SunningdaleTech

# SUSTAINABILITY ENDURING DIVERSITY

annual report 2010

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**vision**

To be recognised as a leading Asian tooling, plastics injection moulding with decorative finishing processes and precision assembly Company supplying to the Global market.

## 5 pillars of excellence

On-time delivery for both external and internal customers

Pro-quality mindset to the extent of doing right the first time, every time with no rework

Waste reduction attitude in time, cost, manpower and other resources

Continuous improvement culture through new work processes and new technologies

Strong teamwork and co-operation spirit among workers, sections, departments, locations and organisations

# chairman's message

## diversify

...will continue to develop new customers and increase our share of business in existing customer...

...in terms of segments and geography, will be increasingly diversified.

**Dear Shareholders,**

The business environment continues to be challenging. Labour cost is rising, especially in China, our major manufacturing location. Resin prices are rising, as oil, the feedstock for resin, remains stubbornly high, and most recently, has been compounded by uncertainty in the Middle East. As a result, freight costs are also escalating and pricing pressure from customers continues unabated.

In addition, while we are still recovering from the Global Financial Crisis, the weakening of the US Dollar adds to margin pressures as our prices are still largely denominated in that currency.

While the above uncertainties are real and imminent, 2010 was a year of recovery from the economic impact wrought by the Global Financial Crisis. This rapid bounce back was largely because of the stimulus packages implemented across the world. With that backdrop, it is my pleasure to present to you this Annual Report on behalf of the Board of Directors.

The Group's performance improved in FY2010 over FY2009 especially in the first quarter. Traditionally, the first quarter is a weak quarter, but 2010 was an exception as inventory was rebuilt following the belt tightening of 2009. This helped the Group, in FY2010 to record revenues of $402.8 million, a 7.8% increase from $373.7 million in FY09. Except for revenue from the Mould Fabrication business segment which declined marginally by 1.2%, the revenue from all other business segments rose, especially the Automotive and Healthcare business segments which increased by 20.0% and 20.6% respectively. Revenue from the Consumer/IT business segment increased by 5.7%.

Gross profit also increased from $57.1million in FY2009 to $61.5 million, in line with the increase in revenue. Gross margin was maintained at 15.3%.

The Group had a healthy cash balance of $76.7 million as at 31 December 2010, and after deducting loans, had net cash of $23.2 million. This was a significant improvement compared with the position at 31 December 2009, when cash stood at $68.3 million, and after deducting loans, the Group has a net debt of $3.2 million.

On behalf of the Board, it is our pleasure to announce that a final dividend of 0.6 cents per ordinary share have been recommended by the Board to be approved by shareholders at the forthcoming Annual General Meeting.

## OUTLOOK

The key challenges ahead were outlined at the beginning of this letter. Yet we remain cautiously optimistic. We have and will continue to develop new customers and increase our share of business in existing customers so that our spread of business, in terms of segments and geography, will be increasingly diversified.

Since we will face headwinds in 2011, we will continue to focus on cash flow and build our capabilities for competitive advantage. Our clear focus on working capital management and capital expenditure discipline served us well during the period of the global economic crisis, and we believe will continue to serve us well as we head into a more volatile period.

The initiative to acquire UFE Pte Ltd in the fourth quarter 2010, which has since been completed, will further complement the Group's tooling capabilities, expand our product portfolio offering and penetrate new market opportunities, since there is almost no overlap between UFE's customer base and Sunningdale's customer base.

Before I end, we need to acknowledge yet another uncertainty that has been introduced into our business, and that is the black swan event of the recent Japanese earthquake and tsunami. The first quarter of the year is usually a weaker quarter for our business. This has now been compounded by the widely publicized assembly plant closures of major Japanese automobile manufacturers. It is difficult to quantify the impact at this time, but the longer the plants stay shut, the greater the impact on parts suppliers. We intend to manage our inventories and costs closely but it is unlikely that we will escape some negative consequences from this event.

## ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers, bankers, business associates and suppliers for their support, and our management and staff for their continued commitment and hard work.

I would also like to thank my fellow Directors for their guidance and advice.

**Koh Boon Hwee**

Chairman
April 2011

# 主席致词

**致公司股东，**

我们所面对的商业环境依然充满挑战性。劳动力成本持续上升，而作为集团主要的生产基地，中国的情况更是如此。以石油为原料的树脂价格也在攀升，原因在于石油价格一直居高不下，并受到最近中东局势动荡的冲击。因此，货运成本跟着不断上升，来自客户压价的压力也持续不减。

由于我们的价格很大程度上仍以美元计价，美元的疲弱也在集团逐渐从全球金融危机复苏的同时，增加了集团的盈利压力。

尽管存在着上述难以避免的不明朗因素，2010年仍然是从全球金融危机所造成的经济困境中恢复增长的一年。这次的迅速回弹主要归功于世界各国所实施的经济刺激配套。为此，我很欣慰能代表董事局向您呈上这份年度业绩报告。

和2009财政年度相比，集团在2010财政年度的业绩表现有所改善，尤其是在第一季度。传统上，我们在第一季度的表现会比较疲弱。不过，2010财政年度却是一个例外。这是因为在2009年实行财务紧缩政策后，各行业都重新建立库存，因而帮助集团在2010财政年度取得4亿零280万元的营收，比2009财政年度的3亿7370万元增加了7.8%。除了营收小幅下滑1.2%的模具制造业务之外，其他各项业务的营收都有所增长，其中汽车和医疗保健业务更分别取得20.0%和20.6%的增长。来自消费/资讯科技业务的营收则增加了5.7%。

在营收增加的同时，集团的毛利也从2009财政年度的5710万元增至6150万元。毛利率则维持在15.3%。

截至2010年12月31日为止，集团现金余额达到7670万元的健全水平，扣除贷款后仍有2320万元的净现金，和2009年12月31日相比，情况显著改善。当时，集团拥有6830万元的现金，在扣除贷款后，净债务为320万元。

我谨代表董事局欣然宣布董事局建议每股派发0.6分的年终股息，有关事项待即将举行的年度股东大会审批通过。

## 业务展望

尽管面对上述种种挑战，我们依然保持谨慎乐观的态度。集团将一如既往地继续开发新客户群，并增加与现有客户的业务往来，以确保我们的业务无论在领域及地域上，都能取得最优化的多样性发展。

有鉴于2011年所将出现的外在阻力，我们会继续把重点放在现金流量及建立竞争优势的能力。我们严格执行营运资本管理及资本开支管制的策略，帮助集团顺利度过全球经济危机。在我们迈入另一个更动荡时期的当儿，我们相信它将继续发挥积极的作用。

集团在2010年第四季提出收购UFE私人有限公司的计划，目前已经顺利完成。由于UFE和向阳的客户群几乎完全没有重叠的问题，这项收购计划将进一步提升集团的制模能力，扩大我们的产品组合，并给予集团开拓新市场的商机。

在结束之前，我们必须提到另一个可能对集团的业务造成冲击的黑天鹅事件，那就是最近发生在日本的大地震和海啸。传统上，我们第一季的表现总是比较疲弱。如今再加上日本各大主要车商关闭工厂的坏消息，恐怕会令情况恶化。事故究竟会造成多大影响，目前仍难估计。不过，工厂关闭越久，对零件供应商的影响也会越大。我们将加紧管理库存和成本，但集团预料将难以完全避免这场灾难所带来的负面影响。

## 致谢

本人谨代表董事局感谢我们的股东、客户、银行伙伴、业务伙伴和供应商所给予的支持，并向充满热忱、努力不懈的管理层与员工表示谢意。

最后，我还要感谢董事局成员的宝贵意见和指教。

**许文辉**
主席

2011年4月

**ingenious dynamics**

Diversified business and industry synergized for overall group strength

# board of directors

**Mr Koh Boon Hwee**
Non-Executive Chairman

**Mr Khoo Boo Hor**
Chief Executive Officer
Executive Director

**Mr Wong Chi Hung**
Executive Director

**Mr Koh Boon Hwee** is the Non-Executive Chairman of Sunningdale Tech Ltd.

He is currently the Chairman of Yeo Hiap Seng Limited, Yeo Hiap Seng (Malaysia) Berhad and AAC Acoustic Technologies Holdings Ltd. He also serves on the board of Agilent Technologies, Inc. Mr Koh is also the Chairman of the Nanyang Technological University Board of Trustees.

Mr Koh was previously Chairman of DBS Group Holdings Ltd and DBS Bank Ltd (2005-2010), Singapore Airlines Ltd (2001-2005), SIA Engineering Company Ltd (2003-2005), Singapore Telecommunications Ltd (1986-2001), Omni Industries Ltd (1996-2001), Executive Chairman of the Wuthelam Group of Companies (1991-2000) and, before that, Managing Director of Hewlett-Packard Singapore (1985-1990), where he started his career in 1977.

He holds a Bachelor of Science (Mechanical Engineering) First Class Honours Degree from Imperial College, University of London, and a Master of Business Administration (with Distinction) from Harvard Business School.

**Mr Khoo Boo Hor** was appointed as CEO on 1 January 2009. Prior to this appointment, he was the Group Operations Director of Sunningdale Tech Ltd. He joined the Group on 18 May 2005 and was responsible for the Group's manufacturing operations. Mr Khoo played a significant role in integrating the operations of Sunningdale Precision Industries Ltd and Tech Group Asia Ltd following the merger of the two companies in July 2005.

Mr Khoo was previously the Director of Operations for Hewlett-Packard ("HP") Singapore, where he was responsible for HP's Enterprise Storage and Server manufacturing operations. He worked in HP in various capacities for over 16 years.

Mr Khoo holds a Bachelor of Science and a Bachelor of Engineering (Honours) from Monash University, as well as a Master of Business Administration from the University of Louisville, Kentucky.

**Mr Wong Chi Hung** is an Executive Director of Sunningdale Tech Ltd. He began his moulding and tooling career by establishing Chi Wo Plastic Moulds Fty. Ltd. in Hong Kong in 1983. In 1994, he set up Shenzhen Xinlianxing Mould (Shenzhen) Co., Ltd in Shenzhen, China, to start tool making activities. Two years later, another factory was set up in Zhongshan, China, called Zhongshan Zhihe Electrical Equipment Co., Ltd.

Mr Wong has successfully made Chi Wo a premium one-stop moulding supplier for computer, electronics, automotive and consumer industries through his years of directorship. Today, he is the Managing Director of Chi Wo Plastic Moulds Fty. Ltd, a wholly-owned subsidiary of Sunningdale Tech Ltd. He oversees all operational, marketing and business issues of Chi Wo and its subsidiaries.

**Mr Steven Uhlmann**
Non-Executive Director

**Mr Gabriel Teo Chen Thye**
Independent Director

**Mr Kaka Singh**
Independent Director

**Mr Steven Uhlmann** is a Non-Executive Director of Sunningdale Tech Ltd.

Mr Uhlmann pursued a career in the plastics industry, starting the Tech Group in 1967, expanding to Asia in 1995 ultimately becoming Tech Group Asia, then merging with Sunningdale. He was named Arizona's 1998 Entrepreneur of the Year in the Manufacturing/High Tech category, and is also a former President of the Society of Plastics Engineers, Arizona Chapter.

In addition, Mr Uhlmann is the former Chairman of the Board of Governors for the National Plastics Centre Museum. He also serves on the boards of a number of nonprofit organizations committed to the strengthening of marriage and family relationships.

Mr Uhlmann studied product design at the Arizona State University.

**Mr Gabriel Teo** is an Independent Director of Sunningdale Tech Ltd. He is also an independent Director of IFS Capital Limited, and sits on the Boards of several other corporates including NTUC Income Insurance Co-operative Ltd. He is the Managing Director of Gabriel Teo & Associates Pte. Ltd.

Mr Teo was previously Regional Managing Director of Bankers Trust, and Chief Executive Officer of The Chase Manhattan Bank. In his earlier career, he had also held various senior appointments at Citibank and Citicorp Investment Bank.

He holds a Bachelor of Business Administration degree from the University of Singapore and a Master of Business Administration from Cranfield School of Management. Mr Teo also attended the Executive Program in International Management at Columbia University.

**Mr Kaka Singh** is an Independent Director of Sunningdale Tech Ltd. He is also an Independent Director of Tuan Sing Holdings Limited and Gul Technologies Singapore Ltd, as well as Chairman of RSM Chio Lim LLP, Certified Public Accountants.

He holds memberships in various professional bodies. Mr Singh is the President of the ACCA Singapore. He was also the past President of the CIMA Singapore and SAICSA. In addition, he had held chairmanship in the Audit Practice Committee and the Accounting Standards Committee of the ICPAS. He was awarded the Silver Medal by ICPAS in 1994 for his contributions to the community and accounting profession in Singapore. He holds an MBA from the Cass Business School of the London City University.

# board of directors

**Mr Ong Sim Ho**
Independent Director

**Mr Steven Tan Chee Chuan**
Independent Director

**Mr Ong Sim Ho** is an Independent Director of Sunningdale Tech Ltd. He is a Director at Drew & Napier LLC where he heads the Tax & Private Client Services Group. He is the Non-Executive Chairman of Tokio Marine Life Insurance Singapore Ltd and a member of the Board of Emirates National Oil Company (Singapore) Pte Ltd, Innovalues Limited, Eucon Holding Limited and Tokio Marine Insurance Singapore Ltd. Mr Ong also serves as an Advisory Board Member of the School of Accountancy at the Singapore Management University. He is an Advocate and Solicitor of the Supreme Court of Singapore, a Barrister-at-Law of Lincoln's Inn, a Fellow of the Institute of Certified Public Accountants in Singapore and a member of the Singapore Institute of Directors.

**Mr Steven Tan** is an Independent Director of Sunningdale Tech Ltd. He is currently the Chairman of Steven Tan Russell Bedford PAC, Samas Management Consultants Pte Ltd and Steven Tan Management Consultants Pte Ltd.

Mr Tan is a practicing Certified Public Accountant of Singapore and is a fellow member of the Institute of Chartered Accountants in England and Wales, as well as the Hong Kong Society of Accountants. From 1969 to 1981, he was the President of the Singapore Society of Accountants, now known as the Institute of Certified Public Accountants of Singapore ("ICPAS") for six terms, and from 1994 to April 2002, he was the Chairman of the Ethics Committees of ICPAS and The Public Accountants Board.

From 1994 to September 2001, he was an Independent Director and Chairman of the Audit Committee of Berger International Ltd.

Mr Tan was also a member of the Council of the Ngee Ann Polytechnic from 1980 to 1992, and Deputy Chairman from 1992 to March 2000. He was appointed as a member of the Liquor Licensing Board from 1971 to 1992 and as Vice-Chairman from 1992 to 2006.

He was a member of the National University of Singapore Advisory Committee on Acquisitions of the Lee Kong Chian museum from 1995 to 2003 and Chairman from 2003 to 2006.

Mr Tan received the Gold Medal awarded by ICPAS in 1987, and was conferred the Public Service Medal and the Public Service Star in 1988 and 1995 respectively.

# management team

**Mr Lim Chin Hong** is the Engineering Director of Sunningdale Tech Ltd, responsible for all the tooling operations of the Group.

Prior to joining Sunningdale Tech Ltd in 2005, Mr Lim was the Vice President and General Manager of the Automated Test Group for the Manufacturing Test Business Unit of Agilent Technologies. Mr Lim spent 25 years with Hewlett-Packard and Agilent Technologies in its semiconductor operations. He was instrumental in their re-engineering initiatives and in the worldwide implementation of an Oracle ERP system. Mr Lim also spent two years working as an engineering manager in the hard disk storage industry.

Mr Lim graduated from the University of Strathclyde in Glasgow with a Bachelor of Science in Engineering (Honours). He also holds a Master of Business Administration (Executive Program) from Golden Gate University. He also completed the Stanford-NUS General Management Program in 1995.

**Ms Soh Hui Ling** is the Chief Financial Officer of Sunningdale Tech Ltd. Prior to this appointment, she was the Group Financial Controller responsible for the financial and accounting matters of the Group. She held the same post as Group Financial Controller at the former Sunningdale Precision Industries Ltd, which she joined in January 1997.

Before joining Sunningdale Precision Industries Ltd, Ms Soh was the Finance and Administrative Manager of Dew Management Advancement Consultants Pte Ltd, in charge of the accounts and administration department.

She was also previously an Audit Supervisor at Paul Wan & Co, in charge of the audit and accounts department.

Ms Soh holds a Diploma in Business Studies from Ngee Ann Polytechnic in Singapore. She completed the Association of Chartered Certified Accountant Course in 1991 and is a Fellow member of the Association of Chartered Certified Accountants, UK, and a Fellow of the Institute of Certified Public Accountants of Singapore.

**Mr Chan Whye Mun** is the General Manager for South East Asia, responsible for all moulding operations in Singapore, Johor (Cemerlang) and Bintan plants. Prior to joining Sunningdale Tech Ltd in June 2006, he was the COO of UMS holdings, a semiconductor precision machining and solutions company.

Mr Chan was previously a Senior Director of Product Engineering, Failure Analysis and Quality for Seagate Technology where he worked for 13 years. Before that, he was in Hewlett-Packard Singapore as a Reliability Engineer for 3 years.

Mr Chan holds a Bachelor of Engineering (1$^{st}$ Class Hons) from University of Western Australia.

# management team

**Mr Paul Ow** is the General Manager responsible for the business at Podoyo Plastics Sdn Bhd and the contract manufacturing business at Sunningdale Tech Ltd.

Prior to joining Sunningdale Tech Ltd in March 2004, Mr Ow was managing the Penang plant for First Engineering Ltd. Mr Ow has several years of practical engineering experience in process control, quality assurance and production, etc. He has worked in Texas Instrument Singapore, and Hewlett-Packard ("HP") Singapore. He furthered his career with HP as Functional Manager by setting strategic objectives for the Quality Department, Automation Department and TQC Department.

Mr Ow was also a venture capitalist and managed start-up companies when he joined Seed Venture Management Pte Ltd, a venture capitalist, as Vice President. He managed a team of investment officers to evaluate investment opportunities, monitor performance of investee companies and develop strategies for growth.

Mr Ow obtained his Bachelor Degree in Engineering (Electronics) from the University of Melbourne. He further completed his Advanced Management Program from the University of Hawaii.

**Mr Chan Tung Sing** is the General Manager for Shanghai operations and fully responsible for plant performance.

Prior to joining Sunningdale Tech Ltd in November 2005, Mr Chan spent over 11 years with Hewlett-Packard ("HP") in various management positions. His last role was the Materials Manager, Engineering & Supply Chain, of Enterprise Storage & Servers Group, Asia Pacific Region. He was responsible for formulating and implementing material engineering strategy, materials management for various HP Global Business Units and implementing Asia Pacific Supply Chain Programs. Mr Chan comes with vast management experience in Product, Test & Procurement engineering, Materials and Supply Chain.

Mr Chan holds a Bachelor degree of Electrical Engineering from the National University of Singapore.

**Ms Cindy Bin** is the Group Human Resource Manager of Sunningdale Tech Ltd and is responsible for the development and implementation of the Group's human resource programmes and policies. Prior to her current position, Ms Bin joined Sunningdale Precision Industries Ltd as Corporate Human Resource Manager in April 2003.

Prior to joining Sunningdale Precision Industries Ltd, she was the Human Resource Manager of De La Rue Currency and Security Print Pte Ltd, a subsidiary of UK-based De La Rue, a commercial currency printer. Ms Bin spent 19 years with De La Rue and was responsible for the full spectrum of human resource functions. She was instrumental in developing and implementing the company's Quality Management System and Environmental Management System, and managing the health and safety functions. She started her career in human resource in Newton Pte Ltd and Jurong Plywood Pte Ltd.

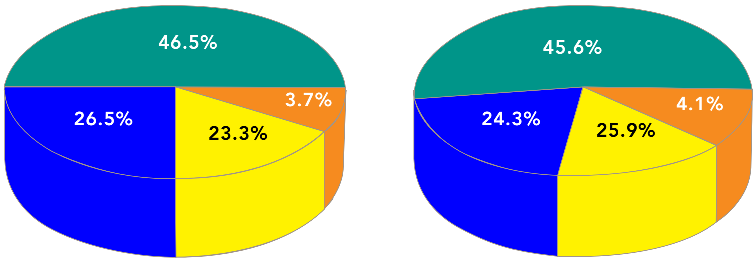
Ms Bin graduated from the University of Singapore with a Bachelor of Science degree, majoring in Chemistry. She also holds a Post Graduate Diploma in Personnel Management from the Singapore Institute of Management. Ms Bin is a Professional Member of the Singapore Human Resources Institute.

## hidden values

Diversify
the ingredients
and you'll get
more interesting
results

# financial highlights

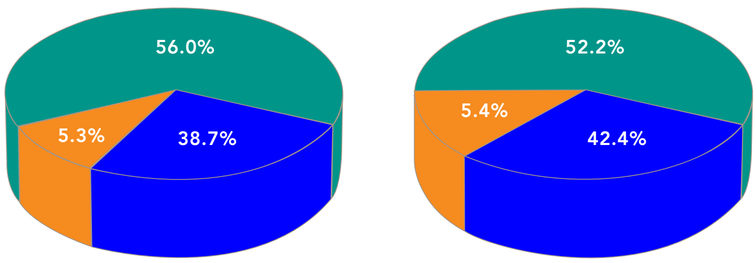
## PERFORMANCE BY BUSINESS SEGMENT




FY2009 FY2010

Consumer / IT · Mould Fabrication · Automotive · Healthcare

## PERFORMANCE BY GEOGRAPHIC SEGMENT

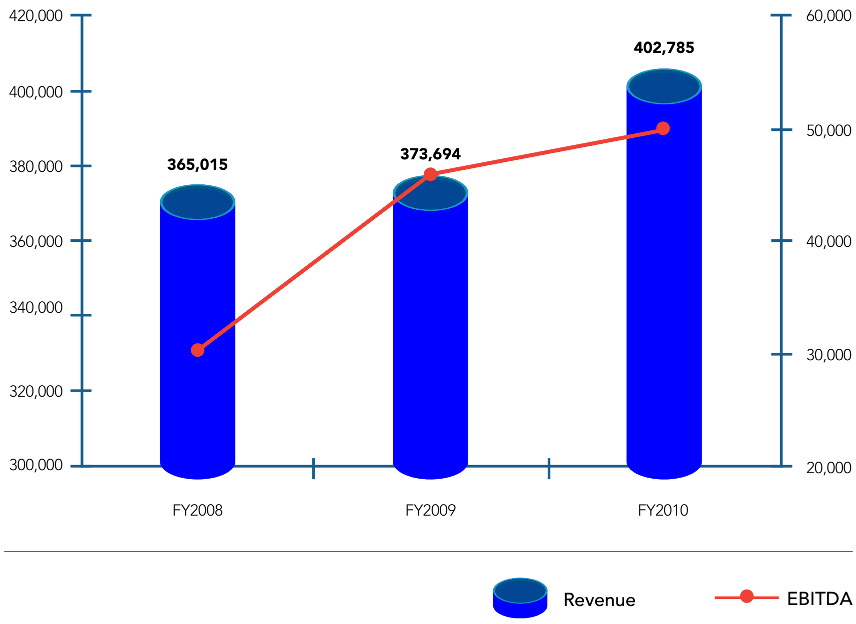



FY2009 FY2010

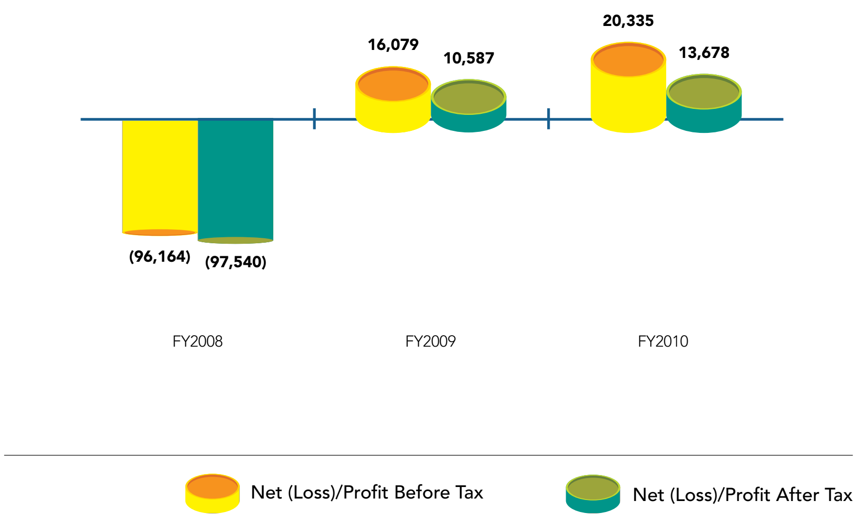
China & Hong Kong · Singapore & Malaysia · Others


# financial highlights

## REVENUE & EBITA ($'000)




## PROFIT TREND ($'000)



# operations review

## REVENUE

In FY2010, the Group recorded revenues of $402.8 million, a 7.8% increase from $373.7 million in FY2009. The Group started with a stronger than normal 1Q10, which is traditionally a weak quarter, due to inventory restocking needs in the post crisis economic recovery. Business slowed down in 4Q10 as the fourth quarter is normally a weak quarter as shipments for the Christmas and New Year sales season would have peaked in 3Q.

