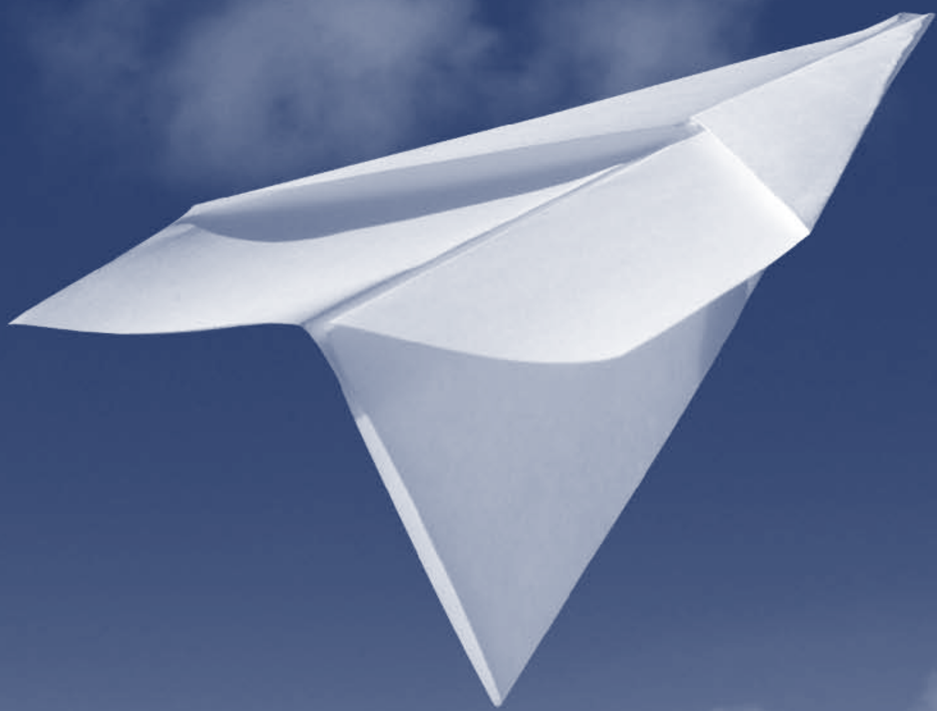


# FLIGHT TO GREATER POTENTIAL

Annual Report 2011

利通太平洋金融控股有限公司
Net Pacific Financial Holdings Limited

# Corporate **Profile**

**Net Pacific Financial Holdings Limited** is a company that is primarily engaged in the financing business, specialising in providing financing services to companies in the PRC and Hong Kong Special Administrative Region ("HKSAR"). Leveraging on our specialised finance skills, we are well-positioned to capitalise on the growth and development of the PRC economy.

With long-term stability as our goal, we focus on creating value by offering, in particular, small- to mid-sized companies in the PRC and the HKSAR access to capital. In tandem with our financing feature, we provide working capital financing via asset-backed loans as well as mezzanine loans, which are secured by either floating or fixed charge over certain assets or shares of the borrower and/or guaranteed by major shareholder of the borrower.

While we focus on providing financing services, we may also make investments in companies that have good fundamentals and growth potential as and when opportunities arise. In order to minimise the downside risks to our Group, investments will be made in the form of convertible loans or preferred shares. It is envisaged that for such investments, we expect a clear value growth plan of the investee as well as an eventual exit strategy.

Net Pacific Financial Holdings Limited was formerly known as K Plas Holdings Limited.

# Contents



This document has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this document. This document has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The contact person for the Sponsor is Ms Tan Cher Ting, Director, Corporate Finance, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

# Chairman's & Executive Directors' **Message**

**Dear Shareholders,**

On behalf of the Board of Directors of Net Pacific Financial Holdings Limited ("**Net Pacific**"), and together with its subsidiaries, the "**Group**"), we present to you the annual report for the financial year ended 31 December 2011 ("**FY2011**") of Net Pacific.

**A new beginning**

In June 2010, Net Pacific obtained its shareholders' approval for the diversification by the Group into the business of the provision of financing services ("**Financing Business**") in the People's Republic of China ("**PRC**") and the Hong Kong Special Administrative Region ("**HKSAR**"). Under the Financing Business, the Group's business activities include the provision of mezzanine loans and investments in companies with good fundamentals and growth potential. The PRC and HKSAR continue to be one of the largest economies in the world. With that, we have identified opportunities for the Group to gain exposure in this region by providing small to medium sized companies, which have operations in the PRC and the HKSAR, access to capital. This will allow us to leverage on our business activities to capitalise on the growth and development of these economies.

As mentioned in the last annual report, we have evaluated the Group's loss-making business in the provision of plastic injection moulding services ("**Plastic Business**") and the Company had also obtained its shareholders' approval for the disposal of the Group's entire interests in the Plastic Business. We are pleased to update shareholders that the Group had in November 2011 completed the disposal of its entire shareholding interest in the capital of K Plas Moulding Pte Ltd, K Plas Hi-Tech (Shanghai) Co., Ltd and K Plas Hi-Tech Tooling (Shanghai) Co., Ltd for an aggregate consideration of approximately S$1.33 million. With this disposal, the Group has exited its loss-making Plastic Business.

**Review of FY2011**

*Continuing Operations*

The Group's Financing Business, which commenced in July 2010, has progressed well and registered a revenue of HK$10.94 million in FY2011, representing a more than five times jump from a revenue of HK$2.12 million registered in the last financial year ended 31 December 2010 ("**FY2010**").

Total operating expenses of the Group comprising marketing and distributing costs as well as administrative expenses was HK$3.94 million in FY2011, a 7.39% decrease from HK$4.25 million in FY2010. The lower expenses recorded was due mainly to our ongoing efforts in controlling costs.

Due to the change in our functional currency from S$ to HK$, coupled with the restructuring of our loan portfolio from US$ to HK$ in FY2011, the Group managed to minimise its foreign exchange exposure, thereby reducing its foreign exchange loss in FY2011.

The Group incurred a higher income tax expense in FY2011, which was mainly attributable to the higher profit reported by the Financing Business in FY2011.

