 2012 for the purpose of determining the shareholders' entitlements to the dividends to be proposed and approved at the AGM of the Company to be held on 26 April 2012.

All removal in respect of Shares in the Company, between the principal register of members in Singapore and the branch register of members in Hong Kong, all necessary documents, remittances accompanied by the relevant share certificates, received up to close of the business at 5:00 p.m. and 4:30 p.m. on 2 May 2012 by the Company's Singapore Principal Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) and the Hong Kong Branch Share Registrar of the Company, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for Hong Kong Shareholders), respectively, will be registered to determine shareholders' entitlements to such dividend. Shareholders' whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares of the Company as at 5:00 p.m. on 11 May 2012 will be entitled to such proposed dividend.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 December 2011, resulting in an increase in fair value of approximately US$3,383,000 which has been credited directly to profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Expenditure of approximately US$78,706,000 was incurred during the year primarily to expand the production capacity of the Group. Details of all changes in the property, plant and equipment of the Group during the year are set out in Note 17 to the Financial Statements.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of the Company's share capital are set out in Note 26 to the Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Singapore, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF SHARES

Neither the Company, nor its subsidiary purchased, redeemed or sold its equity securities during the financial year.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on SEHK (the "**Listing Rules**") and considers all of the independent non-executive directors to be independent.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Long position

Ordinary shares of the Company ("Shares")

Name of shareholder	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Elec & Eltek International Holdings Limited ("**EEIH**")	Beneficial owner	90,741,550	48.55%
Elitelink Holdings Limited ("**Elitelink**")	Beneficial owner	34,321,615	18.36%
Ease Ever Investments Limited ("**Ease Ever**")	Interest in controlled corporation (Note 1)	90,741,550	48.55%
Kingboard Investments Limited ("**Kingboard Investments**")	Interest in controlled corporation (Note 2)	125,063,165	66.91%
	Beneficial owner	3,641,000	1.95%
Jamplan (BVI) Limited ("**Jamplan**")	Interest in controlled corporation (Note 3)	128,704,165	68.86%
Kingboard	Interest in controlled corporation (Note 4)	128,704,165	68.86%
	Beneficial owner	1,009,000	0.54%

Report of the Directors

SUBSTANTIAL SHAREHOLDERS (Continued)

Name of shareholder	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Hallgain Management Limited ("**HML**")	Interest in controlled corporation (Note 5)	129,713,165	69.40%
Value Partners Limited ("**VPL**")	Beneficial owner (Note 6)	13,529,000	7.24%
Value Partners Hong Kong Limited ("**VPHK**")	Interest in controlled corporation (Note 7)	13,529,000	7.24%
Value Partners Group Limited ("**VPGL**")	Interest in controlled corporation (Note 7)	13,529,000	7.24%
Cheah Capital Management Limited ("**CCML**")	Interest in controlled corporation (Note 7)	13,529,000	7.24%
Cheah Company Limited ("**CCL**")	Interest in controlled corporation (Note 7)	13,529,000	7.24%
Hang Seng Bank Trustee International Limited ("**HSBTIL**")	Interest in controlled corporation (Note 7)	13,529,000	7.24%
To Hau Yin	Interest in controlled corporation (Note 7)	13,529,000	7.24%
Cheah Cheng Hye	Interest in controlled corporation (Note 7)	13,529,000	7.24%

Notes:

1. The entire issued share capital of EEIH is owned 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 and Ease Ever are owned by Kingboard Investments. Kingboard Investments is deemed to have an interest in 34,321,615 Shares held by Elitelink and 90,741,550 Shares which Ease Ever is deemed to have an interest in, under the provisions of the SFO.

3. The entire issued share capital of Kingboard Investments is owned by Jamplan. Jamplan is deemed to have an interest in 3,641,000 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.

SUBSTANTIAL SHAREHOLDERS (Continued)

4. The entire issued share capital of Jamplan is owned by Kingboard. Kingboard is deemed to have an interest in 128,704,165 Shares which Jamplan is deemed to have an interest in, under the provisions of the SFO.

5. Approximately 32.19% of the issued share capital of Kingboard is owned by HML. HML is deemed to have an interest in 1,009,000 Shares held by Kingboard and 128,704,165 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.

6. VPL, a fund manager, is deemed interested in the shares held directly by the funds under its management.

7. Cheah Cheng Hye and To Hau Yin are deemed interested in the shares held by the funds managed by VPL by virtue of them being the founder and beneficiary respectively of a discretionary trust, The C H Cheah Family Trust, with HSBTIL as the trustee. HSBTIL owns 100% in CCL which in turn owns 100% in CCML which in turn owns 28.47% in VPGL which in turn owns 100% in VPHK which in turn owns 100% in VPL.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2011.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into the following continuing connected transactions with the connected persons of the Company pursuant to Chapter 14A of the Listing Rules.

	Amounts (US$'000)	Annual Caps (US$'000)
Sharing of office space and office expenses - Fees payable by the Group to Kingboard and its subsidiaries (collectively the "**Kingboard Group**")	813	967
Sharing of office space and office expenses - Fees payable by the Kingboard Group to the Group	179	272
Purchase of machineries and equipment from the Kingboard Group	9,053	22,568
Sale and purchase of goods and services - Purchases of materials from the Kingboard Group	159,768	198,327
Sale and purchase of goods and services - Goods sold to the Kingboard Group	22,555	30,803

Note:

Kingboard is the ultimate substantial shareholder of the Company. Hence, Kingboard Group is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

The amounts of the above transactions did not exceed the corresponding annual caps for the financial year ended 31 December 2011 as announced by the Group.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 50 in accordance with Rule 14A.38 of the Listing Rules. The independent non-executive Directors have reviewed the continuing connected transactions and the unqualified letter from the auditor and have confirmed that the aforesaid continuing connected transactions have been entered into by the Group in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' REMUNERATION

Directors' remuneration is subject to approval by the remuneration committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of Directors' remuneration are set out in Note 10 of the Financial Statements.

DISTRIBUTABLE RESERVES

Details of the movements during the year in the reserves of the Group are set out in the statement of changes in equity on pages 58 to 59.

At 31 December 2011, the distributable reserves of the Group amounted to approximately US$229,590,000.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2011.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group by itself and together with the next four largest customers accounted for approximately 10.2% and 34.7%, respectively of the Group's sales for the year.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for approximately 18.1%and 41.2%, respectively of the Group's purchases for the year.

The largest supplier is a related company of the Group. Details please refer to Note 5 of the Financial Statements.

On behalf of the Board

Chadwick Mok Cham Hung
Vice-Chairman

Chan Wing Kwan
Director

23 February 2012

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 55 to 135 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

On behalf of the Board

Chadwick Mok Cham Hung
Vice-Chairman

Chan Wing Kwan
Director

23 February 2012

Independent Auditors' Report

TO THE MEMBERS OF
ELEC & ELTEK INTERNATIONAL COMPANY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Elec & Eltek International Company Limited (the "**Company**") and its subsidiary companies (the "**Group**") which comprise the statements of financial position of the Group and the Company as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 55 to 135.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "**Act**") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and Certified Public Accountants
Singapore

23 February 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	THE GROUP 2011 US$'000	2010 US$'000
Revenue		**612,456**	598,853
Cost of sales		**(512,415)**	(469,264)
Gross profit		**100,041**	129,589
Other operating income and gains	6	**14,859**	5,357
Distribution and selling costs		**(16,811)**	(15,735)
Administrative expenses		**(25,025)**	(25,610)
Other operating expenses and losses		**(15,901)**	(3,871)
Finance costs	7	**(1,404)**	(1,310)
Profit before taxation		**55,759**	88,420
Income tax expense	8	**(4,002)**	(5,858)
Profit for the year	9	**51,757**	82,562
Other comprehensive income:			
Exchange differences on translation of foreign operations		**1,098**	1,228
Revaluation surplus of properties transferred to investment properties		**89**	—
Other comprehensive income for the year		**1,187**	1,228
Total comprehensive income for the year		**52,944**	83,790
Profit attributable to:			
Owners of the Company		**51,223**	81,622
Non-controlling interests		**534**	940
		51,757	82,562
Total comprehensive income attributable to:			
Owners of the Company		**52,410**	82,850
Non-controlling interests		**534**	940
		52,944	83,790
		United States cents	United States cents
Earnings per share:	12		
- basic		**27.42**	44.22
- diluted		**27.41**	44.12

See accompanying notes to financial statements

Statements of Financial Position

As at 31 December 2011

	NOTES	THE GROUP 2011 US$'000	THE GROUP 2010 US$'000	THE COMPANY 2011 US$'000	THE COMPANY 2010 US$'000
ASSETS					
Current assets					
Cash and bank balances	13	**57,307**	66,913	**15**	37
Trade receivables	14	**132,535**	150,627	**—**	—
Bills receivables	14	**6,512**	3,639	**—**	—
Other receivables	15	**29,118**	10,554	**1**	4
Prepaid land use rights	18	**242**	242	**—**	—
Dividend receivables		**—**	—	**7,100**	44,900
Inventories	16	**45,814**	58,065	**—**	—
Total current assets		**271,528**	290,040	**7,116**	44,941
Non-current assets					
Property, plant and equipment	17	**350,879**	326,218	**4**	10
Prepaid land use rights	18	**14,698**	14,817	**—**	—
Deposits for acquisition of plant and equipment		**918**	1,815	**—**	—
Investment properties	19	**25,500**	21,300	**—**	—
Subsidiary companies	20	**—**	—	**362,819**	357,394
Deferred tax assets	25	**612**	1,047	**—**	—
Total non-current assets		**392,607**	365,197	**362,823**	357,404
Total assets		**664,135**	655,237	**369,939**	402,345

See accompanying notes to financial statements

	NOTES	THE GROUP 2011 US$'000	THE GROUP 2010 US$'000	THE COMPANY 2011 US$'000	THE COMPANY 2010 US$'000
LIABILITIES AND EQUITY					
Current liabilities					
Bank overdrafts and loans	21	**59,336**	47,799	**—**	—
Trade payables	22	**106,979**	107,514	**—**	—
Bills payables	22	**10,777**	4,943	**—**	—
Other payables	23	**36,219**	36,424	**1,773**	435
Amounts due to subsidiary companies	24	**—**	—	**180,468**	146,436
Provision for taxation		**953**	1,858	**—**	—
Total current liabilities		**214,264**	198,538	**182,241**	146,871
Non-current liabilities					
Bank loans	21	**67,285**	52,666	**—**	—
Deferred tax liabilities	25	**1,896**	2,104	**—**	—
Total non-current liabilities		**69,181**	54,770	**—**	—
Capital, reserves and non-controlling interests					
Share capital	26	**113,880**	114,665	**113,880**	114,665
Treasury shares	27	**—**	(1,356)	**—**	(1,356)
Reserves		**256,876**	279,204	**73,818**	142,165
Equity attributable to owners of the Company		**370,756**	392,513	**187,698**	255,474
Non-controlling interests		**9,934**	9,416	**—**	—
		380,690	401,929	**187,698**	255,474
Total liabilities and equity		**664,135**	655,237	**369,939**	402,345