The increase in revenue came from all business segments except the Mould Fabrication business segment which declined marginally by 1.2% due to a customer changing its supply chain strategy. Revenue from the Automotive and Healthcare business segments grew by 20.0% and 20.6% respectively compared to FY2009. Revenue from the Consumer/IT business segment increased by 5.7%.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit for FY2010 increased by 7.6% to $61.5 million from $57.1 million a year ago, in line with the increase in revenue. The gross margin was maintained at 15.3%.

+ 7.8% to
$402.8 million

Revenue for FY10

+ 7.6% to
$61.5 million

Gross profit for FY10

15.3%

Gross profit margin for FY10

## PROFITABILITY

The net profit attributable to shareholders was $13.7 million compared to a $10.6 million in FY2009.

This includes a foreign exchange loss of $5.2 million (FY2009: $1.2million) and an impairment loss on property, plant and equipment of $1.7 million in FY2009.

Excluding the impairment on property, plant and equipment and foreign exchange losses, the net profit would have been $18.8 million in FY2010 compared to $13.5 million in FY2009.

Marketing and distribution costs were 10.8% higher from $9.3 million in FY2009 to $10.3 million in FY2010, in line with the increase in orders.

Administrative expenses were 9.5% lower in FY2010 at $25.2 million compared to $27.8 million in FY2009 due to a write-back of an impairment allowance for doubtful debts of $0.6 million compared to an impairment allowance for doubtful debts of $1.9 million made in FY2009.

## EARNINGS, NET ASSET VALUE AND NET TANGIBLE ASSET VALUE PER SHARE

Based on the weighted average number of ordinary shares in issue, the Group recorded basic earning per share of 1.84 cents for FY2010 compared to 1.43 cents for FY2009.

Net asset value per share increased to 33.15 cents as at 31 December 2010 from 32.94 cents as at 31 December 2009.

Net tangible asset per share rose to 29.13 cents as at 31 December 2010 from 28.90 cents a year earlier.

## FINANCIAL POSITION AND CASH FLOW MOVEMENTS

The Group's property, plant and equipment were at $146.3 million as at 31 December 2010 compared to $163.7 million as at 31 December 2009. During the year, the Group incurred $12.6 million in capital expenditure, partly for the construction of a factory in Johor Bahru, and partly for the purchase of machinery & equipment. This was partially offset by a depreciation charge of $24.7 million.

Inventories increased to $60.8 million as at 31 December 2010 from $56.8 million as at 31 December 2009 due to increased orders and the migration of a customer to a hub system in the last quarter of the year.

Trade and other receivables decreased to $70.9 million as at 31 December 2010 from $87.0 million as at 31 December 2009 as management continues to focus on managing working capital.

Trade and other payables decreased to $38.4 million as at 31 December 2010 from $49.4 million as at 31 December 2009 mainly due to payment for capital expenditure items incurred last year and due this year, and weaker shipment in the last quarter of the year.

Overall bank borrowings decreased to $53.6 million as at 31 December 2010 from $71.5 million as at 31 December 2009 due to continuing repayment of some loans.

The Group maintained a cash balance of $76.7 million as at 31 December 2010 resulting in net cash of $23.2 million compared to a net debt of $3.2 million a year ago.

Net cash generated from operating activities was $40.4 million for FY2010, compared to $60.9 million for FY2009. Net cash used in investing activities was $8.5 million as compared to $17.2 million a year ago. Net cash used in financing activities for FY2010 was $19.4 million compared to $16.3 million in FY2009 mainly due to repayment of some loans and dividends paid to shareholders.

$13.7 million

Net Profit

29.13 cents

Net tangible asset value per share

# operations review

## PERFORMANCE BY BUSINESS SEGMENTS

Revenue from the Automotive business segment increased by 20.0% from $87.1 million in FY2009 to $104.5 million in FY2010. The segment's contribution to Group revenue increased from 23.3% to 25.9%. This was due to increased demand from our customers from all geographies, North America, Europe, Japan and Korea, and inventory restocking needs in the post crisis economic recovery.

The combined Consumer/IT and Telecommunication business segments continued to be the main revenue generator accounting for 45.6% of Group revenue in FY2010 but this was slightly down from 46.5% in FY2009 due to growth in other business segments. The revenue for the combined segment increased by 5.7% from $173.6 million in FY2009 to $183.6 million in FY2010 due to new projects launched and increased orders from both existing and new customers.

Revenue from Healthcare business segment increased by 20.6% from $13.8 million in FY2009 to $16.7 million in FY2010. This is due to a ramp-up in production and orders from new customers. The segment contribution had increased from 3.7% in FY2009 to 4.1% in FY2010.

Revenue from the Mould Fabrication business segment decreased by 1.2% from $99.2 million in FY2009 to $98.0 million in FY2010. This segment accounted for 24.3% of the Group's revenue in FY2010 down from 26.5% in FY2009. This is due to a customer changing its supply chain strategy.

## PERFORMANCE BY GEOGRAPHIC SEGMENTS

The Group currently has manufacturing facilities in nine locations in Singapore, Malaysia, Indonesia, China and Mexico.

Operations in China and Hong Kong continued to contribute the bulk of Group revenue and accounted for 52.2% in FY2010, an decrease of 3.8 points from 56.0% in FY2009 due to the growth in other operations.

The Singapore and Malaysia operation is the next most important revenue-generating region, and their contribution increased from 38.7% in FY2009 to 42.4% in FY2010. The increase was from all business segments.

Revenue contribution from the Group's operations in other regions increased slightly from 5.3% in FY2009 to 5.4% in FY2010 due to orders from both current and new customers.

+ 20.0%

Automotive

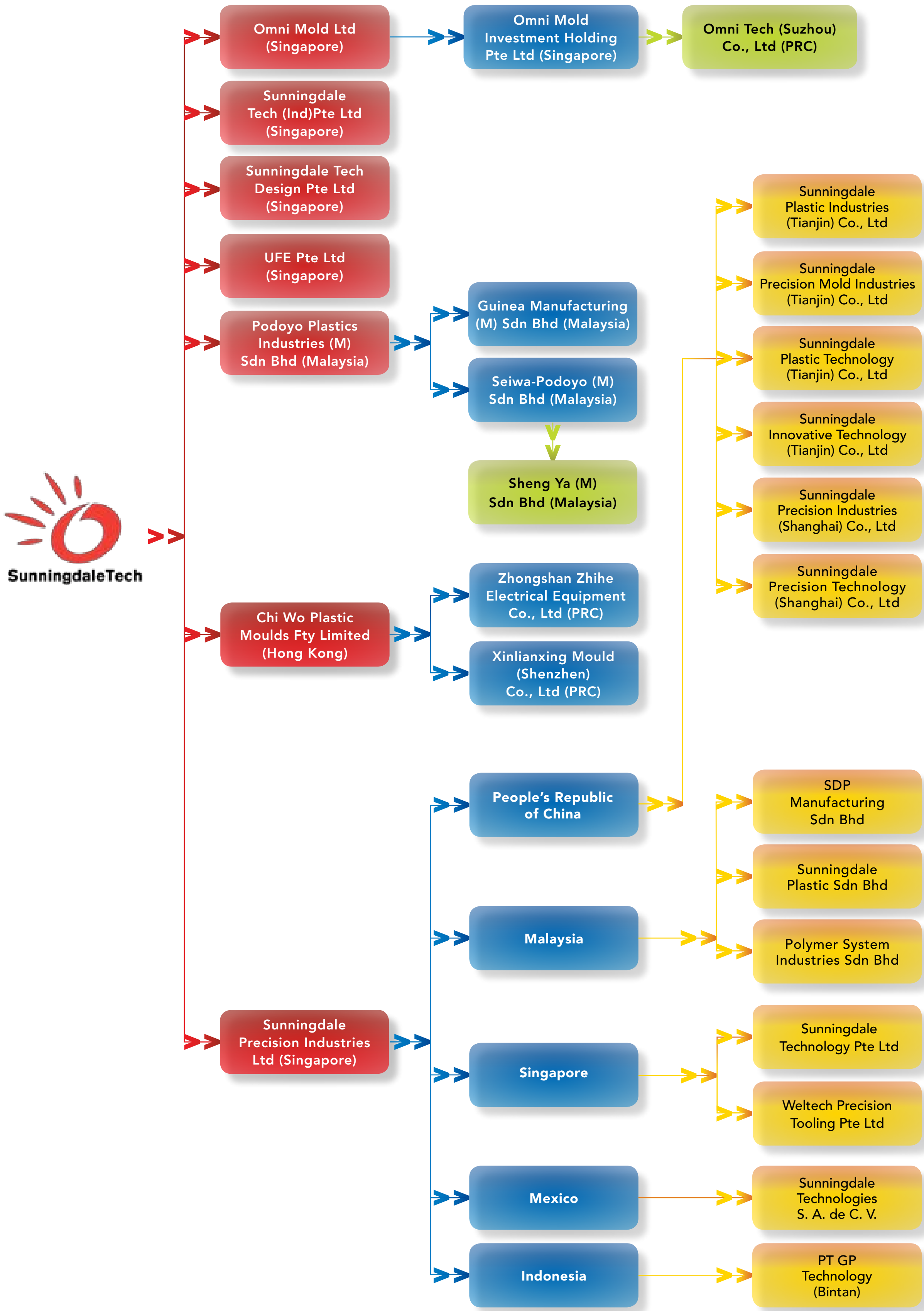
+ 5.7%

Consumer/IT and Telecommunications

+ 20.6%

Healthcare

# corporate structure



# corporate information

## BOARD OF DIRECTORS

Koh Boon Hwee
*(Non-Executive Chairman)*

Khoo Boo Hor
*(Chief Executive Officer, Executive Director)*

Wong Chi Hung
*(Executive Director)*

Steven Uhlmann
*(Non-Executive Director)*

Steven Tan Chee Chuan
*(Independent Director)*

Gabriel Teo Chen Thye
*(Independent Director)*

Kaka Singh
*(Independent Director)*

Ong Sim Ho
*(Independent Director)*

## AUDIT COMMITTEE

Kaka Singh
*(Chairman)*

Gabriel Teo Chen Thye
*(Member)*

Steven Tan Chee Chuan
*(Member)*

## NOMINATING COMMITTEE

Ong Sim Ho
*(Chairman)*

Steven Uhlmann
*(Member)*

Gabriel Teo Chen Thye
*(Member)*

## REMUNERATION COMMITTEE

Steven Tan Chee Chuan
*(Chairman)*

Steven Uhlmann
*(Member)*

Ong Sim Ho
*(Member)*

## COMPANY SECRETARY

Dorothy Ho Lai Yong

## REGISTERED OFFICE

51 Joo Koon Circle
Singapore 629069
Tel : (65) 6861 1161
Fax: (65) 6863 4173

## AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583
Audit Partner : Simon Yeo
*since financial year 2008*

## SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
*(a member of Boardroom Limited)*
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

## BANKERS

DBS Bank Ltd

Malayan Banking Berhad

Oversea-Chinese Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

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# **Corporate Governance** Report

**Sunningdale Tech Ltd** (**"Sunningdale Tech"** or the **"Company"**) is committed to ensuring a high standard of corporate governance within the Group to protect the interests of its shareholders and maximise long-term shareholder value. This report is in compliance with the continuing obligations stipulated under Chapter 7 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

**Sunningdale Tech** has complied substantially with the requirements of the Code of Corporate Governance (the "Code") and will continue to review its practices on an ongoing basis. It has provided an explanation for any deviation from the Code, where appropriate.

## BOARD MATTERS

### Board's Conduct of its Affairs

*Principle 1:* *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.*

The primary function of the Board is to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board oversees the formulation of the Group's overall long-term strategic objectives and directions; deliberates the Group's annual business and strategic plans and monitors the achievement of the Group's corporate objectives. It assumes responsibility for the Group's overall strategic plans and performance objectives, financial plans and annual budgets, investments proposals, financial performance reviews, compliance and accountability systems, and corporate governance practices.

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's quarterly, half-year and full year's results and interested person transactions of a material nature.

The full Board meets regularly on a quarterly basis and ad-hoc Board meetings are convened as and when they are deemed necessary. Meetings via telephone or video conference are permitted by **Sunningdale Tech**'s Articles of Association. The Secretary attends all Board meetings and is responsible for ensuring that Board procedures are observed.

A record of the Directors' attendance at Board meetings for the financial year ended 31 December 2010 is set out below.

| | **Board Meetings** | |
|---|---|---|
| **Name of Director** | **Held** | **Attended** |
| Koh Boon Hwee (Chairman) | 4 | 4 |
| Khoo Boo Hor | 4 | 4 |
| Wong Chi Hung | 4 | 4 |
| Steven Uhlmann | 4 | 4 |
| Gabriel Teo Chen Thye | 4 | 3 |
| Steven Tan Chee Chuan | 4 | 4 |
| Kaka Singh | 4 | 4 |
| Ong Sim Ho | 4 | 4 |

Formal Board meetings are held on a regular basis to oversee the business affairs of the Group and to approve the financial results or business strategies or objectives. Additional Special Board meetings and/or Teleconference meetings are held to deliberate on urgent substantive matters.

# **Corporate Governance** Report
– Continued

To assist in the execution of its responsibilities, the Board has established three Board Committees, namely, the **Audit Committee** ("**AC**"), the **Nominating Committee** ("**NC**") and the **Remuneration Committee** ("**RC**"). These committees function within clear defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored.

The terms of reference and the composition of the Board Committees have been detailed in the respective sections of this report.

**Board Composition and Guidance**

*Principle 2:* *There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board currently comprises 8 Directors, of whom 4 are independent, 2 are executive and 2 are non-executive. Having the right competencies and diversity of experience enable each of the Directors to effectively contribute to the Company. The current size of the Board appears sufficient and appropriate to facilitate decision making. The Board will continue to review the size of the Board on an ongoing basis.

The independent Directors are Messrs Steven Tan Chee Chuan, Kaka Singh, Ong Sim Ho and Gabriel Teo Chen Thye. The criterion of independence is based on the definition given in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment of the conduct of the Group's affairs. With four of the directors deemed to be independent, the Board is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on issues.

The composition of the Board is reviewed on an annual basis by the **NC** to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. Each director has been appointed on the strength of his calibre, experience and stature and his potential to contribute to the proper guidance of the Group and its business.

**Chairman and Chief Executive Officer**

*Principle 3:* *There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

Mr Koh Boon Hwee is the non-Executive Chairman and Mr Khoo Boo Hor is the Chief Executive Officer ("CEO"). The Chairman is responsible for the workings of the Board while the CEO is responsible for implementing Group strategies and policies and conducting the Group's businesses. The Chairman and the CEO are not related.

The Chairman's duties include:

a) leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;
b) ensuring accurate, timely and clear information flow to the Directors;
c) ensuring effective shareholder communication;
d) encouraging constructive relations between the Board and the Management;
e) facilitating effective contribution of Non-Executive Directors;
f ) encouraging constructive relations between Executive Directors and Non-Executive Directors; and
g) promoting high standards of corporate governance.

# **Corporate Governance** Report
– Continued

**Board Membership**
*Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.*

The **NC** comprises a non-executive director and two independent directors of the Company, i.e. Mr Ong Sim Ho as the Chairman, Messrs Steven Uhlmann and Gabriel Teo Chen Thye as members.

The responsibilities of the **NC** are to determine the criteria for identifying candidates and reviewing nominations for the appointment of directors to the Board and also to decide on how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.

In addition, the **NC** also performs the following functions:

- assess the contribution of each individual director to the effectiveness of the Board;
- re-nominate any director, having regard to the director's contribution and performance;
- determine on an annual basis whether a director is independent;
- decide whether a director is able to and has been adequately carrying out his duties as a director of the Company, particularly where the director has multiple board representations; and
- identify gaps in the mix of skills, experience and other qualities required in an effective board so as to better nominate or recommend suitable candidates to fill the gaps.

Where, by virtue of any vacancy in the membership of the **NC** for any reason, the number of members of the NC is reduced to less than three (or such other number as may be determined by the SGX-ST), the Board shall, within three months thereafter, appoint such number of new members to the **NC**. Any new member appointed shall hold office for the remainder of the term of office of the member of the NC in whose place he or she is appointed.

The **NC** is regulated by its terms of reference that sets out its responsibilities, procedures and in particular the calling of meetings, notice to be given of such meetings, the voting and proceedings thereat. The Company also maintains records of the deliberations and proceedings of the **NC**.

The number of meetings held and attendance at the meetings of the NC are as follows:-

| | **Nominating Committee Meetings** | |
|---|---|---|
| **Name of Director** | **Held** | **Attended** |
| Ong Sim Ho (Chairman) | 1 | 1 |
| Steven Uhlmann (Member) | 1 | 1 |
| Gabriel Teo Chen Thye (Member) | 1 | 1 |

The directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 91 of the Company's Articles of Association, one-third of the Board directors are to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting ("AGM"). In addition, Article 97 of the Company's Articles of Association provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his appointment.

# **Corporate Governance** Report
– Continued

The dates of initial appointment and last re-election/re-appointment of each director are set out below:

| Name of Director | Appointment | Date of Initial Appointment | Date of Last Re-election/ Re-Appointment |
|---|---|---|---|
| Koh Boon Hwee | Non-Executive Chairman | 22 April 2003 | 29 April 2010 |
| Khoo Boo Hor | Chief Executive Officer | 01 January 2009 | 30 April 2009 |
| Wong Chi Hung | Executive Director | 11 May 2004 | 30 April 2009 |
| Steven Uhlmann | Non-Executive Director | 22 January 1996 | 29 April 2008 |
| Gabriel Teo Chen Thye | Independent Director | 18 July 2005 | 29 April 2010 |
| Steven Tan Chee Chuan | Independent Director | 20 October 2003 | 29 April 2010 |
| Kaka Singh | Independent Director | 18 July 2005 | 29 April 2010 |
| Ong Sim Ho | Independent Director | 18 July 2005 | 17 April 2007 |

**Board Performance**
*Principle 5:* *There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.*

The **NC** has adopted a system for assessing the effectiveness of the Board as a whole. Each Director was requested to participate in the appraisal process which focused on:-

a) the composition and degree of independence of the Board;
b) information flow from management;
c) Board's access to management and external experts;
d) Board process;
e) Investor relations and corporate social responsibility vis-à-vis the Board;
f ) Strategy review activities;
g) Appropriate financial measures to assess the Board's stewardship;
h) Board's management of the Company's performance;
i ) Board Committees' effectiveness; and
j ) CEO's performance and succession planning.

The Board and the **NC** have, with its best effort, ensured that directors appointed to the Board possess the background, experience, knowledge in business, finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

**Access to Information**
*Principle 6:* *In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.*

Directors are, from time to time, furnished with detailed information concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's executive management. All directors have unrestricted access to the Company's records and information. They also receive monthly management accounts to enable them to exercise oversight over the Group's financial position.

The agenda for Board meetings is prepared in consultation with the Chairman. Detailed Board papers are prepared for each meeting and are normally circulated a week in advance of each meeting. The Board papers include sufficient background explanatory information from the Management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. Such explanatory information may also be in the form of briefings to the directors or formal presentations made by senior management staff in attendance at Board meetings, or by external consultants engaged on specific projects.

# **Corporate Governance** Report
– Continued

The Board has separate and independent access to the Company Secretary and to other senior management executives of the Company and of the Group at all times in carrying out their duties.

The Board takes independent professional advice as and when necessary to enable it or the independent directors to discharge its or their responsibilities effectively. Subject to the approval of the Chairman, each director has the right to seek independent legal and other professional advice, at the Company's expense, to assist them in their duties.

The Company Secretary attends all Board meetings and meetings of the Board committees of the Company and ensures that Board procedures are followed and that applicable rules and regulations are complied with.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

*Principle 7:* *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

The **RC** comprises a non-executive director and two independent directors of the Company, i.e. Mr Steven Tan Chee Chuan as the Chairman, Messrs Ong Sim Ho and Steven Uhlmann as members.

The Committee has access to expert advice in the field of executive compensation outside the Company where required.

The number of meetings held and attendance at the meetings are as follows:

| | **Remuneration Committee Meetings** | |
|---|---|---|
| **Name of Director** | **Held** | **Attended** |
| Steven Tan Chee Chuan (Chairman) | 1 | 1 |
| Ong Sim Ho (Member) | 1 | 1 |
| Steven Uhlmann (Member) | 1 | 1 |

In addition, informal meetings were also held during the year as well as circular resolutions were also passed.

The **RC** oversees and approves recommendations on executives' remuneration, with the aim of building capable and committed management teams through competitive compensation and focused management and progressive policies. The review covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind. The Committee's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the Board. No director proposed or determined his own remuneration.

### Level and Mix of Remuneration

*Principle 8:* *The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

In setting remuneration packages, the Company takes 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.

# **Corporate Governance** Report
– Continued

The independent and non-executive directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the directors and the need to pay competitive fees to attract, motivate and retain the directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The executive directors do not receive directors' fees. The remuneration for the executive directors and the key senior executives comprise a basic salary component and a variable component which is the annual bonus and the share awards, based on the performance of the Group as a whole and their individual performance.

The annual reviews of the compensation of directors are carried out by the **RC** to ensure that the remuneration of the executive directors is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO is reviewed periodically by the RC and the Board.

The **RC** also administers the SunningdaleTech Employees' Share Option Scheme as well as the SunningdaleTech Restricted Share Plan and SunningdaleTech Performance Share Plan.

**Disclosure on Remuneration**

*Principle 9:* *Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.*

The breakdown of remuneration payable to the Directors and key executives for the financial period from 1 January 2010 to 31 December 2010 are set out below:

| Remuneration Band and Name of Directors | Fee(1) (%) | Basic Remuneration (%) | Variable Remuneration (%) | Share(2) Award (%) | Total Remuneration (%) |
|---|---|---|---|---|---|
| Below S$250,000 | | | | | |
| Koh Boon Hwee | 71 | - | - | 29 | 100 |
| Steven Uhlmann | 100 | - | - | - | 100 |
| Gabriel Teo Chen Thye | 100 | - | - | - | 100 |
| Steven Tan Chee Chuan | 100 | - | - | - | 100 |
| Kaka Singh | 100 | - | - | - | 100 |
| Ong Sim Ho | 100 | - | - | - | 100 |
| $500,000 to $750,000 | | | | | |
| Khoo Boo Hor | - | 76 | 6 | 18 | 100 |
| Wong Chi Hung | - | 76 | 10 | 14 | 100 |

| Remuneration Band of top 5 key Employees (who are not Directors) | No. of Key Executive | Salary (%) | Share(2) Award (%) | Other Benefits (%) | Total Remuneration (%) |
|---|---|---|---|---|---|
| S$250,000 and below | - | - | - | - | - |
| Above S$250,000 to S$499,999 | 5 | 78 | 12 | 10 | 100 |

(1) subject to approval by shareholders as a lump sum at the annual general meeting for the financial year ended 31 December 2010.