All in all, the Group achieved a net profit of HK$6.23 million in FY2011 from the Financing Business, which is a significant contrast to its net loss of HK$5.98 million in FY2010.

*Discontinued Operations*

For FY2011, the Group reduced its net losses from the Plastic Business to HK$3.19 million, in contrast to its net losses of HK$11.86 million in FY2010, which was largely due to a one-time impairment loss of HK$7.18 million on plant and equipment.

*Group*

As a result of the above, the Group turned profitable with a net profit of HK$3.04 million in FY2011 as compared to a net loss of HK$17.84 million in FY2010.

**Look Ahead**

With the Group having exited the loss-making Plastic Business, we will continue to focus on growing our Financing Business. The PRC and HKSAR, being amongst the largest and fastest growing economies of the world, will continue to present opportunities to us, with the continued credit tightening and the clamping down on micro-financing in the PRC. However, we will prudently select our investment approach in order to manage and balance our investment risks. We are encouraged by the growth achieved in FY2011 and barring unforeseen circumstances, we remain optimistic of the Group's prospects moving forward.

**In Appreciation**

To the Board of Directors, management and staff of the Group, we would like to extend our deepest appreciation for their support and invaluable dedication towards our growth. Our special thanks also go to our shareholders who have given their confidence and support to the Group. As we work on fulfilling our long term vision of delivering long term value, we remain focused on growing our business so as to deliver sustained value to all our stakeholders.

**Ben Lee**
*Non-Executive Chairman*

**Ong Chor Wei @ Alan Ong**
*Chief Executive Officer*

**Kwok Chin Phang**
*Chief Operating Officer*

13 April 2012

# Board of **Directors**

**Ben Lee**
*Non-Executive Chairman*

Mr Ben Lee is the Non-Executive Chairman of the Company and was appointed to the Board in February 2010. Mr Lee is also a member of the Nominating Committee and the Remuneration Committee of the Company.

Mr Lee has over 15 years of experience in the industry of recycling of ferrous and non-ferrous metals and has extensive relationship with major metal recycling companies in the world. He founded various companies involved in the metal recycling business in the People's Republic of China and continues to hold directorship in some of these companies.

**Ong Chor Wei @ Alan Ong**
*Chief Executive Officer*

Mr Ong Chor Wei @ Alan Ong is the Chief Executive Officer of the Company and was appointed to the Board in February 2010.

Mr Ong is currently a non-executive director of Joyas International Holdings Limited and Jets Technics International Holdings Limited, both companies of which are listed on the SGX-ST. He is also a non-executive director of Man Wah Holdings Limited and an independent non-executive director of O-Net Communications (Group) Limited, both companies of which are listed on the main board of The Stock Exchange of Hong Kong Limited. Mr Ong has over 20 years of experience in finance and accounting. Mr Ong holds a Bachelor of Laws degree from The London School of Economics and Political Science, University of London. He also holds a distance learning degree in Masters in Business Administration jointly awarded by The University of Wales and The University of Manchester. Mr Ong is an associate member of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Mr Ong is due for re-election as a Director at the forthcoming Annual General Meeting of the Company ("AGM").

**Kwok Chin Phang**
*Chief Operating Officer*

Mr Kwok Chin Phang is the Chief Operating Officer of the Company and was appointed to the Board in February 2010.

Mr Kwok is currently a non-executive director of Joyas International Holdings Limited, a company listed on the SGX-ST as well as a director of Net Pacific Capital Pte Limited. Mr Kwok was under the employment of Nomura Singapore Limited from 1994 to 2009 and has more than 15 years of experience in the investment banking industry. He has extensive experience in the areas of capital market, corporate advisory and merger and acquisitions. Mr Kwok graduated from King's College, University of London, with Bachelor of Engineering Degree (First Class Honours) in Electrical and Electronic Engineering.

**Chin Fook Lai**
*Non-Executive Director*

Mr Chin Fook Lai is a Non-Executive Director of the Company and was appointed to the Board since January 2003. Mr Chin is also a member of the Audit Committee and the Risk Management Committee of the Company.

Mr Chin has more than 30 years of experience in the plastic injection moulding industry. Mr Chin is currently the managing director of Cheso Machinery Pte Ltd, which he joined in 1993. Prior to that, he was the sole proprietor of Cheso Engineering Works for over a decade, and held various technical and supervisory positions in the plastic injection moulding industry.

**Teo Yi-Dar (Zhang Yida)**
*Independent Director*

Mr Teo Yi-dar (Zhang Yida) was appointed an Independent Director of the Company in February 2010. Mr Teo is also the chairman of the Audit Committee, the Risk Management Committee and the Nominating Committee and a member of the Remuneration Committee of the Company.

Mr Teo is an investment director with SEAVI Advent Corporation Ltd ("SEAVI Advent"), the Asian affiliate of Boston-based Advent International private equity group. Mr Teo manages direct investments in Asia, and focuses on the electronics, chemical, engineering and technology segments. Prior to joining SEAVI Advent, he was with Keppel Corporation Ltd., conducting business development activities for Keppel's marine and offshore businesses. Mr Teo started his career as an engineer in SGS-Thomson Microelectronics. Mr. Teo holds a Master of Science Degree in Industrial and Systems Engineering (1998) and a Master of Science Degree in Applied Finance (2000) from the National University of Singapore. He graduated from the same university with a Bachelor of Electrical Engineering (Honours) in 1996. He was conferred the designation of Chartered Financial Analyst by the CFA Institute, formerly known as Association for Investment Management and Research, in 2001.

**Chan Kwong Chung Bernard**
*Independent Director*

Mr Chan Kwong Chung, Bernard was appointed an Independent Director of the Company in April 2010. Mr Chan is also the chairman of the Remuneration Committee and a member of the Audit Committee, the Risk Management Committee and the Nominating Committee of the Company.

Mr Chan is currently the managing partner of Nuada Limited, a corporate finance firm in Hong Kong where he focuses on advisory work relating to private pre-listing and fundraising activities. Mr Chan has over 20 years of experience in the areas of financial advisory, direct investments and corporate finance. His previous experience include being a chief financial officer for two companies listed on the OTCBB in the USA, a member of senior management team for several listed companies in Hong Kong as well as the largest private landowner in Hawaii, focusing on direct investments and assets management. Mr Chan earned his Master of Business Administration Degree in International Management and Investment Finance, Master of Science Degree in Applied Econometrics, and Bachelor of Business Administration Degree in Investment Finance, all from the University of Hawaii.

