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

Rising to the Challenges

2012 ANNUAL REPORT

** For identification purpose only*

Contents

Corporate Profile

Elec & Eltek was established in 1972 with the shares of Elec & Eltek International Company Limited (the "**Company**") listed on the Mainboard of Singapore Exchange Securities Trading Limited in 1994 and the Company achieved dual-listed status on the Mainboard of The Stock Exchange of Hong Kong Limited in 2011.

Elec & Eltek is one of the global leading manufacturers of conventional, as well as technology advanced high density interconnects (HDI) and backplane printed circuit boards (PCB) up to 46-layer. Quick-Turn Around (QTA) service is also available with short delivery lead time.

With an annual production capacity of 54 million square feet, Elec & Eltek today operates 13 manufacturing facilities – 1 in Hong Kong, 1 in Thailand and 11 in Mainland China. In order to serve for a broad base of customers worldwide, we set up 6 representative offices across Asia and Europe.

Elec & Eltek strives to provide a full spectrum of integrated, value-added PCB and services to customers. Our PCB have product applications in the communication and networking sector, such as mobile phones, handheld devices and networking products, computer & computer peripherals sector, automotives and other electronic products. Our customers include global leaders in different electronics sectors.

In this era of intense competition, Elec & Eltek focuses on optimization of product mix to strengthen the competitive edge. To keep pace with the rapidly technology innovation, we are committed to invest continuously in state-of-the-art equipment and technology research and development. With great potential, we are very confident of keeping running at the forefront of the PCB industry and offering excellent values to all stakeholders.

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

Financial Highlights and Calendar

31 December 2012

FINANCIAL HIGHLIGHTS

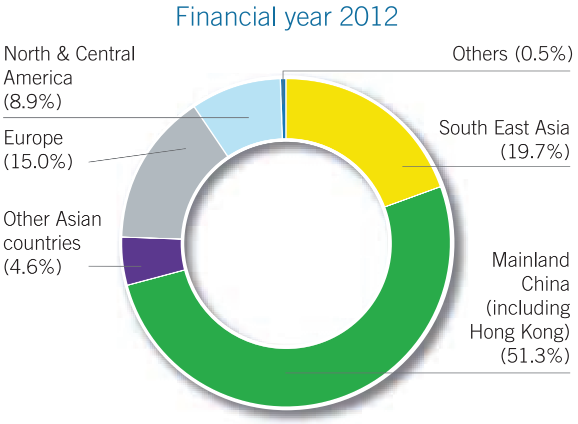
	Twelve months ended 31 December		
	2012 US$'000	2011 US$'000	% Change
Revenue	**530,144**	612,456	-13%
EBITDA*	**83,554**	105,696	-21%
EBITDA margin*	**15.8%**	17.3%	
Underlying profit before tax*	**37,681**	60,759	-38%
Net profit attributable to owners of the Company			
– Underlying net profit*	**34,765**	56,223	-38%
– Reported net profit	**34,765**	51,223	-32%
Basic earnings per share			
– Based on underlying net profit*	**US18.60 cents**	US30.09 cents	-38%
– Based on reported net profit	**US18.60 cents**	US27.42 cents	-32%
Full-year dividend per share			
– Interim dividend per share	**US9.0 cents**	US15.0 cents	-40%
– Proposed final dividend per share	**US11.0 cents**	US12.0 cents	-8%
Dividend payout ratio	**107.5%**	98.5%	
Net asset value per share	**US$2.01**	US$2.04	-1%
Net gearing ratio	**11.8%**	18.2%	

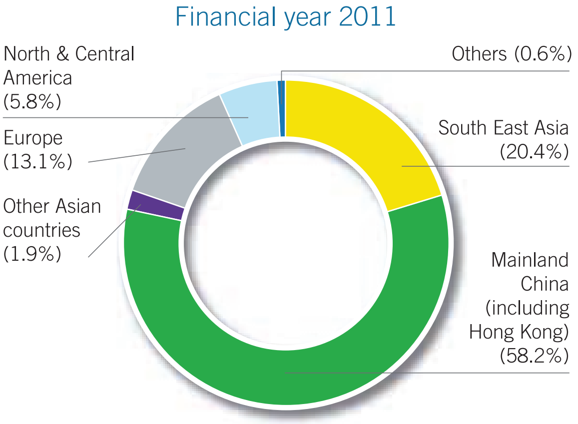
* *excluding the professional expenses of approximately US$5.0 million for the six months ended 30 June 2011 in relation to the Company's dual primary listing for its shares on The Stock Exchange of Hong Kong Limited.*

	2012	2011
Financial Calendar		
Financial year results announced on	**26 February 2013**	23 February 2012
Annual Report and Accounts issued on	**19 March 2013**	23 March 2012
Annual General Meeting held on	**22 April 2013**	26 April 2012
Registers of Shareholders closed on	**5:00 pm (for Singapore shareholders) and 4:30 pm (for Hong Kong shareholders) 6 May 2013**	5:00 pm (for Singapore shareholders) and 4:30 pm (for Hong Kong shareholders) 11 May 2012
Dividend paid/payable on		
Interim	**6 September 2012**	31 August 2011
Final	**16 May 2013**	25 May 2012

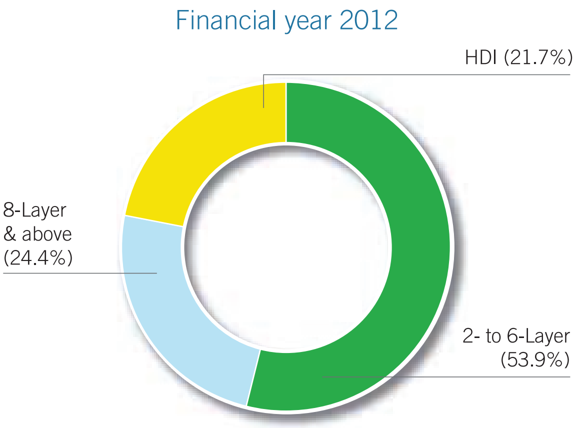
Financial Highlights and Calendar
31 December 2012

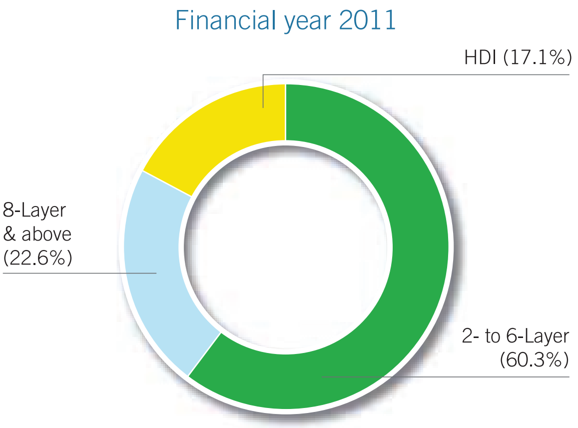
TURNOVER BY GEOGRAPHICAL LOCATIONS



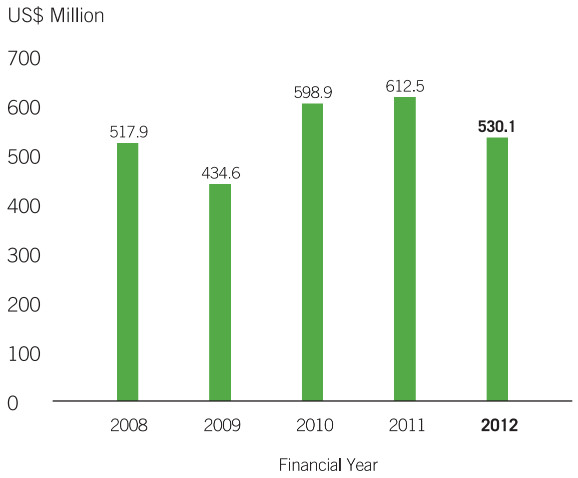


TURNOVER BY LAYER COUNT

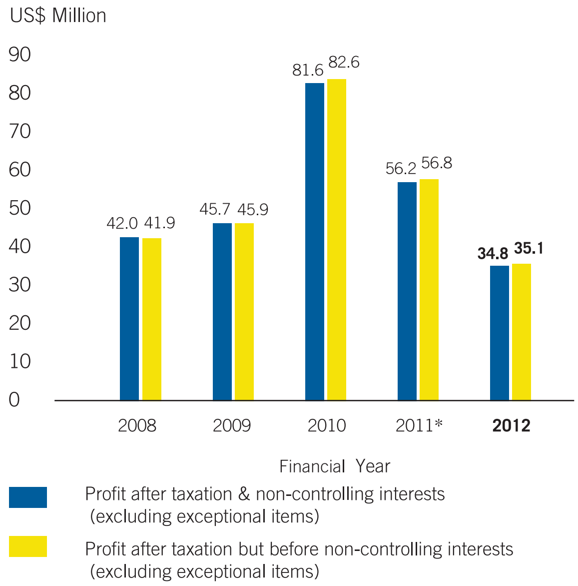




TURNOVER

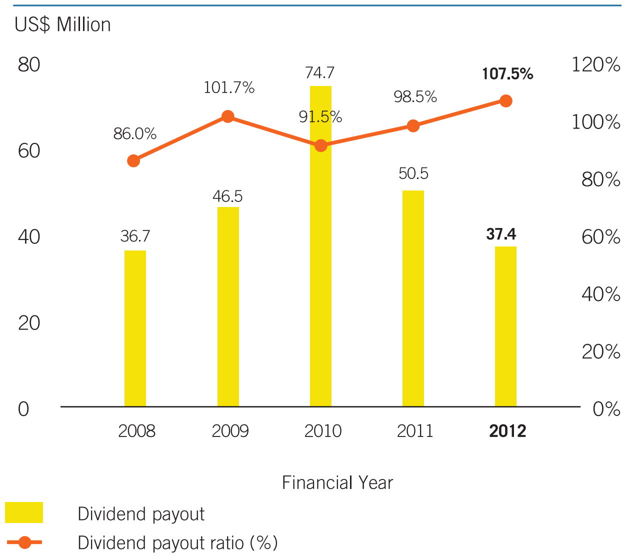


PROFIT TREND

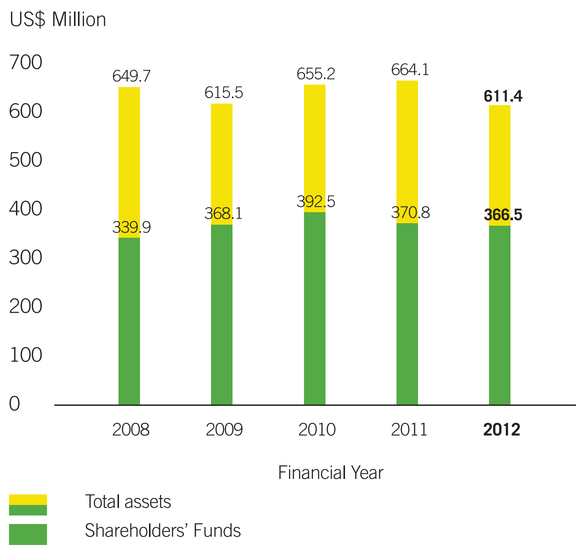


* excluding the professional expenses of approximately US$5.0 million incurred in the June 2011 quarter in relation to the Company's dual primary listing for its shares on The Stock Exchange of Hong Kong Limited on 8 July 2011

DIVIDEND PAYOUT TREND

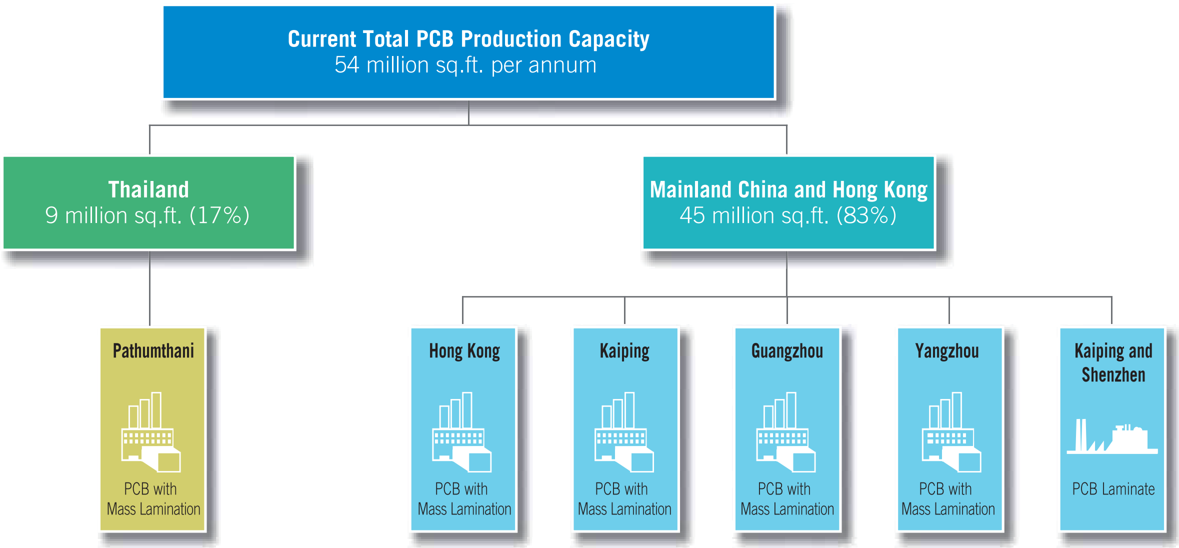


COMPARE TOTAL ASSETS WITH SHAREHOLDERS' FUNDS



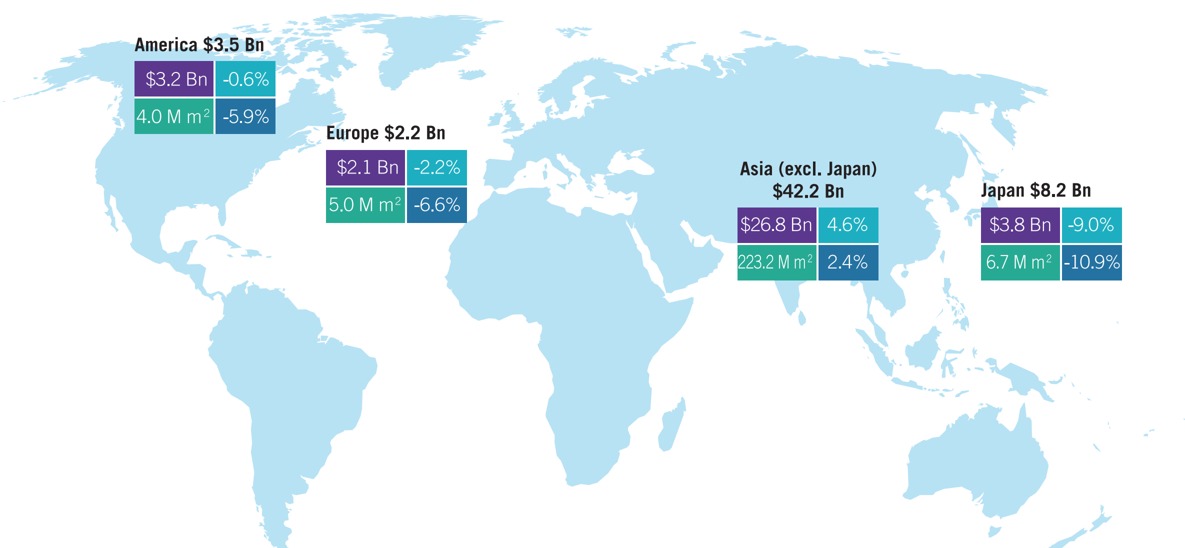
Production and Market Information

PRODUCTION CAPACITY AS AT 31 DECEMBER 2012



2013 WORLDWIDE PROJECTED PCB MARKET

		2012	2013	2017
Projected World PCB Production	USD Billion	54.3	56.1	65.7
Projected World Rigid PCB Production	USD Billion	35.3	35.9	39.8
Regional Rigid PCB Value Growth Forecast CAAGR (2012-2017)	%			
Projected PCB Production By Area	M m²	286.5	293.5	333.5
Projected Rigid PCB Production By Area	M m²	237.5	238.9	259.2
Regional Rigid PCB Area Growth Forecast CAAGR (2012-2017)	%			