Statements of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company											
	Share capital US$'000	Treasury shares US$'000	Capital reserve US$'000 (Note i)	Statutory reserve US$'000 (Note ii)	Revaluation reserve US$'000 (Note iii)	Other reserve US$'000 (Note iv)	Retained earnings US$'000	Foreign currency translation reserve US$'000	Share option reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
THE GROUP												
Balance at 1 January 2010	98,656	(1,356)	2,702	3,612	2,167	166	246,498	13,701	1,919	368,065	9,264	377,329
Profit for the year	–	–	–	–	–	–	81,622	–	–	81,622	940	82,562
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	1,228	–	1,228	–	1,228
Total comprehensive income for the year	–	–	–	–	–	–	81,622	1,228	–	82,850	940	83,790
Shares issued pursuant to the exercise of share options (Note 26)	16,009	–	–	–	–	–	–	–	–	16,009	–	16,009
Transfer to capital reserve upon exercise of share options	–	–	1,737	–	–	–	–	–	(1,737)	–	–	–
Transfer from retained earnings to statutory reserve	–	–	–	189	–	–	(189)	–	–	–	–	–
Transfer from capital reserve to statutory reserve	–	–	(2,597)	2,597	–	–	–	–	–	–	–	–
Transfer to retained earnings upon lapse of share options	–	–	–	–	–	–	118	–	(118)	–	–	–
Amortisation for the vesting period (share-based payments) (Note 28)	–	–	–	–	–	–	–	–	39	39	–	39
Acquisition of additional interest in a subsidiary company	–	–	–	–	–	–	–	–	–	–	(48)	(48)
Dividends paid (Note 11)												
– 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)
Balance at 31 December 2010	114,665	(1,356)	1,842	6,398	2,167	166	253,599	14,929	103	392,513	9,416	401,929
Profit for the year	–	–	–	–	–	–	51,223	–	–	51,223	534	51,757
Revaluation of properties transferred to investment properties	–	–	–	–	89	–	–	–	–	89	–	89
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	1,098	–	1,098	–	1,098
Total comprehensive income for the year	–	–	–	–	89	–	51,223	1,098	–	52,410	534	52,944
Shares issued pursuant to the exercise of share options (Note 26)	571	–	–	–	–	–	–	–	–	571	–	571
Transfer to capital reserve upon exercise of share options	–	–	74	–	–	–	–	–	(74)	–	–	–
Transfer from retained earnings to statutory reserve	–	–	–	523	–	–	(523)	–	–	–	–	–
Transfer to retained earnings upon lapse of share options	–	–	–	–	–	–	30	–	(30)	–	–	–
Amortisation for the vesting period (share-based payments) (Note 28)	–	–	–	–	–	–	–	–	1	1	–	1
Cancellation of treasury shares (Note 26)	(1,356)	1,356	–	–	–	–	–	–	–	–	–	–
Dividends paid (Note 11)												
– in respect of previous financial year	–	–	–	–	–	–	(46,711)	–	–	(46,711)	(16)	(46,727)
– in respect of current financial year	–	–	–	–	–	–	(28,028)	–	–	(28,028)	–	(28,028)
Balance at 31 December 2011	**113,880**	**–**	**1,916**	**6,921**	**2,256**	**166**	**229,590**	**16,027**	**–**	**370,756**	**9,934**	**380,690**

See accompanying notes to financial statements

Notes:

(i) Capital reserve represents amounts transferred from share option reserve upon the exercise of share options and amounts set aside by subsidiary companies in Thailand for declaration of dividends as required under the laws of Thailand. The amounts set aside by subsidiary companies operating in Thailand for declaration of dividends was transferred to statutory reserve during 2010.

(ii) Statutory reserve represents amounts set aside by subsidiary companies operating in the People's Republic of China (the "**PRC**") for declaration of dividends as required under the laws of the PRC. The amount transferred from capital reserve to statutory reserve during 2010 relates to amounts set aside by subsidiary companies operating in Thailand for declaration of dividends as required under the laws of Thailand.

(iii) The revaluation reserve of the Group represents the gain on revaluation of certain properties of the Group as a result of the transfer from property for own use to investment properties.

(iv) The amount credited to other reserve represents the difference between the fair value of consideration and the carrying amount of the net assets attributable to the additional interest in subsidiaries being acquired from non-controlling shareholders, which will be recognised to the profit or loss upon the disposal of the subsidiaries or the disposal by the subsidiaries.

Statements of Changes in Equity

For the year ended 31 December 2011

	Share capital US$'000	Treasury shares US$'000	Capital reserves US$'000	Retained earnings US$'000	Share option reserve US$'000	Total equity US$'000
THE COMPANY						
Balance at 1 January 2010	98,656	(1,356)	—	52,048	1,062	150,410
Profit and total comprehensive income for the year	—	—	—	162,504	—	162,504
Shares issued pursuant to the exercise of share options (Note 26)	16,009	—	—	—	—	16,009
Transfer to capital reserve upon exercise of share options	—	—	1,842	—	(1,842)	—
Transfer to retained earnings upon lapse of share options	—	—	—	118	(118)	—
Amortisation for the vesting period (share-based payments)	—	—	—	—	1,001	1,001
Dividends paid (Note 11)						
– in respect of previous financial year	—	—	—	(46,460)	—	(46,460)
– in respect of current financial year	—	—	—	(27,990)	—	(27,990)
Balance at 31 December 2010	114,665	(1,356)	1,842	140,220	103	255,474
Profit and total comprehensive income for the year	—	—	—	6,391	—	6,391
Shares issued pursuant to the exercise of share options (Note 26)	571	—	—	—	—	571
Transfer to capital reserve upon exercise of share options	—	—	74	—	(74)	—
Transfer to retained earnings upon lapse of share options	—	—	—	30	(30)	—
Amortisation for the vesting period (share-based payments)	—	—	—	—	1	1
Cancellation of treasury shares (Note 26)	(1,356)	1,356	—	—	—	—
Dividends paid (Note 11)						
– in respect of previous financial year	—	—	—	(46,711)	—	(46,711)
– in respect of current financial year	—	—	—	(28,028)	—	(28,028)
Balance at 31 December 2011	**113,880**	**—**	**1,916**	**71,902**	**—**	**187,698**

See accompanying notes to financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	NOTE	2011 US$'000	2010 US$'000
OPERATING ACTIVITIES			
Profit before taxation		**55,759**	88,420
Adjustments for:			
Allowance for doubtful debts		**771**	142
Finance costs		**1,404**	1,310
Depreciation of property, plant and equipment		**43,782**	47,616
Amortisation of land use rights		**242**	227
Loss on disposal of property, plant and equipment		**3,340**	1,963
Impairment loss recognised in respect of property, plant and equipment	9	**4,710**	—
Impairment loss recognised in respect of inventories	9	**3,326**	—
Claim compensation		**(8,028)**	—
Gain on fair value change of investment properties		**(3,383)**	(1,927)
Allowance for (reversal of) inventory obsolescence		**298**	(159)
Share-based payment expense		**1**	39
Interest income		**(491)**	(622)
Operating income before movements in working capital		**101,731**	137,009
Decrease (increase) in inventories		**8,627**	(18,168)
Decrease (increase) in trade and other receivables		**3,912**	(18,432)
Increase in trade and other payables		**5,094**	32,631
Net cash generated from operations		**119,364**	133,040
Interest income received		**491**	622
Interest paid		**(1,609)**	(1,398)
Income taxes paid		**(4,569)**	(5,932)
NET CASH FROM OPERATING ACTIVITIES		**113,677**	126,332

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	NOTE	2011 US$'000	2010 US$'000
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**2,634**	167
Purchase of property, plant and equipment		**(66,471)**	(27,748)
Acquisition of land use rights		**(111)**	(6,032)
Purchase of investment properties		**(617)**	(111)
Deposits paid for acquisition of property, plant and equipment		**(11,068)**	(9,657)
NET CASH USED IN INVESTING ACTIVITIES		**(75,633)**	(43,381)
FINANCING ACTIVITIES			
Purchase of non-controlling interest in a subsidiary company		**—**	(48)
Proceeds from issue of shares		**571**	16,009
Proceeds from bank borrowings		**89,110**	63,116
Repayment of bank borrowings		**(62,949)**	(80,110)
Dividends paid by the Company		**(74,739)**	(74,450)
Dividends paid by subsidiary companies to non-controlling shareholders		**(16)**	(740)
NET CASH USED IN FINANCING ACTIVITIES		**(48,023)**	(76,223)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(9,979)**	6,728
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**66,906**	60,054
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCES OF CASH HELD IN FOREIGN CURRENCIES, NET		**378**	124
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**57,305**	66,906
CASH AND CASH EQUIVALENTS CONSIST OF			
Fixed deposits	13	**16,781**	17,313
Cash at bank and on hand	13	**40,526**	49,600
		57,307	66,913
Bank overdrafts - unsecured	21	**(2)**	(7)
		57,305	66,906

See accompanying notes to financial statements

Notes to the Financial Statements

For the year ended 31 December 2011

1. GENERAL

Elec & Eltek International Company Limited (Registration Number 199300005H) (the "**Company**") is a limited liability company incorporated and domiciled in Singapore. The Company's ultimate holding company is Kingboard Chemical Holdings Limited ("**Kingboard**"), incorporated in Cayman Islands. Related companies in these financial statements refer to the ultimate holding company and its subsidiary companies.

The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited. During the year, the Company's shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited, as mentioned in the Report of the Directors on page 45. The financial statements are expressed in United States Dollars, which is the functional currency of the Company.

The Company's principal office in Singapore 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 headquarters and principal place of business of the Company in Hong Kong is 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 Group's manufacturing operations are located in Hong Kong, Thailand and the People's Republic of China (the "**PRC**").

The principal activity of the Company is investment holding. Its subsidiary companies are primarily engaged in the fabrication and distribution of double-sided, multi-layer and high density interconnect ("**HDI**") printed circuit boards ("**PCB**"). Details of the principal activities of the subsidiary companies are disclosed in Note 20. There have been no significant changes in the nature of these activities during the financial year.

As at 31 December 2011, the Group's net current assets and total assets less current liabilities amounted to US$57,264,000 (2010: US$91,502,000) and US$449,871,000 (2010: US$456,699,000) respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2011 were authorised for the issue by the Board of Directors on 23 February 2012.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis, except for the investment properties which are measured at fair values. In addition, the financial statements are drawn up in accordance with the provisions of the Singapore Companies Act (Cap. 50, Singapore Statutes) (the "**Act**") and Singapore Financial Reporting Standards ("**FRS**").