Mr Chan is due for re-election as a Director at the forthcoming AGM.

# Management **Team**

**Chong Kian Lee**
*Financial Controller / Company Secretary*

Ms Chong Kian Lee is our Financial Controller and is responsible for the overall financial and accounting functions of the Group. Prior to joining the Group in 2003, Ms Chong held various auditing, accounting and financial positions in the commercial, manufacturing and public accounting sectors in Singapore and Taiwan.

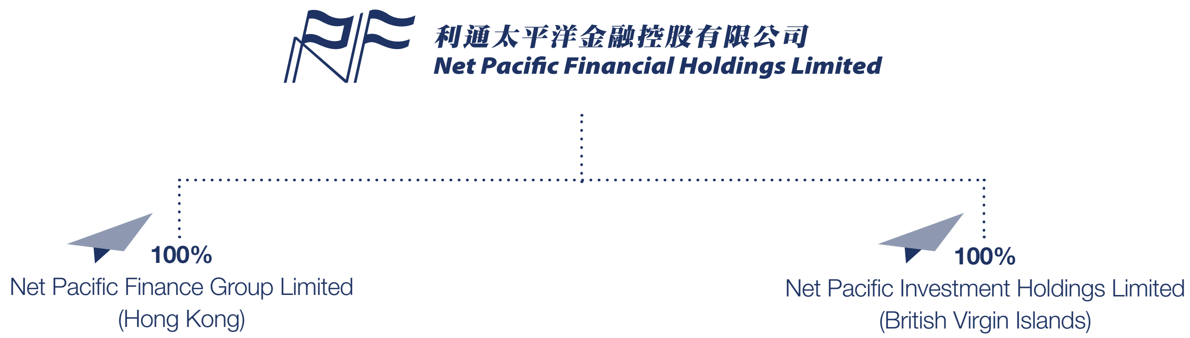
Ms Chong is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore and holds a Bachelor of Accountancy degree from the National University of Singapore.

**Chin Nyok Tow**
*Administrative Manager*

Ms Chin Nyok Tow is our Administrative Manager. With more than 15 years of experience in the field of administration and human resource, Ms Chin provides administrative and human resource support to the various operations of the Group.

Ms Chin holds a diploma in Business & Human Resource Management from Singapore Human Resources Institute and a diploma in Information Technology from Informatics. She is the sister of the Company's Non-Executive Director, Mr Chin Fook Lai.

# Corporate **Structure**



# **Corporate Governance** Report

The board of directors ("**Board**") of Net Pacific Financial Holdings Limited (the "**Company**") is committed to maintaining a good standard of corporate governance within the Company and its subsidiaries (the "**Group**") by complying with the Code of Corporate Governance 2005 (the "**Code**") to enhance long-term shareholders' value and interest and to provide corporate transparency.

This report outlines the Company's corporate governance framework and practices in place for the financial year ended 31 December 2011 ("**FY2011**").

## BOARD MATTERS

**Principle 1 Board's Conduct of its Affairs**
**Principle 2 Board Composition and Guidance**

As at the date of this report, the Board comprises six (6) members as follows:

| Name | Position |
|---|---|
| Mr Ben Lee | Non-Executive Chairman and member of Nominating Committee and Remuneration Committee |
| Mr Ong Chor Wei@Alan Ong | Executive Director (Chief Executive Officer) |
| Mr Kwok Chin Phang | Executive Director (Chief Operating Officer) |
| Mr Chin Fook Lai | Non-Executive Director and member of Audit Committee and Risk Management Committee |
| Mr Teo Yi-dar (Zhang Yida) | Independent Director, Chairman of Audit Committee, Risk Management Committee and Nominating Committee and member of Remuneration Committee |
| Mr Chan Kwong Chung, Bernard | Independent Director, Chairman of Remuneration Committee and member of Audit Committee, Risk Management Committee and Nominating Committee |

The primary functions of the Board are to provide stewardship for the Group and to enhance long term returns and values for the Company's shareholders ("**Shareholders**"). The Board is also responsible for setting the Company's values and standards and to ensure that obligations to Shareholders and others are understood and met. The Board works with management to achieve this and the management remains accountable to the Board.

Besides carrying out its statutory responsibilities, the Board also oversees the overall management of the business and affairs of the Group, and sets the business directions and guidance on the Group's strategic plans and aims, and to ensure that the necessary financial and human resources are in place for the Group to meet its objectives. The Board has established a framework of prudent and effective controls to assess and manage risks, and it also conducts periodic reviews of financial and management performance of the Group. In order to safeguard the interests of the Group, all Directors are required to take decisions in the interest of the Group objectively. The Board has also adopted internal guidelines setting forth matters that require Board's approval and such approval is required in significant business plans including acquisitions and disposal of investments, share issuance and dividend, the release of the Group's half yearly and full year results and interested person transactions of a material nature.

The Board carries out the above functions either directly or through various board committees, namely, the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**"), the Remuneration Committee (the "**RC**") and the Risk Management Committee ("**RMC**"), which operate under clearly defined terms of reference.

The Board meets at least twice each year with optional meetings scheduled if there are matters requiring the Board's decision. The Articles of Associations (the "**Articles**") of the Company also provides for telephone conference and video conferencing meetings.

# **Corporate Governance** Report

The number of Board and various Board committee meetings held in FY2011 and the attendance of each Board member at those meetings are as follows:

| | **Board** | **AC and RMC** | **RC** | **NC** |
|---|---|---|---|---|
| No of meetings held in FY2011 | 2 | 2 | 1 | 1 |
| **Name of Directors** | | | | |
| Ben Lee | 2 | – | 1 | 1 |
| Ong Chor Wei@Alan Ong | 2 | – | – | – |
| Kwok Chin Phang | 2 | – | – | – |
| Chin Fook Lai | 2 | 2 | – | – |
| Teo Yi-dar (Zhang Yida) | 2 | 2 | 1 | 1 |
| Chan Kwong Chung, Bernard | 2 | 2 | 1 | 1 |

New Directors, upon their appointment to the Board, are briefed on the Group's structure, business and corporate governance policies, through meetings with management and visits to operational facilities to facilitate effective discharge of their duties. Updates on corporate governance and/or new regulations and changing commercial risks which are relevant to the Group are circulated to all Board members by the Company Secretaries on a regular basis.