CAAGR: Compounded Annual Average Growth Rate
Source: Prismark Partners LLC, The Printed Circuit Report, Fourth Quarter, February 2013

Five Years' Financial Summary

	2012 US$'000	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000
Consolidated Results					
Turnover	**530,144**	612,456	598,853	434,565	517,931
Profit before taxation*	**37,681**	60,759	88,420	49,317	45,137
Taxation	**(2,626)**	(4,002)	(5,858)	(3,419)	(2,626)
Profit after taxation*	**35,055**	56,757	82,562	45,898	42,511
Non-controlling interest	**(290)**	(534)	(940)	(221)	117
Profit for the year*	**34,765**	56,223	81,622	45,677	42,628
Financial Positions					
Property, plant and equipment	**333,590**	350,879	326,218	338,121	370,746
Prepaid land use rights - non current portion	**14,140**	14,698	14,817	8,767	8,932
Non-current deposits	**688**	918	1,815	1,253	1,664
Investment in an associate	**—**	—	—	—	8,388
Investment properties	**28,941**	25,500	21,300	19,262	15,756
Deferred tax assets	**166**	612	1,047	1,437	1,446
Current assets	**233,914**	271,528	290,040	246,651	242,730
Total assets	**611,439**	664,135	655,237	615,491	649,662
Non-current liabilities	**41,944**	69,181	54,770	35,031	58,713
Current liabilities	**193,036**	214,264	198,538	203,131	241,473
Total liabilities	**234,980**	283,445	253,308	238,162	300,186
Net assets	**376,459**	380,690	401,929	377,329	349,476
Represented by:					
Shareholders' funds	**366,536**	370,756	392,513	368,065	339,870
Non-controlling interests	**9,923**	9,934	9,416	9,264	9,606
	376,459	380,690	401,929	377,329	349,476

* 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. Chan Wai Leung
Mr. Li Muk Kam *(resigned on 1 November 2012)*
Mr. Philip Chan Sai Kit *(resigned on 1 November 2012)*
Mr. Clement Sun *(resigned on 1 November 2012)*
Ms. Claudia Heng Nguan Leng *(resigned on 1 November 2012)*
Mr. Li Chiu Cheuk *(resigned on 1 November 2012)*
Mr. Ng Hon Chung *(resigned on 1 November 2012)*

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

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

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

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

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

EXECUTIVE COMMITTEE*
Mr. Chadwick Mok Cham Hung *(Chairman)*
Mr. Chan Wai Leung
Mr. Li Muk Kam
Mr. Philip Chan Sai Kit
Mr. Clement Sun
Ms. Claudia Heng Nguan Leng
Mr. Li Chiu Cheuk
Mr. Ng Hon Chung

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS
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

* The Executive Committee was established on 1 November 2012 and the Chairman and all members were appointed on 1 November 2012.

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. Toh Yew Kuan Jeremy
(appointed since the financial year ended 31 December 2012)

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.
Citic Bank International
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

COMPLIANCE ADVISER

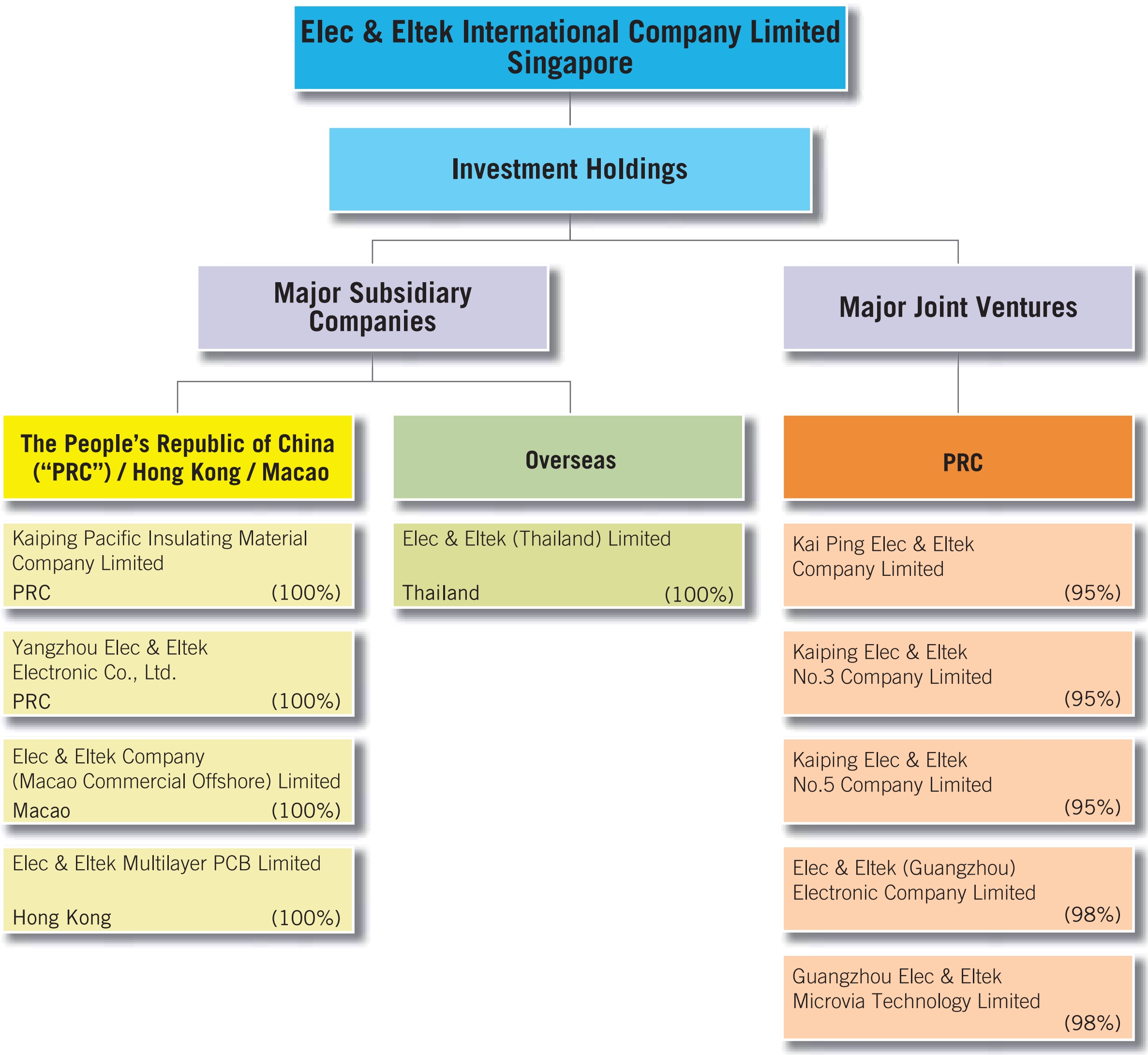
Investec Capital Asia Limited
3609, 36/F
Two International Finance Centre
8 Finance Street
Central, Hong Kong

COMPANY WEBSITE

http://www.eleceltek.com

Structure of the Group

31 December 2012




Elec & Eltek 依利安達


Elec & Eltek 依利安達
HDI Backplane 2-46L Multilayer and OTA
www.eleceltek.com

Chairman's Statement

Share Passion *Create Harmony*

On behalf of the board of directors (the "**Board**"), it is my pleasure to present to all of our valued investors the annual results of Elec & Eltek International Company Limited (the "**Company**") and its subsidiaries (the "**Group**") for the financial year ended 31 December 2012 ("**CY2012**").

BUSINESS REVIEW AND OUTLOOK

Against the backdrop of a challenging operating environment, the Group closed 2012 with a respectable performance. The Group recorded a net attributable profit (profit after tax and non-controlling interests) of US$34.8 million for CY2012, as compared with US$51.2 million in the previous year, on the back of a 13.4% decrease in revenue to US$530.1 million.

Given our healthy financial position achieved through financial prudence and in the appreciation of our shareholders for their long-standing support, the Board has recommended a final one-tier tax exempt dividend of US11.0 cents per share, to be approved at the forthcoming Annual General Meeting. Together with the interim one-tier tax exempt dividend of US9.0 cents per share paid in September 2012, this constitutes a total dividend of US20.0 cents, representing a payout ratio of 107.5% of net profit for CY2012.

In 2012, the Group continued to improve its product mix by increasing our exposure to the segments of automotive, communication and mobile phone, thereby achieving a more balanced portfolio of products. Sales of High Density Interconnect ("**HDI**") printed circuit boards ("**PCBs**") continued to show strong momentum and grew to 21.7% of total PCB sales in CY2012 as compared with 17.1% in the financial year ended 31 December 2011 ("**CY2011**"). Sales of PCBs of 2-layers to 6-layers, and 8-layers and above, accounted for 53.9% and 24.4% respectively of total PCBs sales in CY2012 as compared to 60.3% and 22.6% respectively of total PCBs sales in CY2011.

Gross profit of the Group declined by 27.9% to US$72.1 million in CY2012 as compared with US$100.0 million in CY2011 and gross margin was trimmed to 13.6% compared to 16.3% a year ago. This decrease was partly attributable to (i) lower sales contribution as PCB business generally has a high fixed costs structure; as well as (ii) startup losses for our new Yangzhou plant which commenced production from June 2012.

The decrease in distribution and selling costs by 13.1% to approximately US$14.6 million in CY2012 as compared with approximately US$16.8 million in CY2011 was largely due to lower sales volume. Other operating expenses and losses amounted to approximately US$2.8 million in CY2012 as compared with US$15.9 million in CY2011. The higher other operating expenses and losses in CY2011 was primarily due to the Group incurring listing-related expenses of approximately US$5.0 million in the June 2011 quarter for the dual primary listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

Finance costs increased by 8.0% to approximately US$1.5 million in CY2012 as compared with US$1.4 million in CY2011 due to higher interest rates on new term loan facilities secured by the Group for the purpose of equipment purchases.

Income tax expense decreased by 34.4% from US$4.0 million in CY2011 to US$2.6 million in CY2012 as a result of the decrease in the overall Group's taxable profit. The effective tax rate of the Group was leveled at an approximate 7.0% for the two comparative financial years (i.e. CY2011 and CY2012).

To the best of the Board's knowledge, nothing has come to the attention of the Board which may render the audited financial results for the year ended 31 December 2012 to be false or misleading in any material aspect.

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a conservative balance sheet and strong financial metrics. As at 31 December 2012, the Group's net current assets was approximately US$40.9 million (31 December 2011: approximately US$57.3 million), making the current ratio 1.21 as compared to 1.27 as at 31 December 2011.

The net working capital cycle shortened to 22 days as at 31 December 2012 from 31 days as compared to 31 December 2011 on the following key metrics:

– Inventories, in terms of stock turnover days, reduced to 29 days (31 December 2011: 31 days).

– Trade receivables, in terms of debtors turnover days, increased to 87 days (31 December 2011: 83 days).

– Trade payables, in terms of creditors turnover days, increased to 94 days (31 December 2011: 83 days).

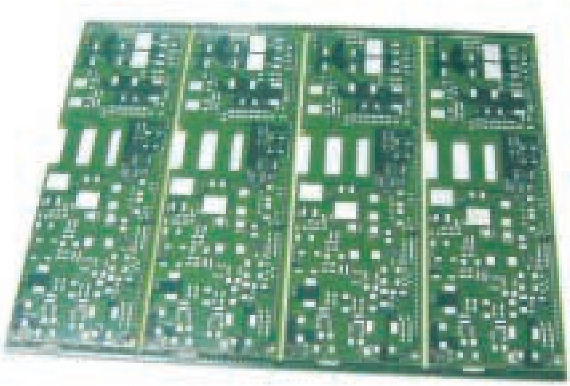
The Group's net gearing ratio (ratio of interest bearing borrowings net of cash and cash equivalents to total equity) as at 31 December 2012 stood at a healthy 11.8% (31 December 2011: 18.2%). The proportion of short-term and long-term bank borrowings stood at 54%:46% (31 December 2011: 47%:53%). The total equity of the Group as at 31 December 2012 was approximately US$376.5 million (31 December

2011: approximately US$380.7 million). As at 31 December 2012, the Group had cash on hand and undrawn loan facilities of approximately US$43.1 million and US$68.8 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 2012.

HUMAN RESOURCES

As at 31 December 2012, the Group had a workforce of approximately 10,122 (31 December 2011: 10,199). 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



Chairman's Statement

bonuses to eligible employees based upon profits achievements of the Company and individual performance.

The Company has in place a share option scheme in order to attract and retain the best available personnel and to align individual interests with the Group's interests, as and when it is appropriate.

PROSPECTS

We believe that global market conditions should improve modestly in 2013. Mobile phones and media tablet sectors with sophisticated features are constantly evolving and customers are continually adapting their product offering to meet changing consumer needs. We expect these changing performance requirements would help to drive demand in all of our end markets.

As one of the leading PCB suppliers with an extensive global footprint and strong customer relationships, Elec & Eltek is well-positioned to tap growth in these markets. In order to cope with the anticipated growth in demand, the Group is ramping production capacity for a number of new programmes for existing and potential new customers at the HDI production centre and the Yangzhou site.

While the market trends points towards higher costs for major raw materials, and our Chinese plants are facing challenges of increasing labour costs and increased margin pressure, the Group will strive to further sharpen our competitive edge and broaden our capabilities through improvements in operational efficiency and process yield.

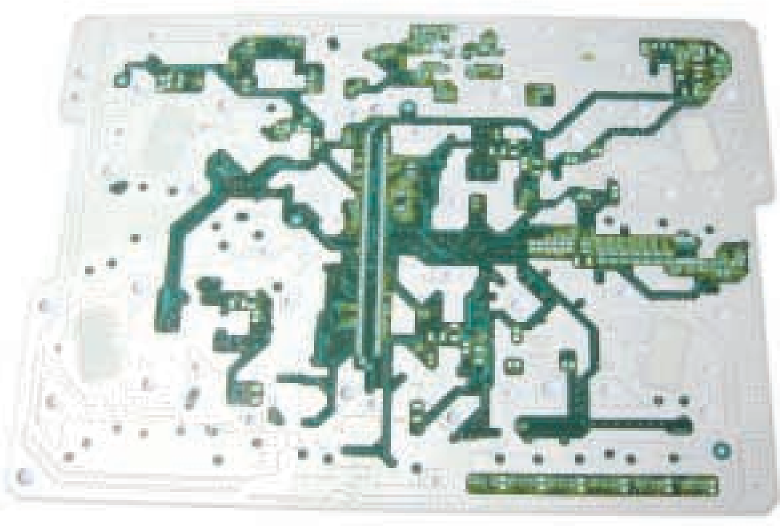
Notwithstanding the uncertain economic conditions, and barring unforeseen circumstances, the Board is cautiously optimistic that the financial performance of the Group for the March quarter of 2013 would remain profitable.

APPRECIATION

On behalf of the Board, we take this opportunity to thank our stakeholders including shareholders, customers, suppliers and business partners for all their support extended to the Group. We would also like to thank members of the Board for their dedication and commitment, and our diligent employees worldwide for their hard work, loyal service and contributions made during 2012.