(2) the share awards are granted under the Restricted Share Plan. The fair value of the shares award is estimated in-house by management using the last traded price at grant date less the present value of expected dividend during the vesting period as the valuation basis. Details of the share awards are disclosed in the Directors' Report.

## ACCOUNTABILITY AND AUDIT

**Accountability**

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

In presenting the annual financial statements and quarterly announcements, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects.

The Management currently provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. On a monthly basis, Board members are provided with up-to-date financial reports and other information on the Group's performance for effective decision making.

**Audit Committee**

*Principle 11:* *The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

All three members of the **AC** namely, Mr Kaka Singh as the Chairman, Messrs Gabriel Teo Chen Thye and Steven Tan Chee Chuan as members, are independent directors of the Company. They bring with them invaluable leadership, managerial and professional expertise in the investment, financial and business management spheres. The AC meets regularly with the Group's external auditors, internal auditor as well as its executive management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group.

The **AC** also monitors proposed changes in accounting policies, reviews need for the internal audit and risk management functions and discusses the accounting implications of major transactions. In addition, the Committee advises the Board regarding the adequacy of the Group's internal controls including risk management and the contents and presentation of its reports.

Specifically, the AC:

- reviews the audit plans and scope of audit examination of the external auditors and evaluates their overall effectiveness through regular meetings with each group of auditors;

- reviews the adequacy of the internal audit function;

- determines that no restrictions are being placed by Management upon the work of the internal and external auditors;

- evaluates the adequacy of the internal control systems of the Group by reviewing written reports from the external auditors, and Management's responses and actions to correct any deficiencies;

- evaluates the adherence to the Group's administrative, operating and internal accounting controls;

- reviews the annual and quarterly financial statements and announcements to shareholders before submission to the Board for adoption;

- ensures the nature and extent of non-audit services provided by external auditors would not affect their independence as external auditors of the Company;

- reviews interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders; and

- considers other matters as requested by the Board.

# **Corporate Governance** Report
– Continued

The **AC** is authorised to investigate any matter within its Terms of Reference, and has full access to the Management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any executive director or executive officer to attend its meetings. For the financial year ended 31 December 2010, the **AC** has met with the external auditors separately, without the presence of the Management, to discuss the reasonableness of the financial reporting process, to review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the auditors, the scope and quality of their audits and the independence and objectivity of the auditors.

The **AC** also reviewed the non-audit services provided by the external auditors, which comprise tax services, and was satisfied that the independence of the external auditors would not be impaired.

The Company has put in place a "whistle blowing" process whereby staff of the company can raise concerns about possible improprieties in matters of financial reporting or other matters through a well-defined and accessible channel within the Company. The objective of the policy is to encourage the reporting of such matters in good faith, while providing the assurance that staff making such reports will be fairly treated. Procedures are also established to ensure that such matters are promptly investigated, appropriate follow-up actions taken by management and results reported to the Board of Directors.

The number of meetings held and attendance at the meetings during the last financial year ended 31 December 2010 are as follows:

| | **Audit Committee Meetings** | |
|---|---|---|
| **Name of Director** | **Held** | **Attended** |
| Kaka Singh (Chairman) | 4 | 4 |
| Gabriel Teo Chen Thye (Member) | 4 | 3 |
| Steven Tan Chee Chuan (Member) | 4 | 4 |

**Internal Control**

*Principle 12:* *The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.*

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

In assessing the effectiveness of internal controls, the **AC**, through the assistance of its internal and external auditors, ensures primary key objectives are met, material assets safeguarded and financial information prepared in compliance with applicable internal policies, laws and regulations.

During the financial year, the **AC** has approved the implementation of an Enterprise Risk Management (ERM) Policy which formalizes the reporting, assessment, treating and monitoring of each significant risk that the Group faces in achieving its business objectives. Such risks, including mitigating actions, are to be reported to the Board through the Audit Committee on a bi-annual basis, and are followed-up closely by the in-house internal audit team. Further in support of the ERM Policy, the AC has also approved the implementation of a Control Self Assessment (CSA) framework for Management to self-assess internal controls in accordance with Group requirements and specifically to significant risks identified. The **AC**, on behalf of the Board, has also reviewed the effectiveness of the Group's system of internal controls in the light of key business and financial risks affecting the operations.

# **Corporate Governance** Report
– Continued

**Internal Audit**
*Principle 13: The company should establish an internal audit function that is independent of the activities it audits.*

The Internal Audit function is currently performed in-house based on an annual audit plan and terms of reference as set in the Internal Audit Charter approved by the **AC**. The function is headed by an Internal Audit Manager who reports functionally to the Chairman of the **AC** and administratively to the Chief Executive Officer. The **AC** reviews the internal audit team's reports, audits completed against the approved annual audit plan as well as follow-up actions taken by management with respect to audit findings on a quarterly basis.

The **AC** is satisfied that the Internal Audit function is adequately resourced and has the appropriate standing within the Group to perform its function effectively.

## COMMUNICATION WITH SHAREHOLDERS

**Communication with Shareholders**
*Principle 14: Companies should engage in regular, effective and fair communication with shareholders.*

**Greater Shareholder Participation**
*Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

The Company does not practise selective disclosure. In line with the continuous disclosure obligations of the Company pursuant to the Singapore Exchange Listing Rules and the Singapore Companies Act, the Board's policy is that all shareholders should be informed regularly and on a timely basis of all major developments that impact the Group.

Pertinent information is communicated to shareholders on a regular and timely basis through:

- the Company's annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group;
- quarterly financial statements containing a summary of the financial information and affairs of the Group for the period. These are published on the SGXNET and in news releases;
- notices of and explanatory memoranda for AGM and Extraordinary General Meetings. The Board ensures that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle as regards to the "bundling" of resolutions. The Board will provide reasons and material implications where resolutions are interlinked;
- press releases on major developments of the Group;
- disclosures to the Singapore Exchange; and
- the Group's website at www.sdaletech.com from which shareholders can access information on the Group. The website provides, *inter alia*, corporate announcements, press releases, annual reports, and profiles of the Group.

In addition, shareholders are encouraged to attend the AGM to ensure a greater level of shareholder participation and for them to be kept up to date as to the Group's strategies and goals. The notice of the AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 working days before the meeting. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues and ask the directors or Management questions regarding the Company and its operations.

The Board supports the Code's principle to encourage shareholder participation. The Articles allow a shareholder of the Company to appoint one or two proxies to attend the AGM and vote in place of the shareholder.

The Chairmen of the **AC**, **RC** and **NC** are normally available at the AGM to answer those questions relating to the work of these Committees. The external auditors are also present to assist the Board in addressing any relevant queries by the shareholders.

## DEALING IN SECURITIES

The Group has adopted and implemented an internal code in relation to the dealing of shares of the Company. The Group has procedures in place, including prohibition on insider trading, which restricts the dealing in the Company's shares during the periods commencing one month (for the Group's half yearly and full year results) and two weeks (for the Group's quarterly results) prior to the announcement of the Group's results and ending on the date of the announcement of the results, or if they are in possession of unpublished material price-sensitive information of the Group. In addition, directors and executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

## 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 if such transactions do occur.

# **Directors'** Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Sunningdale Tech Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2010.

## 1. Directors

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

| | |
|---|---|
| Koh Boon Hwee | *(Non-Executive Chairman, Non-Executive Director)* |
| Khoo Boo Hor | *(Chief Executive Officer, Executive Director)* |
| Wong Chi Hung | *(Executive Director)* |
| Steven Uhlmann | *(Non-Executive Director)* |
| Steven Tan Chee Chuan | *(Independent Director)* |
| Gabriel Teo Chen Thye | *(Independent Director)* |
| Kaka Singh | *(Independent Director)* |
| Ong Sim Ho | *(Independent Director)* |

In accordance with Article 91 of the Company's Article of Association, Ong Sim Ho and Steven Uhlmann retire and, being eligible, offer themselves for re-election.

In accordance with section 153(6) of the Singapore Companies Act, Cap. 50, Steven Tan Chee Chuan and Kaka Singh retire and, being eligible, offer themselves for re-election.

## 2. Arrangements to enable directors to acquire shares and debentures

Except as disclosed below under "share plans", neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## 3. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share awards of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

| | **Direct interest** | | **Deemed interest** | |
|---|---|---|---|---|
| **Name of Director** | **At beginning of financial year** | **At end of financial year** | **At beginning of financial year** | **At end of financial year** |
| **Sunningdale Tech Ltd (Ordinary shares)** | | | | |
| Koh Boon Hwee | 26,238,960 | 27,038,960 | 110,040 | 110,040 |
| Khoo Boo Hor | 4,950,000 | 9,039,413 | – | – |
| Wong Chi Hung | – | 450,000 | 9,080,883 | 9,080,883 |
| Steven Uhlmann | 114,045,125 | 114,045,125 | – | – |
| Steven Tan Chee Chuan | 10,000,000 | 10,000,000 | – | – |
| Gabriel Teo Chen Thye | 339,660 | 1,139,660 | – | – |
| Kaka Singh | 396,270 | 396,270 | – | – |

## 3. Directors' interests in shares and debentures (cont'd)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2011.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share awards, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

## 4. Directors' contractual benefits

Except as disclosed in the financial statements and emoluments paid by related corporations, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

## 5. Share plans

***Restricted Share Plan and Performance Share Plan***

The Sunningdale Tech Ltd Restricted Share Plan (the "RSP") and Sunningdale Tech Ltd Performance Share Plan (the "PSP") were approved by the members of the Company at an Extraordinary General Meeting held on 29 October 2004. Details of the RSP and PSP were set out in the Circular dated 13 October 2004.

The Remuneration Committee ("RC") administering the RSP and PSP comprise three directors, Steven Tan Chee Chuan (Chairman), Steven Uhlmann and Ong Sim Ho. The RC administers the RSP and PSP in accordance with its objectives and rules thereof and to determine participation eligibility, grant of share awards and any other matters as may be required.

No share awards have been granted under PSP during the financial year under review and as at the date of this report.

The following RSP share awards were granted to employees of the Company and the Group:

| No. of Participants | Date of grant | Market price of share awards at date of grant (S$) | Share awards granted during financial year | Aggregate share awards granted since commencement of the RSP to end of financial year | Aggregate share awards forfeited since date of grant to end of financial year | Aggregate share awards released since date of grant to end of financial year | Aggregate share awards outstanding as at end of financial year |
|---|---|---|---|---|---|---|---|
| 72 | 13 January 2006 | 0.62 | – | 7,071,000 | (1,490,250) | (5,322,000) | 258,750 |
| 52 | 21 June 2007 | 0.395 | – | 5,466,000 | (1,313,750) | (4,144,750) | 7,500 |
| 1 | 24 August 2007 | 0.34 | – | 800,000 | – | (800,000) | – |
| 71 | 02 October 2008 | 0.12 | – | 6,694,000 | (821,000) | – | 5,873,000 |
| 2 | 06 April 2009 | 0.05 | – | 150,000 | – | – | 150,000 |
| 44 | 11 December 2009 | 0.125 | – | 6,575,000 | (405,000) | – | 6,170,000 |
| 54 | 01 November 2010 | 0.195 | 7,406,000 | 7,406,000 | – | – | 7,406,000 |

5. **Share plans (cont'd)**

***Shares granted under RSP***

Details of the RSP granted to directors of the Company are as follows:

| Name of Director | As at beginning of financial year | Share awards granted during the financial year | Share awards released since date of grant to end of financial year | As at end of financial year |
|---|---|---|---|---|
| Koh Boon Hwee | 800,000 | – | (800,000) | – |
| Khoo Boo Hor | 2,250,000 | 1,000,000 | (600,000) | 2,650,000 |
| Wong Chi Hung | 1,750,000 | 700,000 | (450,000) | 2,000,000 |

The share awards granted to participants who received five percent or more of the total number of share awards under the RSP during the financial year under review are as follows:

| Name of Participant | As at beginning of financial year | Share awards granted during the financial year | Share awards released since date of grant to end of financial year | As at end of financial year |
|---|---|---|---|---|
| Lim Chin Hong | 1,660,000 | 750,000 | (420,000) | 1,990,000 |

## 5. Share plans (cont'd)

***Shares granted under RSP (cont'd)***

The share award of 7,711,000 shares granted in 2006, 6,266,000 shares granted in 2007, 6,694,000 shares granted in 2008, 6,725,000 shares granted in 2009 and 7,406,000 shares granted in 2010 were subject to the following conditions:-

(i) one third of allotted number of share awards shall be vested on the first anniversary of the date of grant; one third on the second anniversary of the date of grant; and the last third on the third anniversary of the date of grant;

(ii) all the share awards shall be delivered only on the third anniversary of the date of grant;

(iii) that in order to receive this award, the participants must be in the employment of the Company or its group of companies, subject to the provisions as set out in the Summary of Rules of the RSP in the Circular to Shareholders dated 13 October 2004;

(iv) in the event an employee leaves the employment of the Company or its group of companies, the share awards which have vested before the date of resignation shall be delivered on the third anniversary of the date of grant subject to length of service adjustment (*);

(v) in the event an employee leaves the employment of the Company or its group of companies and joins competitors, the share awards which have vested before the date of resignation shall be delivered on the fifth anniversary of the date of grant subject to length of service adjustment (*); and

(vi) in the event an employee retires from the workforce, the share awards which have been granted shall be vested as active employees and delivered on the third anniversary of the date of grant, provided the sum of his age and length of service is greater than 60 years, he has worked with the Company or its group of companies for at least ten years and he does not go to work for a competitor.

(vii)[#] in the event an employee leaves the employment of the Company due to company's restructuring, the share awards which have vested before the date of retrenchment shall be delivered on the third anniversary of the date of grant.

(viii)[##] in the event an employee leaves the employment of the Company or its group of companies due to the restructuring of any Sunningdale Tech Group of Companies, the share awards which have vested before the date of retrenchment shall be delivered on the third anniversary of the date of grant.

Any waiver to these conditions would need the Remuneration Committee's final decision.

*(*) Length of service adjustment does not apply to the share awards granted in 2008, 2009 and 2010.*

*([#]) This condition is applied to the share awards granted in December 2009.*

*([##]) This condition is applied to the share awards granted in November 2010.*

Since commencement of the RSP and PSP plans till the end of the financial year:

- No awards have been granted to the controlling shareholders of the Company and their associates;
- No participants other than mentioned above have received 5% or more of the total awards available under the plans;
- No awards other than mentioned above have been granted to directors and employees of the Company and its subsidiaries;
- No awards that entitle the holder, to participate, by virtue of the awards, in any share issue of any other corporation have been granted; and
- No awards have been granted at a discount.

# **Directors'** Report
– Continued

**5. Share plans (cont'd)**

***Shares granted under RSP (cont'd)***

The ordinary shares if issued are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The market price of each share as at 31 December 2010 under the above share award is S$0.195 (2009: S$0.125).

**6. Audit committee**

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviewed the audit plans and scope of audit examination of the external and internal auditors;
- Reviewed with the external auditors their report on the financial statements and the assistance given by the Company's management to them;
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX).

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC has recommended to the board of directors that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditors at the next annual general meeting of the Company.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

**7. Auditors**

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Koh Boon Hwee
Non-Executive Chairman & Non-Executive Director

Khoo Boo Hor
Chief Executive Officer & Executive Director

Singapore
5 April 2011

# **Statement by** Directors Pursuant to Section 201(15)

We, Koh Boon Hwee and Khoo Boo Hor, being two of the directors of Sunningdale Tech Ltd, do hereby state that, in the opinion of the directors,

(a) the accompanying statements of financial position, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up 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 2010 and of the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

Koh Boon Hwee
Non-Executive Chairman & Non-Executive Director

Khoo Boo Hor
Chief Executive Officer & Executive Director

Singapore
5 April 2011

# **Independent** Auditors' Report
To the Members of Sunningdale Tech Ltd

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Sunningdale Tech Ltd (the Company) and its subsidiaries (collectively, the Group), set out on pages 37 to 110, which comprise the statements of financial position of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flow of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's responsibility for the consolidated financial statements***

Management is responsible for the preparation of consolidated 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 a 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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 2010 and the results, changes in equity and cash flows of the Group and the 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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Certified Public Accountants

Singapore
5 April 2011

# **Consolidated** Income Statement
for the year ended 31 December 2010

(In Singapore dollars)

| | Note | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|---|
| **Revenue** | 3 | 402,785 | 373,694 |
| Cost of Sales | | (341,328) | (316,579) |
| **Gross profit** | | 61,457 | 57,115 |
| **Other items of income** | | | |
| Interest income | 4 | 143 | 117 |
| Other income | 5 | 3,036 | 3,598 |
| **Other items of expense** | | | |
| Marketing and distribution | | (10,303) | (9,299) |
| Administrative expenses | | (25,172) | (27,815) |
| Other operating expenses | 6 | (6,661) | (3,820) |
| Finance costs | 7 | (2,165) | (3,817) |
| **Profit before tax from continuing operations** | 8 | 20,335 | 16,079 |
| Income tax expense | 9 | (6,657) | (5,492) |
| **Profit from continuing operations, net of tax** | | 13,678 | 10,587 |
| **Attributable to:** | | | |
| **Owners of the parent** | | | |
| Profit from continuing operations, net of tax | | 13,678 | 10,587 |
| | | 13,678 | 10,587 |
| **Earnings per share from continuing operations attributable to owners of the parent (cents per share)** | | | |
| Basic | 10 | 1.84 | 1.43 |
| Diluted | 10 | 1.80 | 1.41 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# **Consolidated** Statement of Comprehensive Income
for the year ended 31 December 2010

(In Singapore dollars)

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **$'000** | **$'000** |
| **Profit from continuing operations, net of tax** | 13,678 | 10,587 |
| **Other comprehensive income** | | |
| Foreign currency translation | (8,362) | (4,940) |
| **Other comprehensive income for the year, net of tax** | (8,362) | (4,940) |
| **Total comprehensive income for the year** | 5,316 | 5,647 |
| **Attributable to:** | | |
| **Owners of the parent** | | |
| Total comprehensive income from continuing operations, net of tax | 5,316 | 5,647 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# **Statements of** Financial Position
as at 31 December 2010

(In Singapore dollars)

| | Note | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | 146,301 | 163,708 | 8,393 | 9,565 |
| Investment property | 13 | 923 | 744 | – | – |
| Intangible assets | 14 | 29,964 | 29,964 | – | – |
| Other investments | 15 | 1 | 1 | – | – |
| Investment in subsidiaries | 16 | – | – | 227,706 | 227,706 |
| Investment in an associate | 17 | – | – | – | – |
| Deferred tax assets | 25 | 676 | 775 | – | – |
| | | 177,865 | 195,192 | 236,099 | 237,271 |
| **Current assets** | | | | | |
| Inventories | 18 | 60,797 | 56,801 | 5,439 | 4,284 |
| Prepayments | | 2,335 | 2,074 | 97 | 143 |
| Trade and other receivables | 19 | 70,910 | 87,012 | 33,088 | 28,667 |
| Cash and short-term deposits | 20 | 76,743 | 68,284 | 12,857 | 8,208 |
| | | 210,785 | 214,171 | 51,481 | 41,302 |
| **Total assets** | | **388,650** | **409,363** | **287,580** | **278,573** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | 38,383 | 49,387 | 32,752 | 23,919 |
| Excess of progress billings over work-in-progress | 18 | 10,455 | 8,283 | 6,635 | 2,851 |
| Other liabilities | 22 | 25,614 | 20,741 | 3,103 | 2,901 |
| Loans and borrowings | 23 | 46,467 | 57,674 | 11,202 | 18,105 |
| Tax payable | | 10,187 | 12,013 | 124 | 118 |
| | | 131,106 | 148,098 | 53,816 | 47,894 |
| **Net current assets/(liabilities)** | | **79,679** | **66,073** | **(2,335)** | **(6,592)** |

# **Statements of** Financial Position

as at 31 December 2010 – Continued

(In Singapore dollars)

| | Note | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 23 | 7,126 | 13,855 | 2,032 | 3,315 |
| Deferred tax liabilities | 25 | 3,120 | 3,285 | 627 | 627 |
| | | 10,246 | 17,140 | 2,659 | 3,942 |
| **Total liabilities** | | **141,352** | **165,238** | **56,475** | **51,836** |
| **NET ASSETS** | | **247,298** | **244,125** | **231,105** | **226,737** |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 26 | 270,068 | 268,243 | 270,068 | 268,243 |
| Reserves | | (22,770) | (24,118) | (38,963) | (41,506) |
| **Total equity** | | **247,298** | **244,125** | **231,105** | **226,737** |
| **Total equity and liabilities** | | **388,650** | **409,363** | **287,580** | **278,573** |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# **Statements of** Changes in Equity

for the year ended 31 December 2010

(In Singapore dollars)

| Group | Attributable to owners of the parent | | | | |
|---|---|---|---|---|---|
| | Share capital (Note 26) $'000 | Retained earnings $'000 | Foreign currency translation reserve (Note 27) $'000 | Other reserves (Note 27) $'000 | Total equity $'000 |
| **2010** | | | | | |
| **Opening balance at 1 January 2010** | **268,243** | **(27,089)** | **(4,623)** | **7,594** | **244,125** |
| Profit from continuing operations, net of tax | – | 13,678 | – | – | 13,678 |
| Other comprehensive income | | | | | |
| Foreign currency translation | – | – | (8,172) | (190) | (8,362) |
| Other comprehensive income for the year, net of tax | – | – | (8,172) | (190) | (8,362) |
| Total comprehensive income for the year | – | 13,678 | (8,172) | (190) | 5,316 |
| Contributions by and distributions to owners | | | | | |
| Grant of equity-settled share awards to employees | – | – | – | 821 | 821 |
| Issue of share under share awards | 1,825 | – | – | (1,825) | – |
| Transfer to statutory reserve | – | (1,018) | – | 1,018 | – |
| Dividends paid (Note 11) | – | (2,964) | – | – | (2,964) |
| Total contributions by and distributions to owners | 1,825 | (3,982) | – | 14 | (2,143) |
| Total transactions with owners in their capacity as owners | 1,825 | (3,982) | – | 14 | (2,143) |
| **Closing balance at 31 December 2010** | **270,068** | **(17,393)** | **(12,795)** | **7,418** | **247,298** |
| **2009** | | | | | |
| **Opening balance at 1 January 2009** | **265,146** | **(37,178)** | **232** | **9,532** | **237,732** |
| Profit from continuing operations, net of tax | – | 10,587 | – | – | 10,587 |
| Other comprehensive income | | | | | |
| Foreign currency translation | – | – | (4,855) | (85) | (4,940) |
| Other comprehensive income for the year, net of tax | – | – | (4,855) | (85) | (4,940) |
| Total comprehensive income for the year | – | 10,587 | (4,855) | (85) | 5,647 |
| Contributions by and distributions to owners | | | | | |
| Grant of equity-settled share awards to employees | – | – | – | 746 | 746 |
| Issue of share under share awards | 3,097 | – | – | (3,097) | – |
| Transfer to statutory reserve | – | (498) | – | 498 | – |
| Total contributions by and distributions to owners | 3,097 | (498) | – | (1,853) | 746 |
| Total transactions with owners in their capacity as owners | 3,097 | (498) | – | (1,853) | 746 |
| **Closing balance at 31 December 2009** | **268,243** | **(27,089)** | **(4,623)** | **7,594** | **244,125** |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# **Statements of** Changes in Equity
for the year ended 31 December 2010 – Continued