Adoption of new and revised standards

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("**INT FRS**") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2011. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- *Amendments to FRS 1 Presentation of financial statements - Amendments relating to presentation of items of other comprehensive income ("**OCI**")*

  The amendment on OCI presentation will require the Group to present in separate groupings, OCI items that might be recycled i.e., reclassified to profit or loss (e.g. those arising from cash flow hedging, foreign currency translation) and those items that would not be recycled (e.g. revaluation gains on property, plant and equipment under the revaluation model). The tax effects recognised for the OCI items would also be captured in the respective grouping, although there is a choice to present OCI items before tax or net of tax.

  Changes arising from these amendments to FRS 1 will take effect from financial years beginning on or after 1 July 2012, with full retrospective application.

  When the entity adopts the amendments, it will have to present revaluation gains on property, plant and equipment and the corresponding tax effects separately from other OCI items that might be recycled to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

Adoption of new and revised standards (Continued)

- *Amendments to FRS 12 Income Taxes - Deferred Taxes: Recovery of Underlying Assets*

  The amendments to FRS 12 introduce an exception to the measurement principle when deferred tax assets or deferred tax liabilities arise from:

  - investment property measured using the fair value model in FRS 40 Investment Property; and

  - investment property acquired in a business combination if it is subsequently measured using the fair value model in FRS 40.

  Currently, the Group measures deferred tax assets and deferred tax liabilities arising from investment properties to reflect the tax consequences that would follow from the manner in which the Group expects to recover the carrying amount of its investment properties (which may differ depending on whether the recovery is from use or from sale or from both). Such manner of recovery is based on estimates of future transactions based on current intention.

  The amendments introduce a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

  The impact of the amendments is that entities holding investment properties accounted for using the fair value model in accordance with FRS 40 in jurisdiction where tax is not imposed on sale of the investment property would no longer recognize deferred tax on any temporary differences arising from fair value gains or losses unless the presumption is rebutted. This is because there would be no tax consequences expected to arise from recovering the carrying amount entirely through sale regardless as to whether the entity intends to use the property to generate rental income for a period of time prior to sale.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

Adoption of new and revised standards (Continued)

- *Amendments to FRS 12 Income Taxes - Deferred Taxes: Recovery of Underlying Assets* (Continued)

  It is likely that the Group will not rebut the presumption, and deferred taxes will be provided on the basis that the carrying amount of its investment properties will be recovered entirely from sale.

  The amendments are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of amendments to FRS 12 in the future reporting periods may result in adjustments to amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the applications of the amendments and hence have not yet quantified the extent of the impact.

- *Amendments to FRS 107 Financial Instruments: Disclosures - Transfers of Financial Assets*

  The amendments to FRS 107 are effective for annual periods beginning on or after 1 July 2011.

  The amendment clarifies the required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

  An entity need not provide the disclosures required by those amendments for any period presented that begins before the date of initial application of the amendments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

Adoption of new and revised standards (Continued)

- *FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements*

  FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 Consolidation -Special Purpose Entities.

  FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

  FRS 110 will take effect from financial years beginning on or after 1 January 2013, with full retrospective application.

  When the Group adopts FRS 110, entities it currently consolidates may not qualify for consolidation, and entities it currently does not consolidate may qualify for consolidation. The Group is currently estimating the effects of FRS 110 on its investments in the period of initial adoption.

- *FRS 112 Disclosure of Interests in Other Entities*

  FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

  FRS 112 will take effect from financial years beginning on or after 1 January 2013, and the Group is currently estimating extent of additional disclosures needed.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

Adoption of new and revised standards (Continued)

- *FRS 113 Fair value measurement*

  FRS 113 is a single new Standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other Standards, with the exception of measurement dealt with under FRS 102 "Share-based payment", FRS 17 "Leases", net realisable value in FRS 2 "Inventories and value-in-use in FRS 36 Impairment of assets".

  FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change the requirements in other Standards regarding which items should be measured or disclosed at fair value.

  FRS 113 will be effective prospectively from annual periods beginning on or after 1 January 2013. Comparative information is not required for periods before initial application.

Consequential amendments were also made to various standards as a result of these new/revised standards. Other than as disclosed above, the management anticipates that the adoption of the FRSs, INT FRS and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiary companies). 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 subsidiary companies acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Non-controlling interests in subsidiary companies are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary company are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investments in subsidiary companies are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of subsidiary companies and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 "Financial instruments: Recognition and measurement", or FRS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 "Income taxes" and FRS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 "Share-based payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 "Non-current assets held for sale and discontinued operations" are measured in accordance with that Standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points 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 instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Notes to the Financial Statements

For the year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

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

Financial assets are classified as “loans and receivables”. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, bill receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

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 investment have been impacted.

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, in addition, 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 credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of 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 and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against that allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred financial asset, the Group recognises its retained interest in the financial asset and an associate liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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.

Equity instruments

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.

Treasury shares

When the Company purchases the Company's equity share capital, the consideration paid, including any directly attributable costs, is taken against "Treasury Shares" within equity. When the shares are subsequently disposed, the realised gains or losses on disposal of the treasury shares are recognised in equity.

Financial liabilities

Trade and other payables and bill payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings as borrowing costs (see below for the Group's accounting policy for borrowing costs).

Financial guarantee contract liabilities are measured initially at their fair values and, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulated amortisation in accordance with FRS 18 "Revenue".

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Construction-in-progress are stated at cost. No depreciation is provided until the construction is completed and the asset are available for use.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

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

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment 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 recognised in other comprehensive income and accumulated in the revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss.

Prepaid land use rights

The cost acquiring land use rights in the PRC are classified as prepaid land use rights and amortised on a straight line basis over the period of 50 years, which represents the relevant land use rights that have been granted to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 smaller group of cash-generating units to 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 for 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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 recognised 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.

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 recognised 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 payments

The Group issues equity-settled share-based payment to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28. 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 the number of equity instruments that will eventually vest. 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 recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 22 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of other equity-settled share-based payments.

Fair value is measured using the Trinomial Lattice model. 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 behavioural considerations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statutory reserve

PRC

The PRC's 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.

Thailand

Under the Thailand Civil and Commercial Code, the subsidiary companies in Thailand are required to set up the appropriation for legal reserve of at least 5% of its net income at each dividend declaration until the reserve reaches 10% of authorised capital. The reserve is not available for dividend distribution.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of manufactured goods is recognised 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.

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 recognised when the shareholders' rights to receive payment have been established.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 capitalisation.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expenses when employees have rendered the services 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 recognised 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.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiary companies operate by the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary companies, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the 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.

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Notes to the Financial Statements

For the year ended 31 December 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated financial statements of the Group and the statements of financial position of the Company are presented in United States Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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. 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 recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) 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 recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary company that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions and translation (Continued)

In the case of a partial disposal (ie. no loss of control) of a subsidiary company that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

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 recognised in other comprehensive income and accumulated in foreign currency translation reserve.

Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows 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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is 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 recognised 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.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2011

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(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 31 December 2011 was US$350,879,000 (2010: US$326,218,000). 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 valuers 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. The fair value of US$25,500,000 (2010: US$21,300,000) also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

(iii) Allowance for doubtful debts

The policy for allowances for doubtful debts of the Group is based on the evaluation of recoverability and aging analysis of accounts and on management's judgement. The allowances as at 31 December 2011 amounted to US$5,669,000 (2010: US$5,691,000). A considerable amount of judgement is required in assessing the ultimate realisation 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 and bills receivables as at 31 December 2011 are US$132,535,000 and US$6,512,000 (2010: US$150,627,000 and US$3,639,000) respectively.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(iv) Allowance for inventory obsolescence

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 31 December 2011 amounted to US$3,978,000 (2010: US$4,008,000). The management estimates the net realisable 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 31 December 2011 is US$45,814,000 (2010: US$58,065,000).

(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 recognises 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 recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's tax payable amounts at 31 December 2011 is US$953,000 (2010: US$1,858,000). The Group's deferred tax assets and deferred tax liabilities at 31 December 2011 are US$612,000 (2010: US$1,047,000) and US$1,896,000 (2010: US$2,104,000), respectively.

Notes to the Financial Statements

For the year ended 31 December 2011

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(vi) Estimated impairment losses due to flooding and estimated insurance claim

The Group made an impairment charge on property, plant and equipment and inventories for one of the Company's subsidiary in Thailand due to impact of the severe flooding in October 2011 are described in Note 9.

The losses on the damaged property, plant and equipment, and the inventories were covered by the comprehensive insurance plan of the Group. However, the Group is now claiming losses including the accidental physical damage of the property, plant and equipment, inventories and loss on business interruption. The amount of the ultimate insurance claims to be claimed back will be in accordance with the terms and provision of insurance policies based on the replacement cost basis of the damaged property, plant and equipment, and the ascertainment of ultimate loss on gross profits and additional increased cost of working during the indemnity period.

In making their judgment, the directors considered the detailed recognition criteria as set out in FRS 37 Provisions, Contingent liabilities and Contingent Assets and, in particular, whether it has become virtually certain that an inflow of economic benefits to the Company will arise.

4. 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:

	THE GROUP		THE COMPANY	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Financial assets				
Loans and receivables (including cash and bank balances)	**223,516**	229,466	**7,116**	44,941
Financial liabilities				
Amortised cost	**256,359**	222,109	**180,468**	146,436
Financial guarantee contracts	**—**	—	**1,661**	286

Financial risk management policies and objectives

The Group's and the Company's major financial instruments include bank balances and cash, bank borrowings, trade and other receivables and bills receivables, trade and other payables and bills payables. 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.

Notes to the Financial Statements

For the year ended 31 December 2011

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Foreign exchange risk management (Continued)

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				THE COMPANY			
	Liabilities		Assets		Liabilities		Assets	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000	**2011 US$'000**	2010 US$'000
USD	**8**	9	**243**	20	**—**	—	**—**	—
HKD	**104,572**	114,312	**7,871**	13,396	**28**	28	**—**	—
RMB	**64,787**	53,698	**54,739**	71,205	**—**	9	**—**	—
SGD	**109**	206	**4**	34	**84**	115	**4**	34
GBP	**7**	—	**32**	30	**—**	—	**—**	—
EUR	**621**	413	**2,971**	2,788	**—**	—	**—**	—
JPY	**1,905**	2,540	**—**	12	**—**	—	**—**	—
THB	**14,881**	11,298	**19,810**	18,319	**—**	—	**—**	—
TWD	**23**	—	**23**	14	**—**	—	**—**	—

The following table detail the sensitivity to a 5% increase and decrease in the Chinese Renminbi against the United States Dollar. 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 Chinese Renminbi strengthens by 5% against the United States Dollars, profit or loss will (decrease) increase by:

	THE GROUP	
	2011 US$'000	2010 US$'000
United States Dollars	**(541)**	921

For a 5% weakening of the Chinese Renminbi against the United States Dollars, there would be an equal and opposite impact on the profit and loss. This is mainly attributable to the exposure outstanding on receivables and payables at the end of the reporting period in the Group.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Foreign exchange risk management (Continued)

Under the Linked Exchange Rate system, the financial exposure on exchange rate fluctuation between Hong Kong Dollars and United States Dollars is considered by the management to be insignificant, and therefore no sensitivity analysis has been prepared for Hong Kong Dollars. No sensitivity analysis on other currencies has been prepared as the directors of the Company considered that the financial impact arising from exchange rate fluctuation on the other currencies is immaterial.