Cheung Kwok Wing
Chairman

26 February 2013



Statement on Corporate Governance

INTRODUCTION

The Board of Directors ("**Board**") and the management of Elec & Eltek International Company Limited (the "**Company**") are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders value.

As the Company is also dual listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**SEHK**"), the Company has adopted, for corporate governance purposes, the provisions of the Corporate Governance Code (Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "**HK Listing Rules**")) ("**Hong Kong Code**"), in addition to the Singapore Code of Corporate Governance 2012 ("**Singapore Code**"). In the event of any conflict between the Singapore Code and the Hong Kong Code, the Company will comply with the more onerous provisions. Throughout the year ended 31 December 2012, the Company has complied with the Singapore Code and the Hong Kong Code except those appropriately justified and disclosed.

BOARD MATTERS

Board's Conduct of Its Affairs

Principle 1: Effective board to lead and control the company

(a) The Board shall be responsible for establishing and maintaining the most effective leadership structure for the Company.

(b) 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 (collectively, the "**Group**"). The Board reviews and discusses reports prepared by the management on the performance, plans and prospects of the Group.

(c) 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 senior management;

  (v) approving nominations to the Board;

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

  (vii) assuming overall responsibility for corporate governance.

Statement on Corporate Governance

BOARD MATTERS (Continued)

Board's Conduct of Its Affairs (Continued)

Principle 1: Effective board to lead and control the company (Continued)

(d) To give effect to the discharge of its responsibilities (but without abdicating its responsibilities), the Board has established five Board Committees, namely, the Nominating Committee, the Remuneration Committee, the Employees' Share Option Scheme Committee, the Audit Committee and the Executive 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.

(e) 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 as deemed appropriate by the Board 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, Board Committee meetings and general meetings of shareholders held from the date of the last annual report to the date of this annual report, as well as the attendance of each Board and Board Committee member at these meetings are disclosed below:

		Board Committee				
	Board	Audit Committee	Nominating Committee	Remuneration Committee	Executive Committee (EXCO) [1]	General Meeting
Total number of meetings held	4	4	1	1	8	1
Executive Directors						
Chadwick Mok Cham Hung *(Vice-Chairman) (appointed as Chairman of EXCO with effect from 1 November 2012)*	4	–	–	–	8	1
Chan Wai Leung *(appointed as a member of EXCO with effect from 1 November 2012)*	4	–	–	–	8	–
Li Muk Kam [2]	3	–	–	–	8	1
Philip Chan Sai Kit [2]	3	–	–	–	8	1
Clement Sun [2]	3	–	–	–	8	–
Claudia Heng Nguan Leng [2]	3	–	–	–	8	1
Li Chiu Cheuk [2]	3	–	–	–	8	–
Ng Hon Chung [2]	3	–	–	–	8	–
Non-executive Directors						
Cheung Kwok Wing *(Chairman)*	4	–	–	–	–	–
Chan Wing Kwan	4	3	1	1	–	–
Chang Wing Yiu	4	–	–	–	–	–
Independent Non-executive Directors						
Larry Lai Chong Tuck	4	4	1	1	–	–
Raymond Leung Hai Ming	4	4	1	1	–	1
Stanley Chung Wai Cheong	4	4	1	1	–	1

(1) *Established on 1 November 2012.*

(2) *Resigned as Executive Director and appointed as a member of EXCO both with effect from 1 November 2012.*

BOARD MATTERS (Continued)

Board's Conduct of Its Affairs (Continued)

Principle 1: Effective board to lead and control the company (Continued)

(f) The Board adopts an internal framework whereby a formal letter of appointment is sent to each newly appointed Director explaining his duties and responsibilities as a Director. All newly appointed Directors would 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. All Directors have undergone an induction and orientation programme, as well as training programmes conducted by the Company.

(g) During the period from the date of the last annual report to the date of this Annual Report, Mr. Chadwick Mok Cham Hung, Mr. Chan Wai Leung, Mr. Cheung Kwok Wing, Mr. Chan Wing Kwan, Mr. Chang Wing Yiu, Mr. Larry Lai Chong Tuck, Professor Raymond Leung Hai Ming and Mr. Stanley Chung Wai Cheong have attended a directors' seminar of the Company relating to the amendments to the Hong Kong Code and associated listing rules and statutory disclosure obligation for listed companies to disclose inside information under the new Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong), Hong Kong conducted by our Hong Kong legal advisers, King & Wood Mallesons.

Executive Committee

(h) The current Executive Committee comprises the following members: Mr. Chadwick Mok Cham Hung (Chairman) being the Vice-Chairman and Executive Director, Mr. Chan Wai Leung being an Executive Director, Mr. Li Muk Kam, Mr. Philip Chan Sai Kit, Mr. Clement Sun, Mr. Li Chiu Cheuk, Mr. Ng Hon Chung and Ms. Claudia Heng Nguan Leng being the Company Secretary.

(i) The Board (without abdicating its responsibility) has delegated the management of day-to-day operations of the Group to the Executive Committee. The Executive Committee will keep the Board informed of important issues.

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

 (i) To manage and oversee operation of respective business units within the Group and implement the performance target as set forth in the annual budgeting and forecast;

 (ii) To execute and monitor the Group's strategy and progress of approved investments as directed by the Board;

 (iii) To carry out the Group's operating and capital expenditure budget after obtaining Board approval for expansion guidelines;

 (iv) To formulate policies (after agreement by the Board when appropriate) in relation to the Group's business operations for the Board's consideration and to supervise the management to implement and comply with the laid down policies;

 (v) To assist the Board in executing decisions in respect of compliance with all statutory duties imposed on the Group under the relevant legislations, rules and regulations including, but not limited to, the listing rules of the respective stock exchanges, and other statutory requirements, as appropriate. The Committee members are expected to report to the Board immediately on any critical compliance matters as and when it arises.

(k) The detailed terms of reference for the Executive Committee (referred to in paragraph (j) above) is published on the websites of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), SEHK and the Company, respectively.

Statement on Corporate Governance

BOARD MATTERS (Continued)

Board Composition and Guidance

Principle 2: Strong and independent element on the board

(a) Presently, the Board comprises eight Directors, two 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)*
Chan Wai Leung

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

(b) Pursuant to Code Provision 2.2 (d) of the Singapore Code, Independent Non-executive Directors should make up at least half of the Board as the Chairman is not an Independent Non-executive Director. Presently, the current size of the Independent Non-executive Directors of the Company make up one-third of the Board.

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. To maintain flexibility and at the same time ensure that the Board's functions are discharged effectively, all Independent Non-executive Directors have full access to the Chairman on all matters that require prompt attention. The Board also considers, among other things, the policies and practices that have put in place which provide independent Board oversight.

Accordingly, no additional Independent Non-executive Director would be invited to join the Board for the time being. The Board will review its leadership structure, size and composition together with the Nominating Committee from time to time, and at least annually to ensure an effective decision-making process is in place.

(c) 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.

(d) During the year under review, the non-executive Directors and Independent Non-executive Directors are not appointed for specific terms pursuant to Code Provision A.4.1 of the Hong Kong 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 set out in the Hong Kong Code.

BOARD MATTERS (Continued)

Board Composition and Guidance (Continued)

Principle 2: Strong and independent element on the board (Continued)

(e) The Board examines the independence of its Directors based on the criterion of independence as defined in the Singapore 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, its 10% shareholders[1], 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.

(f) 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.

(g) To facilitate a more effective check on management, non-executive Directors are encouraged to meet regularly without the presence of management.

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

(a) 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.

(b) Pursuant to Code Provision 3.3 (d) of the Singapore Code, the Company would need to appoint a lead independent Director as the Chairman is not an Independent Non-executive Director.

The Board is of opinion that all Independent Non-executive Directors communicate with the Chairman on feedback from executive discussions and as appropriate. In addition, the Independent Non-executive Directors ensure that there is sufficient time for discussion of all agendas items, and review the sending of information to the Board in advance of the Board meeting. The direct communication channel allows actions to be handled more expeditiously and effectively by the Chairman.

Accordingly, the Board opines that a lead independent Director may not be required for the time being. The Board will review and assess the situation jointly with the Nominating Committee from time to time to consider whether a lead independent Director is required.

(c) The Independent Non-executive Directors have met periodically without the presence of the other Directors.

[1] "10% shareholder" (as defined in Principle 2 of the Singapore Code) shall refer to a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the Company. "Voting shares" exclude treasury shares.

Statement on Corporate Governance

BOARD MATTERS (Continued)

Board Membership

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

(a) 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.

(b) 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

(c) The current Nominating Committee comprises the following members: 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, while Mr. Chan Wing Kwan is a Non-executive Director.

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

  (i) evaluating the independence of the Directors on an annual basis, and as and when circumstances require, and being satisfied that 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, its Board Committees and Directors;

  (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;

  (v) the review of the board succession plans for Directors, in particular, the Chairman and the Chief Executive Officer; and

  (vi) the review of training and professional development programs for the Board.

(e) The detailed terms of reference for the Nominating Committee (referred to in paragraph (d) above) is published on the websites of SGX-ST, SEHK and the Company, respectively.

(f) A Director, who holds a full-time position in the Company, should not hold more than 4 directorships in listed companies and a Director, who does not hold a full-time position in the Company, should not hold more than 6 directorships in listed companies.

BOARD MATTERS (Continued)

Nominating Committee (Continued)

(g) 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 Company has in place a comprehensive and detailed process in the selection of new directors, if required. Generally, candidates are first sourced through an extensive network of contacts and identified based on the relevant expertise and knowledge required. After the Chairman and other members of the Nominating Committee have interviewed the candidates, the Nominating Committee would nominate the most suitable candidate to the Board for consideration and appointment.

(h) 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.

(i) In accordance with the Singapore Code, the Hong Kong 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 Wai Leung and Professor Raymond Leung Hai Ming, all of whom are retiring by rotation pursuant to the Articles, 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.

Statement on Corporate Governance

BOARD MATTERS (Continued)

Nominating Committee (Continued)

(j) The profiles of the Directors and their respective shareholdings in the Company and its subsidiary companies are set forth on pages 35 to 36 and 40 to 42 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	26 April 2012	Kingboard
Chan Wing Kwan	Non-executive/ non-independent	13 December 2004	26 April 2012	Kingboard
Chang Wing Yiu	Non-executive/ non-independent	13 December 2004	26 April 2012	Kingboard
Chadwick Mok Cham Hung	Executive/ non-independent	13 December 2004	26 April 2012	Kingboard
Chan Wai Leung	Executive/ non-independent	1 January 2008	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. (Hong Kong stock code: 3311)
Stanley Chung Wai Cheong	Non-executive/ independent	11 April 2011	26 April 2012	Nil

Kingboard – Kingboard Chemical Holdings Limited (Hong Kong stock code: 148)

(k) Save for the abovementioned Independent Non-executive Directors in paragraph (c) above, no other Directors are considered by the Nominating Committee to be independent.

Board Performance

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

(a) The Board has established a formal assessment process which will be carried out annually for evaluation of the performance of the Board by the Nominating Committee and the individual Directors on the basis of the following performance criteria:

(i) Attendance at Board meetings;

(ii) Level of participation at Board meetings and overall commitment;

(iii) Ability to strategise and propose sound business direction; and

(iv) Contribution of specialised knowledge.

BOARD MATTERS (Continued)

Board Performance (Continued)

Principle 5: Formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board (Continued)

(b) 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.

(c) The Nominating Committee has identified a set of performance criteria, which has also been approved by the Board and such performance criteria has to address how the Board has enhanced 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 SGX-ST.

(d) Each Director has been assessed individually and individual evaluation aims to assess whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). The Chairman acts on the results of the performance evaluation, and, in consultation with the Nominating Committee, proposes, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

Access to Information

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

(a) The management provides the Board and its various Board Committees with adequate and timely information and reports, including budgets, forecasts and internal financial statements prior to their respective meetings and on an on-going basis.

(b) The Board has separate and independent access to the Company's 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.

(c) 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 "**Act**"), the SGX-ST rules, the HK Listing Rules and all other regulations applicable to the Company. Under the direction of the Chairman, the joint company secretaries' responsibilities include ensuring good information flows within the Board and its Board Committees and between management and non-executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting professional development.

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

Statement on Corporate Governance

REMUNERATION MATTERS

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

Remuneration Committee

(a) The current Remuneration Committee comprises the following members: 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, while Mr. Chan Wing Kwan is a Non-executive Director.

(b) The Company has adopted the model of remuneration committee as described in Code Provision B.1.2(c)(ii) of the Hong Kong Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration Committee will review and recommend remuneration policies and packages for senior management and the Board. 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.

(c) 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.

(d) The detailed terms of reference for the Remuneration Committee is published on the websites of SGX-ST, SEHK and the Company, respectively.

(e) The Remuneration Committee is also tasked with reviewing the Company's obligations arising in the event of termination of the executive Directors' and senior management contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

(f) 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 and reviewed various remuneration matters, including, among other things, the remuneration packages for all Directors and senior management.

(g) Each member of the Remuneration Committee abstains from voting on any resolution concerning his own remuneration.

REMUNERATION MATTERS (Continued)

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

(a) In setting remuneration packages, the Company will take into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and senior management.

(b) All Independent Non-executive Directors receive director's fees, which is subject to shareholders' approval at each annual general meeting.

(c) Executive Directors do not receive director's fees. The remuneration for the Company's executive Directors and senior management comprise a basic salary component and a variable component which is the discretionary bonus, based on the performance of the Group as a whole and their individual performance.

(d) The annual review of the compensation of Directors and senior management will be carried out by the Remuneration Committee and approved by the Board to ensure their remuneration package is commensurate with their performance, giving due regard to the financial and commercial well-being of the Company.

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

(a) 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. For disclosure of the remuneration of the executive and non-executive Directors and the five top earnings senior management and a breakdown of the fees payable to each Director, please refer to Note 10 to the Financial Statements on pages 88 to 91. The amounts are presented in United States dollars equivalent (exchange rate: US$1 : S$1.2496) instead of Singapore dollars as required under Guideline 9 of the Singapore Code as this Annual Report is prepared in the functional currency of United States dollars.

Employees' Share Option Scheme Committee

(b) 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.

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

(d) No options were granted since the commencement of the Option Scheme or to the end of CY2012 to the Directors, controlling shareholders and eligible employees of the Company and their associates.

(e) Information on the Option Scheme is disclosed on page 43 in the Report of the Directors and pages 108 to 109 in Note 27 to the Financial Statements.

Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT

Accountability

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

(a) 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 on a monthly basis, and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

(b) The Directors acknowledge their responsibilities for preparing the Company's accounts 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 accounts and audited annual accounts. 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 as and when it is warranted but would at least be on a quarterly basis, 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 51 and 52 of this annual report.

Risk Management and Internal Controls

Principle 11: Sound system of risk management and internal controls

(a) 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.

(b) 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.

(c) 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 risk management and 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 and information technology controls, and risk management systems.

(d) The Board has received assurance from the Chief Executive Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances and regarding the effectiveness of the Group's risk management and internal control systems.

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee

Principle 12: Establishment of Audit Committee with written terms of reference

(a) The current Audit Committee comprises the following members: 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, while Mr. Chan Wing Kwan is a Non-executive Director.

(b) The Audit Committee has written terms of reference defining its scope of authority and has full access to the management and resources which are necessary to enable it to discharge its functions properly. During the financial year and up to the date of this Annual 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 so as to ensure the integrity of the financial statements of the Group and any announcement relating to the Group's financial performance;

(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;

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

(viii) reviewed the scope and results of the external audit, and the independence and objectivity of the statutory auditors; and

(ix) made recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the statutory auditors, and approving the remuneration and terms of engagement of the statutory auditors.