(In Singapore dollars)

| Company | Share capital (Note 26) $'000 | Retained earnings $'000 | Other reserves (Note 27) $'000 | Total equity $'000 |
|---|---|---|---|---|
| | Attributable to owners of the parent | | | |
| **2010** | | | | |
| **Opening balance at 1 January 2010** | **268,243** | **(43,496)** | **1,990** | **226,737** |
| Profit from continuing operations, net of tax | – | 6,511 | – | 6,511 |
| Other comprehensive income for the year | – | – | – | – |
| Total comprehensive income for the year | – | 6,511 | – | 6,511 |
| Contributions by and distributions to owners | | | | |
| Grant of equity-settled share awards to employees | – | – | 821 | 821 |
| Issue of share under share awards | 1,825 | – | (1,825) | – |
| Dividends paid (Note 11) | – | (2,964) | – | (2,964) |
| Total contributions by and distributions to owners | 1,825 | (2,964) | (1,004) | (2,143) |
| Total transactions with owners in their capacity as owners | 1,825 | (2,964) | (1,004) | (2,143) |
| **Closing balance at 31 December 2010** | **270,068** | **(39,949)** | **986** | **231,105** |
| **2009** | | | | |
| **Opening balance at 1 January 2009** | **265,146** | **(50,394)** | **4,341** | **219,093** |
| Profit from continuing operations, net of tax | – | 6,898 | – | 6,898 |
| Other comprehensive income for the year | – | – | – | – |
| Total comprehensive income for the year | – | 6,898 | – | 6,898 |
| Contributions by and distributions to owners | | | | |
| Grant of equity-settled share awards to employees | – | – | 746 | 746 |
| Issue of share under share awards | 3,097 | – | (3,097) | – |
| Total contributions by and distributions to owners | 3,097 | – | (2,351) | 746 |
| Total transactions with owners in their capacity as owners | 3,097 | – | (2,351) | 746 |
| **Closing balance at 31 December 2009** | **268,243** | **(43,496)** | **1,990** | **226,737** |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# **Consolidated** Statement of Cash Flows
for the year ended 31 December 2010

(In Singapore dollars)

| | Group | |
|---|---|---|
| | 2010<br>$'000 | 2009<br>$'000 |
| **Cash flows from operating activities:** | | |
| Profit before tax from continuing operations | 20,335 | 16,079 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment (Note 12) | 24,739 | 26,736 |
| Net gain on disposal of property, plant and equipment (Note 5) | (488) | (54) |
| Property, plant and equipment written off (Note 6) | 560 | 92 |
| Impairment loss on property, plant and equipment (Note 12) | – | 1,700 |
| Impairment loss on club membership (Note 14) | – | 3 |
| Bad debts written off | – | 23 |
| (Write-back)/allowance for doubtful debts (Note 8) | (544) | 1,850 |
| Fair value gain on investment property (Note 5) | (235) | (54) |
| Allowance for inventories obsolescence/foreseeable losses (Note 8) | 758 | 1,560 |
| Employee share award expenses (Note 30) | 821 | 746 |
| Interest expense | 2,165 | 3,817 |
| Interest income | (143) | (117) |
| Currency realignment | (2,253) | (1,781) |
| **Operating cash flows before changes in working capital** | 45,715 | 50,600 |
| Decrease/(increase) in trade and other receivables | 16,646 | (2,295) |
| Increase in prepayments | (261) | (79) |
| (Increase)/decrease in inventories | (4,754) | 6,503 |
| (Decrease)/increase in trade and other payables | (7,303) | 12,866 |
| **Cash flows generated from operations** | 50,043 | 67,595 |
| Interest paid | (2,165) | (3,817) |
| Interest received | 143 | 117 |
| Income tax paid | (7,592) | (2,986) |
| **Net cash from operating activities** | 40,429 | 60,909 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# **Consolidated** Statement of Cash Flows

for the year ended 31 December 2010 – Continued

(In Singapore dollars)

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| **Cash flows from investing activities:** | | |
| Purchase of property, plant and equipment | (9,226) | (17,339) |
| Net proceeds from disposal of property, plant and equipment | 726 | 95 |
| **Net cash used in investing activities** | (8,500) | (17,244) |
| **Cash flows from financing activities:** | | |
| Proceeds from loans and borrowings | 6,495 | 18,357 |
| Repayment of loans and borrowings | (24,098) | (34,618) |
| Decrease in restricted cash | 1,181 | – |
| Dividends paid on ordinary shares (Note 11) | (2,964) | – |
| **Net cash used in financing activities** | (19,386) | (16,261) |
| **Net increase in cash and cash equivalents** | 12,543 | 27,404 |
| Cash and cash equivalents at beginning of year | 65,386 | 38,662 |
| Effects of exchange rate changes on cash and cash equivalents | (2,760) | (680) |
| **Cash and cash equivalents at end of year (Note 20)** | 75,169 | 65,386 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# **Notes** to the Financial Statements
31 December 2010

## 1. Corporate information

Sunningdale Tech Ltd (the "Company") is a limited liability company, domiciled and incorporated in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 51 Joo Koon Circle, Singapore 629069.

The principal activities of the Company consist of manufacturing and sale of dies, tools, jigs, fixtures, high precision steel moulds and plastic products. The principal activities of the subsidiaries are outlined in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the year.

## 2. Summary of significant accounting policies

### 2.1 *Basis of presentation*

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The Group has considerable financial resources together with some good arrangements with a number of customers and suppliers. As a consequence, the management believes that the Group is well placed to manage its business risks successfully despite the Company's net current liabilities position. The financial statements of the Company have been prepared on a going concern basis.

The financial statements are presented in Singapore Dollars (SGD or $), and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

<u>FRS 103 Business Combinations (revised) and FRS 27 Consolidated and Separate Financial Statements (revised)</u>

The revised FRS 103 Business Combination and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009. As at 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

## 2. Summary of significant accounting policies (cont'd)

### 2.2 *Changes in accounting policies (cont'd)*

FRS 103 Business Combinations (revised)

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;

- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;

- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

FRS 27 Consolidated and Separate Financial Statements (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 included:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of the transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

# **Notes** to the Financial Statements

31 December 2010 – Continued

**2. Summary of significant accounting policies (cont'd)**

2.3 ***Standards issued but not yet effective***

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to FRS 32 *Financial Instruments: Presentation – Classification of Rights Issues* | 1 February 2010 |
| INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments* | 1 July 2010 |
| Revised FRS 24 *Related Party Disclosures* | 1 January 2011 |
| Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement* | 1 January 2011 |
| INT FRS 115 Agreements for the Construction of Real Estate | 1 January 2011 |
| Amendments to FRS 107 Disclosures – Transfers of Financial Assets | 1 July 2011 |
| Amendments to FRS 12 Deferred Tax – Recovery of Underlying Assets | 1 January 2012 |
| Improvements to FRSs issued in 2010 | |
| - Amendments to FRS 101 First-time Adoption of Financial Reporting Standards | 1 January 2011 |
| - Amendments to FRS 103 Business Combinations | 1 July 2010 |
| - Amendments to FRS 107 Financial Instruments: Disclosures | 1 January 2011 |
| - Amendments to FRS 1 Presentation of Financial Statements Disclosures | 1 January 2011 |
| - Amendments to Transition requirements for amendments arising as a result of FRS 27 Consolidated and Separate Financial Statements | 1 July 2010 |
| - Amendments to FRS 34 Interim Financial Reporting | 1 January 2011 |
| - Amendments to INT FRS 113 Customer Loyalty Programmes | 1 January 2011 |

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

<u>Revised FRS 24 Related Party Disclosures</u>

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

## 2. Summary of significant accounting policies (cont'd)

### 2.4 *Significant accounting judgements and estimates*

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### (a) *Key sources of estimation uncertainty*

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

##### (i) Impairment of goodwill and investment in subsidiaries

Management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There was no impairment charge for the financial year ended 31 December 2010 (2009: $Nil). More details are given in Note 14. The carrying amount of the goodwill at 31 December 2010 was $29,964,000 (2009: $29,964,000).

The Company assess whether there is any indication of impairment of its investment in subsidiaries at each reporting date. Investment in subsidiaries is tested for impairment when there are indicators that the carrying amount may not be recoverable. Management estimates the recoverable amount based on the value in use. This requires the management to make an estimate of the expected future cash flows and also to choose a suitable discount rate in order to calculate the present value of the cash flows. There was no impairment charge for the financial year ended 31 December 2010 (2009: $Nil). The carrying amount of the Company's investment in subsidiaries at 31 December 2010 was $227,706,000 (2009: $227,706,000).

##### (ii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment as discussed in Note 2.10. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at 31 December 2010 was $146,301,000 (2009: $163,708,000).

##### (iii) Employee share awards

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the employee share awards at the date at which they are granted. Estimating the fair value of such awards requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including expected life of the award, volatility and dividend yield. The assumptions and model used are disclosed in Note 30.

## 2. Summary of significant accounting policies (cont'd)

### 2.4 *Significant accounting judgements and estimates (cont'd)*

#### (a) *Key sources of estimation uncertainty (cont'd)*

##### (iv) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value as at 31 December 2010.

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method.

The determination of the fair value of the investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of each reporting date.

The key assumptions used to determine the fair value of the investment properties are further explained in Note 2.11.

##### (v) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Management 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 assets and deferred tax liabilities in the period in which such determination is made. The carrying amounts of the Group's income tax payables, deferred tax assets and deferred tax liabilities at 31 December 2010 were $10,187,000 (2009: $12,013,000), $676,000 (2009: $775,000) and $3,120,000 (2009: $3,285,000) respectively.

## 2. Summary of significant accounting policies (cont'd)

### 2.4 *Significant accounting judgements and estimates (cont'd)*

#### (b) *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most effect on the amounts recognised in the financial statements.

(i) **Revenue recognition – mould fabrication work**

Management recognises revenue from mould fabrication work by reference to the stage of completion at the reporting date, when the outcome of the contract can be estimated reliably. All losses are recorded when they become known. Management had recognised revenue amounting to $98,049,000 (2009: $99,204,000) for mould fabrication work. Management estimates that based on experience with similar work, the percentage of completion used in recognising revenue is appropriate. Even if the events anticipated under the assumption occur, actual results are still likely to be different from the estimates since other anticipated events frequently do not occur as expected and the variation may be material. As at 31 December 2010, management has also determined that any provision made for foreseeable losses is adequate.

(ii) **Impairment of property, plant and equipment**

The carrying values of property, plant and equipment are tested for impairment when there are indicators of impairment. Management estimates the recoverable amount based on the value in use. This requires the management to make an estimate of the expected future cash flows and also to choose a suitable discount rate in order to calculate the present value of the cash flows. Except as disclosed in Note 12, there are no other indications of impairment as at 31 December 2010.

(iii) **Determination of functional currency**

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

### 2.5 *Foreign currency*

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### (a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## 2. Summary of significant accounting policies (cont'd)

### 2.5 *Foreign currency (cont'd)*

#### (a) *Transactions and balances (cont'd)*

Exchange differences arising on the settlement of monetary items or on translating monetary items at end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss on disposal of the foreign operation.

#### (b) *Group companies*

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at end of the reporting period and their profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

### 2.6 *Subsidiaries and basis of consolidation*

#### (a) *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

#### (b) *Basis of consolidation*

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

## 2. Summary of significant accounting policies (cont'd)

### 2.6 *Subsidiaries and basis of consolidation (cont'd)*

#### (b) *Basis of consolidation (cont'd)*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivates in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.12. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

<u>Business combinations before 1 January 2010</u>

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in entity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

## 2. Summary of significant accounting policies (cont'd)

### 2.7 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated Statement of Financial Position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the parent.

### 2.8 *Associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its shares of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

The financial statements of the associate are prepared as of the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

## 2. Summary of significant accounting policies (cont'd)

### 2.9 *Government grants*

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

### 2.10 *Property, plant and equipment and depreciation*

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.20. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

| | | |
|---|---|---|
| Leasehold land and buildings | - | 20 to 60 years |
| Leasehold improvements | - | 1 to 30 years |
| Machinery and equipment | - | 1 to 10 years |
| Office equipment and furniture | - | 2 to 10 years |
| Motor vehicles | - | 5 to 10 years |

Assets under construction included in plant and equipment, classified as construction-in-progress are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

## 2. Summary of significant accounting policies (cont'd)

### 2.11 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance lease.

Investment properties are initially recorded at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognised criteria are met.

Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year of retirement or disposal.

### 2.12 *Intangible assets*

#### (a) *Goodwill*

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that a cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.5.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

## 2. Summary of significant accounting policies (cont'd)

### 2.12 *Intangible assets (cont'd)*

#### (b) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

### 2.13 *Impairment of non-financial assets*

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

## 2. Summary of significant accounting policies (cont'd)

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.14 *Financial assets*

**Initial recognition and measurement**

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

(a) ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

## 2. Summary of significant accounting policies (cont'd)

### 2.14 *Financial assets (cont'd)*

#### (b) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

#### (c) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### (d) *Available-for-sale financial assets*

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

**Derecognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

## 2. Summary of significant accounting policies (cont'd)

### 2.15 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at banks and on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### 2.16 *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payment.

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 was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

**2. Summary of significant accounting policies (cont'd)**

2.16 ***Impairment of financial assets (cont'd)***

(c) ***Available-for-sale financial assets***

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of investment below its costs. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in the profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of financial income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.17 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials - purchase costs on a first-in-first out basis;

- Finished goods and work-in-progress – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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

2.18 ***Financial liabilities***

**Initial recognition and measurement**

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of financial liabilities, plus directly attributable transaction costs.

## 2. Summary of significant accounting policies (cont'd)

### 2.18 *Financial liabilities (cont'd)*

**Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

**Other financial liabilities**

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.19 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

### 2.20 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 2. Summary of significant accounting policies (cont'd)

### 2.21 *Provisions*

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for sales returns is recognised for all products sold as at end of the reporting period based on past experience of the level of returns.

### 2.22 *Employee benefits*

#### (a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund (CPF) scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to end of the reporting period.

#### (c) *Employee share plans – Restricted Share Plan and Performance Share Plan*

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for share plans and awards ('equity-settled transactions').

The cost of equity-settled share based payment transactions with employees is measured by reference to the fair value at the date on which the share awards are granted which takes into account market conditions and non-vesting conditions. In valuing the share awards, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the Restricted Share Plan reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

## 2. Summary of significant accounting policies (cont'd)

### 2.22 *Employee benefits (cont'd)*

#### (c) *Employee share plans – Restricted Share Plan and Performance Share Plan (cont'd)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award is treated as if it was a modification of the original award, as described in the previous paragraph.

### 2.23 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

#### (a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised, at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### (b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24.

## 2. Summary of significant accounting policies (cont'd)

### 2.24 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Sale of goods***

Revenue from the sale of goods is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

(b) ***Revenue from mould fabrication work***

Revenue from mould fabrication work is recognised on the percentage of completion method, measured by reference to the stages of mould manufacturing processes surveyed by project engineers and all losses are provided for as they become known. Where the outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(c) ***Interest income***

Interest income is recognised using the effective interest method.

(d) ***Dividends***

Dividend income is recognised when the Group's right to receive payment is established.

(e) ***Rental income***

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

### 2.25 *Taxes*

(a) ***Current income tax***

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Deferred tax***

Deferred income tax is provided, using the liability method, on temporary differences at end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 2. Summary of significant accounting policies (cont'd)

### 2.25 *Taxes (cont'd)*

#### (b) *Deferred tax (cont'd)*

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at end of the reporting period.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

## 2. Summary of significant accounting policies (cont'd)

(c) ***Goods and services tax***

Revenue, expenses and assets are recognised net of the amount of goods and services tax except:

- Where the goods and services tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.26 ***Derivative financial instruments***

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to profit or loss for the year.

2.27 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 ***Share capital and share issue expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.29 ***Treasury shares***

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received is recognised directly in equity.

2.30 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event(s) not wholly within the control of the Group; or

## 2. Summary of significant accounting policies (cont'd)

### 2.30 *Contingencies (cont'd)*

(b) a present obligation that arises from past events but is not recognised because;

   (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group except for contingent liabilities assumed in business combination that are present obligations and which the fair values can be reliably determined.

### 2.31 *Related parties*

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

   (i) controls, is controlled by, or is under common control with, the Group;

   (ii) has an interest in the Group that gives it significant influence over the Group; or

   (iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

## 3. Revenue

Revenue represents net invoiced value of goods supplied and percentage of work completed for sale of moulds, and it is shown net of related sales taxes, estimated returns, discounts and volume rebates.

# **Notes** to the Financial Statements

31 December 2010 – Continued

## 4. Interest income

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| Interest income from: | | |
| Loans and receivables | 143 | 117 |

## 5. Other income

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| Income from disposal of scrap materials | 811 | 692 |
| Fair value gain on investment property (Note 13) | 235 | 54 |
| Rental income | 16 | 40 |
| Government grant | 112 | 1,469 |
| Net gain on disposal of property, plant and equipment | 488 | 54 |
| Reimbursement from customers and suppliers | 482 | 554 |
| Waiver of debts | 56 | 20 |
| Miscellaneous income | 836 | 715 |
| | 3,036 | 3,598 |

## 6. Other operating expenses

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| Property, plant and equipment written off | 560 | 92 |
| Impairment loss on plant and equipment (Note 12) | – | 1,700 |
| Impairment loss on club membership (Note 14) | – | 3 |
| Loss on disposal of excess inventory | – | 137 |
| Net foreign exchange loss | 5,185 | 1,195 |
| Miscellaneous expenses | 916 | 693 |
| | 6,661 | 3,820 |

## 7. Finance costs

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| Interest expense: | | |
| – Bank loans | 2,135 | 3,792 |
| – Bills payable | 30 | 25 |
| | 2,165 | 3,817 |

## 8. Profit before tax from continuing operations

| | Group | |
|---|---|---|
| | **2010** **$'000** | **2009** **$'000** |
| Profit before tax from continuing operations is stated after charging/(crediting): | | |
| Cost of inventories sold | 341,328 | 316,579 |
| Professional fees paid to a director related company | 56 | 32 |
| Depreciation of property, plant and equipment (Note 12) | 24,739 | 26,736 |
| Bad debts written off - trade | – | 23 |
| (Write-back)/allowance for doubtful debts | (544) | 1,850 |
| Non-audit fees paid to: | | |
| – Auditors of the Company | 246 | 197 |
| – Other auditors | 9 | 4 |
| Employee benefits expense (Note 30) | 84,505 | 73,540 |
| Allowance for inventories obsolescence/foreseeable losses | 758 | 1,560 |

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme ("Scheme"). Under this Scheme, the Group received a 12% cash grant on the first $2,500 of each month's wages for each employee on their Central Provident Fund payroll. During the financial year, the Group received grant income of $229,000 (2009: $1,039,000) under the Scheme.

## 9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

| | Group | |
|---|---|---|
| | **2010** **$'000** | **2009** **$'000** |
| Current taxation | | |
| Current year | 6,480 | 6,020 |
| Under/(over) provision in respect of previous years | 243 | (650) |
| Deferred taxation (Note 25) | | |
| Origination and reversal of temporary differences | (104) | 1,074 |
| Benefits from previously unrecognised tax losses | – | (891) |
| Effect of reduction in tax rate | – | (61) |
| Under provision in respective of previous years | 38 | – |
| Income tax expense recognised in profit or loss | 6,657 | 5,492 |

## 9. Income tax expense (cont'd)

Relationship between tax expense and accounting profit

A reconciliation between the tax expenses and accounting profit before income tax multiplied by the applicable corporate tax rates for the years ended 31 December 2010 and 2009 are as follows:-

| | Group | |
|---|---|---|
| | **2010** **$'000** | **2009** **$'000** |
| Accounting profit before tax from continuing operations | 20,335 | 16,079 |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | 4,337 | 4,200 |
| Adjustments: | | |
| Lower tax rate for specific provinces or local authority | – | (353) |
| Non-deductible expenses | 1,779 | 1,898 |
| Income not subject to taxation | (319) | (415) |
| Utilisation of previously unrecognised deferred tax assets | – | (891) |
| Deferred tax assets not recognised | 729 | 2,380 |
| Under/(over) provision in respect of previous years | 281 | (650) |
| Effect of reduction in tax rate | – | (61) |
| Others | (150) | (616) |
| Income tax expense recognised in profit or loss | 6,657 | 5,492 |

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

## 10. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary owners of the parent by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive potential shares).

The following table reflect the profit and loss and share data used in the computation of basic and diluted earnings per share for the years ended 31 December 2010 and 2009:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **$'000** | **$'000** |
| Profit attributable to owners of the parent for basic and diluted earnings per share | 13,678 | 10,587 |
| | **Number of shares** | |
| | **'000** | **'000** |
| Weighted average number of ordinary shares on issue applicable to basic earnings per share | 743,554 | 740,606 |
| Effect of dilutive potential share<br>• Restricted share plan | 16,760 | 12,858 |
| Adjusted weighted average number of ordinary shares applicable to diluted earnings per share | 760,314 | 753,464 |

Except as disclosed in Note 36, there have been no other transaction involving ordinary shares or potential ordinary shares since end of the reporting period and before the completion of these financial statements.