The Board has reviewed the size of the Board and is of the view that the current size of the Board comprising six (6) Directors, of which two (2) are Independent Directors, is appropriate and effective to facilitate decision making, taking into consideration of the nature and scope of business as well as the current and future plans of the Group. The Independent Directors provide for a strong and independent element on the Board, and are able to exercise objective judgment on corporate affairs independently from management. The Non-Executive Directors assist in challenging constructively and developing proposals on strategy and to review the performance of management in meeting agreed goals and objectives and to monitor the reporting of performance. No individual or small group of individuals dominates the Board's decision making.

The Board comprises members, who as a group, are suitably qualified with the appropriate mix of expertise, experience and knowledge in accounting and finance, management and strategic planning and industry knowledge. The profile of each Director is set out on pages 2 to 3 of the Annual Report.

To facilitate a more effective check on management, Non-Executive Directors and Independent Directors are encouraged to meet regularly without the management being present.

### Principle 3 Chairman and Chief Executive Officer

The role of the Non-Executive Chairman and the Chief Executive Officer is separate to ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Mr Ben Lee is the Non-Executive Chairman of the Group, whose primary function is to manage the business of the Board and the Board committees, and together with the AC, in ensuring the Board's compliance with the corporate governance process. Mr Ben Lee is also responsible for the following:

(a) leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;

(b) ensuring that the Directors receive accurate, timely and clear information;

(c) ensuring effective communication with Shareholders;

(d) encouraging constructive relations between the Board and management;

# **Corporate Governance** Report

(e) facilitating the effective contribution of Non-Executive Directors and Independent Directors;

(f) encouraging constructive relations amongst Executive Directors, Non-Executive and Independent Directors; and

(g) promoting high standards of corporate governance.

Mr Ong Chor Wei @ Alan Ong is the Chief Executive Officer of the Group and is primarily responsible for the Group's entire operations, strategic planning, major decision making as well as developing the business and vision of the Group.

Mr Ben Lee is not related to Mr Ong Chor Wei @ Alan Ong.

**Principle 4 Board Membership**
**Principle 5 Board Performance**

As at the date of this report, the members of the NC, majority of whom are independent, including the Chairman of the NC, are as follows:

| | |
|---|---|
| Teo Yi-dar (Zhang Yida) | (Chairman, Independent Director) |
| Chan Kwong Chung, Bernard | (Member, Independent Director) |
| Ben Lee | (Member, Non-Executive Chairman) |

Mr Teo Yi-dar (Zhang Yida) is not a substantial shareholder and is also not directly associated with any substantial shareholder of the Company.

According to the terms of reference of the NC, the NC is responsible for evaluating the effectiveness and performance of the Board and the contribution by each Director to the effectiveness of the Board. In evaluating the Board performance, the NC implements a self-assessment process that requires each Director to submit the assessment of the performance of the Board as a whole, which takes into consideration the board conduct of meetings, maintenance of independence, board accountability, communication with management and so on. These performance criteria are approved by the Board and they do not change unless circumstances deem it necessary and a decision to change them would be justified by the Board.

In the assessment of individual Directors for their contribution and commitment to the Company, the performance evaluation considers their attendance record at the meetings of the Board and Board committees, their quality of participation at meetings as well as any special contributions. The Chairman acts on the results of the performance evaluation, and where appropriate, proposes new members to be appointed to the Board or seeks the resignation of Directors, in consultation with the NC.

In addition, the NC is charged with the responsibility to review the Board structure, size and composition regularly, and to review and recommend to the Board on any new appointments or re-appointment of Directors, having regard to the Directors' contribution and performance including, if applicable, as an Independent Director. It also determines the independence of Directors on an annual basis in accordance with the guidelines set out in the Code.

All Directors are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) years in accordance with the Articles. Pursuant to Article 107 of the Articles, the Directors retiring by rotation at the forthcoming Annual General Meeting of the Company ("AGM") are Mr Ong Chor Wei @ Alan Ong and Mr Chan Kwong Chung, Bernard and the NC has recommended Mr Ong and Mr Chan for re-election at the AGM.

# **Corporate Governance** Report

The Company has a process for selecting and appointing new Directors to the Board. In the event that a vacancy on the Board arises, the NC will evaluate the balance of skills, knowledge and experience on the Board in order to identify the essential and desirable competencies of the candidate. Suitable candidates are sourced through the recommendations of the Directors or the management or through other external sources. The NC will ensure that the new Director possesses the necessary skills, knowledge and experience that could facilitate the Board in the making of sound and well considered decisions before commending its choice to the Board. Upon appointment, arrangements will be made for the new Director to attend various briefings with the management team. New Directors will also receive relevant training to familiarise themselves with the roles and responsibilities of a director of a listed company on the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

**Principle 6 Access to Information**

The Board is provided with management reports on a quarterly basis and updates of on-going developments and strategic plans within the Group and matters requiring the Board's decision, prior to Board meetings. Further enquiries may be made by the Directors to discharge their duties properly. The information provided to the Board includes background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. In respect of budgets, any material variance between the projections and actual results is disclosed and explained. All Directors have separate and independent access to the Group's Company Secretaries and key executives at all times to obtain additional information or explanations.

In the furtherance of their duties, the Board has access to independent professional advice to advise them on specific issues which may be of concern to the Board, should they consider necessary, at the Company's expense.