(c) The detailed terms of reference for the Audit Committee is published on the websites of SGX-ST, SEHK and the Company, respectively.

(d) 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 2012.

Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

Principle 12: Establishment of Audit Committee with written terms of reference (Continued)

(e) The Audit Committee has undertaken a review of the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. 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, without the presence of management.

(f) 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.

(g) 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	442
Non-audit services	
Tax services	52
Total:	494

The Company has complied with Rules 712 and 715 of the Listing Manual of SGX-ST in the appointment of its statutory auditors.

(h) 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 statutory auditors.

(i) The Audit Committee met four times during the financial year under review. The Vice-Chairman, the Executive Committee members, Company Secretary, Chief Internal Audit Officer, finance manager and the statutory auditors were invited to attend these meetings. The Audit Committee considered and reviewed with management, the Chief Internal Audit Officer and the statutory auditors the following :

a. Significant internal audit observations, risk assessment and management responses thereto; and

b. Planned scope of annual and internal audit plans to ensure that the plans has sufficiently reviewed the internal control system.

In the review of the annual financial statements for the financial year ended 31 December 2012, the Audit Committee has discussed with the management and the statutory auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters as well as their judgment of items that might affect the integrity of the financial statements. Following the review and discussions, the Audit Committee has recommended to the Board the release of the full-year financial statements. The Audit Committee keeps abreast of the latest updates of changes in accounting standards and principles and practices through the quarterly meetings with the statutory auditors.

ACCOUNTABILITY AND AUDIT (Continued)

Internal Audit

Principle 13: Independent internal audit function

(a) The Group has an adequately resourced independent internal audit function to conduct regular review of the systems of internal controls in selected areas 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.

(b) The internal auditors have a direct and primary reporting line to the Chairman of the Audit Committee and the internal auditors would report administratively to the Chief Executive Officer and assist the Board in monitoring and managing business risks and internal controls of the Group. The Audit Committee reviews and approves the internal audit plan at every quarterly meeting or prior to the commencement of the audit. Reports from the internal auditors containing the summary of findings and recommendations for improvements (if any) are tabled and discussed at quarterly meetings by the Audit Committee members. The Audit Committee approves the hiring, removal, evaluation and compensation of the head of the independent internal audit function. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee.

(c) The internal auditors carry out its function according to the standards set by nationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

(d) The Audit Committee has reviewed the effectiveness and adequacy of internal audit function and is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Group.

Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT (Continued)

Shareholder Rights

Principle 14: Facilitate the exercise of shareholders' rights

Procedures for shareholders to convene Extraordinary General Meetings and Annual General Meetings

(a) Pursuant to the Articles

An annual general meeting shall be called by notice of not less than twenty-one clear days or twenty clear business days (whichever is longer) and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one clear days or ten clear business days (whichever is longer). All other extraordinary general meetings may be called by notice of not less than fourteen clear days and not less than ten clear business days (whichever is longer), provided always that a general meeting notwithstanding that it has been called by a shorter notice than that specified above, shall be deemed to have been duly called if it is so agreed (a) in the case of an annual general meeting by all the members entitled to attend and to vote thereat; and (b) in the case of an extraordinary general meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all the members having a right to vote thereat. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the general meeting is to be held. Every notice calling a general meeting shall specify the place and the day and the hour of meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint more than one proxy to attend and vote instead of him and that a proxy need not be a Member of the Company and be given in manner hereinafter mentioned to such persons as are under the provisions of these Articles entitled to receive notices of general meetings from the Company. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen clear business days' notice of every such meeting shall be given by advertisement in the daily press and in writing to the SGX-ST and the SEHK, and in the case of any annual general meeting or any extraordinary general meeting at which it is proposed to pass a special resolution, at least twenty-one clear business days' notice in writing of such annual general meeting or extraordinary general meeting shall be given to the SGX-ST and the SEHK. For the avoidance of doubt, "business day" shall mean any day on which the SGX-ST and the SEHK is open for business of dealing in securities. The accidental omission to give such notice to, or the non-receipt of such notice by, any such person shall not invalidate the proceedings or any resolution passed at any such meeting.

(b) Pursuant to the Act

(i) Convening of an extraordinary general meeting on requisition

(a) the Directors of the Company, notwithstanding anything in its Articles, shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10% of such of the paid-up capital as at the date of the deposit carries the right of voting at general meetings immediately proceed duly to convene an extraordinary general meeting of the company to be held as soon as practicable but in any case not later than 2 months after the receipt by the Company of the requisition.

(b) The requisition shall state the objects of the meeting and shall be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

ACCOUNTABILITY AND AUDIT (Continued)

Shareholder Rights (Continued)

Principle 14: Facilitate the exercise of shareholders' rights (Continued)

Procedures for shareholders to convene Extraordinary General Meetings and Annual General Meetings (Continued)

(c) If the Directors do not within 21 days after the date of the deposit of the requisition proceed to convene a meeting the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by Directors convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from that date.

(d) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors to convene a meeting shall be paid to the requisitionists by the Company, and any sum so paid shall be retained by the company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

(e) A meeting at which a special resolution is to be proposed shall be deemed not to be duly convened by the Directors if they do not give such notice thereof as is required by the Act in the case of special resolutions.

(ii) Calling of meetings

(a) Two or more members holding not less than 10% of the total number of issued shares of the Company (excluding treasury shares) may call a meeting of the Company.

(b) A meeting of a Company or of a class of members, other than a meeting for the passing of a special resolution, shall be called by notice in writing of not less than 14 days or such longer period.

(c) A meeting shall, notwithstanding that it is called by notice shorter than is required by paragraph (ii)(b), be deemed to be duly called if it is so agreed:

(i) In the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; or

(ii) In the case of any other meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority which together holds not less than 95% of the total voting rights of all the members having a right to vote at that meeting.

Procedures for shareholders to propose a person for election as a director

As regards the procedures for shareholders to propose a person for election as a Director at any general meeting, please refer to the procedures made available under the section of "Directors of the Company" of the Company's website at http://www.eleceltek.com.

Statement on Corporate Governance

ACCOUNTABILITY AND AUDIT (Continued)

Shareholder Rights (Continued)

Principle 14: Facilitate the exercise of shareholders' rights (Continued)

Procedures for directing shareholders' enquiries to the Board

(a) Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Singapore Registered Office
80 Raffles Place
#33-00 UOB Plaza 1
Singapore 048624

Hong Kong Office
1/F., Harbour View 1
No. 12 Science Park East Avenue
Phase II Hong Kong Science Park
Shatin, New Territories, Hong Kong

Fax: (852) 2954 3140

email : ir@eleceltek.com

(b) Shareholders may also make enquiries with the Board at the general meetings of the Company.

Company Secretary, Investor Relations and Communication with Shareholders

(a) Ms. Claudia Heng Nguan Leng and Ms. Marian Ho Wui Mee, being the Company's joint company secretaries, have confirmed that, for the year under review, they have taken no less than 15 hours of relevant professional training.

(b) 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.

(c) During the year under review, there is no change in the Company's constitutional documents.

Principle 15: Regular, effective and fair communication with shareholders

(a) The Board is mindful of its obligation to provide timely and fair disclosure of material information to its shareholders. Quarterly, half-yearly and annual financial statements, annual reports, circulars and other announcements are released through SGXNET and SEHK, and annual reports and circulars are sent to all shareholders by post. The information is also available on the Company's website (http://www.eleceltek.com).

(b) 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.

(c) The Company discloses information in compliance with the listing rules, and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.

(d) Notices of shareholders' meetings will be despatched to shareholders as well as 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.

ACCOUNTABILITY AND AUDIT (Continued)

Company Secretary, Investor Relations and Communication with Shareholders (Continued)

Principle 15: Regular, effective and fair communication with shareholders (Continued)

(e) All resolutions in shareholders' meetings have been voted by poll, and the detailed results showing the number of votes cast for and against each resolution and their respective percentages have been communicated to the shareholders and posted on the websites of the Company, SEHK and SGX-ST accordingly.

(f) Throughout the above measures, the Company endeavours to communicate with the investment community and provide them with the latest development of the Group.

Principle 16: Engage greater shareholder participation at Annual General Meeting

(a) 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.

(b) The statutory auditors and the members of the Audit Committee, Nominating Committee, and/or Remuneration Committee will normally be available at shareholders' meetings to assist the Directors in addressing any queries by shareholders at the meetings.

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

(d) 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 allows a shareholder to vote in absentia such as voting via mail, e-mail or facsimile.

(e) The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda for the meeting, and responses from the Board and management, and these minutes are made available to shareholders upon their request.

(f) At the annual general meeting of the Company held on 26 April 2012 ("**CY2011 AGM**"), the Chairman did not attend the CY2011 AGM pursuant to Code Provision E.1.2 of the Hong Kong Code. The Chairman delegated the duty of attending the CY2011 AGM to the Vice-Chairman, Mr. Chadwick Mok Cham Hung, being an executive Director of the Company. Mr. Mok has served as the Chief Executive Officer for many years and was able to answer and address questions raised by shareholders at the CY2011 AGM. Notwithstanding the aforesaid deviation, 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 Hong Kong Code.

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 Rules 907 and 920(1)(a)(i) of the Listing Manual of SGX-ST is disclosed in the section "Interested Person Transactions" on pages 113 to 114.

Statement on Corporate Governance

CONTINUING CONNECTED TRANSACTIONS

Details of continuing connected transactions for the financial year ended 31 December 2012 which fall under Chapter 14A of the HK Listing Rules are set out in the section headed "Continuing Connected Transactions" on page 48 in this Annual Report.

INTERNAL CODE ON DEALING IN SECURITIES

(a) The Company has adopted the code of conduct regarding securities transactions by the Directors and relevant employees (as defined in the Hong Kong Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 of the HK Listing Rules. A copy of the internal memorandum is circulated to each director and relevant employees, at least 30 days and 60 days respectively before the date of the board meeting to approve the Company's quarterly results and annual results, with a reminder that the Directors and relevant employees cannot deal in the securities of the Company until after such results have been published.

(b) Directors and officers are also prohibited from dealing in the Company's securities when they are in possession of unpublished inside or price sensitive information of the Group. Directors and officers are also advised not to deal in the Company's securities for short term considerations and they are expected to observe insider trading laws at all times.

(c) Following specific enquiry made by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct throughout the year ended 31 December 2012.

NON-COMPETE UNDERTAKINGS

(a) 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. Appropriate compliance procedures have been established by the Company to minimize the effect of any actual or potential business competition.

(b) 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 for the year ended 31 December 2012 and has not entered into any transaction with the intent to breach the terms of the Deed during the abovementioned year; and

    (2) The Company has complied with the Corporate Governance Report as described in Appendix 14 of the HK Listing Rules for the year ended 31 December 2012.

(c) There was no new business investment and other merger and acquisition opportunity being deliberated, accepted or declined by the Company for the year ended 31 December 2012.

On behalf of the Board

Chadwick Mok Cham Hung
Vice-Chairman

Chan Wai Leung
Director

26 February 2013

Profiles of Board of Directors and Core Management

EXECUTIVE DIRECTORS

Mr. Chadwick Mok Cham Hung (莫湛雄), aged 48, is our Vice-Chairman, Chief Executive Officer 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 holds a Master of Arts Degree in Electrical and Information Engineering from the University of Cambridge and a Master in Business Administration Degree with distinction from Imperial College, the University of London. He also participated in the financial services industry for over 11 years. 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. He was appointed as the chairman of our Executive Committee formed on 1 November 2012. 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. Chan Wai Leung (陳偉樑), aged 40, 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 currently responsible for the overall management of the laminate plant in Shenzhen and the printed circuit board ("**PCB**") fabrication plant in Yangzhou, the People's Republic of China ("**PRC**"). 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 was involved in advanced electronic engineering design in Canada. He was appointed as a member of our Executive Committee formed on 1 November 2012. 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.

NON-EXECUTIVE DIRECTORS

Mr. Cheung Kwok Wing (張國榮), aged 57, 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 one of the co-founders of Kingboard. Mr. Cheung was the chairman and director of Kingboard Copper Foil Holdings Limited ("**KBCF**") which is the subsidiary of Kingboard listed on the Singapore Exchange Securities Trading Limited up to 3 January 2012. 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 had over 13 years' experience in the sales and distribution of electronic components including laminates prior to the establishment of the Kingboard Group. He 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-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 67, 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 one of the co-founders of Kingboard and a non-executive director and chief consultant of Kingboard since January 2011. Prior to that, Mr. Chan has been the executive director of Kingboard since 1993. Mr. Chan had been the managing director of KBCF up to 11 January 2011. Mr. Chan obtained a degree of Doctor of Business Science from Pacific Western University L.A. in 1993. Prior to the establishment of the Kingboard Group, Mr. Chan had over 22 years' experience in the sales and distribution of electronic components, industrial chemicals and PCBs. Mr. Chan is a member of our Audit Committee, Remuneration Committee, Nominating Committee and Employees' Share Option Scheme Committee. Mr. Chan is the father of Mr. Chan Wai Leung and the father-in-law of Mr. Chadwick Mok Cham Hung, both are our executive Directors.

Profiles of Board of Directors and Core Management

Mr. Chang Wing Yiu (鄭永耀), aged 46, 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 23 years' experience in laminates production. Mr. Chang graduated from the Hong Kong Polytechnic University with a higher diploma in marine electronics. He is a member of our Employees' Share Option Scheme Committee. Mr. Chang is the brother-in-law of Mr. Cheung Kwok Wing, an executive director of Kingboard, our non-executive Director and our Chairman.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Larry Lai Chong Tuck (黎忠德), aged 56, 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.

Professor Raymond Leung Hai Ming (梁海明), aged 58, 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**"), 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. 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 of Hong Kong Limited ("**SEHK**") (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 43, 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 19 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.

EXECUTIVE COMMITTEE MEMBERS

Mr. Li Muk Kam (李木金), aged 53, is a member of our Executive Committee. He had originally served as our executive Director since 18 January 2005. In preparation towards the compliance of Rule 3.10A of the Rules Governing the Listing of Securities on SEHK whereby an issuer must appoint independent non-executive directors representing at least one-third of the board by 31 December 2012 (the "**HK Listing Rule 3.10A**"), Mr. Li had offered to resign and relinquished his duties as executive Director on 1 November 2012 and was appointed as a member of our Executive Committee on the same day. Mr. Li joined our Group in December 1982 and has served in various senior positions in different operations such as manufacturing, marketing & sales and corporate strategy, finance and administration. He is currently responsible for business development function 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 51, is a member of our Executive Committee. He had originally served as our executive Director since 18 January 2005. In preparation towards the compliance of the HK Listing Rule 3.10A, Mr. Chan had offered to resign and relinquished his duties as executive Director on 1 November 2012 and was appointed as a member of our Executive Committee on the same day. Mr. Chan joined our Group in June 1989 and has served as Head-Regional Sales of various regions. He is currently responsible for 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 53, is a member of our Executive Committee. He had originally served as our executive Director since 15 January 2007. In preparation towards the compliance of the HK Listing Rule 3.10A, Mr. Sun had offered to resign and relinquished his duties as executive Director on 1 November 2012 and was appointed as a member of our Executive Committee on the same day. Mr. Sun joined our Group in October 1983 and served in various senior positions in the Group's manufacturing operations in Hong Kong and PRC. He is currently responsible for the overall operational management of Hong Kong, Guangzhou and Thailand manufacturing facilities. Mr. Sun obtained a Diploma in Production and Industrial Engineering from The Hong Kong Polytechnic University in 1980 and a Master Degree in Business Administration from the Bulacan State University, Republic of the Philippines in 2006.