In 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 year.

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 21.

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 31 December 2011 would decrease/increase by US$596,000 (2010: decrease/increase by US$598,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Notes to the Financial Statements

For the year ended 31 December 2011

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Credit risk management

Credit risk is the risk that counterparties are unable to meet their obligations resulting in financial loss to the Group and claims by counterparties under the financial guarantee issued by 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 recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. As at financial year end, there was no significant concentration of credit risk to the Group or the Company.

Further details of credit risks on trade receivables is disclosed in Note 14.

The amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company are disclosed in Note 30.

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.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

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. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate % p.a.	On demand or within 6 months US$'000	Within 6 months to 1 year US$'000	Within 2 to 5 years US$'000	Total undiscounted amount US$'000	Adjustment US$'000	Total carrying amount US$'000
THE GROUP							
2011							
Bank overdrafts and loans	**1.34**	**36,849**	**22,961**	**69,474**	**129,284**	**(2,663)**	**126,621**
Trade and other payables	**—**	**128,026**	**1,712**	**—**	**129,738**	**—**	**129,738**
		164,875	**24,673**	**69,474**	**259,022**	**(2,663)**	**256,359**
2010							
Bank overdrafts and loans	1.17	37,233	10,823	54,105	102,161	(1,696)	100,465
Trade and other payables	—	118,891	2,753	—	121,644	—	121,644
		156,124	13,576	54,105	223,805	(1,696)	222,109

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For the year ended 31 December 2011

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Liquidity and interest risk analysis (Continued)

Non-derivative financial liabilities (Continued)

	Weighted average effective interest rate % p.a.	On demand or within 6 months US$'000	Within 6 months to 1 year US$'000	Within 2 to 5 years US$'000	Total undiscounted amount US$'000	Adjustment US$'000	Total carrying amount US$'000
THE COMPANY							
2011							
Amount due to subsidiary companies	**—**	**180,468**	**—**	**—**	**180,468**	**—**	**180,468**
2010							
Amount due to subsidiary companies	—	146,436	—	—	146,436	—	146,436

The maximum amount that the Company could be forced to settle under the financial guarantee contract as disclosed in Noted 23, if the full guarantee amount is claimed by the counterparty to guarantee, is US$1,661,000 (2010: US$286,000). The earliest period that the guarantee could be called is within 1 year (2010: 1 year) from the end of the reporting period.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Liquidity and interest risk analysis (Continued)

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets.The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk as the Group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial asset.

	Weighted average effective interest rate % p.a.	On demand or within 6 months US$'000	Within 6 months to 1 year US$'000	Within 2 to 5 years US$'000	Total undiscounted amount US$'000	Adjustment US$'000	Total carrying amount US$'000
THE GROUP							
2011							
Cash and bank balances	**0.77**	**57,417**	**—**	**—**	**57,417**	**(110)**	**57,307**
Trade and other receivables	**—**	**165,206**	**1,003**	**—**	**166,209**	**—**	**166,209**
		222,623	**1,003**	**—**	**223,626**	**(110)**	**223,516**
2010							
Cash and bank balances	0.96	67,074	—	—	67,074	(161)	66,913
Trade and other receivables	—	161,103	1,450	—	162,553	—	162,553
		228,177	1,450	—	229,627	(161)	229,466

Notes to the Financial Statements

For the year ended 31 December 2011

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Liquidity and interest risk analysis (Continued)

Non-derivative financial assets (Continued)

	Weighted average effective interest rate % p.a.	On demand or within 6 months US$'000	Within 6 months to 1 year US$'000	Within 2 to 5 years US$'000	Total undiscounted amount US$'000	Adjustment US$'000	Total carrying amount US$'000
THE COMPANY							
2011							
Cash and bank balances	—	15	—	—	15	—	15
Trade and other receivables	—	1	—	—	1	—	1
Dividend receivables	—	7,100	—	—	7,100	—	7,100
		7,116	—	—	7,116	—	7,116
2010							
Cash and bank balances	—	37	—	—	37	—	37
Trade and other receivables	—	4	—	—	4	—	4
Dividend receivables	—	44,900	—	—	44,900	—	44,900
		44,941	—	—	44,941	—	44,941

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 other receivables, amounts due to subsidiary companies, bank overdrafts, trade and 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.

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Continued)

Liquidity and interest risk analysis (Continued)

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 optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

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 optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with.

5. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Kingboard, incorporated in Cayman Islands, which is also the Company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's groups of companies.

Some of the Group's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions between the Company and its subsidiary companies, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related companies are disclosed below.

Notes to the Financial Statements

For the year ended 31 December 2011

5. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS (Continued)

Trading transactions

The significant transactions between the Group and its related parties and the effects of these transactions on terms agreed among the companies are as follows:

	THE GROUP	
	2011	2010
	US$'000	US$'000
Income		
Sales to related companies	**22,555**	22,257
Rental income from a non-controlling shareholder of a subsidiary	**1,913**	1,893
Sharing of office space and office expenses received from related companies	**179**	31
Expenses		
Purchases from related companies	**168,821**	157,141
Purchases from a non-controlling shareholder of a subsidiary	**—**	162
Consultation fees paid to a related party	**—**	10
Sharing of office space and office expenses paid to related companies	**813**	897
Management fee paid to related companies	**—**	6,225

5. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS (Continued)

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 subsidiary companies are as follows:

	THE GROUP	
	2011 US$'000	2010 US$'000
Directors (Note 10)		
Salaries, bonuses and other costs	**4,228**	1,951
Provident fund and other defined contributions	**75**	66
Share-based payments	**—**	14
	4,303	2,031
Key management executives (excluding directors)		
Salaries, bonuses and other costs	**949**	807
Provident fund and other defined contributions	**38**	32
Share-based payments	**—**	1
	987	840

6. OTHER OPERATING INCOME AND GAINS

	THE GROUP	
	2011 US$'000	2010 US$'000
Interest income	**491**	622
Gain on foreign exchange	**—**	224
Rental income from investment properties	**2,574**	1,832
Gain on fair value changes of investment properties	**3,383**	1,927
Claim compensation	**8,028**	—
Others	**383**	752
	14,859	5,357

Notes to the Financial Statements

For the year ended 31 December 2011

7. FINANCE COSTS

	THE GROUP	
	2011	2010
	US$'000	US$'000
Interest on bank loans	**1,609**	1,397
Interest on bank overdrafts	**—**	1
	1,609	1,398
Less: Amounts capitalised	**(205)**	(88)
	1,404	1,310

8. INCOME TAX EXPENSE

	THE GROUP	
	2011	2010
	US$'000	US$'000
Current tax:		
Singapore income tax	**5**	2
PRC enterprise income tax	**2,661**	2,115
Hong Kong income tax	**634**	841
Other jurisdictions	**364**	1,204
	3,664	4,162
(Over)underprovision in prior year		
PRC enterprise income tax	**(17)**	(73)
Hong Kong income tax	**17**	—
	—	(73)
Deferred tax for the year	**338**	1,769
	4,002	5,858

8. INCOME TAX EXPENSE (Continued)

Income tax for the Group is calculated at the rate prevailing for the respective jurisdiction. One of the Company's subsidiaries in the PRC is 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 Law of PRC on Enterprise Income Tax, a High-New Technology Enterprise shall be entitled to a preferential tax rate of 15% for three years since it was officially endorsed.

The tax charge for the year can be reconciled as follows:

	THE GROUP	
	2011 US$'000	2010 US$'000
Profit before taxation	**55,759**	88,420
Tax charge at the domestic income tax rate of 25% (Note)	**13,940**	22,105
Tax effect of expenses not deductible for tax purposes	**5,103**	2,374
Tax effect of income not taxable for tax purpose	**(2,230)**	(86)
Overprovision in previous years	**—**	(73)
Tax effect of tax holiday and exemptions	**(374)**	(4,390)
Tax effect of tax losses not recognised	**2,537**	1,426
Utilisation of tax losses previous not recognised	**(1,149)**	(4,342)
Effect of different tax rates of subsidiaries operating in other jurisdictions/areas other than the PRC	**(56)**	(46)
Tax exempted profits	**(14,077)**	(12,770)
Withholding tax	**315**	1,654
Others	**(7)**	6
Tax charge for the year	**4,002**	5,858

Note: The domestic income tax rate of 25% represents the PRC Enterprise Income Tax of which the Group's operations are substantially based.

Notes to the Financial Statements

For the year ended 31 December 2011

9. PROFIT FOR THE YEAR

	THE GROUP	
	2011 **US$'000**	2010 US$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments		
– Remuneration	**4,199**	1,934
– Fees	**29**	17
– Contributions to defined contribution plans	**75**	66
Staff costs (excluding directors' emoluments)		
– Salaries and employees benefits	**77,730**	73,027
– Contributions to defined contribution plans	**2,434**	2,460
Depreciation of property, plant and equipment	**43,782**	47,616
Amortisation of land use rights	**242**	227
Statutory auditor's emoluments		
– Audit fees paid to auditors	**446**	362
– Non-audit fees paid to auditors	**108**	122
Share-based payment expense	**1**	39
Loss on disposal of property, plant and equipment	**3,340**	1,963
Impairment losses recognised in respect of property, plant and equipment and inventories (Note 1)	**8,036**	—
Allowance for doubtful debts	**771**	142
Listing expenses (Note 2)	**5,000**	—
Allowance for (reversal of) inventory obsolescence	**298**	(159)
Loss (gain) on foreign exchange	**28**	(224)

Note 1: This amount is included in the other operating expenses and losses. In October 2011, there was a severe flooding in Thailand and one of the Group's production plant was affected. Impairment losses on the damaged inventories and property, plant and equipment at net book value were debited to the profit and loss. Details of impairment losses are summarised as follows:

	US$'000
Loss on inventories	3,326
Loss on property, plant and equipment	4,710
Total	8,036

The losses on the damaged property, plant and equipment and inventories, were covered by the comprehensive insurance plan of the Group. The Group is now claiming losses including the accidental physical damage of the property, plant and equipment, inventories and loss on business interruption. The amount of the ultimate insurance claims to be claimed back will be in accordance with the terms and provision of insurance policies based on the replacement cost basis of the damaged property, plant and equipment, and the ascertainment of ultimate loss on gross profits and additional increased cost of working during the indemnity period.

Note 2: The listing expenses included fees of US$364,000 paid/payable to the auditors.

10. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

	Year ended 31 December 2011														
	Cheung Kwok Wing US$'000	Chadwick Mok Cham Hung US$'000	Li Muk Kam US$'000	Philip Chan Sai Kit US$'000	Clement Sun US$'000	Claudia Heng Nguan Leng US$'000	Li Chiu Cheuk US$'000	Chan Wai Leung US$'000	Ng Hon Chung US$'000	Chan Wing Kwan US$'000	Chang Wing Yiu US$'000	Larry Lai Chong Tuck US$'000	Stanley Chung Wai Cheong US$'000 (note)	Raymond Leung Hai Ming US$'000	Total US$'000
Fees	—	—	—	—	—	—	—	—	—	—	—	15	11	3	29
Other emoluments:															
Salaries and other benefits	—	78	277	253	228	200	228	162	199	—	—	—	—	—	1,625
Performance related incentive payment [(1)]	—	1,762	103	129	141	31	47	180	142	—	—	13	—	26	2,574
Contributions to defined contribution retirement benefit plans	—	4	13	12	11	6	11	8	10	—	—	—	—	—	75
Total emoluments	—	1,844	393	394	380	237	286	350	351	—	—	28	11	29	4,303

Note: The director was appointed during the year.

[(1)] The performance related incentive payments was determined based on the financial performance of the Group of the year.

Notes to the Financial Statements

For the year ended 31 December 2011

10. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (Continued)

	Year ended 31 December 2010													
	Cheung Kwok Wing US$'000	Chadwick Mok Cham Hung US$'000	Li Muk Kam US$'000	Philip Chan Sai Kit US$'000	Clement Sun US$'000	Claudia Heng Nguan Leng US$'000	Li Chiu Cheuk US$'000	Chan Wai Leung US$'000	Ng Hon Chung US$'000	Chan Wing Kwan US$'000	Chang Wing Yiu US$'000	Larry Lai Chong Tuck US$'000	Raymond Leung Hai Ming US$'000	Total US$'000
Fees	—	—	—	—	—	—	—	—	—	—	—	14	3	17
Other emoluments:														
Salaries and other benefits	—	—	276	247	218	181	218	137	113	—	—	—	10	1,400
Performance related incentive payment [1]	—	—	32	97	174	23	174	—	22	—	—	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	2,031

(1) The performance related incentive payments was determined based on the financial performance of the Group of the year.

10. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (Continued)

Number of Directors in remuneration bands

	THE GROUP 2011	2010
S$500,000 (US$398,316 equivalent) and above	**1**	2
S$250,000 to S$499,999 (US$199,158 to US$398,316 equivalent)	**7**	3
Below S$250,000 (US$199,158 equivalent)	**3**	4
	11	9

The three directors nominated from Kingboard Chemical Holdings Limited, namely, Messrs Cheung Kwok Wing, Chan Wing Kwan and Chang Wing Yiu did not receive any remuneration from the Company or from any of its subsidiary companies. Mr. Chadwick Mok Cham Hung did not receive any remuneration from the Company or from any of its subsidiary companies in 2010. After the Listing on SEHK, the Company bore the respective portion of the payroll of Mr. Mok.

The five highest paid employees in the Group, included 5 directors (2010: 4 directors) of the Company for both years. The details of the emoluments paid to the remaining individual were as follows:

	THE GROUP 2011 US$'000	2010 US$'000
Salaries and other benefits	**—**	211
Performance related incentive payments	**—**	24
Contributions to retirement benefits scheme	**—**	10
	—	245

Their emoluments were within the following bands:

	THE GROUP 2011 No. of employees	2010 No. of employees
HK$1,500,001 to HK$2,000,000	**—**	1

During both years, 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 both years.

During the year under review, no employee whose annual remuneration exceeded S$150,000 was related to the Chairman, the Chief Executive Officer or any other Director of the Company.

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11. DIVIDENDS

The amount and the rates of dividends paid during the year are:

	THE GROUP AND THE COMPANY	
	2011 **US$'000**	2010 US$'000
In respect of previous financial year		
Ordinary dividend:		
– Final one-tier tax exempt dividend for 2010 of United States 25.0 cents (2009: United States 25.0 cents) per share	**46,711**	46,460
In respect of current financial year		
Ordinary dividend:		
– Interim one-tier tax exempt dividend for 2011 of United States 15.0 cents (2010: United States 15.0 cents) per share	**28,028**	27,990

The Directors have recommended a final one-tier tax exempt dividend of United States 12.0 cents (2010: United States 25.0 cents) per share amounting to US$22,430,000 (2010: US$46,711,000) to be payable in respect of the current financial year. This dividend will be recorded as a liability on the statement of financial position of the Company and of the Group upon approval by the shareholders of the Company at the forthcoming Annual General Meeting of the Company.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary owners of the Company is based on the following:

	THE GROUP	
	2011 US$'000	2010 US$'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	**51,223**	81,622
	2011 '000	2010 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**186,825**	184,586
Effect of dilutive potential ordinary shares on share options	**48**	429
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**186,873**	185,015

13. CASH AND BANK BALANCES

	THE GROUP		THE COMPANY	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Fixed deposits	**16,781**	17,313	**—**	—
Cash at bank and on hand	**40,526**	49,600	**15**	37
	57,307	66,913	**15**	37

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear interest at average effective interest rate of 0.77% (2010: 0.96%) per annum and for a tenure of less than three months.

Notes to the Financial Statements

For the year ended 31 December 2011

13. CASH AND BANK BALANCES (Continued)

The Group and the Company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	THE GROUP		THE COMPANY	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Denominated in:				
Euro	**2,862**	2,767	**—**	—
Hong Kong Dollars	**4,412**	6,768	**—**	—
Chinese Renminbi	**24,430**	48,021	—	—
Singapore Dollars	**3**	30	**3**	30
United States Dollars	**243**	20	**—**	—
Thailand Baht	**9,543**	4,691	**—**	—
Great Britain Pound	**15**	4	**—**	—
New Taiwan Dollar	**9**	—	**—**	—

14. TRADE AND BILLS RECEIVABLES

	THE GROUP	
	2011 US$'000	2010 US$'000
Trade receivables:		
– Third parties	**134,289**	148,437
– Related companies	**3,915**	7,881
Less: Allowance for doubtful debts	**(5,669)**	(5,691)
Total trade receivables	**132,535**	150,627
Bills receivables	**6,512**	3,639

14. TRADE AND BILLS RECEIVABLES (Continued)

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:

	THE GROUP	
	2011	2010
	US$'000	US$'000
Within 90 days	**114,462**	128,400
91 to 180 days	**17,071**	20,777
Over 180 days	**1,002**	1,450
	132,535	150,627

An allowance has been made for estimated irrecoverable amounts from the sales of goods to third parties of US$5,669,000 (2010: US$5,691,000). This allowance has been determined by reference to past default experience and assessment of recoverability by management.

At the end of the reporting period, the bills receivables are aged within 180 days (2010: 180 days).

Trade receivables are unsecured, non-interest bearing and generally on 30 to 120 days' credit terms. They are recognised 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$22.2 million (2010: US$28.4 million) which are past due at the reporting date for which the Group has not provided 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 receivables are 83 days (2010: 84 days).

Notes to the Financial Statements

For the year ended 31 December 2011

14. TRADE AND BILLS RECEIVABLES (Continued)

Aging of trade receivables which are past due but not impaired:

	THE GROUP	
	2011	2010
	US$'000	US$'000
Overdue by 1 to 90 days	**22,082**	26,963
Overdue by 91 to 180 days	**131**	1,272
Overdue over 180 days	**—**	209
	22,213	28,444

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 customer base being large and unrelated. 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:

	THE GROUP	
	2011	2010
	US$'000	US$'000
Balance at beginning of the financial year	**5,691**	5,665
Currency realignment	**9**	11
Amounts written off during the financial year	**(802)**	(127)
Increase in allowance recognised in profit or loss	**771**	142
Balance at end of the financial year	**5,669**	5,691

14. TRADE AND BILLS RECEIVABLES (Continued)

The Group's trade and bills receivables that are not denominated in the functional currencies of the respective entities are as follows:

	2011 US$'000	2010 US$'000
Denominated in:		
Chinese Renminbi	**12,965**	15,624
Hong Kong Dollars	**3,304**	6,032
Euro	**104**	14
Thailand Baht	**7,325**	13,199

15. OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Deposits	**2,721**	378	**—**	—
Prepaid expenses	**1,956**	2,267	**—**	—
Other tax refundable*	**13,517**	6,975	**—**	—
Claim receivable	**8,028**	—	**—**	—
Others	**2,896**	934	**1**	4
	29,118	10,554	**1**	4

* The amount mainly included value-added tax receivable which will be utilised to offset future value-added tax payables by the Group.

Notes to the Financial Statements

For the year ended 31 December 2011

15. OTHER RECEIVABLES (Continued)

The Group and the Company's other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	THE GROUP		THE COMPANY	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Denominated in:				
Euro	**5**	7	**—**	—
Hong Kong Dollars	**155**	596	**—**	—
Chinese Renminbi	**17,344**	7,560	**—**	—
Singapore Dollars	**1**	4	**1**	4
Thailand Baht	**2,942**	429	**—**	—
Japanese Yen	**—**	12	**—**	—
Great Britain Pound	**17**	26	**—**	—
New Taiwan Dollar	**14**	14	**—**	—

16. INVENTORIES

	THE GROUP	
	2011 US$'000	2010 US$'000
Raw materials	**14,284**	22,547
Work-in-progress	**17,682**	19,722
Finished goods	**13,848**	15,796
	45,814	58,065

The cost of inventories recognised as an expense of US$512.4 million (2010: US$469.3 million) includes US$0.3 million in respect of allowance for inventory obsolescence (2010: reversal of allowance: US$0.2 million). The reversal of the allowance for inventory obsolescence in 2010 was related to the progressive consumption of slow moving inventories which allowance has been made previously.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land US$'000	Freehold buildings US$'000	Leasehold land US$'000	Leasehold buildings US$'000	Leasehold improvements US$'000	Furniture and fixtures US$'000	Plant and equipment US$'000	Motor vehicles and yacht US$'000	Construction-in-progress US$'000	Total US$'000
THE GROUP										
COST										
At 1 January 2010	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
Disposals	–	–	–	–	(381)	(360)	(24,388)	(272)	–	(25,401)
At 31 December 2010	7,789	7,312	12,186	103,849	57,738	9,816	513,280	2,421	12,012	726,403
Currency realignment	–	–	–	519	289	39	3,650	9	–	4,506
Reclassifications	–	–	–	–	1,598	36	6,839	–	(8,473)	–
Additions	–	17	–	8	2,020	136	27,458	73	48,994	78,706
Revaluation of property upon transfer to investment properties	–	–	–	89	–	–	–	–	–	89
Transfer to investment properties	–	–	–	(275)	–	–	–	–	–	(275)
Disposals	–	–	–	(51)	(2,219)	(104)	(32,652)	(159)	–	(35,185)
At 31 December 2011	7,789	7,329	12,186	104,139	59,426	9,923	518,575	2,344	52,533	774,244
ACCUMULATED DEPRECIATION AND IMPAIRMENT										
At 1 January 2010	–	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 financial year	–	145	235	2,114	4,297	590	40,018	217	–	47,616
Disposals	–	–	–	–	(346)	(360)	(22,293)	(272)	–	(23,271)
At 31 December 2010	–	5,585	3,540	21,315	35,553	9,095	323,113	1,984	–	400,185
Currency realignment	–	–	–	213	201	22	3,534	4	–	3,974
Charge for the financial year	–	144	236	2,130	4,420	391	36,265	196	–	43,782
Impairment loss recognised in profit or loss	–	–	–	–	–	–	4,710	–	–	4,710
Transfer to investment properties	–	–	–	(75)	–	–	–	–	–	(75)
Disposals	–	–	–	(16)	(2,218)	(101)	(26,717)	(159)	–	(29,211)
At 31 December 2011	–	5,729	3,776	23,567	37,956	9,407	340,905	2,025	–	423,365
CARRYING AMOUNT										
At 31 December 2011	7,789	1,600	8,410	80,572	21,470	516	177,670	319	52,533	350,879
At 31 December 2010	7,789	1,727	8,646	82,534	22,185	721	190,167	437	12,012	326,218