Under the direction of the Chairman, the Company Secretaries ensure good information flow within the Board and the Board committees and between management and Non-Executive Directors, as well as facilitate orientation and assist with professional development as required. At least one (1) of the Company Secretaries attends the Board and Board committee meetings to assist in ensuring that Board procedures and relevant rules and regulations, in particular the Companies Act, Chapter 50 of Singapore and the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), which are applicable to the Company, are complied with. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

**Principle 7 Remuneration Matters**

As at the date of this report, the members of the RC, majority of whom are independent, including the Chairman of the RC, are as follows:

| | |
|---|---|
| Chan Kwong Chung, Bernard | (Chairman, Independent Director) |
| Teo Yi-dar (Zhang Yida) | (Member, Independent Director) |
| Ben Lee | (Member, Non-Executive Chairman) |

The composition of the RC minimizes the risk of any potential conflict of interest.

According to the terms of reference of the RC, the duties and responsibilities of the RC are to develop policy on executive remuneration and review remuneration package for Directors and key executives based on performance, experience and scope of responsibility, and to make recommendation on an appropriate framework of remuneration policies for the Board and key executives to ensure that remuneration package is competitive within the industry and amongst comparable companies to attract, retain and motivate Directors and key executives of the required experience and expertise. The RC also reviews remuneration package of employees related to Directors and substantial shareholders of the Company to ensure that these are in line with the Group's staff remuneration policies and commensurate with their respective job scopes and responsibilities. The RC covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, and benefits in kind.

# **Corporate Governance** Report

The RC has access to internal and external expert and/or professional advice on human resource and remuneration of all Directors, amongst other matters, whenever there is a need for such consultation.

No Director is involved in voting and discussions on any resolutions in respect of his own remuneration package.

**Principle 8 Level and Mix of Remuneration**
**Principle 9 Disclosure on Remuneration**

The level of remuneration is appropriate to attract, retain and motivate the Directors to run the Company successfully but the Company is also mindful of paying more than is necessary for this purpose. In setting remuneration packages, the Company takes into account with caution the pay and employment conditions within the industry and amongst comparable companies, so as to avoid the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance.

According to the respective service agreements of the Executive Directors, Mr Ong Chor Wei @ Alan Ong, the Company's Chief Executive Officer and Mr Kwok Chin Phang, the Company's Chief Operating Officer, are paid a fixed salary and a variable performance bonus for an initial period of three (3) years starting from 18 June 2010, and the agreements can be extended on terms and conditions to be agreed between the Company and the Executive Directors. The variable performance bonus is intended to align the interests of the Executive Directors with those of Shareholders and to link rewards to corporate and individual performance. The service agreements of the Executive Directors are not excessively long or with onerous removal clauses. The service agreements may be terminated by the Company or the Executive Directors by giving not less than six (6) months' written notice of such termination. The RC seeks to be fair and avoids rewarding poor performance.

Save for Directors' fees which is subject to the approval of the Shareholders at every AGM, the Independent Directors and Non-Executive Directors do not receive any remuneration from the Company. The remuneration of the Independent Directors and Non-Executive Directors takes into account factors such as efforts and time spent by the Independent Directors and Non-Executive Directors, as well as the responsibilities of such Directors. The Independent Directors and Non-Executive Directors are not over-compensated to the extent that their independence may be compromised. The recommended Directors' fees of S$60,000 by the RC for FY2011 remain unchanged from that of the previous financial year. The Board duly accepted the RC's recommendation and proposed the same for approval by Shareholders at the forthcoming AGM.

The level and mix of remuneration (in percentage terms)[1] for the Directors and the top 3 key executives of the Group in office during FY2011 are as follows:

| Remuneration Bands | Salary (%) | Bonus (%) | Fees (%) | Other benefits (%) | Total (%) |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| **Below S$250,000** | | | | | |
| Ben Lee | – | – | 100 | – | 100 |
| Ong Chor Wei@Alan Ong | 92 | 8 | – | – | 100 |
| Kwok Chin Phang | 93 | 7 | – | – | 100 |
| Chin Fook Lai | – | – | 100 | – | 100 |
| Teo Yi-dar (Zhang Yida) | – | – | 100 | – | 100 |
| Chan Kwong Chung, Bernard | – | – | 100 | – | 100 |
| **Key executives** [2] | | | | | |
| **Below S$250,000** | | | | | |
| Tan Kim Liang [3] | 87 | 8 | – | 5 | 100 |
| Chong Kian Lee | 93 | 7 | – | – | 100 |
| Chin Nyok Tow [4] | 93 | 7 | – | – | 100 |

# **Corporate Governance** Report

Notes:

(1) The remuneration shown in the table above includes all forms of remuneration from the Company and its subsidiaries.

(2) The Company only has three (3) key executives.

(3) Mr Tan Kim Liang was the Head of Operations of the two subsidiaries in the PRC that the Company disposed of in November 2011. Accordingly, Mr Tan Kim Liang ceased to a key executive of the Group with effect from 1 December 2011.

(4) Ms Chin Nyok Tow is the sister of Mr Chin Fook Lai, the Company's Non-Executive Director. Ms Chin's remuneration in FY2011 was less than S$150,000.

There are no employees whose remuneration exceeded S$150,000 during the year under review who are related to any of the Directors or substantial shareholders of the Company.

The Company encourages long-term incentive schemes. In this regard, the Company has adopted the Net Pacific Employee Share Option Scheme (the "**Scheme**") which was approved by the Shareholders on 15 February 2011. The Scheme is administered by the RC, comprising Mr Chan Kwong Chung, Bernard, Mr Teo Yi-Dar (Zhang Yida) and Mr Ben Lee.

The Scheme provides an opportunity for employees of the Group who have contributed to the growth and performance of the Group (including Executive and Non-Executive Directors) and who satisfy the eligibility criteria as set out under the rules of the Scheme, to participate in the equity of the Company. Controlling shareholders of the Company and their associates are also eligible to participate in the Scheme. The total number of shares in the capital of the Company ("**Shares**") over which the RC may grant options under the Scheme ("**Options**") on any date, when added to the number of Shares issued and issuable in respect of all Options, shall not exceed 15% of the number of the issued Shares on the day immediately preceding the date on which the Options shall be granted. Under the rules of the Scheme, the Options that are granted may have exercise prices that are, at the RC's discretion, set at the price ("**Market Price**") equal to the average of the last dealt prices for the Shares on Catalist for the five consecutive market days immediately preceding the relevant date of grant of the relevant Option, or (provided that Shareholders' approval is obtained in a separate resolution) at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price may be exercisable at any time by the participant after the first anniversary of the date of grant of that Option while Options granted at a discount to the Market Price may only be exercised after the second anniversary from the date of grant of the Option. Options granted under the Scheme will have a life span of ten years except in the case of Options granted to Non-Executive Directors and Independent Directors where the exercise period may not exceed five years from the date of grant or such earlier date as may be determined by the RC. Further details of the Scheme and the Options granted under the Scheme during the year can be found in the Directors' Report in this Annual Report.