Ms. Claudia Heng Nguan Leng (王玩玲), aged 58, is a member of our Executive Committee. She had originally served as our executive Director since 17 July 1995. In preparation towards the compliance of the HK Listing Rule 3.10A, Ms. Heng had offered to resign and relinquished her duties as executive Director on 1 November 2012 and was appointed as a member of our Executive Committee on the same day. Ms. Heng joined our Group in October 1994 and 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.

Profiles of Board of Directors and Core Management

Mr. Li Chiu Cheuk (李超卓), aged 53, is a member of our Executive Committee. He had originally served as our executive Director since 1 January 2008. In preparation towards the compliance of the HK Listing Rule 3.10A, Mr. Li had offered to resign and relinquished his duties as executive Director on 1 November 2012 and was appointed as a member of our Executive Committee on the same day. Mr. Li joined our Group in November 1986 and has served in various senior positions in the Group's manufacturing operations in Hong Kong and PRC. He is currently responsible for the overall operational management of the PCB fabrication plant in Yangzhou 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. Ng Hon Chung (吳漢鐘), aged 55, is a member of our Executive Committee. He had originally served as our executive Director since 1 May 2010. In preparation towards the compliance of the HK Listing Rule 3.10A, Mr. Ng had offered to resign and relinquished his duties as executive Director on 1 November 2012 and was appointed as a member of our Executive Committee on the same day. Mr. Ng joined our Group in May 1979 and has served in various senior positions in the Group's manufacturing operations in Hong Kong and PRC. He is currently responsible for the overall operational management of the PCB fabrication and laminate plants in Kaiping site. Mr. Ng obtained a Master of Science Degree in Manufacturing Systems Engineering from the University of Warwick in 1995.

Mr. Chadwick Mok Cham Hung and Mr. Chan Wai Leung are also the chairman and a member of our Executive Committee respectively. Further details of their biographical details are set out under the paragraph headed "Executive Directors" above.

SENIOR MANAGEMENT

Ms. Anna Cheung Po King (張寶琼), aged 51, 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.

JOINT COMPANY SECRETARIES

Ms. Marian Ho Wui Mee (何韋鄘), aged 45, 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 Committee Members" 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 2012.

DIRECTORS

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

Executive Directors:

Chadwick Mok Cham Hung *(Vice-Chairman)*	
Chan Wai Leung	
Li Muk Kam	(resigned on 1 November 2012)
Philip Chan Sai Kit	(resigned on 1 November 2012)
Clement Sun	(resigned on 1 November 2012)
Claudia Heng Nguan Leng	(resigned on 1 November 2012)
Li Chiu Cheuk	(resigned on 1 November 2012)
Ng Hon Chung	(resigned on 1 November 2012)

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

In accordance with Article 95(2) and 95(4) of the Company's Articles of Association, Mr. Cheung Kwok Wing, being the non-executive director, Mr. Chan Wai Leung, being the executive director and Professor Raymond Leung Hai Ming, being the independent non-executive director, will retire from directorship by rotation and will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Pursuant to a resolution passed by the board of directors on 1 November 2012, the Company established an executive committee to supervise the day-to-day management of the Group. The chairman of the executive committee is Mr. Chadwick Mok Cham Hung. Other members of the executive committee include Mr. Chan Wai Leung, Mr. Li Muk Kam, Mr. Philip Chan Sai Kit, Mr. Clement Sun, Ms. Claudia Heng Nguan Leng, Mr. Li Chiu Cheuk and Mr. Ng Hon Chung.

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.

Report of the Directors

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 31.12.2012**	**At 31.12.2011**	**At 31.12.2012**	**At 31.12.2011**
The Company				
Long position				
(Ordinary shares)				
Cheung Kwok Wing	1,507,200	1,507,200	–	–
Chadwick Mok Cham Hung	1,120,200	1,120,200	–	–
Chan Wai Leung	52,000	52,000	–	–
Li Muk Kam(1)	N/A	1,803,876	N/A	–
Philip Chan Sai Kit(1)	N/A	724,481	N/A	–
Clement Sun(1)	N/A	110,000	N/A	–
Claudia Heng Nguan Leng(1)	N/A	480,800	N/A	–
Li Chiu Cheuk(1)	N/A	10,000	N/A	–
Ng Hon Chung(1)	N/A	60,000	N/A	–
Chan Wing Kwan	1,334,000	1,010,000	40,000	40,000
Chang Wing Yiu	486,600	486,600	–	–
Larry Lai Chong Tuck	25,000	25,000	–	–
Kingboard				
Long position				
(Ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	2,753,225	3,673,175	–	–
Chan Wing Kwan	1,789,250	1,850,250	60,000	60,000
Chang Wing Yiu	3,397,074	3,397,074	718,200	718,200
Chadwick Mok Cham Hung	2,830,000	2,830,000	210,000	110,000
Chan Wai Leung	90,000	55,000	500	500
Philip Chan Sai Kit(1)	N/A	28,000	N/A	–

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 31.12.2012	At 31.12.2011	Shareholdings in which directors are deemed to have an interest At 31.12.2012	At 31.12.2011
Kingboard (Options to subscribe for unissued ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	2,800,000	2,800,000	–	–
Chang Wing Yiu	2,600,000	2,600,000	–	–
Chadwick Mok Cham Hung	2,600,000	2,600,000	–	–
Chan Wai Leung	2,440,000	2,440,000	–	–
Kingboard (Warrants to subscribe for unissued ordinary shares of HK$0.10 each[2])				
Cheung Kwok Wing	–	165,222	–	–
Chan Wing Kwan	–	72,025	–	6,000
Chang Wing Yiu	–	267,707	–	67,820
Chadwick Mok Cham Hung	–	181,000	–	1,000
Kingboard Laminates Holdings Limited (fellow subsidiary) Long position (Ordinary shares of HK$0.10 each)				
Cheung Kwok Wing	675,500	453,500	–	–
Chan Wing Kwan	300,000	–	100,000	100,000
Chang Wing Yiu	–	–	100,000	100,000
Chadwick Mok Cham Hung	–	–	60,000	60,000
Chan Wai Leung	90,000	60,000	–	–
Li Muk Kam[1]	N/A	117,500	N/A	20,000
Philip Chan Sai Kit[1]	N/A	52,500	N/A	–
Clement Sun[1]	N/A	30,000	N/A	–
Li Chiu Cheuk[1]	N/A	–	N/A	20,000
Ng Hon Chung[1]	N/A	20,000	N/A	–
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	10,000,000
Chan Wai Leung	9,000,000	9,000,000	–	–

Report of the Directors

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 31.12.2012	At 31.12.2011	Shareholdings in which directors are deemed to have an interest At 31.12.2012	At 31.12.2011
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	–	–
Kingboard Laminates Limited (fellow subsidiary)				
Long position (Non-voting deferred shares of HK$1.00 each[3])				
Cheung Kwok Wing	1,904,400	1,904,400	–	–
Chan Wing Kwan	1,481,200	1,481,200	–	–
Chang Wing Yiu	423,200	423,200	–	–

(1) These directors resigned from their directorship on 1 November 2012.

(2) All outstanding warrants expired on 31 October 2012.

(3) None of the non-voting deferred shares of Kingboard Laminates Limited are held by the group of Kingboard. Such deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of Kingboard Laminates Limited, and have practically no rights to dividends or to participate in any distribution on winding up.

Between the end of the financial year and 21 January 2013, Mr. Cheung Kwok Wing's and Mr. Chan Wing Kwan's direct interest in Kingboard increased to 2,915,725 and 1,820,250 ordinary shares respectively due to an open market acquisition of 162,500 and 31,000 ordinary shares respectively 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 2013.

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.

SHARE OPTIONS

(a) Options to take up unissued shares

The 2008 Elec & Eltek Employees' 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 2008 Scheme is administered by the Employees' Share Option Scheme Committee whose members are:

Cheung Kwok Wing
Chan Wing Kwan
Chang Wing Yiu

(b) Unissued shares under option and option exercised

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted and there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

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;

Report of the Directors

AUDIT COMMITTEE (Continued)

(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 has undertaken a review of all the non-audit services provided by the statutory auditors, and concluded that in their opinion, such services did 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.

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.

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 2012 are set out in Note 20 to the Financial Statements.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 53.

An interim dividend of US9 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 US11 cents per ordinary share to the Company's shareholders whose names appear on the register of members of the Company on 6 May 2013, 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 7 May 2013 to 8 May 2013 for the purpose of determining the shareholders' entitlements to the dividends to be proposed at the AGM of the Company to be held on 22 April 2013.

RESULTS AND DIVIDENDS (Continued)

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 25 April 2013 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 6 May 2013 will be entitled to such proposed dividend.

INVESTMENT PROPERTIES

The Group's investment properties were revalued as at 31 December 2012, resulting in an increase in fair value of approximately US$3,398,000 which has been credited directly to profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Expenditure of approximately US$32,355,000 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 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 2012, 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:

Report of the Directors

SUBSTANTIAL SHAREHOLDERS (Continued)

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	3,651,000	1.95%
Jamplan (BVI) Limited ("**Jamplan**")	Interest in controlled corporation (Note 3)	128,714,165	68.86%
Kingboard	Interest in controlled corporation (Note 4)	128,714,165	68.86%
	Beneficial owner	1,018,000	0.54%
Hallgain Management Limited ("**HML**")	Interest in controlled corporation (Note 5)	129,732,165	69.40%
Value Partners Limited ("**VPL**")	Beneficial owner (Note 6)	13,071,000	6.99%
Value Partners Hong Kong Limited ("**VPHK**")	Interest in controlled corporation (Note 7)	13,071,000	6.99%
Value Partners Group Limited ("**VPGL**")	Interest in controlled corporation (Note 7)	13,071,000	6.99%
Cheah Capital Management Limited ("**CCML**")	Interest in controlled corporation (Note 7)	13,071,000	6.99%

SUBSTANTIAL SHAREHOLDERS (Continued)

Name of shareholder	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Cheah Company Limited ("**CCL**")	Interest in controlled corporation (Note 7)	13,071,000	6.99%
Hang Seng Bank Trustee International Limited ("**HSBTIL**")	Interest in controlled corporation (Note 7)	13,071,000	6.99%
To Hau Yin	Interest in controlled corporation (Note 7)	13,071,000	6.99%
Cheah Cheng Hye	Interest in controlled corporation (Note 7)	13,071,000	6.99%

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 3,651,000 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.

4. The entire issued share capital of Jamplan is owned by Kingboard. Kingboard is deemed to have an interest in 128,714,165 Shares which Jamplan is deemed to have an interest in, under the provisions of the SFO.

5. Approximately 34.09% of the issued share capital of Kingboard is owned by HML. HML is deemed to have an interest in 1,018,000 Shares held by Kingboard and 128,714,165 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 2012.

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**")	734	1,014
Sharing of office space and office expenses - Fees payable by the Kingboard Group to the Group	108	600
Purchase of machineries and equipment from the Kingboard Group	6,707	28,586
Sale and purchase of goods and services - Purchases of materials from the Kingboard Group	133,791	244,412
Sale and purchase of goods and services - Goods sold to the Kingboard Group	10,834	36,963

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 2012 as announced by the Group.

Deloitte Touche Tohmatsu Hong Kong 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. Deloitte Touche Tohmatsu Hong Kong has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this report 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 consolidated statement of changes in equity on pages 56 to 57.

At 31 December 2012, the retained earnings of the Group amounted to approximately US$226,678,000.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2012.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group by itself and together with the next four largest customers accounted for approximately 11.6% and 40.5%, 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 27.7% and 44.1%, 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 Wai Leung
Director

26 February 2013

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 53 to 112 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 2012 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 Wai Leung
Director

26 February 2013

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 2012, 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 53 to 112.

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 statement 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 2012 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

26 February 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	NOTE	THE GROUP 2012 US$'000	2011 US$'000
Revenue		**530,144**	612,456
Cost of sales		**(458,060)**	(512,415)
Gross profit		**72,084**	100,041
Other operating income and gains	6	**8,222**	14,859
Distribution and selling costs		**(14,605)**	(16,811)
Administrative expenses		**(23,675)**	(25,025)
Other operating expenses and losses		**(2,829)**	(15,901)
Finance costs	7	**(1,516)**	(1,404)
Profit before taxation		**37,681**	55,759
Income tax expense	8	**(2,626)**	(4,002)
Profit for the year	9	**35,055**	51,757
Other comprehensive income (expense):			
Exchange differences on translation of foreign operations		**335**	1,098
Exchange differences reclassified to profit or loss upon disposal of subsidiary companies		**(88)**	–
Revaluation surplus of properties transferred to investment properties		**21**	89
Other comprehensive income for the year		**268**	1,187
Total comprehensive income for the year		**35,323**	52,944
Profit attributable to:			
Owners of the Company		**34,765**	51,223
Non-controlling interests		**290**	534
		35,055	51,757
Total comprehensive income attributable to:			
Owners of the Company		**35,033**	52,410
Non-controlling interests		**290**	534
		35,323	52,944
		United States cents	United States cents
Earnings per share:	12		
– basic		**18.60**	27.42
– diluted		**18.60**	27.41

See accompanying notes to financial statements

Statements of Financial Position
As at 31 December 2012

	NOTE	THE GROUP 2012 US$'000	THE GROUP 2011 US$'000	THE COMPANY 2012 US$'000	THE COMPANY 2011 US$'000
ASSETS					
Current assets					
Cash and bank balances	13	**43,076**	57,307	**53**	15
Trade receivables	14	**122,558**	132,535	**–**	–
Bills receivables	14	**5,029**	6,512	**–**	–
Other receivables	15	**22,021**	29,118	**4,701**	1
Prepaid land use rights	18	**456**	242	**–**	–
Dividend receivables		**–**	–	**–**	7,100
Inventories	16	**40,774**	45,814	**–**	–
Total current assets		**233,914**	271,528	**4,754**	7,116
Non-current assets					
Property, plant and equipment	17	**333,590**	350,879	**1**	4
Prepaid land use rights	18	**14,140**	14,698	**–**	–
Deposits for acquisition of plant and equipment		**688**	918	**–**	–
Investment properties	19	**28,941**	25,500	**–**	–
Subsidiary companies	20	**–**	–	**432,906**	362,819
Deferred tax assets	25	**166**	612	**–**	–
Total non-current assets		**377,525**	392,607	**432,907**	362,823
Total assets		**611,439**	664,135	**437,661**	369,939

	NOTE	THE GROUP 2012 US$'000	THE GROUP 2011 US$'000	THE COMPANY 2012 US$'000	THE COMPANY 2011 US$'000
LIABILITIES AND EQUITY					
Current liabilities					
Bank overdrafts and loans	21	**46,766**	59,336	**–**	–
Trade payables	22	**109,345**	106,979	**–**	–
Bills payables	22	**1,485**	10,777	**–**	–
Other payables	23	**34,227**	36,219	**5,124**	1,773
Amounts due to subsidiary companies	24	**–**	–	**234,371**	180,468
Provision for taxation		**1,213**	953	**–**	–
Total current liabilities		**193,036**	214,264	**239,495**	182,241
Non-current liabilities					
Bank loans	21	**40,553**	67,285	**–**	–
Deferred tax liabilities	25	**1,391**	1,896	**–**	–
Total non-current liabilities		**41,944**	69,181	**–**	–
Capital, reserves and non-controlling interests					
Share capital	26	**113,880**	113,880	**113,880**	113,880
Reserves		**252,656**	256,876	**84,286**	73,818
Equity attributable to owners of the Company		**366,536**	370,756	**198,166**	187,698
Non-controlling interests		**9,923**	9,934	**–**	–
		376,459	380,690	**198,166**	187,698
Total liabilities and equity		**611,439**	664,135	**437,661**	369,939

See accompanying notes to financial statements

Statements of Changes In Equity

For the year ended 31 December 2012

	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 (Note v)	Share option reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
THE GROUP												
Balance at 1 January 2011	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)	–	–	–	–	–	–	–	–	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
Profit for the year	–	–	–	–	–	–	34,765	–	–	34,765	290	35,055
Revaluation of properties transferred to investment properties	–	–	–	–	21	–	–	–	–	21	–	21
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	335	–	335	–	335
Exchange reserve reclassified to profit or loss upon disposal of subsidiary companies	–	–	–	–	–	–	–	(88)	–	(88)	–	(88)
Release upon disposal of subsidiary companies	–	–	–	(1,743)	–	–	1,743	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(1,743)	21	–	36,508	247	–	35,033	290	35,323
Transfer from retained earnings to statutory reserve	–	–	–	167	–	–	(167)	–	–	–	–	–
Dividends paid (Note 11)												
– in respect of previous financial year	–	–	–	–	–	–	(22,430)	–	–	(22,430)	(301)	(22,731)
– in respect of current financial year	–	–	–	–	–	–	(16,823)	–	–	(16,823)	–	(16,823)
Balance at 31 December 2012	**113,880**	**–**	**1,916**	**5,345**	**2,277**	**166**	**226,678**	**16,274**	**–**	**366,536**	**9,923**	**376,459**

Notes:

(i) Capital reserve represents amounts transferred from share option reserve upon the exercise of share options.