## 11. Dividends

| | | Group and Company | |
|---|---|---|---|
| | | **2010** | **2009** |
| | | **$'000** | **$'000** |
| (a) | Dividends paid during the year are as follows:-<br>2009 final exempt (one-tier) dividend of $0.004 per share on 741,079,643 ordinary shares | 2,964 | – |
| (b) | Proposed but not recognised as a liability as at 31 December:<br>Dividends on ordinary shares, subject to shareholders' approval at the AGM: | | |
| | 2010 final exempt (one-tier) dividend of $0.006 per share on 746,023,143 ordinary shares | 4,476 | – |
| | 2009 final exempt (one-tier) dividend of $0.004 per share on 741,079,643 ordinary shares | – | 2,964 |

## 12. Property, plant and equipment

| Group | Leasehold land and buildings $'000 | Leasehold improvements $'000 | Motor vehicles $'000 | Machinery and equipment $'000 | Office equipment and furniture $'000 | Construction-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 January 2010 | 62,184 | 29,885 | 1,820 | 259,941 | 21,049 | 404 | 375,283 |
| Additions | 64 | 1,046 | 292 | 6,868 | 1,272 | 3,028 | 12,570 |
| Reclassification | (142) | 282 | – | 1,584 | (90) | (1,634) | – |
| Disposals | – | – | (107) | (3,762) | (158) | – | (4,027) |
| Written off | (510) | (74) | (43) | (438) | (217) | – | (1,282) |
| Currency realignment | (1,345) | (577) | (36) | (6,934) | (351) | (25) | (9,268) |
| At 31 December 2010 | 60,251 | 30,562 | 1,926 | 257,259 | 21,505 | 1,773 | 373,276 |
| **Accumulated depreciation and impairment loss** | | | | | | | |
| At 1 January 2010 | 10,324 | 20,440 | 1,394 | 161,869 | 17,548 | – | 211,575 |
| Charge for the year | 2,390 | 2,705 | 134 | 18,234 | 1,276 | – | 24,739 |
| Reclassification | (117) | 135 | – | – | (18) | – | – |
| Disposals | – | – | (101) | (3,533) | (155) | – | (3,789) |
| Written off | (35) | (58) | (43) | (391) | (195) | – | (722) |
| Currency realignment | (261) | (477) | (20) | (3,764) | (306) | – | (4,828) |
| At 31 December 2010 | 12,301 | 22,745 | 1,364 | 172,415 | 18,150 | – | 226,975 |
| **Net carrying amount** | | | | | | | |
| At 31 December 2010 | 47,950 | 7,817 | 562 | 84,844 | 3,355 | 1,773 | 146,301 |
| **2009** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 January 2009 | 50,184 | 28,689 | 1,993 | 254,112 | 20,450 | 8,208 | 363,636 |
| Additions | 204 | 2,058 | 94 | 9,482 | 907 | 5,982 | 18,727 |
| Reclassification | 13,130 | (273) | – | 1,141 | (28) | (13,970) | – |
| Disposals | – | – | (233) | (360) | (16) | – | (609) |
| Written off | – | (163) | – | (105) | (48) | – | (316) |
| Currency realignment | (1,334) | (426) | (34) | (4,329) | (216) | 184 | (6,155) |
| At 31 December 2009 | 62,184 | 29,885 | 1,820 | 259,941 | 21,049 | 404 | 375,283 |
| **Accumulated depreciation and impairment loss** | | | | | | | |
| At 1 January 2009 | 8,450 | 17,154 | 1,517 | 143,467 | 16,320 | – | 186,908 |
| Charge for the year | 2,115 | 3,111 | 131 | 19,873 | 1,506 | – | 26,736 |
| Impairment loss | – | 924 | – | 776 | – | – | 1,700 |
| Disposals | – | – | (229) | (325) | (14) | – | (568) |
| Written off | – | (97) | – | (81) | (46) | – | (224) |
| Currency realignment | (241) | (652) | (25) | (1,841) | (218) | – | (2,977) |
| At 31 December 2009 | 10,324 | 20,440 | 1,394 | 161,869 | 17,548 | – | 211,575 |
| **Net carrying amount** | | | | | | | |
| At 31 December 2009 | 51,860 | 9,445 | 426 | 98,072 | 3,501 | 404 | 163,708 |

## 12. Property, plant and equipment (cont'd)

| Company | Leasehold buildings $'000 | Leasehold improvements $'000 | Machinery and equipment $'000 | Office equipment and furniture $'000 | Construction-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2010 | 4,732 | 5,772 | 17,798 | 2,063 | 98 | 30,463 |
| Additions | – | – | 664 | 251 | – | 915 |
| Reclassification | – | – | 72 | – | (72) | – |
| Disposals | – | – | (287) | (1) | – | (288) |
| Written off | – | – | (132) | – | – | (132) |
| At 31 December 2010 | 4,732 | 5,772 | 18,115 | 2,313 | 26 | 30,958 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2010 | 1,051 | 3,719 | 14,508 | 1,620 | – | 20,898 |
| Charge for the year | 80 | 432 | 1,268 | 306 | – | 2,086 |
| Disposals | – | – | (287) | – | – | (287) |
| Written off | – | – | (132) | – | – | (132) |
| At 31 December 2010 | 1,131 | 4,151 | 15,357 | 1,926 | – | 22,565 |
| **Net carrying amount** | | | | | | |
| At 31 December 2010 | 3,601 | 1,621 | 2,758 | 387 | 26 | 8,393 |
| **2009** | | | | | | |
| **Cost** | | | | | | |
| At 1 January 2009 | 4,732 | 5,594 | 28,003 | 1,804 | 32 | 40,165 |
| Additions | – | 178 | 851 | 274 | 66 | 1,369 |
| Disposals | – | – | (11,056) | (15) | – | (11,071) |
| At 31 December 2009 | 4,732 | 5,772 | 17,798 | 2,063 | 98 | 30,463 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2009 | 973 | 3,275 | 21,432 | 1,263 | – | 26,943 |
| Charge for the year | 78 | 444 | 1,680 | 367 | – | 2,569 |
| Disposals | – | – | (8,604) | (10) | – | (8,614) |
| At 31 December 2009 | 1,051 | 3,719 | 14,508 | 1,620 | – | 20,898 |
| **Net carrying amount** | | | | | | |
| At 31 December 2009 | 3,681 | 2,053 | 3,290 | 443 | 98 | 9,565 |

## 12. Property, plant and equipment (cont'd)

The carrying amounts of leasehold land and buildings are as follows:-

| | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|
| Leasehold land as at 31 December: | | | | |
| Cost | 3,564 | 4,007 | – | – |
| Accumulated depreciation | (230) | (216) | – | – |
| Net carrying amount | 3,334 | 3,791 | – | – |
| Leasehold building as at 31 December: | | | | |
| Cost | 56,687 | 58,177 | 4,732 | 4,732 |
| Accumulated depreciation | (12,071) | (10,108) | (1,131) | (1,051) |
| Net carrying amount | 44,616 | 48,069 | 3,601 | 3,681 |

Impairment of assets

During the financial year, management carried out a review on the recoverable amount of plant and equipment based on the working conditions. An impairment loss of $Nil (2009: $1,700,000), representing the write-down of these plant and equipment to the recoverable amount was recognised in "Other operating expenses" (Note 6). The recoverable amount was based on its value in use.

## 13. Investment property

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| **Statement of financial position:** | | |
| At 1 January | 744 | 711 |
| Fair value gain recognised in: | | |
| - Income statement | 235 | 54 |
| Currency realignment | (56) | (21) |
| At 31 December | 923 | 744 |
| **Income statement:** | | |
| Rental income from investment property: | | |
| Minimum lease payments | 8 | 40 |

Valuation of investment property

Investment property is stated at fair value, which has been determined based on valuations at end of the reporting period. The investment property was revalued on 31 December 2010 by A-Plus Surveyors Ltd., an independent professionally qualified valuer, at HK$5,500,000 (2009: HK$4,100,000) on an open market, existing use basis.

## 14. Intangible assets

| Group | Goodwill $'000 | Club membership $'000 | Total $'000 |
|---|---|---|---|
| **2010** | | | |
| **Cost:** | | | |
| At 1 January 2010 and 31 December 2010 | 213,590 | 56 | 213,646 |
| **Accumulated amortisation and impairment:** | | | |
| At 1 January 2010 and 31 December 2010 | 183,626 | 56 | 183,682 |
| **Net carrying amount:** | | | |
| At 31 December 2010 | 29,964 | – | 29,964 |
| **2009** | | | |
| **Cost:** | | | |
| At 1 January 2009 and 31 December 2009 | 213,590 | 56 | 213,646 |
| **Accumulated amortisation and impairment:** | | | |
| At 1 January 2009 | 183,626 | 53 | 183,679 |
| Impairment loss | – | 3 | 3 |
| At 31 December 2009 | 183,626 | 56 | 183,682 |
| **Net carrying amount:** | | | |
| At 31 December 2009 | 29,964 | – | 29,964 |

***Impairment testing of goodwill***

Goodwill acquired through business combinations has been allocated to the Group's cash-generating units ("CGU") identified according to the Group's business units, for impairment testing as follows:

- Sunningdale Tech Ltd ("STL"), Omni Mold Ltd ("Omni"), Podoyo Plastic Industries Group ("Podoyo") and Sunningdale Tech Ind CGU ("CGU 1");
- Omni Tech (Suzhou) ("OTS") CGU ("CGU 2");
- Chi Wo Plastic Moulds Group ("Chi Wo") CGU ("CGU 3"); and
- Sunningdale Precision Industries Ltd Group ("SPIL") CGU ("CGU 4")

## 14. Intangible assets (cont'd)

CGU 1

The recoverable amount of CGU 1 has been determined based on the fair value less cost to sell of the CGU. To calculate these values, an appropriate multiples was applied to the maintainable operating earnings of the CGUs.

CGU 3

The recoverable amount of CGU 3 has been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections was 11.47% per annum (2009: 9.46% per annum). The growth rate used to extrapolate the cash flows of CGU beyond the five-year period was 2.0% per annum (2009: 2.0% per annum). The growth rate does not exceed the long-term average growth rates for the countries in which the CGU operates.

**Carrying amounts of goodwill allocated to the CGUs are as follows:-**

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| CGU 1 | 6,808 | 6,808 |
| CGU 2 | – | – |
| CGU 3 | 23,127 | 23,127 |
| CGU 4 | 29 | 29 |
| Total | 29,964 | 29,964 |

**Key assumptions used in calculations of fair value less cost to sell of the CGU 1**

The fair value less cost to sell of the CGU was determined by applying an appropriate market multiple to its earnings before interest, tax, depreciation and amortisation ("EBITDA"), where management believes is sustainable in view of the current and anticipated business conditions.

The fair value of CGU1 was based on current EBITDAs and market multiple of 4.01. The market multiples are calculated based on the median of comparables' indications, after adjustment for differences in risk and growth.

Management believes that any reasonably possible change of the key assumptions of which the CGUs recoverable amounts are based would not cause the CGU carrying amounts to exceed their recoverable amounts.

**Key assumptions used in calculations of value in use of the CGU 3**

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year and increased for expected efficiency improvements.

Growth rate – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGU.

Cost of borrowing – The borrowing costs used was obtained from management's latest borrowing rates and is consistent with external market rates.

## 14. Intangible assets (cont'd)

During the financial year, no impairment losses on goodwill were recognised (2009: $Nil).

## 15. Other investments

| | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|
| Quoted shares, at market value | 1 | 1 | – | – |
| Total available-for-sale financial assets | 1 | 1 | – | – |

## 16. Investment in subsidiaries

| | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|
| Unquoted shares at cost | 407,678 | 407,678 |
| Impairment losses | (179,972) | (179,972) |
| Carrying amount of investments | 227,706 | 227,706 |

During the financial year, there was no impairment charge (2009: $Nil) as the carrying value was lower than the recoverable amount. The impairment loss provided on subsidiaries represents the write-down of a subsidiary to recoverable amounts based on the economic performance of the subsidiary group.

The basis used in computing the recoverable amount of the investment in subsidiaries is the same as the impairment testing of goodwill disclosed in Note 14.

| Name of company (Country of incorporation) | Principal activities / Country of business | Cost 2010 $'000 | Cost 2009 $'000 | Percentage of equity interest held 2010 % | Percentage of equity interest held 2009 % |
|---|---|---|---|---|---|
| ***Held by the Company*** | | | | | |
| Chi Wo Plastic Moulds Fty Limited (2) (Hong Kong) | Manufacturing and sale of mould and plastic injection products, trading of car audio equipment and investment holding (Hong Kong) | 97,763 | 97,763 | 100 | 100 |
| Omni Mold Ltd (1) (Singapore) | Design, manufacturing, marketing and export of high precision steel moulds (Singapore) | 34,698 | 34,698 | 100 | 100 |

# **Notes** to the Financial Statements

31 December 2010 – Continued

## 16. Investment in subsidiaries (cont'd)

| Name of company (Country of incorporation) | Principal activities / Country of business | Cost 2010 $'000 | Cost 2009 $'000 | Percentage of equity interest held 2010 % | Percentage of equity interest held 2009 % |
|---|---|---|---|---|---|
| ***Held by the Company (cont'd)*** | | | | | |
| Podoyo Plastics Industries (M) Sdn Bhd [3] (Malaysia) | Manufacturer of plastic products in video front panels, office automation products and sub-assembly of paper feeders for printers and computer components (Malaysia) | 5,209 | 5,209 | 100 | 100 |
| Sunningdale Precision Industries Ltd [1] (Singapore) | Precision mould making, injection moulding of precision engineering plastic components, as well as contract manufacturing of assembled plastic products (Singapore) | 265,317 | 265,317 | 100 | 100 |
| Sunningdale Tech (Ind) Pte Ltd [12] (Singapore) | Manufacturing and sale of dies, tools, jigs, fixtures, high precision steel moulds and plastic products (Dormant) (Singapore) | 3,172 | 3,172 | 100 | 100 |
| Sunningdale Tech Design Pte Ltd [13] (Singapore) | Development and marketing of lifestyle products (Dormant) (Singapore) | # | # | 100 | 100 |
| Sunningdale Technologies S.A. de C.V. [7] (Mexico) | Manufacturing and sale of precision plastic injection moulding products (Mexico) | 1,475 | 1,475 | 100* | 100* |
| PT. GP Technology Bintan [11] (Indonesia) | Manufacturing of precision plastic injection moulding products (Indonesia) | 44 | 44 | 100** | 100** |
| | | 407,678 | 407,678 | | |

# **Notes** to the Financial Statements
31 December 2010 – Continued

## 16. Investment in subsidiaries (cont'd)

| Name of company (Country of incorporation) | Principal activities / Country of business | Percentage of equity interest held 2010 % | 2009 % |
|---|---|---|---|
| ***Subsidiaries of Chi Wo Plastic Moulds Fty Limited*** | | | |
| Xinlianxing Mould (Shenzhen) Co., Ltd (13) (People's Republic of China) | Manufacture and sale of mould products (Dormant) (People's Republic of China) | 100 | 100 |
| Zhongshan Zhihe Electrical Equipment Co., Ltd (8) (People's Republic of China) | Manufacture and sale of mould and plastic injection products (People's Republic of China) | 100 | 100 |
| ***Subsidiaries of Omni Mold Ltd*** | | | |
| Omni Mold Investment Holding Pte Ltd (12) (Singapore) | Investment holding, e-commerce, trading and manufacturing and provision of internet services in precision moulds and related activities (Singapore) | 100 | 100 |
| ***Subsidiaries of Podoyo Plastics Industries (M) Sdn Bhd*** | | | |
| Seiwa-Podoyo (M) Sdn Bhd (3) (Malaysia) | Secondary process and assembly of video and audio front panel and computer components (Malaysia) | 100 | 100 |
| Guinea Manufacturing Sdn Bhd (3) (Malaysia) | Property investment (Malaysia) | 100 | 100 |
| TGM Technologies Sdn Bhd *** (Malaysia) | Assembler and manufacturer, distributors of electronics components into circuit panels, mechanism and chassis for computers, etc (Dormant) (Malaysia) | 100 | 100 |
| ***Subsidiaries of Sunningdale Precision Industries Ltd*** | | | |
| Sunningdale Technology Pte Ltd (12) (Singapore) | Manufacturing of two colour plastic moulding products (Dormant) (Singapore) | 100 | 100 |
| SDP Manufacturing Sdn Bhd (3) (Malaysia) | Manufacturing of plastic and metal parts of machinery and equipment (Malaysia) | 100 | 100 |
| Sunningdale Plastic Sdn Bhd (3) (Malaysia) | Liaison office (Dormant) (Malaysia) | 100 | 100 |

## 16. Investment in subsidiaries (cont'd)

| Name of company (Country of incorporation) | Principal activities / Country of business | Percentage of equity interest held 2010 % | 2009 % |
|---|---|---|---|
| ***Subsidiaries of Sunningdale Precision Industries Ltd (cont'd)*** | | | |
| Sunningdale Plastic Industries (Tianjin) Co., Ltd (4) (People's Republic of China) | Manufacturing of precision plastic injection moulding products (People's Republic of China) | 100 | 100 |
| Sunningdale Precision Industries (Shanghai) Co., Ltd (6) (People's Republic of China) | Manufacturing of precision plastic injection moulding products (People's Republic of China) | 100 | 100 |
| Sunningdale Precision Mold Industries (Tianjin) Co., Ltd (5) (People's Republic of China) | Manufacturing of precision moulds and provision of technical consulting services (People's Republic of China) | 100 | 100 |
| Weltech Precision Tooling Pte Ltd (12) (Singapore) | Manufacturing of moulds, tools and dies (Dormant) (Singapore) | 100 | 100 |
| Polymer System Industries Sdn Bhd (10) (Malaysia) | Manufacturing of moulds and tools (Dormant) (Malaysia) | 100 | 100 |
| Sunningdale Technologies S.A. de C. V. (7) (Mexico) | Manufacturing of precision plastic injection moulding products (Mexico) | 100* | 100* |
| Sunningdale Plastic Technology (Tianjin) Co., Ltd (4) (People's Republic of China) | Manufacturing of precision plastic injection moulding products (People's Republic of China) | 100 | 100 |
| Sunningdale Precision Technology (Shanghai) Co., Ltd (6) (People's Republic of China) | Designing and manufacturing of precision moulds and precision engineering plastic components for automobile parts (People's Republic of China) | 100 | 100 |
| PT. GP Technology Bintan (11) (Indonesia) | Manufacturing of precision plastic injection moulding products (Indonesia) | 100** | 100** |
| Sunningdale Innovative Technology (Tianjin) Co., Ltd (5) (People's Republic of China) | Manufacturing of precision plastic injection moulding products (People's Republic of China) | 100 | 100 |

## 16. Investment in subsidiaries (cont'd)

| Name of company/ (Country of incorporation) | Principal activities / Country of business | Percentage of equity interest held 2010 % | 2009 % |
|---|---|---|---|
| ***Subsidiaries of Omni Mold Investment Holding Pte Ltd*** | | | |
| Omni Tech (Suzhou) Co., Ltd [9] (People's Republic of China) | Product design and development, tooling and moulding (People's Republic of China) | 100 | 100 |
| ***Subsidiaries of Seiwa-Podoyo (M) Sdn Bhd*** | | | |
| Sheng Ya (M) Sdn Bhd [3] (Malaysia) | Property investment (Malaysia) | 100 | 100 |

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by Ernst & Young, Hong Kong, SAR
(3) Audited by Ernst & Young, Johor Bahru, Malaysia
(4) Audited by Tianjin Guangxin Certified Public Accountants Co., Ltd
(5) Audited by Ernst & Young, Beijing, the People's Republic of China
(6) Audited by Ernst & Young, Shanghai, the People's Republic of China
(7) Audited by Ernst & Young, Mexico
(8) Audited by Zhongshan Xiangshan Certified Public Accountant Co., Ltd
(9) Audited by Welsen Certified Public Accountants
(10) Audited by Chong & Associates, Chartered Accountants
(11) Audited by Dr Sayuti Gazali
(12) Audited by Verity Partners
(13) No audit was performed as the company is dormant
* 54.7% of equity held by the Company and 45.3% of equity held by Sunningdale Precision Industries Ltd
** 10.0% of equity held by the Company and 90.0% of equity held by Sunningdale Precision Industries Ltd
*** On 7 January 2009, TGM Technologies Sdn. Bhd., was placed under members voluntary liquidation. The voluntary liquidation of the subsidiaries company do not have any material effect on the earnings, net tangible assets or substantial shareholdings of the Group.
\# Cost of investment is $2

As required by Rule 716 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Audit Committee and the Board of Directors of the company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

# **Notes** to the Financial Statements

31 December 2010 – Continued

## 17. Investment in associates

The impairment loss provided on associates represented the write-down of the associates to recoverable amounts based on the economic performances of these companies.

| Name of company (Country of incorporation and business) | Principal activities | Effective equity interest held by the Group 2010 % | 2009 % |
|---|---|---|---|
| **Held through subsidiary** Synergy MFG Pte Ltd (Singapore)* | Moulding | 20 | 20 |

* The company is dormant as at 31 December 2010 and 2009 and the accounts are not audited.

## 18. Inventories

| | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|
| Finished goods | 19,214 | 12,313 | 1,143 | 1,203 |
| Work-in-progress | 25,271 | 27,292 | 3,849 | 2,696 |
| Raw materials | 16,312 | 17,196 | 447 | 385 |
| Total inventories at lower of cost and net realisable value | 60,797 | 56,801 | 5,439 | 4,284 |
| Inventories are stated after deducting allowance for inventories obsolescence/foreseeable losses | 4,391 | 4,122 | 64 | 78 |
| Analysis of allowance for inventories obsolescence:- | | | | |
| At 1 January | 3,947 | 3,226 | 78 | 648 |
| Charge for the year | 2,318 | 3,284 | 9 | 4 |
| Written-off | (320) | (649) | (14) | (199) |
| Write-back | (1,530) | (1,878) | (9) | (375) |
| Currency realignment | (166) | (36) | – | – |
| At 31 December | 4,249 | 3,947 | 64 | 78 |

The write back of allowance for inventories obsolescence was made when the related inventories can be sold above their carrying amount.

**18. Inventories (cont'd)**

| | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|
| Work-in-progress:- | | | | |
| Costs incurred to date | 44,603 | 38,867 | 9,220 | 5,727 |
| Recognised profits less recognised losses to date | 3,974 | 3,243 | 505 | 316 |
| | 48,577 | 42,110 | 9,725 | 6,043 |
| Less: Progress billings | (33,619) | (22,926) | (12,511) | (6,198) |
| Allowance for foreseeable losses | (142) | (175) | – | – |
| | 14,816 | 19,009 | (2,786) | (155) |
| Comprising: | | | | |
| Work-in-progress | 25,271 | 27,292 | 3,849 | 2,696 |
| Excess of progress billings over work-in-progress | (10,455) | (8,283) | (6,635) | (2,851) |
| | 14,816 | 19,009 | (2,786) | (155) |

The revenue recognised in profit or loss of the Group for the year was $98,049,000 (2009: $99,204,000).

| | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|
| Analysis of allowance for foreseeable losses: | | | | |
| At 1 January | 175 | 610 | – | – |
| Charge for the year | 37 | 200 | – | – |
| Written-off | (2) | (587) | – | – |
| Write back | (67) | (46) | – | – |
| Currency alignment | (1) | (2) | – | – |
| At 31 December | 142 | 175 | – | – |

The write back of allowance for foreseeable losses were made when the related inventories can be sold above their carrying amount

# **Notes** to the Financial Statements
31 December 2010 – Continued

## 19. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2010<br>$'000 | 2009<br>$'000 | 2010<br>$'000 | 2009<br>$'000 |
| Trade receivables | 65,311 | 80,590 | 11,296 | 12,213 |
| Amounts due from subsidiaries | | | | |
| - trade | – | – | 1,319 | 1,450 |
| - non-trade | – | – | 9,488 | 7,857 |
| - loans | – | – | 10,696 | 7,026 |
| Other receivables | 3,676 | 4,853 | 196 | 27 |
| Staff loan | 24 | 548 | 1 | – |
| Deposits | 1,899 | 1,021 | 92 | 94 |
| Total trade and other receivables | 70,910 | 87,012 | 33,088 | 28,667 |
| Add: Cash and short-term deposits (Note 20) | 76,743 | 68,284 | 12,857 | 8,208 |
| Total loans and receivables | 147,653 | 155,296 | 45,945 | 36,875 |

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts, which represents their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010<br>$'000 | 2009<br>$'000 | 2010<br>$'000 | 2009<br>$'000 |
| United States Dollar | 29,434 | 35,845 | 7,899 | 8,911 |
| Renminbi | 14,370 | 14,573 | – | – |
| Hong Kong Dollar | 10,630 | 17,817 | – | – |
| Euro | 4,163 | 3,164 | – | – |
| Malaysian Ringgit | 405 | 554 | – | – |

Amounts due from subsidiaries

The non-trade amounts due from subsidiaries and related parties are unsecured, interest free and repayable on demand.

In 2010, included in the loans to subsidiaries is an amount of $5,800,000 which is unsecured, repayable on demand and bears an interest at 4% per annum. The remaining amounts are interest-free, unsecured and repayable on demand.

In 2009, the loans to subsidiaries were unsecured, repayable on demand and bore interest at rates ranging from 3.25% to 8.76% per annum.

All amounts with subsidiaries are to be settled in cash.

## 19. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to $11,829,000 (2009: $13,816,000) and $1,927,000 (2009: $3,061,000) respectively, that are past due at end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at end of the reporting period is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Trade receivables past due but not impaired: | | | | |
| Less than 30 days | 8,753 | 8,208 | 1,204 | 1,714 |
| 30 to 60 days | 1,783 | 3,149 | 378 | 1,016 |
| 61 to 90 days | 531 | 1,088 | 177 | 331 |
| 91 to 150 days | 762 | 1,290 | 168 | – |
| More than 150 days | – | 81 | – | – |
| | 11,829 | 13,816 | 1,927 | 3,061 |

Receivables that are impaired

The Group's and Company's trade receivables that are impaired at end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:-

| | Group Individually impaired | | Company Individually impaired | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Trade receivables | | | | |
| – nominal amounts | 4,949 | 6,700 | 96 | 103 |
| Less: Allowance for impairment | (3,679) | (4,928) | (96) | (103) |
| | 1,270 | 1,772 | – | – |

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Movements in allowance accounts: | | | | |
| At 1 January | 4,928 | 3,900 | 103 | 847 |
| Charge for the year | 854 | 2,138 | – | – |
| Written off | (568) | (692) | – | (669) |
| Written back | (1,398) | (288) | (7) | (75) |
| Currency realignment | (137) | (130) | – | – |
| At 31 December | 3,679 | 4,928 | 96 | 103 |

Trade receivables that are individually determined to be impaired at end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

## 20. Cash and short-term deposits

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Cash at banks and on hand | 73,368 | 64,775 | 12,857 | 8,208 |
| Short-term deposits | 3,375 | 3,509 | – | – |
| Cash and short-term deposits | 76,743 | 68,284 | 12,857 | 8,208 |

Short-term deposits

Short-term deposits are made for varying periods of between 1 day and 3 months depending on the immediate cash requirements of the Group, and earning interest at the respective short-term deposit rates, ranging from 0.001% to 4.50% per annum (2009: 1.35% to 2.88% per annum).