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17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture and fixtures US$'000	Office equipment US$'000	Total US$'000
THE COMPANY			
COST			
At 1 January 2010	25	88	113
Disposals	—	(1)	(1)
At 31 December 2010 and 31 December 2011	25	87	112
ACCUMULATED DEPRECIATION			
At 1 January 2010	18	78	96
Charge for the financial year	4	3	7
Eliminated on disposal	—	(1)	(1)
At 31 December 2010	22	80	102
Charge for the financial year	2	4	6
At 31 December 2011	24	84	108
CARRYING AMOUNT			
At 31 December 2011	1	3	4
At 31 December 2010	3	7	10

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Details of the freehold and leasehold properties held by the Group as at 31 December 2011 are set out below:

Description and location	Gross area (sq. m.)	Tenure	Use
Freehold:			
(i) Land at No. 134 Moo 2 Soi Sriyothin Pakred-Pathumthani Road, Bang-Khayang, Muang District, Thailand	82,080	Freehold	Industrial
(ii) Land at Rojana Industrial Park No. 1/68 Moo 5, Pranakorn, Sri Ayutthaya, Thailand	17,180	Freehold	Industrial
Leasehold:			
(i) Factories and office units in Merit Industrial Centre, Hong Kong	12,456	75 years commencing from 5 October 1953 and renewable for a further 75 years	Industrial

During the year, US$205,000 (2010: US$88,000) of finance cost was capitalised and included in the cost of leasehold buildings and plant and equipment. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 1.34% (2010: 1.17%).

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18. PREPAID LAND USE RIGHTS

	THE GROUP US$'000
Cost:	
At 1 January 2010	10,923
Currency realignment	523
Additions	6,032
At 31 December 2010	17,478
Currency realignment	14
Additions	111
At 31 December 2011	17,603
Accumulated amortisation:	
At 1 January 2010	1,929
Currency realignment	263
Amortisation during the year	227
At 31 December 2010	2,419
Currency realignment	2
Amortisation during the year	242
At 31 December 2011	2,663
Carrying amount:	
At 31 December 2011	14,940
At 31 December 2010	15,059

	THE GROUP	
	2011 US$'000	2010 US$'000
Current	**242**	242
Non-current	**14,698**	14,817
	14,940	15,059

This represents prepaid land use rights in the PRC for a period of 50 years.

19. INVESTMENT PROPERTIES

	THE GROUP	
	2011	2010
	US$'000	US$'000
At fair value		
Balance at beginning of the financial year	**21,300**	19,262
Addition during the financial year	**617**	111
Gain on fair value change included in profit or loss	**3,383**	1,927
Transfer from property, plant and equipment	**200**	—
Balance at end of the financial year	**25,500**	21,300

Upon transfer from property, plant and equipment, the investment properties were carried at their fair values and the increase in carrying amount at the date of transfer was recognised in equity as revaluation reserve.

The fair values of the Group's investment properties at 31 December 2011 and 31 December 2010 have been determined on the basis of valuation carried out at the respective year end date by independent valuer, Roma Appraisals Limited(1) (2010: Memfus Wong Surveyors Limited(2) having an appropriate recognised 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. It was performed in accordance with valuation standards on properties as laid down by the Hong Kong Institute of Surveyors and the Appraisal and Valuation Standards as published by the Royal Institute of Chartered Surveyors.

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$2,574,000 (2010: US$1,832,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties are US$387,000 (2010: US$201,000).

During the year, the Group started to lease out some of the owner-occupied properties for rental income. The buildings were transferred to investment properties and measured at fair value at the date of transfer accordingly. The fair value of the buildings at the date of transfer is US$200,000. The gain on revaluation, amounting to US$89,000 was credited to the revaluation reserve directly.

Notes to the Financial Statements

For the year ended 31 December 2011

19. INVESTMENT PROPERTIES (Continued)

Details of investment properties held by the Group as at 31 December 2011 are set out below:

Description and location	Tenure	Unexpired term of the lease
The PRC		
(i) Factories at Eastern Park of Guangzhou Economic and Technological Development District, The PRC	Leasehold	50 years commencing from 16 August 2000
(ii) Apartment units of Jin Lan Court, Hong Yuan Garden, Guangdong Province, The PRC	Leasehold	70 years commencing from 30 April 1999
Hong Kong		
(iii) Office units at Merit Industrial Centre, Hong Kong	Leasehold	75 years commencing from 5 October 1953 and renewable for a further 75 years

The carrying values of investment properties shown above are situated on:

	THE GROUP	
	2011	2010
	US$'000	US$'000
Land in Hong Kong:		
Medium-term lease	**4,344**	3,379
Land in the PRC:		
Medium-term lease	**21,156**	17,921
	25,500	21,300

Notes:

(1) The address of Roma Appraisals Limited is Unit 3806, 38/F, China Resources Building, 26 Harbour Road, Wanchai, 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.

20. SUBSIDIARY COMPANIES

	THE COMPANY	
	2011	2010
	US$'000	US$'000
Unquoted equity shares, at cost	**22,186**	22,186
Recognition of share options granted to directors and employees of subsidiary companies	**541**	541
Recognition of financial guarantee provided to subsidiary companies	**3,311**	1,212
Amounts due from subsidiary companies	**336,781**	333,455
	362,819	357,394

The amount due from subsidiary companies are unsecured, non-interest bearing and are repayable at the sole discretion of the directors of the subsidiary companies, and are thus treated as deemed investment in the subsidiary companies and classified as non-current.

The Company issued financial guarantees to banks for credit facilities of its subsidiary companies and recorded a deemed financial guarantee fee income in accordance with the provisions of FRS 39 - Financial Instruments: Recognition and Measurement. The deemed income was amortised over the period of the guarantee. The guarantee fee was not charged by the Company to the subsidiary companies. The full amount of the guarantee fee, including the unamortised portion, is deemed to be additional investment in the subsidiary companies.

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20. SUBSIDIARY COMPANIES (Continued)

Details of the principal subsidiary companies at 31 December 2011 are as follows:

Name of subsidiary company	Country of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held 2011 %	2010 %	Principal activities
^Elec & Eltek (Guangzhou) Electronic Company Limited 依利安達(廣州)電子有限公司	The PRC[2]	US$95,596,000	**98.0**	98.0	Manufacturing and distribution of PCBs
^Guangzhou Elec & Eltek Microvia Technology Limited 廣州依利安達微通科技有限公司	The PRC[2]	US$24,800,000	**98.0**	98.0	Manufacturing and distribution of PCBs
^Kai Ping Elec & Eltek Company Limited 開平依利安達電子有限公司	The PRC[2]	US$49,520,000	**95.0**	95.0	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	The PRC[2]	US$87,800,000	**95.0**	95.0	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	The PRC[2]	US$30,075,100	**95.0**	95.0	Manufacturing and distribution of PCBs
^Nanjing Elec & Eltek Electronic Co., Ltd. 南京依利安達電子有限公司	The PRC[1]	US$11,400,000	**100.0**	100.0	Manufacturing and distribution of PCBs
^Yangzhou Elec & Eltek Electronic Co., Ltd. 揚州依利安達電子有限公司	The PRC[1]	US$48,000,000	**100.0**	100.0	Manufacturing and distribution of PCBs
@Elec & Eltek Multilayer PCB Limited 依利多層線路板有限公司	Hong Kong	HK$5,000,000	**100.0**	100.0	Manufacturing and distribution of PCBs
ßElec & Eltek (Thailand) Limited	Thailand	Baht780,000,000	**100.0**	100.0	Manufacturing and distribution of PCBs

20. SUBSIDIARY COMPANIES (Continued)

Name of subsidiary company	Country of incorporation and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held 2011 %	2010 %	Principal activities
%Elec & Eltek Company (Macao Commercial Offshore) Limited 依利安達(澳門離岸商業服務)有限公司	Macao	MOP1,081,300	**100.0**	100.0	Trading of PCBs and provision of sales and marketing services
*Elec & Eltek Technology Research & Marketing Pte. Ltd.	Singapore	S$2	**100.0**	100.0	Technology research and marketing
^Kaiping Pacific Insulating Material Company Limited 開平太平洋絕緣材料有限公司	The PRC[1]	US$15,000,000	**100.0**	100.0	Manufacturing and distribution of high-end PCB raw materials
^Shenzhen Pacific Insulating Material Co., Ltd. 深圳太平洋絕緣材料有限公司	The PRC[2]	RMB67,491,458	**93.5**	93.5	Manufacturing and distribution of PCB raw materials

* Audited by Deloitte & Touche LLP, Singapore.

@ Audited by Deloitte Touche Tohmatsu - Hong Kong.

ß Audited by Deloitte Touche Tohmatsu Jaiyos - Thailand.

% Audited by Deloitte Touche Tohmatsu - Macao for statutory purpose. Deloitte Touche Tohmatsu - Hong Kong audited the financial statements for consolidation purposes.

^ Audited by Guangzhou Xin Zhong Nan Certified Public Accountants Co., Ltd., a Certified Public Accountants firm in the PRC under PRC Generally Accepted Accounting Principles for local compliance. Deloitte Touche Tohmatsu - Hong Kong audited the financial statements for consolidation purposes.