(ii) Statutory reserve represents amounts set aside by subsidiary companies operating in the People's Republic of China (the "**PRC**") and Thailand for declaration of dividends as required under the laws of the PRC and Thailand. As disclosed in Note 33 to the consolidated financial statements, the Company has disposed its entire interest of one of the wholly-owned laminate subsidiary companies in Thailand. Accordingly, the statutory reserve contributed by this subsidiary company was reclassified to retained earnings at the date of disposal.

(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.

(v) Exchange reserve of the disposed subsidiary company has been reclassified to profit or loss at the date of disposal.

	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 2011	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
Profit and total comprehensive income for the year	–	–	–	49,721	–	49,721
Dividends paid (Note 11)						
– in respect of previous financial year	–	–	–	(22,430)	–	(22,430)
– in respect of current financial year	–	–	–	(16,823)	–	(16,823)
Balance at 31 December 2012	**113,880**	**–**	**1,916**	**82,370**	**–**	**198,166**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	NOTE	2012 US$'000	2011 US$'000
OPERATING ACTIVITIES			
Profit before taxation		**37,681**	55,759
Adjustments for:			
Allowance for doubtful debts		**1,469**	771
Finance costs		**1,516**	1,404
Depreciation of property, plant and equipment		**44,402**	43,782
Amortisation of prepaid land use rights		**348**	242
Loss on disposal of property, plant and equipment		**11**	3,340
Impairment loss recognised in respect of property, plant and equipment		**1,656**	4,710
Impairment loss recognised in respect of inventories		**200**	3,326
Claim compensation		**–**	(8,028)
Gain on fair value change of investment properties		**(3,398)**	(3,383)
Gain on disposal of subsidiary companies	33	**(1,267)**	–
(Reversal of) allowance for inventory obsolescence		**(686)**	298
Share-based payment expense		**–**	1
Interest income		**(393)**	(491)
Operating income before movements in working capital		**81,539**	101,731
Decrease in inventories		**5,526**	8,627
Decrease in trade and other receivables		**15,331**	3,912
Increase in trade and other payables		**1,559**	5,094
Net cash generated from operations		**103,955**	119,364
Interest income received		**393**	491
Interest paid		**(1,664)**	(1,609)
Income taxes paid		**(2,389)**	(4,569)
NET CASH FROM OPERATING ACTIVITIES		**100,295**	113,677
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**17**	2,634
Purchase of property, plant and equipment		**(28,477)**	(66,471)
Deposits paid for acquisition of property, plant and equipment		**(3,486)**	(11,068)
Net cash outflow on disposal of subsidiary companies	33	**(3,904)**	–
Acquisition of prepaid land use rights		**–**	(111)
Purchase of investment properties		**–**	(617)
NET CASH USED IN INVESTING ACTIVITIES		**(35,850)**	(75,633)

	NOTE	2012 US$'000	2011 US$'000
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**27,801**	89,110
Repayment of bank borrowings		**(67,101)**	(62,949)
Dividends paid by the Company		**(39,253)**	(74,739)
Dividends paid by subsidiary companies to non-controlling shareholders		**(301)**	(16)
Proceeds from issue of shares		**–**	571
NET CASH USED IN FINANCING ACTIVITIES		**(78,854)**	(48,023)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(14,409)**	(9,979)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**57,305**	66,906
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCES OF CASH HELD IN FOREIGN CURRENCIES, NET		**180**	378
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**43,076**	57,305
CASH AND CASH EQUIVALENTS CONSIST OF			
Fixed deposits	13	**10,480**	16,781
Cash at bank and on hand	13	**32,596**	40,526
		43,076	57,307
Bank overdrafts - unsecured	21	**–**	(2)
		43,076	57,305

See accompanying notes to financial statements

Notes to the Financial Statements

For the year ended 31 December 2012

1. GENERAL

Elec & Eltek International Company Limited (Singapore Company 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 and the Main Board of The Stock Exchange of Hong Kong Limited ("**SEHK**"). 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 the People's Republic of China (the "**PRC**"), Hong Kong and Thailand.

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 2012, the Group's net current assets and total assets less current liabilities amounted to US$40,878,000 (2011: US$57,264,000) and US$418,403,000 (2011: US$449,871,000) 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 2012 were authorised for the issue by the Board of Directors on 26 February 2013.

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 and Singapore Financial Reporting Standards ("**FRS**").

Adoption of new and revised standards

On 1 January 2012, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("**INT FRS**") that are effective from that date and are relevant to its operations. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

Adoption of new and revised standards (Continued)

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.

- *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 2014, and the Group is currently estimating extent of additional disclosures needed.

- *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.

  The disclosure requirements in FRS 113 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under FRS 107 "Financial Instruments: Disclosures" will be extended by FRS 113 to cover all assets and liabilities within its scope.

  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.

Notes to the Financial Statements

For the year ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting (Continued)

Adoption of new and revised standards (Continued)

- *FRS 113 Fair value measurement* (Continued)

  The management anticipates that the application of FRS 113 may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

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 into line with those used by other members of the Group.

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

Non-controlling interests in subsidiary companies are identified separately from the Group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation 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 company 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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

Notes to the Financial Statements
For the year ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

- 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.

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".

Financial assets

All financial assets are recognised and derecognised on a trade date 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, bills 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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 2012

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 bills 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 in accordance with the Group's accounting policy for borrowing costs (see below).

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

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 smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets (Continued)

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation increase.

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 27. 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.

Notes to the Financial Statements

For the year ended 31 December 2012

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.

Rental income is recognised on a straight-line basis over the term of the relevant lease agreement.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income 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.

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. Except for investment properties measured using the fair value model 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.

Notes to the Financial Statements
For the year ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment properties is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodies in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions and translation (Continued)

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.

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

There are no 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.

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:

Notes to the Financial Statements

For the year ended 31 December 2012

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

Key sources of estimation uncertainty (Continued)

(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 2012 was US$333,590,000 (2011: US$350,879,000). 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$28,941,000 (2011: US$25,500,000) 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 ageing analysis of accounts and on management's judgement. The allowances as at 31 December 2012 amounted to US$7,100,000 (2011: US$5,669,000). 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 2012 are US$122,558,000 and US$5,029,000 (2011: US$132,535,000 and US$6,512,000) respectively.

(iv) Allowance for inventory obsolescence

The management of the Group reviews an ageing 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 2012 amounted to US$2,167,000 (2011: US$3,978,000). 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 2012 is US$40,774,000 (2011: US$45,814,000).

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

Key sources of estimation uncertainty (Continued)

(v) Investment in subsidiaries

In the Company's financial statements, investment in subsidiaries is carried at cost less impairment loss. Determining whether investments in subsidiaries are impaired requires an estimation of the higher of fair values less costs to sell or the value in use of those investments. The fair values less costs to sell require the Company to estimate the fair values of the subsidiaries or their underlying assets. Where there are no active markets for the assets, management has to exercise judgement in estimating the fair values of these assets.

During the year, the Company carried out a review of the recoverable amount of the investment in subsidiaries having regard to the existing performance of the relevant subsidiaries and management is satisfied that no impairment is required. The carrying amount at the end of the reporting period is disclosed in Note 20.

(vi) 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 2012 is US$1,213,000 (2011: US$953,000). The Group's deferred tax assets and deferred tax liabilities at 31 December 2012 are US$166,000 (2011: US$612,000) and US$1,391,000 (2011: US$1,896,000), respectively.

(vii) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the Group's investment property portfolio and concluded that, while the Group's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation arising from investment properties located in Hong Kong, the management has determined that the presumption that investment properties measured using the fair value model are recovered through sale is not rebutted.

For the Group's investment properties located in the PRC, the management concluded that they are depreciable, and being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation arising from investment properties located in the PRC, the management has determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted. The potential deferred tax impact to the Group is immaterial and no deferred tax liability arising from the change in fair value of investment properties located in the PRC was recognised at the end of the reporting period.

Changes in the management assessment could impact whether the Group rebuts the presumption to recover the investment properties measured under fair value model through sale, and therefore future deferred tax charge could be revised.

Notes to the Financial Statements

For the year ended 31 December 2012

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	
	2012 US$'000	2011 US$'000	**2012 US$'000**	2011 US$'000
Financial assets				
Loans and receivables (including cash and bank balances)	**191,355**	223,516	**4,754**	7,116
Financial liabilities				
Amortised cost	**206,009**	256,359	**234,371**	180,468
Financial guarantee contracts	**—**	—	**4,995**	1,661

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.

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	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
USD	**–**	8	**9**	243	**–**	–	**–**	–
HKD	**74,944**	104,572	**572**	7,871	**25**	28	**–**	–
RMB	**70,353**	64,787	**59,009**	54,739	**–**	–	**–**	–
SGD	**77**	109	**33**	4	**77**	84	**33**	4
GBP	**36**	7	**31**	32	**–**	–	**–**	–
EUR	**299**	621	**571**	2,971	**–**	–	**–**	–
JPY	**210**	1,905	**232**	–	**–**	–	**–**	–
THB	**5,863**	14,881	**10,129**	19,810	**–**	–	**–**	–
TWD	**4**	23	**30**	23	**–**	–	**–**	–
MYR	**16**	9	**85**	12	**–**	–	**–**	–

The following table details 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	
	2012	2011
	US$'000	US$'000
United States Dollars	**(598)**	(541)

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2012

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

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 2012 would decrease/increase by US$542,000 (2011: decrease/increase by US$596,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Credit risk management

Credit risk is the risk that counterparties are unable to meet their obligations resulting in financial loss to the Group 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 29.

Liquidity risk management

The Group's and the Company'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.

The amount due to subsidiary companies are payable at the sole discretion of the directors of the Company.

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.

	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							
2012							
Bank overdrafts and loans	**1.53**	**37,540**	**9,623**	**41,840**	**89,003**	**(1,684)**	**87,319**
Trade and other payables	**–**	**114,035**	**4,655**	**–**	**118,690**	**–**	**118,690**
		151,575	**14,278**	**41,840**	**207,693**	**(1,684)**	**206,009**
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
THE COMPANY							
2012							
Amount due to subsidiary companies	**–**	**234,371**	**–**	**–**	**234,371**	**–**	**234,371**
2011							
Amount due to subsidiary companies	–	180,468	–	–	180,468	–	180,468

The maximum amount that the Company could be forced to settle under the financial guarantee contract as disclosed in Note 23, if the full guaranteed amount is claimed by the counterparty to the guarantee, is US$4,995,000 (2011: US$1,661,000). The earliest period that the guarantee could be called is within 1 year (2011: 1 year) from the end of the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2012

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							
2012							
Cash and bank balances	**0.79**	**43,161**	**–**	**–**	**43,161**	**(85)**	**43,076**
Trade and other receivables	**–**	**147,728**	**551**	**–**	**148,279**	**–**	**148,279**
		190,889	**551**	**–**	**191,440**	**(85)**	**191,355**
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

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							
2012							
Cash and bank balances	–	**53**	–	–	**53**	–	**53**
Trade and other receivables	–	**4,701**	–	–	**4,701**	–	**4,701**
		4,754	–	–	**4,754**	–	**4,754**
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

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, bills receivables, amounts due to subsidiary companies, bank overdrafts, trade and other payables, bills payables and interest bearing loans and borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Capital risk management policies and objectives

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the 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.

Notes to the Financial Statements

For the year ended 31 December 2012

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.

Trading transactions

The significant transactions, which are also connected transactions as defined in the listing rules of SEHK, between the Group and its related companies and the effects of these transactions on terms agreed among the companies are as follows:

	THE GROUP	
	2012 US$'000	2011 US$'000
Income		
Sales to related companies	**(10,834)**	(22,555)
Rental income from non-controlling shareholder of a subsidiary	**(1,817)**	(1,913)
Sharing of office space and office expenses received from related companies	**(108)**	(179)
Expenses		
Purchases from related companies	**140,498**	168,821
Sharing of office space and office expenses paid to related companies	**734**	813

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 2012 US$'000	THE GROUP 2011 US$'000
Directors (Note 10)		
Salaries, bonuses and other costs	**4,312**	4,228
Provident fund and other defined contributions	**71**	75
	4,383	4,303
Key management executives (Note)		
Salaries, bonuses and other costs	**403**	949
Provident fund and other defined contributions	**18**	38
	421	987

Note: Key management executives included four employees who resigned as directors of the Company and appointed as members of the Executive Committee since 1 November 2012. The respective remuneration paid to these four employees since 1 November 2012 were included in remuneration paid to key management executives reported above.

6. OTHER OPERATING INCOME AND GAINS

	THE GROUP 2012 US$'000	THE GROUP 2011 US$'000
Interest income	**393**	491
Gain on disposal of subsidiary companies (Note 33)	**1,267**	–
Rental income from investment properties	**2,972**	2,574
Gain on fair value changes of investment properties	**3,398**	3,383
Claim compensation	**–**	8,028
Others	**192**	383
	8,222	14,859

Notes to the Financial Statements

For the year ended 31 December 2012

7. FINANCE COSTS

	THE GROUP	
	2012	2011
	US$'000	US$'000
Interest on bank loans	**1,664**	1,609
Less: Amounts capitalised	**(148)**	(205)
	1,516	1,404

8. INCOME TAX EXPENSE

	THE GROUP	
	2012	2011
	US$'000	US$'000
Current tax:		
Singapore income tax	**3**	5
PRC enterprise income tax	**1,618**	2,661
Hong Kong income tax	**515**	634
Other jurisdictions	**177**	364
	2,313	3,664
(Over)underprovision in prior year		
PRC enterprise income tax	**(142)**	(17)
Hong Kong income tax	**–**	17
	(142)	–
Deferred tax for the year	**455**	338
	2,626	4,002

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.

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. In 2012, two subsidiaries in the PRC obtained official endorsement as a High-New Technology Enterprise. The Company had another three subsidiaries obtained official endorsement as a High-New Technology Enterprise during 2009 and 2010 and such endorsement expired in 2012.

In addition, the Company's subsidiary company in Thailand is 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.