As at 31 December 2010, the Group and Company had available $84,696,000 (2009: $74,700,000) and $35,181,000 (2009: $38,400,000) of undrawn borrowing facilities respectively in respect of which all conditions precedent had been met.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| United States Dollar | 21,657 | 17,613 | 8,701 | 2,373 |
| Renminbi | 14,047 | 15,520 | – | – |
| Hong Kong Dollar | 28,062 | 16,902 | – | – |
| Euro | 2,629 | 2,125 | – | – |
| Malaysian Ringgit | 1,009 | 1,849 | – | – |
| Mexican Pesos | 246 | 264 | – | – |
| Indonesian Rupiah | 54 | 32 | – | – |

***Cash and cash equivalents***

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:-

| | Group | |
|---|---|---|
| | 2010 $'000 | 2009 $'000 |
| Cash at banks and on hand | 73,368 | 64,775 |
| Short-term deposits | 3,375 | 3,509 |
| Cash and short-term deposits | 76,743 | 68,284 |
| Restricted cash (Note 23) | (1,574) | (2,898) |
| Cash and cash equivalents | 75,169 | 65,386 |

## 21. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Trade payables | 30,047 | 37,535 | 2,381 | 2,347 |
| Amounts due to subsidiaries | | | | |
| – trade | – | – | 25,761 | 18,689 |
| – non-trade | – | – | 344 | 495 |
| Other payables | 8,336 | 11,852 | 4,266 | 2,388 |
| Total trade and other payables | 38,383 | 49,387 | 32,752 | 23,919 |
| Add: | | | | |
| – Other liabilities (Note 22) | 25,614 | 20,741 | 3,103 | 2,901 |
| – Loans and borrowings (Note 23) | 53,593 | 71,529 | 13,234 | 21,420 |
| Total financial liabilities carried at amortised cost | 117,590 | 141,657 | 49,089 | 48,240 |

Trade payables/other payables
These amounts are non-interest bearing and are normally settled on 30 to 90 days' terms.

Amounts due to subsidiaries
The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Purchases from subsidiaries are made at terms equivalent to those prevailing in arm's length transactions with third parties.

All amounts with subsidiaries are to be settled in cash.

Trade payables denominated in foreign currencies at 31 December are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| United States Dollar | 8,817 | 12,936 | 956 | 1,079 |
| Renminbi | 13,646 | 14,472 | – | – |
| Hong Kong Dollar | 247 | 3,331 | – | – |
| Euro | 269 | 475 | – | – |
| Malaysian Ringgit | 1,294 | 268 | – | – |

## 22. Other liabilities

| | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|
| Trade accrual | 5,078 | 1,995 | 159 | 59 |
| Accrued other operating expenses | 8,165 | 6,467 | 1,022 | 989 |
| Accrued directors' fees payable | 430 | 326 | 430 | 326 |
| Accrued staff & related costs | 10,570 | 10,908 | 1,480 | 1,494 |
| Accrual for VAT | 1,311 | 1,010 | – | – |
| Accrued interest payable | 60 | 35 | 12 | 33 |
| | 25,614 | 20,741 | 3,103 | 2,901 |

## 23. Loans and borrowings

| | Interest rates (Per annum) | Maturities | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|---|---|
| **Current** | | | | | | |
| Unsecured short-term loans | 2.77% – 4.04% (2009: 2.74% – 8.76%) | 2011 | 37,849 | 47,153 | 9,919 | 16,753 |
| Secured short-term loans [(a)] | 0.00% (2008: 3.00%) | 2011 | 1,574 | 2,898 | – | – |
| Unsecured bank loans | 2.05% – 7.78% (2009: 2.59% – 7.50%) | 2011 | 6,626 | 6,148 | 1,283 | 1,283 |
| Unsecured bankers acceptance | 2.65% – 3.50% (2009: 1.55% – 3.70%) | 2011 | 418 | 1,475 | – | 69 |
| | | | 46,467 | 57,674 | 11,202 | 18,105 |
| **Non-current** | | | | | | |
| Unsecured bank loans | 2.05% – 7.78% (2009: 2.59% – 7.50%) | 2012 – 2013 | 7,126 | 13,855 | 2,032 | 3,315 |
| | | | 7,126 | 13,855 | 2,032 | 3,315 |
| Total loans and borrowings | | | 53,593 | 71,529 | 13,234 | 21,420 |

The subsidiaries' loans are secured by:-

(a) restricted cash of $1,574,000 (2009: $2,898,000);

(b) corporate guarantee given by the Company.

## 24. Derivatives

The Group has the following outstanding forward currency contracts as at 31 December :

| Group | 2010 Notional Amount $'000 | 2010 Assets $'000 | 2010 Liabilities $'000 | 2009 Notional Amount $'000 | 2009 Assets $'000 | 2009 Liabilities $'000 |
|---|---|---|---|---|---|---|
| Forward currency contracts, representing total financial liabilities held for trading | – | – | – | 3,506 | – | – |

Forward currency contracts are entered by a subsidiary to hedge the receivables denominated in USD.

## 25. Deferred taxation

Deferred income tax as at 31 December relates to the following:

| | Group | | | | Company | |
|---|---|---|---|---|---|---|
| | Consolidated Statements of Financial Position | | Consolidated Income Statement | | Statement of Financial Position | |
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Deferred tax assets | 676 | 775 | | | – | – |
| Deferred tax liabilities | (3,120) | (3,285) | | | (627) | (627) |
| Net deferred tax | (2,444) | (2,510) | | | (627) | (627) |
| **Deferred tax assets** | | | | | | |
| Unabsorbed capital allowances | 2,024 | 1,989 | | | – | 287 |
| Unutilised tax losses | 531 | 493 | | | 110 | – |
| General provision | 229 | 12 | | | – | – |
| Others | 147 | 113 | | | 66 | 43 |
| | 2,931 | 2,607 | (324) | 626 | 176 | 330 |
| **Deferred tax liabilities** | | | | | | |
| Differences in depreciation | (4,732) | (4,376) | | | (803) | (957) |
| Others | (643) | (741) | | | – | – |
| | (5,375) | (5,117) | 258 | (504) | (803) | (957) |
| Net deferred tax | (2,444) | (2,510) | | | (627) | (627) |
| Net deferred tax (credit)/ expense | | | (66) | 122 | | |

## 25. Deferred taxation (cont'd)

The Group has estimated tax losses unabsorbed capital allowance and reinvestment allowance of approximately $10,240,000 (2009: $11,326,000), $14,875,000 (2009: $12,182,000) and $11,812,000 (2009: $7,588,000) respectively that are available for offset against future taxable profits of the Group which no deferred tax asset is recognised due to uncertainty of its recoverability. The utilisation of these amounts is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The deferred tax assets are recognised in view of the foreseeable future taxable profit based on management forecast. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

At end of the reporting period, no deferred tax liability (2009: $Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Company is able to control the dividend policy of the subsidiaries.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statement in respect of 2010 and 2009 (Note 11).

## 26. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | Number of shares | | Number of shares | |
| | '000 | $'000 | '000 | $'000 |
| **Issued and fully paid ordinary shares:-** | | | | |
| At 1 January | 741,080 | 268,243 | 735,643 | 265,146 |
| Issued during the year | | | | |
| Issued for RSP | 4,943 | 1,825 | 5,437 | 3,097 |
| At 31 December | 746,023 | 270,068 | 741,080 | 268,243 |

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. The ordinary shares have no par value.

The Company has employee share award plans under which shares would be issued to employees of the Group upon certain conditions being met. The details of these conditions are included in Note 30.

## 27. Other reserves

| | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|
| Statutory reserve [(a)] | 6,390 | 5,562 | – | – |
| Foreign currency translation reserve [(b)] | (12,795) | (4,623) | – | – |
| Restricted Share Plan reserve [(c)] | 986 | 1,990 | 986 | 1,990 |
| Reserve on consolidation [(d)] | 42 | 42 | – | – |
| | (5,377) | 2,971 | 986 | 1,990 |

### (a) Statutory reserve

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| At 1 January | 5,562 | 5,149 |
| Transfer from revenue reserve | 1,018 | 498 |
| Currency realignment | (190) | (85) |
| At 31 December | 6,390 | 5,562 |

In accordance with laws and regulations in the People's Republic of China ("PRC"), a portion of the profits of the Group's subsidiary established in China has been transferred to statutory reserve, which is restricted as to the use.

### (b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| At 1 January | (4,623) | 232 |
| Net effect of exchange differences | (8,172) | (4,855) |
| At 31 December | (12,795) | (4,623) |

# **Notes** to the Financial Statements

31 December 2010 – Continued

## 27. Other reserves (cont'd)

### (c) Restricted Share Plan reserve

Restricted Share Plan reserve represents the equity-settled share awards granted to employees (Note 30). The reserve is made up of cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share awards, and is reduced by the expiry or release of such shares.

| | Group and Company | |
|---|---|---|
| | **2010** | **2009** |
| | **$'000** | **$'000** |
| At 1 January | 1,990 | 4,341 |
| Grant of equity-settled share awards | 821 | 746 |
| Issue of shares (RSP) | (1,825) | (3,097) |
| At 31 December | 986 | 1,990 |

### (d) Reserve on consolidation

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **$'000** | **$'000** |
| At 1 January and 31 December | 42 | 42 |

The reserve on consolidation was related to the acquisition of additional 13% equity interest in Sunningdale Tech (Ind) Pte Ltd in 2007.

## 28. Commitments

### (a) Capital commitments

Capital expenditure contracted for as at end of the reporting period but not recognised in the financial statements:-

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Commitments in respect of purchase of: | | | | |
| – plant & machinery | 2,590 | 1,329 | 47 | 47 |
| – office equipment | 418 | 65 | 242 | – |
| – leasehold land & building | 3,169 | 436 | – | – |
| – leasehold improvement | 341 | – | – | – |
| | 6,518 | 1,830 | 289 | 47 |
| Commitments in respect of acquisition of a subsidiary (Note 36) | 2,582 | – | 2,582 | – |

## 28. Commitments (cont'd)

### (b) Operating lease commitments – As lessee

The Group and the Company have entered into commercial leases principally for land rent, office, production floor and warehouse and equipment with lease terms of between 1 to 50 years. Operating lease expenses recognised for the year are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2010<br>$'000 | 2009<br>$'000 | 2010<br>$'000 | 2009<br>$'000 |
| Operating lease expenses | 10,383 | 8,140 | 1,842 | 1,954 |

No contingent rent (2009: $Nil) was paid during the year.

Future minimum rentals under non-cancellable operating leases are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010<br>$'000 | 2009<br>$'000 | 2010<br>$'000 | 2009<br>$'000 |
| Within one year | 6,667 | 7,279 | 1,600 | 1,669 |
| After one year but not more than five years | 7,295 | 9,111 | 588 | 709 |
| More than five years | 3,218 | 2,313 | 2,001 | 1,901 |
| | 17,180 | 18,703 | 4,189 | 4,279 |

The above operating leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group's and the Company's activities concerning dividends, additional debt or entering into other leasing agreement.

Certain leases include renewal options for additional lease period of 1 year at rental rates to be based on negotiations and exchange options to exchange for the relevant equipment under lease 2 years after lease commencement.

### (c) Operating lease commitments – As lessor

The Group has entered into commercial leases principally for rental of building.

At end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

| | Group | |
|---|---|---|
| | 2010<br>$'000 | 2009<br>$'000 |
| Within one year | 624 | 91 |
| After one year but not more than five years | 679 | 19 |
| | 1,303 | 110 |

## 29. Contingent liabilities

***Corporate Guarantees***

During the financial year, the Company guaranteed the following for its subsidiaries:

(i) Banking facilities for Podoyo Plastic Industries (M) Sdn Bhd, up to a limit of $10,959,000 (2009: $10,708,000). At 31 December 2010, $1,841,000 (2009: $3,285,000) had been drawn down under the facilities, of which $1,057,000 (2009: $1,485,000) and $784,000 (2009: $1,800,000) are reflected in the consolidated statement of financial position in current and non-current loans and borrowings respectively.

(ii) Unlimited corporate guarantee for Chi Wo Plastic Moulds Fty Limited's banking facilities. At 31 December 2010, $80,000 (2009: $1,018,000) had been drawn down under the facilities, of which $80,000 (2009: $1,018,000) is reflected in the consolidated statement of financial position in current loans and borrowings.

(iii) Banking facilities for Chi Wo Plastic Moulds Fty Limited, up to a limit of $3,022,000 (2009: $3,267,000). At 31 December 2010, $1,880,000 (2009: $2,904,000) had been drawn down under the facilities, of which $1,880,000 (2009: $871,000) and $Nil (2009: $2,033,000) are reflected in the consolidated statement of financial position in current and non-current loans and borrowings respectively.

(iv) Banking facilities for SDP Manufacturing Sdn Bhd, up to a limit of $4,963,000 (2009: $4,849,000). At 31 December 2010, $759,000 (2009: $1,176,000) had been drawn down under the facilities, of which $610,000 (2009: $772,000) and $149,000 (2009: $404,000) are reflected in the consolidated statement of financial position in current and non-current loans and borrowings respectively.

(v) Banking facilities for Sunningdale Precision Industries Ltd, up to a limit of $72,000,000 (2009: $72,000,000). At 31 December 2010, $27,028,000 (2009: $30,402,000) had been drawn down under the facilities, of which $24,617,000 (2009: $26,725,000) and $2,411,000 (2009: $3,677,000) are reflected in the consolidated statement of financial position in current and non-current loans and borrowings respectively.

(vi) Banking facilities for Omni Mold Ltd, up to a limit of $3,500,000 (2009: $3,500,000). At 31 December 2010, $2,625,000 (2009: $3,500,000) had been drawn down under the facilities, of which $875,000 (2009: $875,000) and $1,750,000 (2009: $2,625,000) are reflected in the consolidated statement of financial position in current and non-current loans and borrowings respectively.

(vii) Corporate guarantee given to a landlord of a subsidiary for operating lease at an amount of $2,088,000 (2009: $1,792,000).

## 30. Employee benefits expense

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| Salaries | 76,685 | 66,155 |
| CPF/ Pension Contribution | 6,999 | 6,639 |
| Share-based Payments | 821 | 746 |
| | 84,505 | 73,540 |

***Restricted Share Plan ("RSP")***

The following table illustrates the number of, and movements in, RSP during the year.

| | Number '000 2010 | Number '000 2009 |
|---|---|---|
| Outstanding at beginning of year | 18,137 | 17,865 |
| Granted during the year | 7,406 | 6,725 |
| Cancelled during the year | (735) | (1,016) |
| Released during the year | (4,943) | (5,437) |
| Outstanding at end of year | 19,865 | 18,137 |
| Terms of outstanding RSP at end of the reporting period are as follows:- | | |
| Grant date | | |
| 13 January 2006 | 259 | 259 |
| 21 June 2007 | 7 | 4,190 |
| 24 August 2007 | – | 800 |
| 02 October 2008 | 5,873 | 6,163 |
| 06 April 2009 | 150 | 150 |
| 11 December 2009 | 6,170 | 6,575 |
| 01 November 2010 | 7,406 | – |
| | 19,865 | 18,137 |

The share awards of 7,711,000 shares granted in 2006, 6,266,000 shares granted in 2007, 6,694,000 shares granted in 2008, 6,725,000 shares granted in 2009 and 7,406,000 shares granted in 2010 were subject to the following conditions:-

(i) one third of allotted number of share awards shall be vested on the first anniversary of the date of grant; one third on the second anniversary of the date of grant; and the last third on the third anniversary of the date of grant;

(ii) all the share awards shall be delivered only on the third anniversary of the date of grant; and

(iii) that in order to receive this award, the participants must be in the employment of the Company or its group of companies, subject to the provisions as set out in the Summary of Rules of the RSP in the Circular to Shareholders dated 13 October 2004.

**30. Employee benefits expense (cont'd)**

***Restricted Share Plan ("RSP") (cont'd)***

(iv) in the event an employee leaves the employment of the Company or its group of companies, the share awards which have vested before the date of resignation shall be delivered on the third anniversary of the date of grant subject to length of service adjustment(*);

(v) in the event an employee leaves the employment of the Company or its group of companies and joins competitors, the share awards which have vested before the date of resignation shall be delivered on the fifth anniversary of the date of grant subject to length of service adjustment(*); and

(vi) in the event an employee retires from the workforce, the share awards which have been granted shall be vested as active employees and delivered on the third anniversary of the date of grant, provided the sum of his age and length of service is greater than 60 years, he has worked with the Company or its group of companies for at least ten years and he does not go to work for a competitor.

(vii)[#] in the event an employee leaves the employment of the Company due to company's restructuring, the share awards which have vested before the date of retrenchment shall be delivered on the third anniversary of the date of grant.

(viii)[##] in the event an employee leaves the employment of the Company or its group of companies due to the restructuring of any Sunningdale Tech Group of Companies, the share awards which have vested before the date of retrenchment shall be delivered on the third anniversary of the date of grant.

Any waiver to these conditions would need the Remuneration Committee's final decision.

[(*)] *Length of service adjustment does not apply to the share awards granted in 2008, 2009 and 2010.*

[(#)] *This condition is applied to the share awards granted in December 2009.*

[(##)] *This condition is applied to the share awards granted in November 2010.*

The weighted average fair value of the RSP granted on 13 Jan 2006 was estimated by an external valuer using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the share awards were granted.

The weighted average fair value of the RSP granted subsequently was estimated in-house by management using the last traded price at grant date less the present value of expected dividend during the vesting period as the valuation basis.

## 30. Employee benefits expense (cont'd)

***Restricted Share Plan ("RSP") (cont'd)***

The weighted average fair value of RSP as at the dates of grant was $0.183 (2009: $0.11). The inputs to the model used are shown below.

| | 2010 | 2009 |
|---|---|---|
| Dividend yield ($) | 0.004 | 0.004 |
| Expected volatility (%) | Not applicable | Not applicable |
| Risk-free interest rate (%) | 0.42 – 0.63 | 0.54 – 0.61 |
| Expected life of option (months) | 36 | 36 |
| Last traded share price ($) | | |
| 06 April 2009 | – | 0.05 |
| 11 December 2009 | – | 0.125 |
| 01 November 2010 | 0.195 | – |

The expected life of the awards is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the share award grant were incorporated into the measurement of fair value.

The expenses recognised for the RSP for the Group for the financial year amounted to $821,000 (2009: $746,000). The carrying amount of the Group's employee share award reserve relating to the above equity-settled RSP is $986,000 (2009: $1,990,000).

## 31. Related party transactions

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subject to common control or common significant influence.

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:-

### (a) Sale and purchase of goods and services

| | Group | |
|---|---|---|
| | 2010 $'000 | 2009 $'000 |
| Purchases from a company related to a director | – | 8 |

## 31. Related party transactions (cont'd)

### (b) Compensation of key management personnel

| | Group | |
|---|---|---|
| | 2010 $'000 | 2009 $'000 |
| Short-term employee compensation | 2,948 | 2,567 |
| CPF/pension contribution | 56 | 57 |
| Share-based payments | 458 | 521 |
| Total compensation paid/payable to key management personnel | 3,462 | 3,145 |
| Comprise amounts paid/payable to: | | |
| • Directors of the Company | 1,663 | 1,577 |
| • Other key management personnel | 1,799 | 1,568 |
| | 3,462 | 3,145 |

The remuneration of key management personnel are determined by the Remuneration Committee having regard to the performance of each individual key management personnel and market trends.

1,700,000 (2009: 1,600,000) restricted shares were granted to 2 (2009: 2) executive directors of the Company but have yet to be released as at 31 December 2010. Similarly, 1,590,000 (2009: 1,810,000) numbers of restricted shares were also granted to 5 (2009: 5) key management personnel, other than directors of the Company, in 2010 but were not released as at 31 December 2010. 3,170,000 restricted shares granted in 2007 were released to the key management personnel in 2010.

## 32. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The financial instruments comprise bank loans and overdrafts, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. The board reviews and agrees policies for managing each of these risks and they are summarised below.

### (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's short term loans and borrowings are contracted at intervals of less than 6 months.

The Group's policy in managing the interest cost is using floating rate debts. To manage this, the Group enters into short term loans and borrowings for working capital purposes which allow the interest rate to be repriced at interval not more than 6 months.

<u>Sensitivity analysis for interest rate risk</u>

In respect of 2010, if interest rates had been 130 basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $475,000 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. In respect of 2009, if interest rates had been 350 basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $1,699,000 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

# **Notes** to the Financial Statements
31 December 2010– Continued

**32. Financial risk management objectives and policies (cont'd)**

**(a) Interest rate risk (cont'd)**

The following tables set out the carrying amounts, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

| 2010 | Within 1 year $'000 | 1 - 2 years $'000 | 2 - 3 years $'000 | 3 - 4 years $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| ***Fixed rate*** | | | | | |
| Bank loans | (3,416) | (3,416) | (2,777) | – | (9,609) |
| ***Floating rate*** | | | | | |
| Cash assets | 3,692 | – | – | – | 3,692 |
| Bankers acceptance | (418) | – | – | – | (418) |
| Bank loans | (42,633) | (933) | – | – | (43,566) |
| **Company** | | | | | |
| ***Fixed rate*** | | | | | |
| Bank loans | (1,283) | (1,283) | (749) | – | (3,315) |
| ***Floating rate*** | | | | | |
| Cash assets | 102 | – | – | – | 102 |
| Bankers acceptance | – | – | – | – | – |
| Bank loans | (9,919) | – | – | – | (9,919) |
| **2009** | | | | | |
| **Group** | | | | | |
| ***Fixed rate*** | | | | | |
| Bank loans | (3,416) | (3,416) | (3,416) | (2,777) | (13,025) |
| ***Floating rate*** | | | | | |
| Cash assets | 3,918 | – | – | – | 3,918 |
| Bankers acceptance | (1,475) | – | – | – | (1,475) |
| Bank loans | (52,791) | (2,285) | (1,263) | (690) | (57,029) |
| **Company** | | | | | |
| ***Fixed rate*** | | | | | |
| Bank loans | (1,283) | (1,283) | (1,283) | (749) | (4,598) |
| ***Floating rate*** | | | | | |
| Cash assets | 326 | – | – | – | 326 |
| Bankers acceptance | (69) | – | – | – | (69) |
| Bank loans | (16,753) | – | – | – | (16,753) |

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risk. The interest rates are disclosed in the relevant notes for the financial instruments.

## 32. Financial risk management objectives and policies (cont'd)

### (b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in currency other than the respective functional currencies of Group entities, primarily, Singapore Dollar (SGD), Malaysian Ringgit (MYR), Renminbi (RMB), Hong Kong Dollar (HKD) and Mexican Pesos (MXP). The foreign currencies in which these transactions are denominated are mainly US Dollar (USD). Approximately 88% (2009: 86%) of the Group's sales are denominated in foreign currencies. The Group's trade receivable and trade payable balances at end of the reporting period have similar exposures (see Note 19 and Note 21).

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes (see Note 20).

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia and People's Republic of China ("PRC").