1 These companies were established in the PRC in the form of Wholly Foreign-owned Enterprises.

2 These companies were established in the PRC in the form of Sino-Foreign Joint Ventures.

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21. BANK OVERDRAFTS AND LOANS

	THE GROUP	
	2011	2010
	US$'000	US$'000
Unsecured:		
Bank loans	**125,690**	100,458
Trust receipts loan	**929**	—
USD bank overdrafts	**2**	7
	126,621	100,465
Comprising amounts falling due:		
– within one year	**59,336**	47,799
– more than one year	**67,285**	52,666
	126,621	100,465

	THE GROUP	
	2011	2010
	US$'000	US$'000
Carrying amount repayable*:		
Within one year	**57,477**	38,726
More than one year, but not exceeding two years	**41,543**	41,987
More than two years, but not more than five years	**27,601**	19,752
	126,621	100,465
Less: Amount due within one year shown under current liabilities	**(57,477)**	(38,726)
Amount not repayable within one year from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)	**(1,859)**	(9,073)
Amount shown under non-current liabilities	**67,285**	52,666

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

21. BANK OVERDRAFTS AND LOANS (Continued)

The Group's bank loans and trust receipts that are not denominated in the functional currencies of the respective entities are as follows:

	THE GROUP	
	2011	2010
	US$'000	US$'000
Denominated in:		
Hong Kong dollars	**95,508**	98,454
Japanese Yen	**931**	2,004

The effective interest rate of bank overdrafts in 2011 was 0.99% (2010: 1.34%) per annum.

The Group's unsecured bank loans are repayable in quarterly or monthly instalments commencing from 2008 and ending in 2015 and bear interest at weighted effective rates of 1.34% (2010: 1.17%) per annum. The interest rates of these floating rate loans reprice at 0.5% to 1.75% (2010: 0.5% to 1.25%) per annum over 1, 2 or 3 months London Interbank Offer Rate (LIBOR) or Hong Kong Interbank Offer Rate (HIBOR).

The above credit facilities are provided under:

(a) corporate guarantees from the Company;

(b) the Company undertakes to maintain:

(i) a consolidated tangible net worth at a level not less than US$280,000,000 at any time;

(ii) a consolidated gearing ratio and consolidated interest cover ratio at a level of not higher than 70% and not less than 18 times, respectively at all time; and

(c) negative pledges from the Company.

The Group has compiled with the financial covenants as at the end of the financial year.

There are no fixed or floating charges against any assets belonging to the Group or the Company.

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

The fair values of the Group's borrowings approximates their carrying amounts.

Notes to the Financial Statements

For the year ended 31 December 2011

22. TRADE AND BILLS PAYABLES

	THE GROUP	
	2011	2010
	US$'000	US$'000
Third parties	**64,009**	58,944
Related companies	**42,970**	48,570
Total trade payables	**106,979**	107,514
Bills payables	**10,777**	4,943

Trade and bills payables are non-interest bearing and generally on 15 - 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:

	THE GROUP	
	2011	2010
	US$'000	US$'000
Within 90 days	**85,585**	86,587
91 to 180 days	**19,682**	18,174
Over 180 days	**1,712**	2,753
	106,979	107,514

22. TRADE AND BILLS PAYABLES (Continued)

The Group's trade and bills payables that are not denominated in the functional currencies of the respective entities are as follows:

	2011 US$'000	2010 US$'000
Denominated in:		
Hong Kong Dollars	**4,373**	6,914
Chinese Renminbi	**52,036**	39,350
Euro	**519**	328
Japanese Yen	**971**	536
Singapore Dollars	**6**	4
Thailand Baht	**10,896**	9,225

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

23. OTHER PAYABLES

	THE GROUP		**THE COMPANY**	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Accrued expenses	**24,237**	27,237	**112**	149
Financial guarantee contracts	**—**	—	**1,661**	286
Other payables	**11,982**	9,187	**—**	—
	36,219	36,424	**1,773**	435

Notes to the Financial Statements

For the year ended 31 December 2011

23. OTHER PAYABLES (Continued)

The Group's and the Company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	THE GROUP		THE COMPANY	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Denominated in:				
Chinese Renminbi	**12,751**	14,348	**—**	9
Euro	**102**	85	**—**	—
Hong Kong Dollars	**4,691**	8,944	**—**	—
Japanese Yen	**3**	—	**—**	—
Singapore Dollars	**103**	202	**84**	115
United States Dollars	**8**	9	**—**	—
Thailand Baht	**3,985**	2,073	**—**	—
Great Britain Pound	**7**	—	**—**	—
New Taiwan Dollar	**23**	—	**—**	—

24. AMOUNTS DUE TO SUBSIDIARY COMPANIES

The amounts due to subsidiary companies are unsecured, interest free and repayable on demand.

The Company's amount due to subsidiary companies that are not denominated in the functional currency of the Company are as follows:

	THE COMPANY	
	2011 US$'000	2010 US$'000
Amounts due to subsidiary companies		
Denominated in:		
Hong Kong Dollars	**28**	28

25. DEFERRED TAXATION

The followings are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	THE GROUP	
	2011 US$'000	2010 US$'000
Deferred tax assets	**612**	1,047
Deferred tax liabilities	**(1,896)**	(2,104)

Deferred tax assets

	Excess of tax written down value over carrying amount of property, plant and equipment US$'000	Others US$'000	Total US$'000
THE GROUP			
At 1 January 2010	1,228	209	1,437
Currency realignment	39	—	39
Charge to profit or loss for the year	(220)	(209)	(429)
At 31 December 2010	1,047	—	1,047
Currency realignment	77	—	77
Charge to profit or loss for the year	(512)	—	(512)
At 31 December 2011	612	—	612

Notes to the Financial Statements

For the year ended 31 December 2011

25. DEFERRED TAXATION (Continued)

Deferred tax liabilities

	Excess of carrying amount of property, plant and equipment over tax written down value US$'000	Undistributed earnings US$'000	Total US$'000
THE GROUP			
At 1 January 2010	(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)
Utilised during the year	—	1,657	1,657
At 31 December 2010	(968)	(1,136)	(2,104)
Currency realignment	34	—	34
Credit (charge) to profit or loss for the year	490	(316)	174
At 31 December 2011	(444)	(1,452)	(1,896)

At the end of the reporting period, the Group has unutilised tax losses of US$26.0 million (2010: US$20.4 million) available for offset against future profits. Included in the unutilized tax losses are tax losses of USD25.3 million, (2010: USD19.6 million), 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 recognised due to the unpredictability of future profit streams.

26. SHARE CAPITAL

	THE GROUP AND THE COMPANY			
	2011		2010	
	No. of shares	**US$'000**	No. of shares	US$'000
Issued and fully paid:				
At the beginning of the year	**187,429,962**	**114,665**	179,635,062	98,656
Exercise of share options	**238,000**	**571**	7,794,900	16,009
Cancellation of treasury shares	**(748,000)**	**(1,356)**	—	—
At the end of the year	**186,919,962**	**113,880**	187,429,962	114,665

As at the end of the reporting period, the Company has a total of 186,919,962 (2010: 186,681,962) issued ordinary shares excluding treasury shares.

Save as disclosed above, there were no movements in the Company's issued share capital during the financial year.

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.

Details of the outstanding options to subscribe for unissued ordinary shares of the Company are set out in Note 28.

As at the end of the financial year, there are no options (2010: 316,100) outstanding granted to directors and employees of the Group and associates of controlling shareholders to subscribe for unissued ordinary shares each as described in the report of directors.

Notes to the Financial Statements

For the year ended 31 December 2011

27. TREASURY SHARES

	THE GROUP AND THE COMPANY	
	No. of shares	US$'000
As at 1 January 2010 and 31 December 2010	748,000	1,356
Cancelled during the year	(748,000)	(1,356)
As at 31 December 2011	—	—

Shares repurchased by the Company through on market purchase on the Singapore Exchange Securities Trading Limited were held as treasury shares, with no voting rights and dividend entitlements, for future application. The Company did not acquire any of its own shares in both 2010 and 2011.

On 15 February 2011, all the treasury shares of the Company were cancelled as permitted under Section 76K(d) of the Act.

28. SHARE-BASED PAYMENTS

The Company has granted share options to eligible employees under the 2002 Elec & Eltek Employees' Share Option Scheme (the "**2002 Scheme**") which was terminated at its expiry without affecting the rights of holders of any options granted and outstanding under the 2002 Scheme.

In 2008, a new share option scheme, namely, the 2008 Elec & Eltek Employees' Share Option Scheme (the "**2008 Scheme**") was approved by the shareholders at the Extraordinary General Meeting held on 21 April 2008 and was adopted by the Company on 9 May 2008 upon fulfilment of all the conditions precedent as set out in Rule 2 of the 2008 Scheme. Since its adoption, no option was granted by the Company pursuant to the 2008 Scheme.

The 2008 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 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.

28. SHARE-BASED PAYMENTS (Continued)

The duration of the 2008 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 Scheme in 2010 and 2011.

Information with respect to the movement of share options of the Company granted under the 2002 Scheme during the current financial year is as follows:

Date of grant	Balance as at 1 January 2011	Exercised	Lapsed	Balance as at 31 December 2011	Subscription price US$	Expiry date
12.12.2006	316,100	(238,000)	(78,100)	—	2.400	12.11.2011
Weighted average exercise price of share options	2.40	2.40	2.40	—		

Information with respect to the movement of share options of the Company granted under the 2002 Scheme during the previous financial year is as follows:

Date of grant	Balance as at 1 January 2010	Exercised	Lapsed	Balance as at 31 December 2010	Subscription price US$	Expiry date
24.6.2005	8,275,200	(7,350,000)	(925,200)	—	2.033	24.5.2010
29.9.2005	120,000	(60,000)	(60,000)	—	2.375	4.9.2010
12.12.2006	731,000	(384,900)	(30,000)	316,100	2.400	12.11.2011
	9,126,200	(7,794,900)	(1,015,200)	316,100		
Weighted average exercise price of share options	2.07	2.05	2.06	2.40		

Notes to the Financial Statements

For the year ended 31 December 2011

28. SHARE-BASED PAYMENTS (Continued)

In the above tables, adjustments were made to the subscription price and number of share options granted on 24 June 2005 and 29 September 2005 under the 2002 Scheme with effect from 13 October 2005, upon the bonus issue of shares on the basis of one (1) bonus share for every five (5) 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	24 June 2005	29 September 2005	12 December 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 13 October 2005.

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 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 behavioural considerations.

As at end of the reporting period, there is no exercisable share option (2010: 316,100).

In respect of share options exercised during the year, the weighted average share price at the dates of exercise is US$3.23 (2010: US$2.76). The share options outstanding at 31 December 2010 had a weighted average contracted age of 0.9 years.

The Group recognised total expenses of US$1,000 (2010: US$39,000) related to share-based payment transactions during the year ended 31 December 2011.

29. 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 recognised in profit or loss of US$2,509,000 (2010: US$2,526,000) represents contributions payable to these plans by the Group at rates specified in the rules of the respective plans.

30. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
(i) Bank guarantees given to third parties (unsecured)	**750**	767	**—**	—
(ii) Corporate guarantees given by the Company to secure bank credit facilities granted to subsidiary companies (unsecured)*	**—**	—	**452,912**	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 recognised at the inception of the guarantee contracts and at the end of the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2011

30. CONTINGENT LIABILITIES (Continued)

(iii) Litigation

2010

The Group's subsidiary company, Kaiping Elec & Eltek No.3 Company Limited ("**KPEE#3**") is currently involved in potential lawsuits, claims and proceedings with one of our 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 KPEE#3. 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. The trade receivable from this customer was fully provided during 2010.

2011

The Group's subsidiary company, KPEE#3 has reached a composite agreement with its PRC customer and paid approximately RMB7.5 million (approximately US$1.2 million) on 24 November 2011 as a full and final lump sum against the original claim amount of RMB30.0 million. Accordingly, both the PRC customer and the KPEE#3 were finally and irrevocably discharged and free of any obligation towards each other regarding the dispute. The trade receivables from the same customer amounted to US$ 0.1 million was written off against provision.

31. CAPITAL COMMITMENTS

	THE GROUP	
	2011	2010
	US$'000	US$'000
Capital expenditure not provided for in the financial statements:		
Commitments for capital contributions in subsidiary companies	**—**	12,000
Commitments in respect of contracts placed for plant expansion	**48,843**	24,565
	48,843	36,565

32. OPERATING LEASES ARRANGEMENT

The Group as lessee

	THE GROUP	
	2011	2010
	US$'000	US$'000
Minimum lease payments under operating leases recognised as an expense in the current year	**816**	760

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases, when fall due as follows:

	THE GROUP	
	2011	2010
	US$'000	US$'000
Within one year	**310**	335
In two to five years	**181**	118
Total	**491**	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 during the year was US$2,574,000 (2010: US$1,832,000). Properties have committed tenants for the next two years.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2011	2010
	US$'000	US$'000
Within one year	**2,737**	1,877
In the second to fifth years inclusive	**3,661**	1,517
	6,398	3,394

Notes to the Financial Statements

For the year ended 31 December 2011

33. INFORMATION BY SEGMENT ON GROUP'S OPERATIONS

The Group's operating activities are attributable to a single reporting and operating 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 FRSs, that are regularly reviewed by the Executive Directors of the Company. The Executive Directors of the Company regularly reviews revenue analysis based on the shipment locations of customers and the product mix. 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 is from sale of PCBs and laminates.

Revenue by geographical area

The Group's revenue from external customers based on the shipment locations of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Asia				
The PRC (including Hong Kong)	**356,437**	350,944	**359,991**	331,718
South East Asia	**124,865**	140,956	**32,616**	33,479
Others	**11,604**	10,264	**—**	—
	492,906	502,164	**392,607**	365,197
Europe	**80,513**	55,750	**—**	—
North and Central America	**35,665**	35,910	**—**	—
Rest of the World	**3,372**	5,029	**—**	—
	612,456	598,853	**392,607**	365,197

33. INFORMATION BY SEGMENT ON GROUP'S OPERATIONS (Continued)

Revenue by product

The sales analysis by product is provided below:

	2011 US$'000	2010 US$'000
2- to 6-Layer	**346,888**	364,621
8-Layer & above	**130,356**	132,435
HDI	**98,293**	57,807
Laminates and others	**36,919**	43,990
	612,456	598,853

Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	2011 US$'000	2010 US$'000
Customer A*	**62,706**	—

* Revenue from this customer is less than 10% of the Group's revenue in 2010.

34. RECONCILIATION BETWEEN FRSs AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the year ended 31 December 2011, there were no material differences between the consolidated financial statements of the Group prepared under FRSs and IFRSs.

Interested Person Transactions

The amount of interested persons transactions to be disclosed pursuant to Rule 920(1)(a)(i) of the Listing Manual of the Singapore Exchange Securities Trading Limited for the financial year ended 31 December 2011 are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year (including transactions less than S$100,000)			
	Excluding transactions conducted under shareholders' mandate pursuant to Rule 920		Conducted under shareholders' mandate pursuant to Rule 920	
US$'000	**2011**	2010	**2011**	2010
Purchases of plant and equipment				
Chung Shun Laminates (Macao Commercial Offshore) Limited	**8,665**	4,503	**—**	—
廣東駿好建築工程有限公司	**388**	73	**—**	—
	9,053	4,576	**—**	—
Purchases of goods and services				
Chung Shun Copper Foil (Macao Commercial Offshore) Limited	**—**	—	**41,087**	55,048
Chung Shun Laminates (Macao Commercial Offshore) Limited	**—**	2,919	**77,431**	65,085
Elec & Eltek Corporate Services Limited	**752**	845	**—**	—
Heng Yang Kingboard Chemical Co., Ltd.	**—**	—	**5,296**	5,094
Hong Kong Fibre Glass Company Limited	**—**	—	**2,908**	5,732
Huizhou Chung Shun Chemical Company Limited	**—**	—	**1,024**	606
Jiangmen Glory Faith P.C.B. Company Limited	**—**	—	**—**	4
Jiangmen Kingboard High-tech Company Limited	**—**	—	**12,012**	3,865
Joyful Source Group Limited	**61**	2,726	**—**	—
Kingboard Investments Limited	**—**	632	**—**	—
Kingfai (Lian Zhou) Electronic Materials Ltd.	**—**	—	**19,967**	17,049
Oriental Faith Investment Ltd.	**—**	10	**—**	—
Techwise (Macao Commercial Offshore) Circuits Limited	**—**	—	**35**	14
Top Faith P.C.B. Company Limited	**—**	—	**8**	68
	813	7,132	**159,768**	152,565

Name of Interested Person US$'000	Aggregate value of all interested person transactions during the financial year (including transactions less than S$100,000) Excluding transactions conducted under shareholders' mandate pursuant to Rule 920 2011	2010	Conducted under shareholders' mandate pursuant to Rule 920 2011	2010
Sales of plant and equipment				
Chung Shun Laminates (Macao Commercial Offshore) Limited	**2,577**	—	—	—
	2,577	—	—	—
Provision of goods and services				
Chung Shun Laminates (Macao Commercial Offshore) Limited	—	—	**427**	—
Elec & Eltek Computers Limited	**41**	—	—	—
Elec & Eltek Display Technology Limited	**138**	31	—	—
Express Electronics Limited	—	—	**4,778**	5,312
Express Electronics (Suzhou) Co. Ltd.	—	—	**133**	541
Jiangmen Glory Faith P.C.B. Company Limited	—	—	**2,768**	5,397
Shenzhen Wing Fung P.C. Board Company Limited	—	—	**50**	110
Techwise (Macao Commercial Offshore) Circuits Limited	—	—	**8,639**	5,417
Top Faith P.C.B. Company Limited	—	—	**3,183**	5,480
	179	31	**19,978**	22,257

Statistics of Shareholdings

As at 29 February 2012

Number of shares in issue : 186,919,962
Class of Shares : Ordinary Shares
Voting Rights : One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	164	7.36	51,042	0.03
1,000 - 10,000	1,693	76.02	5,732,512	3.07
10,001 - 1,000,000	360	16.17	15,385,103	8.23
1,000,001 and above	10	0.45	165,751,305	88.67
Total	**2,227**	**100.00**	**186,919,962**	**100.00**

As at 29 February 2012, 19.39% of the Company's total number of issued ordinary shares, was held in the hands of the public. Accordingly, the Company confirms that Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

SUBSTANTIAL SHAREHOLDERS (HOLDING 5% AND ABOVE)

(as shown in the Register of Substantial Shareholders)

Name of substantial shareholders	No. of shares held
Hallgain Management Limited ("**HML**") [(1)]	129,713,165
Kingboard Chemical Holdings Limited ("**Kingboard**") [(2)]	129,713,165
Jamplan (BVI) Limited ("**Jamplan**") [(3)]	128,704,165
Kingboard Investments Limited ("**KIL**") [(4)]	128,704,165
Ease Ever Investments Limited ("**Ease Ever**") [(5)]	90,741,550
Elec & Eltek International Holdings Limited ("**EEIH**")	90,741,550
Elitelink Holdings Limited ("**Elitelink**")	34,321,615
Cheah Cheng Hye [(6)]	13,529,000
To Hau Yin [(6)]	13,529,000
Hang Seng Bank Trustee International Limited ("**HSBTIL**") [(6)]	13,529,000
Cheah Company Limited ("**CCL**") [(6)]	13,529,000
Cheah Capital Management Limited ("**CCML**") [(6)]	13,529,000
Value Partners Group Limited ("**VPGL**") [(6)]	13,529,000
Value Partners Hong Kong Limited ("**VPHK**") [(6)]	13,529,000
Value Partners Limited ("**VPL**") [(7)]	13,529,000

(1) HML's deemed interest arises from its 32.26% direct shareholding interest in Kingboard.
(2) Kingboard's deemed interest arises from its 100% direct shareholding interest in Jamplan.
(3) Jamplan's deemed interest arises from its 100% direct shareholding interest in KIL.
(4) KIL's deemed interest arises from its 100% direct shareholding interest in Elitelink and Ease Ever.
(5) Ease Ever's deemed interest arises from its 77.34% direct shareholding interest in EEIH.
(6) Cheah Cheng Hye and To Hau Yin are deemed interested in the shares held by the funds managed by VPL, by virture of them being the founder and beneficiary respectively of a discretionary trust, The C H Cheah Family Trust, with HSBTIL as the trustee. HSBTIL owns 100% in CCL which in turn owns 100% in CCML which in turn owns 28.47% in VPGL which in turn owns 100% in VPHK which in turn owns 100% in VPL.
(7) VPL, a fund manager, is deemed interested by virtue of shares held directly by the funds under its management.

Statistics of Shareholdings

As at 29 February 2012

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Elec & Eltek International Holdings Limited	90,741,550	48.55
2	Elitelink Holdings Limited	34,321,615	18.36
3	HKSCC Nominees Limited	23,604,436	12.63
4	Citibank Nominees Singapore Pte Ltd	3,676,235	1.97
5	Kingboard Investments Limited	3,601,000	1.93
6	DBSN Services Pte Ltd	3,157,648	1.69
7	Raffles Nominees (Pte) Ltd	2,687,947	1.44
8	Li Muk Kam	1,803,876	0.97
9	DBS Nominees Pte Ltd	1,155,798	0.62
10	Cheung Kwok Wing	1,001,200	0.54
11	Kingboard Chemical Holdings Limited	681,000	0.36
12	HSBC (Singapore) Nominees Pte Ltd	651,906	0.35
13	UOB Kay Hian Pte Ltd	621,008	0.33
14	Ho Yin Sang	486,600	0.26
15	Lam Ka Po	486,600	0.26
16	Heng Nguan Leng	480,800	0.26
17	DBS Vickers Securities (S) Pte Ltd	412,032	0.22
18	Kwan Choon Ying	340,000	0.18
19	Tok Ching Ka	320,000	0.17
20	Cosmic Insurance Corporation Limited - SIF	275,712	0.15
Total		170,506,963	91.24