8. INCOME TAX EXPENSE (Continued)

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

	THE GROUP	
	2012	2011
	US$'000	US$'000
Profit before taxation	**37,681**	55,759
Tax charge at the domestic income tax rate of 25% (Note)	**9,420**	13,940
Tax effect of expenses not deductible for tax purposes	**1,968**	5,103
Tax effect of income not taxable for tax purpose	**(2,525)**	(2,230)
Overprovision in previous years	**(142)**	–
Tax effect of tax holiday and exemptions	**(1,841)**	(374)
Tax effect of tax losses not recognised	**3,489**	2,537
Utilisation of tax losses previous not recognised	**(861)**	(1,149)
Effect of different tax rates of subsidiaries operating in other jurisdictions/areas other than the PRC	**(7,317)**	(14,133)
Withholding tax	**435**	315
Others	**–**	(7)
Tax charge for the year	**2,626**	4,002

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 2012

9. PROFIT FOR THE YEAR

	THE GROUP	
	2012	2011
	US$'000	US$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments		
– Remuneration	**4,267**	4,199
– Fees	**45**	29
– Contributions to defined contribution plans	**71**	75
Staff costs (excluding directors' emoluments)		
– Salaries and employees benefits	**79,993**	77,730
– Contributions to defined contribution plans	**2,690**	2,434
Depreciation of property, plant and equipment	**44,402**	43,782
Amortisation of prepaid land use rights	**348**	242
Statutory auditor's emoluments		
– Audit fees paid to auditors	**442**	446
– Non-audit fees paid to auditors	**52**	108
Share-based payment expense	**–**	1
Loss on disposal of property, plant and equipment	**11**	3,340
Impairment losses recognised in respect of property, plant and equipment and inventories (Note 1 and 2)	**1,856**	8,036
Allowance for doubtful debts	**1,469**	771
Redundancy costs (Note 2)	**227**	–
Listing expenses (Note 3)	**–**	5,000
(Reversal of) allowance for inventory obsolescence	**(686)**	298
(Gain) loss on foreign exchange	**(74)**	28

9. PROFIT FOR THE YEAR (Continued)

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 laminate production plants 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 loss from flooding	8,036

The losses on the damaged property, plant and equipment and inventories, were covered by the comprehensive insurance plan of the Group (see also Note 6). In 2011, the Group claimed 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 was 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.

The affected subsidiary company was disposed on 1 September 2012 (Note 33). The purchaser has agreed to waive the rights of recourse in respect of the insurance claims.

Note 2: The Group had consolidated its production in Nanjing into the newer Yangzhou plant during 2012. Certain plant and equipment, inventories and employees of the Nanjing plant were transferred to the Yangzhou plant, and the Nanjing plant was closed down.

The plant and equipment and inventories in Nanjing plant, which were not transferred to the Yangzhou plant, amounting to US$1,656,000 and US$200,000 respectively, were fully impaired in 2012. The employees who were not prepared to relocate are laid off in stages and further redundancy costs of US$227,000 were recognised for the year ended 31 December, 2012.

Note 3: In 2011, the Company's shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited. The listing expenses included fees of US$364,000 paid/payable to the auditors.

Notes to the Financial Statements

For the year ended 31 December 2012

10. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

	Year ended 31 December 2012														
	Cheung Kwok Wing US$'000	Chadwick Mok Cham Hung US$'000	Li Muk Kam US$'000 (Note)	Philip Chan Sai Kit US$'000 (Note)	Clement Sun US$'000 (Note)	Claudia Heng Nguan Leng US$'000 (Note)	Li Chiu Cheuk US$'000 (Note)	Chan Wai Leung US$'000	Ng Hon Chung US$'000 (Note)	Chan Wing Kwan US$'000	Chang Wing Yiu US$'000	Larry Lai Chong Tuck US$'000	Stanley Chung Wai Cheong US$'000	Raymond Leung Hai Ming US$'000	Total US$'000
Fees	–	–	–	–	–	–	–	–	–	–	–	15	15	15	45
Other emoluments:															
Salaries and other benefits	–	293	235	217	196	173	180	166	186	–	–	–	–	–	1,646
Performance related incentive payment*	–	1,714	65	77	84	20	–	503	123	–	–	13	5	17	2,621
Contributions to defined contribution retirement benefit plans	–	15	11	10	9	5	5	8	8	–	–	–	–	–	71
Total emoluments	–	2,022	311	304	289	198	185	677	317	–	–	28	20	32	4,383

Note: The directors resigned and appointed as members of the Executive Committee on 1 November 2012.

* 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)

	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*	–	1,762	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 appointed during 2011.

* 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 2012

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

Number of Directors in remuneration bands

	THE GROUP	
	2012 (Note)	2011
US$400,115[1] and above	**2**	1
US$200,057[2] to US$400,114[2]	**–**	7
Below US$200,057	**3**	3
	5	11

[1] Equivalent to S$500,000

[2] Equivalent to S$250,000 to S$499,999

Note: Excluded the directors who resigned and appointed as members of the Executive Committee during 2012.

Mr. Chadwick Mok Cham Hung is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

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.

The five highest paid employees in the Group, included 2 directors (2011: 5 directors) of the Company for both years. The details of the emoluments paid to the remaining 3 individuals (2011: nil) were as follows:

	THE GROUP	
	2012 US$'000	2011 US$'000
Salaries and other benefits	**756**	–
Performance related incentive payments	**264**	–
Contributions to retirement benefits scheme	**35**	–
	1,055	–

The emoluments disclosed above include the remaining 3 highest paid individuals who resigned as directors and appointed as members of the Executive Committee during the year.

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

Number of Directors in remuneration bands (Continued)

Their emoluments were within the following bands:

	THE GROUP	
	2012 No. of employees	2011 No. of employees
US$322,252[1] to US$386,703[1]	**3**	–

[1] Equivalent to HK$2,500,001 to HK$3,000,000

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 US$40,013 (equivalent to S$50,000) was related to the Chairman, the Chief Executive Officer or any other Director of the Company.

11. DIVIDENDS

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

	THE GROUP AND THE COMPANY	
	2012 US$'000	2011 US$'000
In respect of previous financial year		
Ordinary dividend:		
– Final one-tier tax exempt dividend for 2011 of United States 12.0 cents (2010: United States 25.0 cents) per share	**22,430**	46,711
In respect of current financial year		
Ordinary dividend:		
– Interim one-tier tax exempt dividend for 2012 of United States 9.0 cents (2011: United States 15.0 cents) per share	**16,823**	28,028

The Directors have recommended a one-tier tax exempt final dividend of United States 11 cents (2011: 12.0 cents) per share amounting to US$20,561,000 (2011: US$22,430,000) 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.

Notes to the Financial Statements

For the year ended 31 December 2012

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	
	2012	2011
	US$'000	US$'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	**34,765**	51,223
	2012	2011
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**186,920**	186,825
Effect of dilutive potential ordinary shares on share options	**—**	48
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**186,920**	186,873

13. CASH AND BANK BALANCES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Fixed deposits	**10,480**	16,781	**—**	—
Cash at bank and on hand	**32,596**	40,526	**53**	15
	43,076	57,307	**53**	15

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 0.79% (2011: 0.77%) per annum and for a tenure of less than three months.

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	
	2012 US$'000	2011 US$'000	**2012 US$'000**	2011 US$'000
Denominated in:				
Euro	**318**	2,862	**—**	—
Hong Kong Dollars	**389**	4,412	**—**	—
Chinese Renminbi	**20,417**	24,430	**—**	—
Singapore Dollars	**33**	3	**33**	3
United States Dollars	**9**	243	**—**	—
Thailand Baht	**3,116**	9,543	**—**	—
Great Britain Pound	**31**	15	**—**	—
New Taiwan Dollar	**30**	9	**—**	—
Japanese Yen	**219**	—	**—**	—
Malaysian Ringgit	**83**	10	**—**	—

14. TRADE AND BILLS RECEIVABLES

	THE GROUP	
	2012 US$'000	2011 US$'000
Trade receivables:		
– Third parties	**126,446**	134,289
– Related companies	**3,212**	3,915
Less: Allowance for doubtful debts	**(7,100)**	(5,669)
Total trade receivables	**122,558**	132,535
Bills receivables	**5,029**	6,512

The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date, which is also approximate the dates when revenue were recognised, at the end of the reporting period:

	THE GROUP	
	2012 US$'000	2011 US$'000
Within 90 days	**111,953**	114,462
91 to 180 days	**10,054**	17,071
Over 180 days	**551**	1,002
	122,558	132,535

Notes to the Financial Statements

For the year ended 31 December 2012

14. TRADE AND BILLS RECEIVABLES (Continued)

An allowance has been made for estimated irrecoverable amounts from the sales of goods to third parties of US$7,100,000 (2011: US$5,669,000). 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 (2011: 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$20.3 million (2011: US$22.2 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 87 days (2011: 83 days).

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

	THE GROUP	
	2012 US$'000	2011 US$'000
Over due by 1 to 90 days	**19,938**	22,082
Over due by 91 to 180 days	**354**	131
	20,292	22,213

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	
	2012 US$'000	2011 US$'000
Balance at beginning of the financial year	**5,669**	5,691
Currency realignment	**9**	9
Amounts written off during the financial year	**(47)**	(802)
Increase in allowance recognised in profit or loss	**1,469**	771
Balance at end of the financial year	**7,100**	5,669

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:

	2012 US$'000	2011 US$'000
Denominated in:		
Chinese Renminbi	22,950	12,965
Hong Kong Dollars	6	3,304
Euro	253	104
Thailand Baht	5,949	7,325

15. OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Deposits	1,374	2,721	—	—
Prepaid expenses	1,329	1,956	—	—
Other tax refundable*	11,336	13,517	—	—
Claim receivable	—	8,028	—	—
Consideration receivables from the disposal of subsidiary companies (note 33)	3,305	—	3,305	—
Others	4,677	2,896	1,396	1
	22,021	29,118	4,701	1

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

The consideration receivables from the disposal of subsidiary companies together with other receivables included in others amounting to US$3.3 million and US$1.4 million respectively, have been settled by the purchaser on 19 February 2013.

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	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Denominated in:				
Euro	—	5	—	—
Hong Kong Dollars	177	155	—	—
Chinese Renminbi	15,642	17,344	—	—
Singapore Dollars	—	1	—	1
Thailand Baht	1,064	2,942	—	—
Great Britain Pound	—	17	—	—
New Taiwan Dollar	—	14	—	—
Japanese Yen	13	—	—	—
Malaysian Ringgit	2	2	—	—

Notes to the Financial Statements

For the year ended 31 December 2012

16. INVENTORIES

	THE GROUP	
	2012	2011
	US$'000	US$'000
Raw materials	**12,934**	14,284
Work-in-progress	**18,718**	17,682
Finished goods	**9,122**	13,848
	40,774	45,814

The cost of inventories recognised as an expense of US$458.1 million (2011: US$512.4 million) includes US$0.7 million in respect of reversal of allowance for inventory obsolescence (2011: provision of inventory obsolescence US$0.3 million). The reversal of the allowance for inventories obsolescence 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 2011	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
Currency realignment	–	–	–	965	546	129	5,419	31	–	7,090
Reclassifications	–	–	–	32,956	851	–	1,015	–	(34,822)	–
Additions	–	–	–	16,253	493	101	14,999	142	367	32,355
Revaluation of property upon transfer to investment properties	–	–	–	21	–	–	–	–	–	21
Transfer to investment properties	–	–	–	(59)	–	–	–	–	–	(59)
Disposals	–	–	–	(4)	(1,471)	(123)	(11,894)	(327)	–	(13,819)
Disposal of subsidiary companies	(828)	(2,173)	–	–	(1,629)	–	(4,761)	–	(2,716)	(12,107)
At 31 December 2012	6,961	5,156	12,186	154,271	58,216	10,030	523,353	2,190	15,362	787,725
ACCUMULATED DEPRECIATION AND IMPAIRMENT										
At 1 January 2011	–	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
Currency realignment	–	–	–	470	420	106	5,300	22	–	6,318
Charge for the financial year	–	72	216	2,517	4,391	224	36,816	166	–	44,402
Impairment loss recognised in profit or loss	–	–	–	–	–	–	1,656	–	–	1,656
Transfer to investment properties	–	–	–	(16)	–	–	–	–	–	(16)
Disposals	–	–	–	(4)	(1,450)	(122)	(11,888)	(327)	–	(13,791)
Disposal of subsidiary companies	–	(1,540)	–	–	(1,547)	–	(4,712)	–	–	(7,799)
At 31 December 2012	–	4,261	3,992	26,534	39,770	9,615	368,077	1,886	–	454,135
CARRYING AMOUNTS										
At 31 December 2012	6,961	895	8,194	127,737	18,446	415	155,276	304	15,362	333,590
At 31 December 2011	7,789	1,600	8,410	80,572	21,470	516	177,670	319	52,533	350,879

Notes to the Financial Statements

For the year ended 31 December 2012

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture and fixtures US$'000	Office equipment US$'000	Total US$'000
THE COMPANY			
COST			
At 1 January 2011, 31 December 2011 and 31 December 2012	25	87	112
ACCUMULATED DEPRECIATION			
At 1 January 2011	22	80	102
Charge for the financial year	2	4	6
At 31 December 2011	24	84	108
Charge for the financial year	1	2	3
At 31 December 2012	25	86	111
CARRYING AMOUNT			
At 31 December 2012	—	1	1
At 31 December 2011	1	3	4

Details of the freehold and leasehold properties held by the Group as at 31 December 2012 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
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$148,000 (2011: US$205,000) 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 1.53% (2011: 1.34%).

18. PREPAID LAND USE RIGHTS

	THE GROUP US$'000
COST	
At 1 January 2011	17,478
Currency realignment	14
Additions	111
At 31 December 2011	17,603
Currency realignment	5
At 31 December 2012	17,608
ACCUMULATED AMORTISATION	
At 1 January 2011	2,419
Currency realignment	2
Amortisation during the year	242
At 31 December 2011	2,663
Currency realignment	1
Amortisation during the year	348
At 31 December 2012	3,012
CARRYING AMOUNT	
At 31 December 2012	14,596
At 31 December 2011	14,940

	THE GROUP	
	2012 US$'000	2011 US$'000
Current	**456**	242
Non-current	**14,140**	14,698
	14,596	14,940

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

19. INVESTMENT PROPERTIES

	THE GROUP	
	2012 US$'000	2011 US$'000
At fair value		
Balance at beginning of the financial year	**25,500**	21,300
Addition during the financial year	**–**	617
Gain on fair value change included in profit or loss	**3,398**	3,383
Transfer from property, plant and equipment	**43**	200
Balance at end of the financial year	**28,941**	25,500

Notes to the Financial Statements

For the year ended 31 December 2012

19. INVESTMENT PROPERTIES (Continued)

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 2012 and 31 December 2011 have been determined on the basis of valuation carried out at the respective year end date by independent valuer, Roma Appraisals Limited (Note) (2011: Roma Appraisals Limited) having a 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$2,972,000 (2011: US$2,574,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties are US$600,000 (2011: US$387,000).

In both years, the Group leased 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 properties at the date of transfer is US$43,000 (2011: US$200,000). The gain on revaluation, amounting to US$21,000 (2011: US$89,000), was credited to the revaluation reserve directly.

Details of investment properties held by the Group as at 31 December 2012 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

19. INVESTMENT PROPERTIES (Continued)

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

	THE GROUP	
	2012	2011
	US$'000	US$'000
Land in Hong Kong:		
Medium-term lease	**4,979**	4,344
Land in the PRC:		
Medium-term lease	**23,962**	21,156
	28,941	25,500

Note: The address of Roma Appraisals Limited is Unit 3806, 38/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

20. SUBSIDIARY COMPANIES

	THE COMPANY	
	2012	2011
	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	**8,681**	3,311
Amounts due from subsidiary companies	**401,498**	336,781
	432,906	362,819

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.