The Group has certain practices for the management of financial risks. However these are not documented in formal written documents. The following guidelines are followed: All financial risk management activities are carried out and monitored by senior management staff. All financial risk management activities are carried out following the good market practices. In addition to management's efforts to mitigate risk by way of natural hedging through the Group's foreign currency borrowings, the Group had also entered into forward currency contracts during the year.

Sensitivity analysis of foreign currency risk

The following table demonstrates the sensitivity to the Group's profit net of tax to a reasonably possible change in the USD, HKD and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

| | | Group | |
|---|---|---|---|
| | | Profit net of tax 2010 $'000 | Profit net of tax 2009 $'000 |
| | | Increase/ (Decrease) | |
| USD/SGD | - strengthened 6% (2009: 3%) | 2,154 | 387 |
| | - weakened 6% (2009: 3%) | (2,154) | (387) |
| USD/RMB | - strengthened 1% (2009: 2%) | (8) | 197 |
| | - weakened 1% (2009: 2%) | 8 | (197) |
| HKD/SGD | - strengthened 6% (2009: 3%) | 1,817 | 709 |
| | - weakened 6% (2009: 3%) | (1,817) | (709) |
| RMB/SGD | - strengthened 5% (2009: 4%) | 548 | 519 |
| | - weakened 5% (2009: 4%) | (548) | (519) |

## 32. Financial risk management objectives and policies (cont'd)

### (c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and Company's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and short-term deposits, trade and other receivables (including related parties balances) and investments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Credit risk on cash balances is limited because the counter-parties are banks with acceptable credit ratings.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group.

***Credit risk concentration profile***

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade at end of the reporting period is as follow:

| | Group | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | $'000 | % | $'000 | % |
| Asia Pacific | 18,383 | 28 | 21,399 | 27 |
| People's Republic of China | 27,948 | 43 | 35,097 | 43 |
| Europe | 8,691 | 13 | 11,949 | 15 |
| USA | 6,932 | 11 | 8,264 | 10 |
| Other countries | 3,357 | 5 | 3,881 | 5 |
| | 65,311 | 100 | 80,590 | 100 |
| Automotive | 28,056 | 43 | 31,248 | 39 |
| Consumer/IT and Telecommunications | 32,586 | 50 | 45,592 | 56 |
| Healthcare | 4,669 | 7 | 3,750 | 5 |
| | 65,311 | 100 | 80,590 | 100 |

There is concentration of credit risk with respect to trade receivables as the Group has approximately 42% (2009: 55%) due from 5 major customers group who are established multi-national companies. Except where specifically identified as impaired, these debtors are creditworthy and have reasonable payment record with the Group.

## 32. Financial risk management objectives and policies (cont'd)

### (c) Credit risk (cont')

***Credit risk concentration profile (cont'd)***

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default. Information regarding financial assets that are either past due or impaired is disclosed in "Trade and other receivables" (Note 19).

### (d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and Company's objective is to maintain a balance of continuity of funding and flexibility.

The Group's and the Company's liquidity risk management policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liability requirements in the short and longer term. Undrawn facilities are disclosed in Note 20.

The table below summaries the maturity profile of the Group's and the Company's financial liabilities at end of the reporting period based on contractual undiscounted repayment obligations:-

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | **1 year or less $'000** | **1 to 5 years $'000** | **Total $'000** | **1 year or less $'000** | **1 to 5 years $'000** | **Total $'000** |
| **Group** | | | | | | |
| **Financial assets:** | | | | | | |
| Trade and other receivables | 70,910 | – | 70,910 | 87,012 | – | 87,012 |
| Cash and short-term deposits | 76,743 | – | 76,743 | 68,284 | – | 68,284 |
| Total undiscounted financial assets | 147,653 | – | 147,653 | 155,296 | – | 155,296 |
| **Financial Liabilities:** | | | | | | |
| Trade and other payables | 38,383 | – | 38,383 | 49,387 | – | 49,387 |
| Other liabilities | 25,614 | – | 25,614 | 20,741 | – | 20,741 |
| Loans and borrowings | 46,954 | 7,446 | 54,400 | 58,520 | 14,782 | 73,302 |
| Total undiscounted financial liabilities | 110,951 | 7,446 | 118,397 | 128,648 | 14,782 | 143,430 |
| Total net undiscounted financial assets/ (liabilities) | 36,702 | (7,446) | 29,256 | 26,648 | (14,782) | 11,866 |

## 32. Financial risk management objectives and policies (cont'd)

### (d) Liquidity risk (cont'd)

| | 2010 1 year or less $'000 | 2010 1 to 5 years $'000 | 2010 Total $'000 | 2009 1 year or less $'000 | 2009 1 to 5 years $'000 | 2009 Total $'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **Financial assets:** | | | | | | |
| Trade and other receivables | 33,088 | – | 33,088 | 28,667 | – | 28,667 |
| Cash and short-term deposits | 12,857 | – | 12,857 | 8,208 | – | 8,208 |
| Total undiscounted financial assets | 45,945 | – | 45,945 | 36,875 | – | 36,875 |
| **Financial Liabilities:** | | | | | | |
| Trade and other payables | 32,752 | – | 32,752 | 23,919 | – | 23,919 |
| Other liabilities | 3,103 | – | 3,103 | 2,901 | – | 2,901 |
| Loans and borrowings | 11,339 | 2,117 | 13,456 | 18,306 | 3,536 | 21,842 |
| Total undiscounted financial liabilities | 47,194 | 2,117 | 49,311 | 45,126 | 3,536 | 48,662 |
| Total net undiscounted financial liabilities | (1,249) | (2,117) | (3,366) | (8,251) | (3,536) | (11,787) |

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the corporate guarantees are allocated to the earliest period in which the guarantee could be called.

| | 2010 1 year or less $'000 | 2010 1 to 5 years $'000 | 2010 Total $'000 | 2009 1 year or less $'000 | 2009 1 to 5 years $'000 | 2009 Total $'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| Corporate guarantees | 29,119 | 7,182 | 36,301 | 31,746 | 12,331 | 44,077 |

## 33. Fair value of financial instruments

### A. Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, and
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 – Inputs for asset or liability that are not based on observable market on observable market data (unobservable inputs)

As at 31 December 2010, the Group's financial instruments carried at fair value include an available-for-sale financial asset amounting to $1,000 (Note 15) which is classified under Level 1 and forward currency contracts amounting to $Nil (Note 24) which is classified under Level 2. The Group does not have any financial instruments carried at fair value classified under Level 3.

There have been no transfers between Level 1 and Level 2 during the financial years ended 2010 and 2009.

Determination of fair value

Available-for-sale financial asset (Note 15): Fair value is determined directly by reference to their published bid market price at the financial position date.

Forward currency contracts (Note 24): Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates.

### B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

*Current trade and other receivables and payables, Non-current other receivables at floating rate (Note 19 and 21), Accrued operating expenses (Note 22) and Non-current loans and borrowings at floating rate (Note 23).*

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

### C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Determination of fair value

*Long-term borrowings (Note 23)*

The fair values of long-term borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or leasing arrangements at the reporting date.

There are no material differences between the carrying amounts and the fair values of long-term borrowings for the current and previous financial years.

## 34. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Singapore Stock Exchange it has to have share capital of at least a free float of at least 10% of the shares.

The management manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the management may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

As disclosed in Note 27(a), a subsidiary of the Group is required by the laws and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2010 and 2009.

The management monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio less than 40% (2009: 40%). The Group includes within net debts, bank overdrafts, loans and borrowings, trade and other payables, less cash and short-term deposits. Capital includes equity attributable to the owners of the parent less intangible assets. The gearing improved due to lower borrowings.

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | **$'000** | **$'000** |
| Loans and borrowings | 53,593 | 71,529 |
| Trade and other payables | 38,383 | 49,387 |
| Less: Cash and short-term deposits | (76,743) | (68,284) |
| Net debt | 15,233 | 52,632 |
| Equity attributable to the owners | 247,298 | 244,125 |
| Less: Intangible assets | (29,964) | (29,964) |
| Total capital | 217,334 | 214,161 |
| Capital and net debt | 232,567 | 266,793 |
| Gearing ratio | 6.5% | 19.7% |

## 35. Segment information

For management purposes and as used by the chief decision maker, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

i. The Automotive segment produces mainly the faceplates for automotive audio systems and climate controls, speedometers/clusters, steering switches and exterior antenna covers, etc.

ii. The Healthcare segment produces mainly scoops, caps, drug delivery and diagnostic devices.

iii. The Consumer/IT and Telecommunications segment produces mainly IT, consumer and telecommunication products including mobile phones, cordless phones, inkjet cartridge, etc.

iv. The Mould Fabrication segment designs and manufactures the moulds used in the manufacturing of plastic injection parts.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain aspects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

| 2010 | Automotive $'000 | Consumer/IT and Telecommu-nications $'000 | Healthcare $'000 | Mould Fabrication $'000 | Adjustment/ Elimination $'000 | Notes | Per consolidated financial statements $'000 |
|---|---|---|---|---|---|---|---|
| **Revenue** | 104,500 | 183,550 | 16,686 | 98,049 | – | | 402,785 |
| **Results:** | | | | | | | |
| Depreciation | (6,418) | (11,274) | (1,025) | (6,022) | – | | (24,739) |
| Interest income | 54 | 68 | – | 21 | – | | 143 |
| Property, plant and equipment written off | (146) | (255) | (23) | (136) | – | | (560) |
| Other non-cash expenses | 268 | (1,077) | (27) | (200) | – | A | (1,036) |
| Segment (loss)/profit | (5,966) | 18,707 | 2,644 | 6,880 | (1,930) | B | 20,335 |
| **Assets:** | | | | | | | |
| Additions to non-current assets | 3,261 | 5,728 | 521 | 3,060 | – | | 12,570 |
| Segment assets | 92,644 | 162,725 | 14,793 | 86,925 | 31,563 | C | 388,650 |
| **Segment liabilities** | 19,316 | 33,928 | 3,084 | 18,124 | 66,900 | D | 141,352 |

## 35. Segment information (cont'd)

| 2009 | Automotive $'000 | Consumer/IT and Telecommu-nications $'000 | Healthcare $'000 | Mould Fabrication $'000 | Adjustment/ Elimination $'000 | Notes | Per consolidated financial statements $'000 |
|---|---|---|---|---|---|---|---|
| **Revenue** | 87,054 | 173,606 | 13,830 | 99,204 | – | | 373,694 |
| **Results:** | | | | | | | |
| Depreciation | (6,228) | (12,421) | (989) | (7,098) | – | | (26,736) |
| Interest income | 39 | 61 | – | 17 | – | | 117 |
| Property, plant and equipment written off | (21) | (43) | (3) | (25) | – | | (92) |
| Impairment loss on plant and equipment | (1,108) | (570) | – | (22) | – | | (1,700) |
| Other non-cash expenses | (2,943) | (703) | (64) | (472) | – | A | (4,182) |
| Segment (loss)/profit | (24,692) | 24,311 | 732 | 19,491 | (3,763) | B | 16,079 |
| **Assets:** | | | | | | | |
| Additions to non-current assets | 4,363 | 8,700 | 693 | 4,971 | – | | 18,727 |
| Segment assets | 88,029 | 175,551 | 13,985 | 100,315 | 31,483 | C | 409,363 |
| **Segment liabilities** | 18,266 | 36,427 | 2,902 | 20,816 | 86,827 | D | 165,238 |

Notes

A. Other non-cash expenses consist of share based payments, inventories written-down, and impairment of financial assets as presented in the respective notes to the financial statements.

B. The following items are added to/(deducted from) segment (loss)/profit to arrive at profit before tax presented in the consolidated income statement :

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Finance cost | 2,165 | 3,817 |
| Fair value gain on investment property | (235) | (54) |
| | 1,930 | 3,763 |

C. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the statement of financial position :

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Investment property | 923 | 744 |
| Intangible assets | 29,964 | 29,964 |
| Deferred tax assets | 676 | 775 |
| | 31,563 | 31,483 |

## 35. Segment information (cont'd)

Notes (cont'd)

D. The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the statement of financial position :

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Loans and borrowings | 53,593 | 71,529 |
| Tax payable | 10,187 | 12,013 |
| Deferred tax liabilities | 3,120 | 3,285 |
| | 66,900 | 86,827 |

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

| | Revenues | | Non-current assets | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Singapore | 102,065 | 90,596 | 14,136 | 15,416 |
| Malaysia | 11,664 | 11,633 | 35,260 | 35,139 |
| China & Hong Kong | 158,838 | 155,768 | 91,419 | 105,704 |
| America | 36,030 | 32,854 | – | – |
| Europe | 54,618 | 49,848 | – | – |
| Others | 39,570 | 32,995 | 6,409 | 8,193 |
| | 402,785 | 373,694 | 147,224 | 164,452 |

Non-current assets information presented above consist of property, plant and equipment and investment property as presented in the statement of financial position.

Information about major customers

Revenue from two major customers amount to $151,797,000 (2009: $143,990,000), arising from sales by the Consumer/IT & Telecommunication and Mould Fabrication segments.

## 36. Events after balance sheet date

(a) On 5 January 2011, the Company had completed its acquisition of the entire issued shares in the capital of UFE Pte Ltd in relation to the entry of the Purchase agreement dated 24 November 2010 for a cash consideration of approximately $2,582,000.

(b) On 18 February 2011, the Singapore Finance Minister announced enhancements made to the Productivity and Innovation Credit ("PIC") Scheme which will be effective from Year of Assessment 2011. Under the PIC Scheme, business were entitled to enhanced deductions or allowances of amount of expenditure incurred (subject to an annual ceiling) on qualifying activities. The enhancements increased the PIC tax deduction to 400% (up from 250%) on the first $400,000 (up from $300,000) of qualifying expenditure.

According to FRS10, this is a non-adjusting subsequent event and the financial effect of the PIC scheme will be reflected in the 31 December 2011 financial year. The Group has assessed the financial effect of the above change and is not expected to have any material impact on the financial position or performance of the Group.

(c) On 1 February 2011, the Company has granted the share award of 150,000 shares pursuant to the Sunningdale Tech Ltd Restricted Share Plan (the "RSP"). The market price of share awards at date of grant is $0.190.

## 37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 5 April 2011.

# **Statistics** of Shareholdings
as at 16 March 2011

### SHAREHOLDINGS' INFORMATION

| | | |
|---|---|---|
| Issued and fully paid | : | 746,281,893 |
| Class of Shares | : | Ordinary shares |
| Voting Right | : | One vote per share |

### DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 999 | 180 | 3.06 | 80,920 | 0.01 |
| 1,000 - 10,000 | 2,398 | 40.76 | 13,153,933 | 1.76 |
| 10,001 - 1,000,000 | 3,244 | 55.13 | 251,531,441 | 33.71 |
| 1,000,001 AND ABOVE | 62 | 1.05 | 481,515,599 | 64.52 |
| TOTAL | 5,884 | 100.00 | 746,281,893 | 100.00 |

### TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | UHLMANN STEVEN KENT | 114,045,125 | 15.28 |
| 2 | CITIBANK NOMINEES SINGAPORE PTE LTD | 43,802,960 | 5.87 |
| 3 | DBS NOMINEES PTE LTD | 38,799,831 | 5.20 |
| 4 | KIM ENG SECURITIES PTE. LTD. | 22,983,691 | 3.08 |
| 5 | OCBC SECURITIES PRIVATE LTD | 22,964,809 | 3.08 |
| 6 | HALDUN TASHMAN AND EMINE NIHAL TASHMAN | 22,649,025 | 3.03 |
| 7 | LIM & TAN SECURITIES PTE LTD | 14,936,966 | 2.00 |
| 8 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 13,538,595 | 1.81 |
| 9 | NEO AGE SENG | 12,852,300 | 1.72 |
| 10 | PHILLIP SECURITIES PTE LTD | 11,194,150 | 1.50 |
| 11 | LIAW HIN HAO | 10,930,000 | 1.46 |
| 12 | STEVEN TAN CHEE CHUAN | 10,000,000 | 1.34 |
| 13 | ASSET CONCEPT INVESTMENTS LIMITED | 9,080,883 | 1.22 |
| 14 | KHOO BOO HOR | 8,352,413 | 1.12 |
| 15 | AYLIN ZEHRA TASHMAN | 7,549,675 | 1.01 |
| 16 | YASEMIN SADAN TASHMAN | 7,549,675 | 1.01 |
| 17 | HSBC (SINGAPORE) NOMINEES PTE LTD | 6,738,567 | 0.90 |
| 18 | DBS VICKERS SECURITIES (S) PTE LTD | 6,522,788 | 0.87 |
| 19 | CIMB SECURITIES (SINGAPORE) PTE LTD | 6,308,561 | 0.85 |
| 20 | OCBC NOMINEES SINGAPORE PTE LTD | 5,402,047 | 0.72 |
| | TOTAL | 396,202,061 | 53.07 |

The percentage of shareholdings in the hands of the public is 77.05%. Therefore,Rule 723 of the listing Manual has been compiled with.

# **Substantial** Shareholders
as at 16 March 2011

| Name | No. of Ordinary Shares<br>Direct Interest | % | Deemed Interest | % | Total interest % |
|---|---|---|---|---|---|
| Steven Uhlmann | 114,045,125 | 15.28 | - | - | 15.28 |

# **Notice of** Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Sixteenth Annual General Meeting of the Company will be held at the InterContinental Singapore, Ballroom 1, Level 2, 80 Middle Road, Singapore 188966 on Friday, 29 April 2011 at 3.00 p.m. to transact the following business:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 December 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Final Dividend of 0.6 cents per share for the year ended 31 December 2010 (2009: 0.4 cents per share). **(Resolution 2)**

3. To approve the Directors' fees of S$430,000/- for the year ended 31 December 2010 (2009: S$325,667/-). **(Resolution 3)**

4. To re-elect the following Directors who retire by rotation under Article 91 of the Company's Articles of Association: -

   (i) Mr Steven Uhlmann **(Resolution 4)**
   (ii) Mr Ong Sim Ho **(Resolution 5)**

   [Note: Mr Steven Uhlmann, upon re-election, shall remain as a member of Remuneration and Nominating Committees. Mr Ong Sim Ho, upon re-election, shall remain as a member of Remuneration Committee and the Chairman of the Nominating Committee. Mr Ong Sim Ho is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Ltd ("SGX-ST")]

5. To re-appoint Mr Steven Tan Chee Chuan as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50. **(Resolution 6)**

   [Note: Mr Steven Tan Chee Chuan, upon re-appointment, shall remain as the Chairman of the Remuneration Committee and a member of the Audit Committee. He is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST]

6. To re-appoint Mr Kaka Singh as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50. **(Resolution 7)**

   [Note: Mr Kaka Singh, upon re-appointment, shall remain as the Chairman of the Audit Committee. He is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST]

7. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

# **Notice of** Annual General Meeting

**AS SPECIAL BUSINESS**

To consider and, if thought fit, with or without modifications, the following resolutions as Ordinary Resolutions:

8. **Authority to issue Shares up to 50 per centum (50%) of the issued shares in the Capital of the Company.**

(a) THAT pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

(i) issue shares and convertible securities in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the Capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of the Instruments or any convertible securities that have been issued pursuant to any previous shareholders approval and which are outstanding as at the date of the passing of this Resolution;

(ii) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

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

(4) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

**(Resolution 9)**

9. **Authority to allot and issue shares pursuant to Sunningdale Tech Share Option Scheme ("STL ESOS"), Sunningdale Tech Restricted Share Plan ("STL RSP") and Sunningdale Tech Performance Share Plan ("STL PSP").**

That:-

(a) approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the STL ESOS and/or to grant share awards in accordance with the provisions of the STL RSP and/or the STL PSP; and

(b) approval be and is hereby given to the Directors to exercise full powers of the Company to issue, allot or otherwise dispose of shares in the Company as may be required to be issued, allotted or disposed, in connection with or pursuant to the exercise of the options granted under the STL ESOS and/or such number of shares as may be required to be issued or allotted pursuant to the vesting of awards under the STL RSP and/or the STL PSP.

Provided that the aggregate number of shares to be issued and allotted pursuant to the STL ESOS, the STL RSP and the STL PSP shall not exceed fifteen per centum (15%) of the total number of issued shares of the Company from time to time. **(Resolution 10)**

10. **Renewal of Mandate for Share Purchase.**

That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, Cap 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(a) market purchase(s) on the SGX-ST; and/or

(b) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(a) the date on which the next Annual General Meeting of the Company is held; and

(b) the date by which the next Annual General Meeting of the Company is required by law to be held;

(3) In this Resolution:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five days period;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"**Maximum Limit**" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(a) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(b) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares; and

(4) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution. **(Resolution 11)**

11. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

DOROTHY HO
Company Secretary

Dated: 13 April 2011

# **Notice of** Annual General Meeting

**NOTES:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is, entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. The instrument appointing a proxy must be lodged at the registered office of the Company at 51 Joo Koon Circle, Singapore 629069 not less than 48 hours before the time appointed for the Annual General Meeting.

**EXPLANATORY NOTES**

(1) Resolution 9 proposed in item 8 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting to issue shares and convertible securities in the Company, without seeking any further approval from the shareholders at a general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors may consider in the interests of the Company. This proposed Resolution, if passed, will authorise and empower the Directors of the Company to issue shares, up to a number not exceeding, in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

(2) Resolution 10 proposed in item 9 above, is to empower the Directors to grant options, allot and issue shares pursuant to the exercise of options under the STL ESOS and the vesting of the awards under STL RSP and STL PSP, provided that the aggregate number of shares to be issued under the STL ESOS, STL RSP and STL PSP does not exceed fifteen per centum (15%) of the total number of issued shares of the Company from time to time.

(3) Resolution 11 proposed in item 10 above, is to renew the mandate to empower Directors of the Company to make purchases or otherwise acquire the Company's issued ordinary shares from time to time subject to and in accordance with the guidelines set out in Appendix I in the Annual Report of the Company for the year ended 31 December 2010, accompanying this Notice. This authority will expire at the conclusion of the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting.

# **Notice of** Books Closure

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 4 May 2011 for the purpose of determining Members' entitlements to the Dividend to be proposed at the Annual General Meeting of the Company to be held on 29 April 2011.

Duly completed registrable transfer of shares in the Company (the "Shares") received up to the close of business at 5.00 p.m. on 3 May 2011 by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, will be registered to determine Members' entitlements to such Dividend. Subject to the aforesaid, Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with the Shares as at 4 May 2011 will be entitled to such proposed Dividend.

The proposed Dividend, if approved at the Annual General Meeting, will be paid on 16 May 2011.

BY ORDER OF THE BOARD

DOROTHY HO
Company Secretary

Dated: 13 April 2011

SunningdaleTech

# SUNNINGDALE TECH LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 199508621R)

# APPENDIX I IN RELATION TO DETAILS OF THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

**This Appendix I is circulated to Shareholders of Sunningdale Tech Ltd (the "Company") together with the Company's Annual Report. Its purpose is to provide Shareholders with the relevant information relating to and to seek Shareholders' approval for, the renewal of the Share Purchase Mandate to be tabled at the Annual General Meeting to be held on 29 April 2011 at 3.00 p.m. at the InterContinental Singapore, Ballroom 1, Level 2, 80 Middle Road, Singapore 188966.**

**The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report. The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, reports contained / referred to, or opinions expressed in this Appendix.**

# Appendix I

**PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained in this Appendix.

**1. INTRODUCTION**

On 29 April 2010, the Company obtained shareholders' approval at the Annual General Meeting of the Company ("2010 AGM") to authorise the Directors to exercise all powers of the Company to purchase or otherwise acquire its issued shares in the capital of the Company (the "Shares") ("Share Purchase Mandate") on the terms of the Share Purchase Mandate which has taken effect from the date of the 2010 AGM until the date of the forthcoming AGM to be held on 29 April 2011 or until it is varied or revoked by an ordinary resolution of shareholders in the general meeting, if so varied or revoked prior to the forthcoming AGM ("2011 AGM").