**Principle 11 Audit Committee ("AC")**

As at the date of this report, the members of the AC, majority of whom are independent, including the Chairman of the AC, are as follows:

| | |
|---|---|
| Teo Yi-dar (Zhang Yida) | (Chairman, Independent Director) |
| Chan Kwong Chung, Bernard | (Member, Independent Director) |
| Chin Fook Lai | (Member, Non-Executive Director) |

The Board considers that the members of the AC are appropriately qualified to discharge their responsibilities with at least two (2) members having accounting or related financial management expertise and experience.

According to the terms of reference of the AC, the duties and responsibilities of the AC include the following:

(a) Reviewing the Group's half year and full year results announcements, prior to submission to the Board for approval;

(b) Reviewing the audit plans, the scope and findings of the audit and its cost effectiveness, including the evaluation of the system and adequacy of internal controls with internal and external auditors;

(c) Reviewing the independence and objectivity of the external auditors on an annual basis;

# **Corporate Governance** Report

(d) Reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company;

(e) Reviewing the Company's internal audit function;

(f) Reviewing all interested person transactions to ensure that such transactions are conducted at arm's length and are not detrimental to the interest of the Company;

(g) Undertaking such other reviews or projects as may be requested by the Board, by statue or the Catalist Rules; and

(h) Recommending the appointment or re-appointment of the external auditors to the Board, and approving the compensation of the auditors.

The AC has the authority to investigate any matter within its term of reference, full access to and cooperation by management and has full discretion to invite any Director or key executive to attend its meetings and reasonable resources to enable it to discharge its functions properly.

The AC met with the Company's external auditors without the presence of the management twice a year to review the scope and results of the audit. During FY2011, the amount of fees paid to the external auditors, Paul Wan & Co, amounted to approximately S$60,000, relating entirely to the provision of audit services. There were no fees paid to the external auditors during FY2011 relating to the provision of non-audit services. Having noted that there are no non-audit services provided by the external auditors to the Company, the AC is of the opinion that the external auditors are independent, and has recommended to the Board the re-appointment of Paul Wan & Co as the Company's external auditors at the forthcoming AGM.

The Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of Paul Wan & Co as its external auditors.

**Whistle blowing policy**

The Company has in place a whistle-blowing policy by which employees may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting. Any reports are directed to the Chairman of the AC and the AC will be informed immediately of any whistle-blowing reports received. There was no complaint received up to the date of this report.

**Principle 12 Internal Controls**
**Principle 13 Internal Audit**

The Board requires that the management maintains a sound system of internal controls to safeguard the interests of Shareholders and the Group's assets. The AC is tasked to oversee and review the effectiveness and adequacy of material internal controls within the Group, with the assistance of auditors, which include internal financial controls, operational and compliance controls, and risk management policies and systems, on an annual basis.

As the Company had undergone a restructuring following the diversification into of the business of provision of financing services ("**Financing Business**") in 2010, and the disposal of the plastic injection business in November 2011, the AC concluded that it would not be cost and time effective to outsource the internal audit function in view of the operations and size of the Company in FY2011. The Company has however outsourced its internal audit function (with a primary line of reporting to the Chairman of the AC) in November 2011 for the review of internal controls of the Group commencing from the financial year ending 31 December 2012.

# **Corporate Governance** Report

In the course of the annual statutory audit of the financial statements, the external auditors also carry out a review of the effectiveness of the Group's internal controls system. The AC is satisfied that the independence of the external auditors is not compromised by any other material relationship with the Company. No material internal control weaknesses were noted during the annual audit.

The Board and the AC have reviewed the adequacy and effectiveness of the Group's internal controls and the Board is of the opinion, with the concurrence of the AC, that the Group has adequate internal controls in addressing financial, operational and compliance risks.

The Company will review the adequacy and effectiveness of its internal controls on an on-going basis and address any specific issues or risks whenever necessary.

**Principle 10 Accountability**
**Principle 14 Communications with Shareholders**
**Principle 15 Greater Shareholder Participation**

The Board believes that it should promote best practices and present a balanced and comprehensible assessment of the Group's performance, position and prospects, which extends to interim and price sensitive public reports, as the Board is accountable to Shareholders for the Company's and the Group's performance.

The Board is mindful of its obligations to provide timely and fair disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within the mandatory period. The Board also provides reports to regulators when required. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. The management provides the Board with quarterly management accounts that present a balanced and understandable assessment of the Group's performance, position and prospects.

The Company constantly ensures that all information disclosed is as descriptive, detailed and forthcoming as possible such that boilerplate disclosures are avoided.

The Board supports the Code's principle to encourage Shareholders' participation. Shareholders are encouraged to attend, to participate effectively and to vote in the AGM and to stay informed of the Company's strategy and goals, to ensure a high level of accountability. The annual reports and the Notice of the AGM are despatched to Shareholders, together with explanatory notes or a circular on items of special business (if necessary), before the meeting. Shareholders may vote in person or by proxy. Voting in absentia and electronic mail may only be possible following careful study to ensure the integrity of the information and authentication of the identity of members through the web is not compromised and is also subject to legislative amendment to recognise electronic voting. The Board welcomes questions from Shareholders who wish to raise issues either informally or formally before or at the AGM. The Chairpersons of the AC, RMC, RC and NC, and the external auditors, are normally available at the meeting to answer questions relating to the general meetings, work of their committees, conduct of audit and the preparation and content of the auditors' report.

Separate resolutions are provided at general meetings on each separate issue and the 'bundling' of resolutions is avoided unless they are inter-dependent and linked so as to form one significant proposal and unless the Company explains the reasons and material implications.