Notes to the Financial Statements
For the year ended 31 December 2012

20. SUBSIDIARY COMPANIES (Continued)

Details of the principal subsidiary companies at 31 December 2012 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		Principal activities
			2012 %	2011 %	
^ 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
^ 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
ß Elec & Eltek (Thailand) Limited	Thailand	Baht780,000,000	**100.0**	100.0	Manufacturing and distribution of PCBs
% Elec & Eltek Company (Macao Commercial Offshore) Limited 依利安達(澳門離岸商業服務)有限公司	Macao	MOP1,081,300	**100.0**	100.0	Trading of PCBs and provision of sales and marketing services
^ 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

20. SUBSIDIARY COMPANIES (Continued)

The carrying value of the investment in the subsidiary company disposed during the year is US$1 (Note 33).

@ 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 Enterprise.

[2] These companies were established in the PRC in the form of Sino-Foreign Joint Venture.

21. BANK OVERDRAFTS AND LOANS

	THE GROUP	
	2012 US$'000	2011 US$'000
Unsecured:		
Bank loans	**87,319**	125,690
Trust receipts loan	**—**	929
USD bank overdrafts	**—**	2
	87,319	126,621
Comprising amounts falling due:		
– within one year	**46,766**	59,336
– more than one year	**40,553**	67,285
	87,319	126,621

	THE GROUP	
	2012 US$'000	2011 US$'000
Carrying amount repayable*:		
Within one year	**46,766**	57,477
More than one year, but not exceeding two years	**36,490**	41,543
More than two years, but not more than five years	**4,063**	27,601
	87,319	126,621
Less: Amount due within one year shown under current liabilities	**(46,766)**	(57,477)
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)
Amount shown under non-current liabilities	**40,553**	67,285

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

Notes to the Financial Statements
For the year ended 31 December 2012

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	
	2012 US$'000	2011 US$'000
Denominated in:		
Hong Kong Dollars	**66,884**	95,508
Japanese Yen	**—**	931

The effective interest rate of bank overdrafts in 2011 was 0.99% 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 1.53% (2011: 1.34%) per annum. The interest rates of these floating rate loans reprice at 0.9% to 2.38% (2011: 0.5% to 1.75%) 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$300,000,000 at any time;

(ii) a consolidated gearing ratio and consolidated interest cover ratio at a level of not higher than 85% and not less than 18 times, respectively at all time; and

(c) negative pledges from the Company.

The Group has complied 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 value of the Group's borrowings approximates their carrying amount.

22. TRADE AND BILLS PAYABLES

	THE GROUP	
	2012 US$'000	2011 US$'000
Third parties	**63,397**	64,009
Related companies	**45,948**	42,970
Total trade payables	**109,345**	106,979
Bills payables	**1,485**	10,777

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.

22. TRADE AND BILLS PAYABLES (Continued)

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	THE GROUP	
	2012 US$'000	2011 US$'000
Within 90 days	89,442	85,585
91 to 180 days	15,248	19,682
Over 180 days	4,655	1,712
	109,345	106,979

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

	2012 US$'000	2011 US$'000
Denominated in:		
Hong Kong Dollars	3,991	4,373
Chinese Renminbi	54,224	52,036
Euro	214	519
Japanese Yen	210	971
Singapore Dollars	—	6
Thailand Baht	3,755	10,896
Great Britain Pound	36	—

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

23. OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Accrued expenses	26,367	24,237	129	112
Financial guarantee contracts	—	—	4,995	1,661
Other payables	7,860	11,982	—	—
	34,227	36,219	5,124	1,773

Notes to the Financial Statements
For the year ended 31 December 2012

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	
	2012 US$'000	2011 US$'000	**2012 US$'000**	2011 US$'000
Denominated in:				
Chinese Renminbi	**16,129**	12,751	**—**	—
Euro	**85**	102	**—**	—
Hong Kong Dollars	**4,069**	4,691	**25**	—
Japanese Yen	**—**	3	**—**	—
Singapore Dollars	**77**	103	**77**	84
United States Dollars	**—**	8	**—**	—
Thailand Baht	**2,108**	3,985	**—**	—
Great Britain Pound	**—**	7	**—**	—
New Taiwan Dollar	**4**	23	**—**	—
Malaysian Ringgit	**16**	9	**—**	—

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	
	2012 US$'000	2011 US$'000
Amounts due to subsidiary companies		
Denominated in:		
Hong Kong Dollars	**—**	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	
	2012 US$'000	2011 US$'000
Deferred tax assets	**166**	612
Deferred tax liabilities	**(1,391)**	(1,896)

25. DEFERRED TAXATION (Continued)

Deferred tax assets

	Excess of tax written down value over carrying amount of property, plant and equipment US$'000
THE GROUP	
At 1 January 2011	1,047
Currency realignment	77
Charge to profit or loss for the year	(512)
At 31 December 2011	612
Currency realignment	24
Charge to profit or loss for the year	(470)
At 31 December 2012	166

Deferred tax liabilities

	Excess of carrying amount of property plant and and equipment over tax written down value US$'000	Undistributed earnings US$'000	Total US$'000
THE GROUP			
At 1 January 2011	(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)
Currency realignment	12	—	12
Credit (charge) to profit or loss for the year	402	(387)	15
Utilised during the year	—	478	478
At 31 December 2012	(30)	(1,361)	(1,391)

At the end of the reporting period, the Group has unutilised tax losses of US$36.8 million (2011: US$$26.0 million) available for offset against future profits. Included in the unutilised tax losses are tax losses of US$35.9 million, (2011: US$25.3 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.

Notes to the Financial Statements

For the year ended 31 December 2012

26. SHARE CAPITAL

	THE GROUP AND THE COMPANY			
	2012		2011	
	No. of shares	**US$'000**	No. of shares	US$'000
Issued and fully paid:				
At the beginning of the year	**186,919,962**	**113,880**	187,429,962	114,665
Exercise of share options	**—**	**—**	238,000	571
Cancellation of treasury shares	**—**	**—**	(748,000)	(1,356)
At the end of the year	**186,919,962**	**113,880**	186,919,962	113,880

As at the end of the reporting period, the Company has a total of 186,919,962 (2011: 186,919,962) issued ordinary shares excluding treasury shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and has no par value.

As at the end of the financial year, there are no options outstanding (2011: Nil) 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.

27. 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 12 November 2011 without affecting the rights of holders of any options granted and outstanding under the 2002 Scheme.

In 2008, 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.

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.

27. SHARE-BASED PAYMENTS (Continued)

The Company did not grant any share option under the 2008 Scheme in 2011 and 2012.

In respect of 238,000 share options under the 2002 Scheme exercised in 2011, the weighted average share price at the dates of exercise is US$3.23. The Group recognised total expenses of US$1,000 related to share based payment transactions during the year ended 31 December 2011.

28. 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$2,761,000 (2011: US$2,509,000) represents contributions payable to these plans by the Group at rates specified in the rules of the respective plans.

29. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2012 US$'000	2011 US$'000	**2012 US$'000**	2011 US$'000
(i) Bank guarantees given to third parties (unsecured)*	**763**	750	**—**	—
(ii) Corporate guarantees given by the Company to secure bank credit facilities granted to subsidiary companies (unsecured)*	**—**	—	**466,481**	452,912

* 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.

30. CAPITAL COMMITMENTS

	THE GROUP	
	2012 US$'000	2011 US$'000
Capital expenditure not provided for in the financial statements:		
Commitments in respect of contracts placed for plant expansion	**21,416**	48,843

Notes to the Financial Statements

For the year ended 31 December 2012

31. OPERATING LEASES ARRANGEMENT

The Group as lessee

	THE GROUP	
	2012 US$'000	2011 US$'000
Minimum lease payments under operating leases recognised as an expense in the current year	**507**	816

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

	THE GROUP	
	2012 US$'000	2011 US$'000
Within one year	**251**	310
In two to five years	**88**	181
Total	**339**	491

Operating lease payments represent rental payable by the Group for some of its office properties and leases are negotiated for an average of two years.

The Group as lessor

The Group rents outs its investment properties in the PRC and Hong Kong under operating leases. Property rental income earned during the year was US$2,972,000 (2011: US$2,574,000). 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	
	2012 US$'000	2011 US$'000
Within one year	**2,359**	2,737
In the second to fifth years inclusive	**7,047**	3,661
	9,406	6,398

32. 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	
	2012 US$'000	2011 US$'000	**2012 US$'000**	2011 US$'000
Asia				
The PRC (including Hong Kong)	**272,037**	356,437	**354,366**	359,991
South East Asia	**104,341**	124,865	**23,159**	32,616
Others	**24,326**	11,604	**—**	—
	400,704	492,906	**377,525**	392,607
Europe	**79,774**	80,513	**—**	—
North and Central America	**47,244**	35,665	**—**	—
Rest of the World	**2,422**	3,372	**—**	—
	530,144	612,456	**377,525**	392,607

Revenue by product

The sales analysis by product is provided below:

	2012 US$'000	2011 US$'000
2- to 6-Layer	**278,079**	346,888
8-Layer & above	**125,448**	130,356
HDI	**112,000**	98,293
Laminates and others	**14,617**	36,919
	530,144	612,456

Notes to the Financial Statements
For the year ended 31 December 2012

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

Information about major customers

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

	2012 US$'000	2011 US$'000
Customer A*	—	62,706
Customer B#	**61,496**	—
Customer C#	**58,749**	—

* Revenue from this customer is less than 10% of the Group's revenue in 2012.

Revenue from these customers are less than 10% of the Group's revenue in 2011.

33. DISPOSALS OF SUBSIDIARY COMPANIES

On 1 September 2012, the Company disposed its entire shareholding in the wholly-owned subsidiary company, Elec & Eltek Thai (Singapore) No. 2 Pte. Ltd., which owned the entire shareholding of Pacific Insulating Material (Thailand) Limited.

Details of disposal were as follows:

	US$'000
Cash received in cash and cash equivalents	3,305
Book value of net assets over which control was lost	
Cash and bank balances	3,904
Trade and other receivables	4,762
Property, plant and equipment	4,308
Trade and other payables	(10,848)
Net assets derecognised	2,126
Gain on disposal of subsidiary companies	
Deferred consideration	3,305
Net assets derecognised	(2,126)
Cumulative exchange differences in respect of the net assets of the subsidiary companies reclassified from equity to profit or loss upon disposal	88
Gain on disposal	1,267
Net cash outflow arising on disposal	
Cash and cash equivalent balances disposed of	(3,904)

The deferred consideration has been settled in cash by the purchaser on 19 February 2013.

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

For the year ended 31 December 2012, there were no material differences between the consolidated financial statements of the Group prepared under FRSs and IFRSs.

Interested Persons Transactions

The amount of interested persons transactions to be disclosed pursuant to Rules 907 and 920(1)(a)(i) of the Listing Manual of the Singapore Exchange Securities Trading Limited for the financial year ended 31 December 2012 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	**2012**	2011	**2012**	2011
Purchases of plant and equipment				
Chung Shun Laminates (Macao Commercial Offshore) Limited	**—**	8,665	**6,630**	—
廣東駿好建築工程有限公司	**—**	388	**77**	—
	—	9,053	**6,707**	—
Purchases of goods and services				
Chung Shun Copper Foil (Macao Commercial Offshore) Limited	**—**	—	**—**	41,087
Chung Shun Laminates (Macao Commercial Offshore) Limited	**—**	—	**93,716**	77,431
Elec & Eltek Corporate Services Limited	**681**	752	**—**	—
Heng Yang Kingboard Chemical Co., Ltd.	**—**	—	**4,506**	5,296
Hong Kong Fibre Glass Company Limited	**—**	—	**8,045**	2,908
Huizhou Chung Shun Chemical Company Limited	**—**	—	**732**	1,024
Jiangmen Kingboard High-tech Company Limited	**—**	—	**10,736**	12,012
Joyful Source Group Limited	**53**	61	**—**	—
Kingfai (Lian Zhou) Electronic Materials Company Ltd.	**—**	—	**16,037**	19,967
Techwise (Macao Commercial Offshore) Circuits Limited	**—**	—	**17**	35
Top Faith P.C.B. Company Limited	**—**	—	**2**	8
	734	813	**133,791**	159,768

Interested Persons Transactions

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	**2012**	2011	**2012**	2011
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**	41	**—**	—
Elec & Eltek Display Technology Limited	**67**	138	**—**	—
Express Electronics Limited	**—**	—	**2,208**	4,778
Express Electronics (Suzhou) Co. Ltd.	**—**	—	**48**	133
Jiangmen Glory Faith P.C.B. Company Limited	**—**	—	**1,337**	2,768
Shenzhen Wing Fung P.C. Board Company Limited	**—**	—	**5**	50
Techwise (Macao Commercial Offshore) Circuits Limited	**—**	—	**6,112**	8,639
Top Faith P.C.B. Company Limited	**—**	—	**1,124**	3,183
	108	179	**10,834**	19,978

Statistics of Shareholdings

As at 28 February 2013

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	157	5.90	49,673	0.03
1,000 - 10,000	1,996	75.01	7,395,244	3.96
10,001 - 1,000,000	500	18.79	21,670,163	11.59
1,000,001 and above	8	0.30	157,804,882	84.42
Total	**2,661**	**100.00**	**186,919,962**	**100.00**

As at 28 February 2013, 22.19% 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	Direct Interest No. of shares	Deemed Interest No. of shares
Hallgain Management Limited ("**HML**") (1)	—	129,732,165
Kingboard Chemical Holdings Limited ("**Kingboard**") (2)	1,018,000	128,714,165
Jamplan (BVI) Limited ("**Jamplan**") (3)	—	128,714,165
Kingboard Investments Limited ("**KIL**") (4)	3,651,000	125,063,165
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)	—	11,144,500
To Hau Yin (6)	—	11,144,500
Hang Seng Bank Trustee International Limited ("**HSBTIL**") (6)	—	11,144,500
Cheah Company Limited ("**CCL**") (6)	—	11,144,500
Cheah Capital Management Limited ("**CCML**") (6)	—	11,144,500
Value Partners Group Limited ("**VPGL**") (6)	—	11,144,500
Value Partners Hong Kong Limited ("**VPHK**") (6)	—	11,144,500
Value Partners Limited ("**VPL**") (7)	—	11,144,500

(1) HML's deemed interest arises from its 34.28% 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 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.

(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 28 February 2013

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%[1]
1	Elec & Eltek International Holdings Limited	90,741,550	48.55
2	Elitelink Holdings Limited	34,321,615	18.36
3	HKSCC Nominees Limited	21,450,436	11.48
4	Kingboard Investments Limited	3,601,000	1.93
5	Raffles Nominees (Pte) Ltd	2,591,598	1.39
6	DBSN Services Pte Ltd	2,293,607	1.23
7	Li Muk Kam	1,803,876	0.97
8	Cheung Kwok Wing	1,001,200	0.54
9	Merrill Lynch (Singapore) Pte. Ltd.	726,372	0.39
10	UOB Kay Hian Pte Ltd	711,008	0.38
11	Kingboard Chemical Holdings Limited	681,000	0.36
12	DBS Nominees Pte Ltd	672,322	0.36
13	HSBC (Singapore) Nominees Pte Ltd	566,106	0.30
14	Citibank Nominees Singapore Pte Ltd	520,365	0.28
15	Ho Yin Sang	486,600	0.26
16	Lam Ka Po	486,600	0.26
17	Heng Nguan Leng	480,800	0.26
18	DBS Vickers Securities (S) Pte Ltd	407,032	0.22
19	Kwan Choon Ying	350,000	0.19
20	Tok Ching Ka	340,000	0.18
Total		164,233,087	87.89

[1] There is no treasury shares held by the Company. The percentage is calculated based on 186,919,962 issued ordinary shares of the Company as at 28 February 2013.