Since the approval of the renewal of the Share Purchase Mandate at the 2010 AGM, the Company has not purchased or acquired any Shares under the Share Purchase Mandate. Accordingly, the Directors are proposing to seek the approval of shareholders at the 2011 AGM for the renewal of the Share Purchase Mandate.

**2. DEFINITIONS**

In this Addendum, the following definitions apply throughout unless otherwise stated:

| | | |
|---|---|---|
| **"Articles"** | : | The Articles of Association of Sunningdale Tech Ltd. |
| **"Award"** | : | A contingent award of Shares granted under the RSP and/or the PSP. |
| **"Companies Act"** | : | The Companies Act, Chapter 50 of Singapore or as amended from time to time. |
| **"Company"** | : | Sunningdale Tech Ltd. |
| **"Council"** | : | The Securities Industry Council of Singapore. |
| **"Directors"** | : | The Directors of the Company for the time being. |
| **"EPS"** | : | Earnings per Share. |
| **"FY2010"** | : | Financial year ended 31 December 2010. |
| **"Latest Practicable Date"** | : | 8 March 2011 being the latest practicable date prior to the printing of this Annexure. |
| **"Listing Manual"** | : | The Listing Manual of the SGX-ST. |
| **"Market Day"** | : | A day on which the SGX-ST is open for trading in securities. |
| **"New Shares"** | : | The new Shares which may be allotted and issued from time to time pursuant to the vesting of Awards granted under the STL RSP and/or the STL PSP. |
| **"NTA"** | : | Net tangible assets of the Company. |
| **"NTA per Share"** | : | Net tangible assets of the Company divided by the number of issued Shares. |
| **"SGX-ST"** or **"Singapore Exchange"** | : | Singapore Exchange Securities Trading Limited. |

## 2. DEFINITIONS (CONT'D)

| | | |
|---|---|---|
| **"Shareholders"** | : | Registered holders of the Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors whose Securities Account are credited with the Shares. |
| **"Share Plans"** | : | The Sunningdale Tech Ltd Restricted Share Plan or STL RSP and Sunningdale Tech Ltd Performance Share Plan or STL PSP. |
| **"Share Purchases"** | : | The purchases or acquisitions of Shares pursuant to the Share Purchase Mandate. |
| **"Shares"** | : | Ordinary shares in the share capital of the Company. |
| **"STL PSP"** | : | Sunningdale Tech Ltd Performance Share Plan, as modified or altered from time to time. |
| **"STL RSP"** | : | Sunningdale Tech Ltd Restricted Share Plan, as modified or altered from time to time. |
| **"STL"** or the **"Company"** | : | Sunningdale Tech Ltd. |
| **"STL Group"** or the **"Group"** | : | The Company and its subsidiaries. |
| **"S$", "$"** or the **"cents"** | : | Singapore dollars and cents respectively. |
| **"Takeover Code"** | : | The Singapore Code on Take-overs and Mergers. |
| **"%"** or the **"per cent."** | : | Per centum or percentage. |

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Appendix between the listed amounts and the totals therefore are due to rounding.

## 3. RENEWAL OF THE SHARE PURCHASE MANDATE

### 3.1 Rationale for Share Purchase Mandate

The renewal of the Share Purchase Mandate will provide the Company the flexibility to undertake share purchases, when and if the circumstances permit, subject to market conditions, during the period when the Share Purchase Mandate is in force. A Share Purchase at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.

The rationale for the Company to undertake the purchase of its issued Shares as previously stated in the Company's Addendum to Shareholders in the 2009 Annual Report is as follows:-

(a) In managing the business of the Group, management strives to increase Shareholders' value by improving, inter alia, the return on equity of the Group. Share Purchases at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced.

(b) The Share Purchase Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash, which is in excess of the financial and possible investment needs of the Group to its Shareholders. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, inter alia, the Company's share capital structure and its dividend policy.

(c) Share repurchase programmes help buffer short-term share price volatility and off-set the effects of short-term speculators and investors and, in turn, bolster shareholder confidence and employee morale.

(d) To the extent allowed by law, the Share Purchase Mandate may be used to purchase existing Shares to satisfy Awards granted under the Sunningdale Tech Restricted Share Plan and/or the Sunningdale Tech Performance Share Plan.

While the Share Purchase Mandate would authorise a purchase of Shares up to the 10% limit, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised and no purchase or acquisition of Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company or the Group.

The Share Purchase Mandate will also enable the Company to undertake purchases of Shares and to hold such purchased Shares in Treasury. Treasury shares may be used in the manner prescribed by the Companies Act. Details on the use of treasury shares are provided in paragraphs 3.4 below.

### 3.2 Authority and Limits on the Share Purchase Mandate

The authority and limitations placed on the Share Purchase Mandate, if renewed at the 2011 AGM, are substantially the same as previously approved by the Shareholders at the previous AGMs. For the benefit of the Shareholders, the authority and limits on the Share Purchase Mandate are as follows: -

#### 3.2.1 Maximum Number of Shares

As at the Latest Practicable Date, the share capital of the Company comprise 746,281,893 issued Shares. The Company will only purchase or acquire Shares which are issued and fully paid-up. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of total issued Shares as at the date on which the Share Purchase Mandate is approved at the 2010 AGM.

Purely for illustrative purposes, on the basis of 746,281,893 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2011 AGM, not more than 74,628,189 Shares (representing 10% of the total issued Shares as at that date) may be purchased by the Company pursuant to the Share Purchase Mandate.

## 3. RENEWAL OF THE SHARE PURCHASE MANDATE (CONT'D)

### 3.2 Authority and Limits on the Share Purchase Mandate (Cont'd)

### 3.2.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the forthcoming AGM at which the renewal of the Share Purchase Mandate is approved up to:

(a) the date on which the next AGM is held or required by law to be held;

(b) the Share Purchases have been carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Company in general meeting.

whichever is the earlier.

### 3.2.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

(a) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the SGX-ST's trading system or any other securities exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**") through one or more duly licensed dealers appointed by the Company for the purpose; and/or

(b) off-market purchases ("**Off-Market Purchases**"), otherwise than on a securities exchange, effected pursuant to an equal access scheme or schemes for the purchase of Shares from the Shareholders.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. Under the Companies Act, an equal access scheme must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded: (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements, (2) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid, and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Additionally, the Listing Manual provides that, in making an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances; and

(iii) the information required under Rule 883(2), (3), (4) and (5) of the Listing Manual.

## 3. RENEWAL OF THE SHARE PURCHASE MANDATE (CONT'D)

### 3.2 Authority and Limits on the Share Purchase Mandate (Cont'd)

#### 3.2.4 Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses ("Related Expenses")) to be paid for a Share will be determined by the Directors. The purchase price to be paid for the Shares must not exceed:

(a) in the case of a Market Purchase, 105 per cent of the Average Closing Price of the Shares; and

(b) in the case of an Off-Market Purchase, 110 per cent of the Average Closing Price of the Shares,

in either case, excluding Related Expenses of the purchase or acquisition (the "**Maximum Price**").

For the above purposes:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period; and "**Date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than 110 cent of the Average Closing Price of the Shares (excluding Related Expenses of the purchase or acquisition) for each Share) and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

### 3.3 Status of Purchased Shares

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to the Share will expire on cancellation unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company which are not held as treasury shares.

### 3.4 Treasury Shares Held by the Company

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:-

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares and the Company shall be entered in the Register of Members as the member holding those Shares.

## Appendix I
– Continued

### 3. RENEWAL OF THE SHARE PURCHASE MANDATE (CONT'D)

#### 3.4 Treasury Shares Held by the Company (Cont'd)

(b) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time :-

(i) sell the treasury shares for cash;
(ii) transfer the treasury shares for the purposes of or pursuant to any employees' share option or award scheme;
(iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
(iv) cancel the treasury shares; or
(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

#### 3.5 Source of Funds

The Company will use its internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance the Company's purchase or acquisition of the Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially and adversely affected.

#### 3.6 No Shares Purchased In the Previous 12 Months

The Company did not purchase any Shares in the twelve (12) months preceding the Latest Practicable Date.

## 3. RENEWAL OF THE SHARE PURCHASE MANDATE (CONT'D)

### 3.7 Financial Effects

#### 3.7.1 General

If the purchased Shares are cancelled, the issued share capital of the Company will be reduced by the corresponding total purchase price of the Shares purchased or acquired by the Company. If, on the other hand, the purchased Shares are not cancelled but held in treasury, then there will be no change in the Company's issued share capital. Where the consideration paid by the Company for the Share Purchase is out of profits, such consideration (excluding Related Expenses) will correspondingly reduce the amount available for the distribution of cash dividend by the Company. Where the consideration paid by the Company for the Share Purchase is out of capital, the amount available for the distribution of cash dividends will not be reduced.

The financial effects on the Company and the Group arising from Share Purchases will depend, inter alia, on the number of Shares purchased or acquired, the price paid for such Shares, the manner in which the purchase or acquisition is funded and whether the Shares are cancelled or held in treasury. It is, therefore, not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Purchase Mandate on the NTA and EPS.

The Directors do not propose to exercise the Share Purchase Mandate to the extent that the liquidity and capital adequacy position of the Group would be materially and adversely affected. The Directors will be prudent in exercising the Share Purchase Mandate only to such extent which the Directors believe will enhance shareholders' value giving consideration to the prevailing market conditions, the financial position of the Group and other relevant factors.

#### 3.7.2 Number of Shares that may be Acquired or Purchased

Based on 746,281,893 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2011 AGM, not more than 74,628,189 Shares (representing 10% of the total issued Shares as at that date) may be purchased by the Company pursuant to the Share Purchase Mandate.

#### 3.7.3 Maximum Price that may be paid for Shares Acquired or Purchased

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 74,628,189 Shares at the Maximum Price of $0.178 for each Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 74,628,189 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately $13,283,817.64.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 74,628,189 Shares at the Maximum Price of $0.186 for each Share (being the price equivalent to 10% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 74,628,189 Shares excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately $13,880,843.15.

# Appendix I
– Continued

3. **RENEWAL OF THE SHARE PURCHASE MANDATE (CONT'D)**

3.7 **Financial Effects (Cont'd)**

3.7.4 **Illustrative Financial Effects**

For illustrative purposes only, on the basis of the assumptions set out in paragraphs 3.7.1 and 3.7.2 above, and assuming that the Share Purchases are financed entirely out of the Company's distributable profit, the financial effects of:-

(a) the purchase of 74,628,189 Shares by the Company in a Market Purchase or Off-Market Purchase pursuant to the Share Purchase Mandate and held as treasury shares; and

(b) the purchase of 74,628,189 Shares by the Company in a Market Purchase or Off-Market Purchase pursuant to the Share Purchase Mandate and cancelled;

on the audited consolidated financial statements of the Company and the Group for FY2010 are set out below:-

**(a) Share Purchases made entirely out of capital and held as treasury shares**

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| **(S$'000)** | **Before Share Buyback** | **After Share Buyback assuming Market Purchase** | **After Share Buyback assuming Off-Market Purchase** | **Before Share Buyback** | **After Share Buyback assuming Market Purchase** | **After Share Buyback assuming Off-Market Purchase** |
| Shareholders' fund | 247,298 | 234,014 | 233,417 | 231,105 | 217,821 | 217,224 |
| NTA[1] | 217,334 | 204,050 | 203,453 | 231,105 | 217,821 | 217,224 |
| Current assets | 210,785 | 197,501 | 196,904 | 51,481 | 38,197 | 37,600 |
| Current liabilities | 131,106 | 131,106 | 131,106 | 53,816 | 53,816 | 53,816 |
| Working capital | 79,679 | 66,395 | 65,798 | (2,335) | (15,619) | (16,216) |
| Total borrowings | 53,593 | 53,593 | 53,593 | 13,234 | 13,234 | 13,234 |
| Cash and short-term deposits | 76,743 | 63,459 | 62,862 | 12,857 | (427) | (1,024) |
| Number of Shares[4] | 746,281,893 | 746,281,893 | 746,281,893 | 746,281,893 | 746,281,893 | 746,281,893 |
| **Financial Ratios** | | | | | | |
| NTA per Share (cents) | 29.12 | 27.34 | 27.26 | 30.97 | 29.19 | 29.11 |
| EPS (cents) | 1.84 | 1.84 | 1.84 | 0.87 | 0.87 | 0.87 |
| Gearing ratio (times)[2] | 0.22 | 0.23 | 0.23 | 0.06 | 0.06 | 0.06 |
| Current ratio (times)[3] | 1.61 | 1.51 | 1.50 | 0.96 | 0.71 | 0.70 |

**Notes :**

(1) NTA equals Shareholders' funds less intangible assets.

(2) Gearing ratio equals total borrowings divided by Shareholders' funds.

(3) Current ratio equals current assets divided by current liabilities,

(4) Based on 746,281,893 Shares in issue as at the Latest Practicable Date.

3. **RENEWAL OF THE SHARE PURCHASE MANDATE (CONT'D)**

**3.7 Financial Effects (Cont'd)**

**3.7.4 Illustrative Financial Effects (cont'd)**

**(b) Purchases made entirely out of capital and cancelled**

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| **(S$'000)** | **Before Share Buyback** | **After Share Buyback assuming Market Purchase** | **After Share Buyback assuming Off-Market Purchase** | **Before Share Buyback** | **After Share Buyback assuming Market Purchase** | **After Share Buyback assuming Off-Market Purchase** |
| Shareholders' fund | 247,298 | 234,014 | 233,417 | 231,105 | 217,821 | 217,224 |
| NTA[(1)] | 217,334 | 204,050 | 203,453 | 231,105 | 217,821 | 217,224 |
| Current assets | 210,785 | 197,501 | 196,904 | 51,481 | 38,197 | 37,600 |
| Current liabilities | 131,106 | 131,106 | 131,106 | 53,816 | 53,816 | 53,816 |
| Working capital | 79,679 | 66,395 | 65,798 | (2,335) | (15,619) | (16,216) |
| Total borrowings | 53,593 | 53,593 | 53,593 | 13,234 | 13,234 | 13,234 |
| Cash and short-term deposits | 76,743 | 63,459 | 62,862 | 12,857 | (427) | (1,024) |
| Number of Shares[(4)] | 746,281,893 | 671,653,704 | 671,653,704 | 746,281,893 | 671,653,704 | 671,653,704 |
| **Financial Ratios** | | | | | | |
| NTA per Share (cents) | 29.12 | 30.38 | 30.29 | 30.97 | 32.43 | 32.34 |
| EPS (cents) | 1.84 | 2.04 | 2.04 | 0.87 | 0.97 | 0.97 |
| Gearing ratio (times)[(2)] | 0.22 | 0.23 | 0.23 | 0.06 | 0.06 | 0.06 |
| Current ratio (times)[(3)] | 1.61 | 1.51 | 1.50 | 0.96 | 0.71 | 0.70 |

**Notes :**

(1) NTA equals Shareholders' funds less intangible assets.

(2) Gearing ratio equals total borrowings divided by Shareholders' funds.

(3) Current ratio equals current assets divided by current liabilities,

(4) Based on 746,281,893 Shares in issue as at the Latest Practicable Date.

**Shareholders should be aware that the financial effects set out above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the respective aforementioned assumptions, and historical FY2010 numbers, and are not necessarily representative of future financial performance. In addition, the actual impact will depend on the actual number and price of Shares to be acquired or purchased by the Company, the purchase prices paid at the relevant time, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares to be acquired or purchased are cancelled or held in treasury.**

**3. RENEWAL OF THE SHARE PURCHASE MANDATE (CONT'D)**

**3.7 Financial Effects (Cont'd)**

**3.7.4 Illustrative Financial Effects (cont'd)**

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the total issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or holds all or part of the Shares repurchased in treasury.

The Company may take into account both financial and non-financial factors (for example, stock market condition and the performance of the Shares) in assessing the relative impact of a Share Purchase before execution.

**3.8 Requirements in the Listing Manual**

(a) The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.: (i) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was effected, and (ii) in the case of an Off-Market Purchase on an equal access scheme, on the second Market Day after the close of acceptances of the offer. The notification of such purchases or acquisitions to the SGX-ST shall be in such form, and shall include such details, as may be prescribed by the SGX-ST in the Listing Manual.

(b) The Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time(s). However, as the Company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate in the following circumstances:

(i) at any time any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board until the price-sensitive information has been publicly announced; and

(ii) in the case of Market Purchases, during the period commencing one month immediately before the announcement of the Company's half-year or full-year results, as the case may be, and (if applicable) the period of two weeks before the announcement of the Company's other interim results, as the case may be.

(c) The Listing Manual requires a company to ensure that at least 10% of equity securities (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed are held by public Shareholders. The "public", as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates of such persons.

As at the Latest Practicable Date, there are approximately **574,981,542** Shares in the hands of the public, representing approximately **77.05%** of the issued Shares. Accordingly, the Company is of the view that there is, at present, a sufficient number of Shares held by public Shareholders which would permit the Company to undertake purchases and acquisitions of its Shares up to the full 10% limit pursuant to the proposed Share Purchase Mandate, without adversely affecting the listing status of the Shares on the SGX-ST.

# Appendix I
– Continued

## 3. RENEWAL OF THE SHARE PURCHASE MANDATE (CONT'D)

### 3.9 Certain Take-over Code Implications

#### 3.9.1 Obligations to Make a Take-over Offer

Any resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following any purchase or acquisition of Shares by the Company, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("Rule 14'). Consequently, depending on the number of Shares purchased or acquired by the Company and the Company's total issued Shares at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate effective control of the Company and could become obliged to make a take-over offer under Rule 14.

#### 3.9.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or undertaking (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the persons, inter alia, who will be presumed to be acting in concert, include (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts), and (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other. For this purpose, a company is an associated company of another company if the second company owns or controls at least twenty per cent (20%) but not more than fifty per cent (50%) of the voting rights of the first-mentioned company.

#### 3.9.3 Effect of Rule 14 and Appendix 2

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code. In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent (30%) or more, or, if the voting rights of such Directors and their concert parties fall between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent (1%) in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or, if such Shareholder holds between thirty per cent (30%) and fifty per cent (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the proposed Share Purchase Mandate.

**Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant of proposed Share Purchase Mandate are advised to consult their professional advisers before they acquire any Shares in the Company during the period when the proposed Share Purchase Mandate is in force.**

# Appendix I
– Continued

3. **RENEWAL OF THE SHARE PURCHASE MANDATE (CONT'D)**

**3.9 Certain Take-over Code Implications (Cont'd)**

**3.9.3 Effect of Rule 14 and Appendix 2 (Cont'd)**

**The statements herein do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional adviser and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchase or acquisition of Shares by the Company.**

**3.10 Directors' and Substantial Shareholder's Interests**

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders of the Company, as at the Latest Practicable Date, the shareholdings of the Directors and of the Substantial Shareholders in the Company before and after the purchase of Shares pursuant to the proposed Share Purchase Mandate, assuming (i) the Company purchases the maximum amount of 10% of the issued ordinary share capital of the Company, and (ii) there is no change in the number of Shares held by the Directors and Substantial Shareholders or which they are deemed to be interested in, will be as follows:-

| | Before Share Purchase (Number of Shares) | | | Before Share Purchase | After Share Purchase |
|---|---|---|---|---|---|
| **Name of Director** | **Direct Interest** | **Deemed Interest** | **Total Interest** | **%[1]** | **%[2]** |
| Koh Boon Hwee | 27,038,960 | 110,040 | 27,149,000 | 3.64 | 4.04 |
| Khoo Boo Hor | 9,039,413 | - | 9,039,413 | 1.21 | 1.35 |
| Wong Chi Hung | 450,000 | 9,080,883 | 9,530,883 | 1.28 | 1.42 |
| Steven Uhlmann | 114,045,125 | - | 114,045,125 | 15.28 | 16.98 |
| Steven Tan Chee Chuan | 10,000,000 | - | 10,000,000 | 1.34 | 1.49 |
| Kaka Singh | 396,270 | - | 396,270 | 0.05 | 0.06 |
| Gabried Teo Chen Thye | 1,139,660 | - | 1,139,660 | 0.15 | 0.17 |
| Ong Sim Ho | - | - | - | - | - |
| **Name of Substantial Shareholder** | | | | | |
| Steven Uhlmann | 114,045,125 | - | 114,045,125 | 15.28 | 16.98 |

**Notes :-**

(1) As a percentage of the total number of issued ordinary shares of the Company as at the Latest Practicable Date comprising 746,281,893 shares.

(2) As a percentage of the total number of issued ordinary shares of the Company comprising 671,653,704 shares (assuming that the Company purchases the maximum number of shares under the Share Purchase Mandate and not held in treasury).

# Appendix I
– Continued

## 4. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they, recommend that Shareholders vote in favour of Resolution 11, being the Ordinary Resolution relating to the Share Purchase Mandate.

## 5. APPROVALS AND RESOLUTIONS

Your approval for the proposed renewal of the Share Purchase Mandate is sought at the Company's AGM to be held on 29 April 2011 at 3.00 p.m. at the InterContinental Singapore, Ballroom 1, Level 2, 80 Middle Road, Singapore 188966.

## 6. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy From in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the Registered office of the Company at 51 Joo Koon Circle, Singapore 629069 not later than 48 hours before the time fixed for the AGM.

**SUNNINGDALE TECH LTD**
(Company Registration No. 199508621R)
(Incorporated in the Republic of Singapore)

# Proxy Form

**IMPORTANT**

1. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is sent to them at the request of their CPF Approved Nominees and is strictly FOR INFORMATION ONLY
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________________________________________________________ (Name) of
______________________________________________________________________________ (Address)
being a member/members of Sunningdale Tech Ltd hereby appoint :

| Name | Address | NRIC/Passport Number | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

and/or (delete as appropriate)

| Name | Address | NRIC/Passport Number | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

as my/our proxy/proxies to vote for me/us on my/our behalf, at the 16th Annual General Meeting of the Company, to be held on 29 April 2011 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

| No. | Resolutions relating to | For | Against |
|---|---|---|---|
| 1. | Adoption of Reports and Accounts | | |
| 2. | Declaration of Final Dividend | | |
| 3. | Approval of Directors' Fees | | |
| 4. | Re-election of Mr Steven Uhlmann | | |
| 5. | Re-election of Mr Ong Sim Ho | | |
| 6. | Re-appointment of Mr Steven Tan Chee Chuan | | |
| 7. | Re-appointment of Mr Kaka Singh | | |
| 8. | Re-appointment of Auditors | | |
| 9. | Authority to Issue Shares | | |
| 10. | Authority to allot and issue shares pursuant to Sunningdale Tech Share Option Scheme, Sunningdale Tech Restricted Share Plan and Sunningdale Tech Performance Share Plan | | |
| 11. | Renewal of Mandate for Share Purchase | | |

Signed this ____________________ day of ____________________ 2011

____________________________________
Signature(s) of Member(s)/Common Seal

| | Total Number of Shares Held |
|---|---|
| In CDP Register | |
| In Register of Members | |

IMPORTANT : PLEASE READ NOTES OVERLEAF

**Notes :**

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

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

4. Please insert the total number of ordinary shares held by you. If you have ordinary shares entered against your name in the Depository Register (and defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number. If you have ordinary shares registered in your name in the Register of Members of the Company, you should insert that number. If you have ordinary shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the ordinary shares held by you.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 51 Joo Koon Circle, Singapore 629069 not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be given under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. A body corporate which is a member may also appoint by resolution of its directors or other governing body an authorised representative or representatives, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote for and on behalf of such body corporate.

8. Where an instrument appointing a proxy is signed on behalf of the appointor or by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

9. The Company shall be entitled to reject the instrument appointing a proxy and proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instruments of appointor specified in the instrument appointing a proxy or proxies.

10. In the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have the shares entered against their names in the Depository Register as at 48 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.