The Articles allows a member of the Company to appoint one or two proxies to attend and vote instead of the member. In addition, there is no limit on the number of proxies for nominee companies to attend general meetings.

The Company prepares minutes of general meetings which include substantial comments, queries from Shareholders and responses from the Board and management. The minutes are available to Shareholders upon request.

# **Corporate Governance** Report

## Dealing in Securities

The Company has adopted and implemented an internal guideline to prohibit share dealings in the Company's securities by the Directors, management and officers of the Company who have access to price sensitive information during the period commencing one (1) month before the announcement of the Company's half year and full year results. They are also advised to observe insider trading laws at all times even when dealing in the Company's securities within the permitted trading period and not to deal in the Company's securities on short-term considerations.

## Risk Management

The Board has established the RMC which is tasked with the overall responsibility of overseeing the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies as well as the identification and management of business risks of the Group. The RMC as at the date of this report comprises Mr Teo Yi-dar (Zhang Yida) (Chairman), Mr Chan Kwong Chung, Bernard and Mr Chin Fook Lai, all of whom are Non-Executive Directors and also members of the AC.

The RMC reviews the Group's loan portfolio with the credit team of the Group's Financing Business to understand the background of the borrowers and the risk exposure of the Group on a quarterly basis.

Under the supervision of the RMC, the Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. In addition, whenever new projects are embarked upon by the Group, all necessary steps to manage risks in projects will be taken with assistance of the finance team of the Group.

The Company reviews significant control policies and procedures and highlights all significant matters to the AC.

## Material Contracts and Interested Person Transactions ("IPTs")

The Company has established procedures to ensure that all transactions with interested persons are reviewed by the AC on a timely basis, are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders. All IPTs will be subject to periodic reviews by the AC.

The aggregate values of IPTs for FY2011 as required to be disclosed under Rule 907 of the Catalist Rules are as follows:

| **Name of interested person** | **Aggregate value of all IPTs during FY2011 (excluding transactions of less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (HK$'000)** | **Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions of less than S$100,000) (HK$'000)** |
|---|---|---|
| Subscription of convertible preference shares ("**CPS**") in Le On Trading Limited ("**Le On**") | 30,000 | – |

The Company's subsidiary, Net Pacific Finance Group Limited, had on 10 Jan 2011 entered into a subscription agreement to subscribe for 1,250 CPS in the capital on Le On at a subscription price of HK$24,000 per CPS, representing an aggregate subscription amount of HK$30.0 million (the "**Subscription**"). Mr Ben Lee, the Non-Executive Chairman and a controlling shareholder of the Company, is the legal and beneficial owner of 50% of the total issued and paid up share capital of Le On.

# Corporate Governance Report

Le On is considered an “interested person” of the Company pursuant to Chapter 9 of the Catalist Rules and the Subscription constitutes an “interested person transaction” within the meaning of Chapter 9 of the Catalist Rules. The Company had on 15 February 2011 obtained the specific approval of Shareholders for the Subscription, and the Subscription was completed on 18 February 2011.

The Company did not obtain any general mandate from Shareholders for IPTs.

Saved as disclosed above, there were no other material contracts entered into by the Company or any of its subsidiaries involving the interests of any Directors or controlling shareholders of the Company either still subsisting as at the end of the financial year under review or if not subsisting, were entered into since the end of the previous financial year.

**Use of Proceeds**

As at 31 December 2011, the Company has utilised approximately HK$82.2 million out of the proceeds of HK$101.1 million raised from the rights cum warrants issue completed in July 2010 for funding the Financing Business. The utilisation of the proceeds from the rights cum warrants issue is consistent with the intended use and is in accordance with the percentage allocated as disclosed in the Company’s offer information statement dated 29 June 2010. The Company will make further announcements as and when the remaining proceeds from the rights cum warrants issue are materially utilised.

**Continuing Sponsor**

No fees relating to non-sponsorship activities or services were paid to the Company’s continuing sponsor, CIMB Bank Berhad, Singapore Branch, during FY2011.

# **Financial** Statements

# **Directors'** Report

The directors ("**Directors**") of Net Pacific Financial Holdings Limited ("**Company**") present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2011 and the statement of financial position of the Company as at 31 December 2011.

## 1. DIRECTORS

The Directors in office at the date of this report are as follows:

Non-Executive Chairman:
Ben Lee

Executive Directors:
Ong Chor Wei@Alan Ong
Kwok Chin Phang

Non-Executive Director:
Chin Fook Lai

Independent Directors:
Teo Yi-dar (Zhang Yida)
Chan Kwong Chung, Bernard

## 2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Save as set out in paragraph 5 of this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## 3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50 (the "**Act**"), none of the Directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | **Holdings registered in the name of the Director** | | **Holdings in which a Director is deemed to have an interest** | |
|---|---|---|---|---|
| **Name of Directors** | **As at 31.12.2011** | **As at 01.01.2011** | **As at 31.12.2011** | **As at 01.01.2011** |
| ***The Company*** | | | | |
| (No. of ordinary shares) | | | | |
| Ben Lee(1) | – | – | 300,000,000 | 300,000,000 |
| Ong Chor Wei@Alan Ong(2) | – | – | 300,000,000 | 300,000,000 |
| Chin Fook Lai | 10,022,400 | 6,172,400 | 59,000,000 | 62,850,000 |

Notes:

(1) Mr Ben Lee is deemed interested in the shares held by the Company's substantial shareholder, Full Join Holdings Limited ("**Full Join**"), by virtue of him owning 100.0% shareholding interest of Win Wealth Group Limited, which in turn owns 60.0% shareholding interest of Full Join.

(2) Ong Chor Wei @ Alan Ong ("**Mr Ong**") is deemed interested in the shares held by Full Join by virtue of him owning 100.0% of the shareholding interest of Head Quator Limited which in turn owns 50.0% of the shareholding interest of Quad Sky Limited, which in turns owns 35.8% of the shareholding interest of Full Join. Mr Ong also owns 50.0% of the shareholding interest in Net Pacific International Limited, which in turn owns 4.2% of the shareholding in Full Join.

By virtue of section 7 of the Act, all the above Directors are deemed to have interests in the shares of all the wholly-owned subsidiaries of the Company.

# **Directors'** Report

## 3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (cont'd)

(b) According to the register of Directors' shareholdings kept by the Company under Section 164 of the Act, the particulars of interests of Directors holding office at the end of the financial year in options ("**Options**") to subscribe for ordinary shares in the capital of the Company ("**Shares**") granted pursuant to the Net Pacific Employee Share Option Scheme are set out below.

| | No. of Options held | |
|---|---|---|
| **Name of Directors** | **As at 31.12.2011** | **As at 01.01.2011** |
| Ben Lee | 5,000,000 | – |
| Ong Chor Wei@Alan, Ong | 7,000,000 | – |
| Kwok Chin Phang | 8,000,000 | – |
| Chin Fook Lai | 1,000,000 | – |
| Teo Yi-dar (Zhang Yida) | 1,000,000 | – |
| Chan Kwang Chung, Bernard | 1,000,000 | – |

(c) The Directors' interests in the Shares and Options as at 21 January 2012 were the same as those as at 31 December 2011.

## 4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director 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 he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements.

## 5. SHARE OPTIONS

(a) Net Pacific Employee Share Option Scheme (the "**Scheme**")

The Company has a share option scheme, the Scheme, which was approved by the members of the Company at an extraordinary general meeting of the Company held on 15 February 2011, and provides for the grant of Options to the Directors and confirmed employees of the Company and its subsidiaries ("**Group**").

The objectives of the Scheme are as follows:

(i) to motivate participants in the Scheme ("**Participants**") to optimise performance standards and efficiency and to maintain a high level of contribution to the Group;

(ii) to retain key employees whose contributions are important to the long term growth and prosperity of the Group;

(iii) to instill loyalty and a stronger sense of identification by the Participants with the long-term prosperity of the Group;

(iv) to attract potential employees with relevant skills to contribute to the Group and to create value for shareholders of the Company; and

(v) to align the interests of the Participants with the interests of the shareholders of the Company.

# **Directors'** Report

**5. SHARE OPTIONS (cont'd)**

The Scheme is administered by the Remuneration Committee of the Company ("**RC**") comprising three Directors, Messrs Chan Kwong Chung, Bernard, Teo Yi-dar (Zhang Yida) and Ben Lee.

Under the Scheme, the maximum number of Shares over which Options may be granted by the RC to Participants, when added to the number of Shares that are issued and/or issuable in respect of other share-based incentive scheme of the Company (if any) then in force, shall not exceed 15% of the total issued Shares on the date preceding the date of grant of the Options.

Furthermore, the aggregate number of Shares over which Options may be granted by the RC under the Scheme to controlling shareholders of the Company and their associates shall not exceed 25% of the Shares available under the Scheme, and the number of Shares over which an Option may be granted to each controlling shareholder or each of his associate shall not exceed 10% of the Shares available under the Scheme.

The Scheme shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing on the date on which the Scheme is adopted by the Company in a general meeting (being 15 February 2011), provided that the Scheme may continue beyond the aforesaid period of time with the approval of members of the Company by ordinary resolution in a general meeting and of any relevant authorities which may then be required.

On 9 May 2011, the Company granted 28,750,000 Options to Directors and employees of the Group under the Scheme giving them the right to subscribe for 28,750,000 Shares at an exercise price of S$0.035 per Share. Of the 28,750,000 Options granted, 8,000,000 Options are exercisable from 9 May 2012 to 8 May 2016 and 20,750,000 Options are exercisable from 9 May 2012 to 8 May 2021. The grant of Options was announced by the Company via SGXNET on 9 May 2011.

The following table summarises the information on the Options granted under the Scheme to Directors and Participants as required to be disclosed under Rule 851(1)(b) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"):

| **Name of Participants** | **Options granted during the financial year** | **Aggregate Options granted since commencement of the Scheme to 31.12.2011** | **Aggregate Options exercised since commencement of the Scheme to 31.12.2011** | **Aggregate Options outstanding as at 31.12.2011** |
|---|---|---|---|---|
| ***Directors*** | | | | |
| Executive Directors: | | | | |
| Ong Chor Wei@Alan Ong [(1)] | 7,000,000 | 7,000,000 | – | 7,000,000 |
| Kwok Chin Phang | 8,000,000 | 8,000,000 | – | 8,000,000 |
| Non-Executive Directors: | | | | |
| Ben Lee [(1)] | 5,000,000 | 5,000,000 | – | 5,000,000 |
| Teo Yi-dar | 1,000,000 | 1,000,000 | – | 1,000,000 |
| Chan Kwang Chung Bernard | 1,000,000 | 1,000,000 | – | 1,000,000 |
| Chin Fook Lai | 1,000,000 | 1,000,000 | – | 1,000,000 |
| Sub-total | 23,000,000 | 23,000,000 | – | 23,000,000 |
| **Participants who received 5% or more of the total available Options other than Directors** | | | | |
| Cheung Ting Chor | 5,000,000 | 5,000,000 | – | 5,000,000 |
| Sub-total | 5,000,000 | 5,000,000 | – | 5,000,000 |
| Total | 28,000,000 | 28,000,000 | – | 28,000,000 |

# Directors' Report

## 5. SHARE OPTIONS (cont'd)

Note:

(1) Mr Ong Chor Wei@Alan Ong and Mr Ben Lee are controlling shareholders of the Company. The grant of the Option to Mr Ong Chor Wei@Alan Ong and Mr Ben Lee was specifically approved by the Company's shareholders at an extraordinary general meeting held on 28 April 2011.

(b) During the year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options, except as disclosed above.

(d) No Options were granted since the commencement of the Scheme on 15 February 2011 to the end of the financial year to directors and employees of the Company's parent company and its subsidiaries as these persons are not eligible to participate in the Scheme. No Options were granted at a discount since the commencement of the Scheme on 15 February 2011 to the end of the financial year.

## 6. AUDIT COMMITTEE

The members of the audit committee of the Company ("**AC**") at the end of the financial year were as follows:

| | |
|---|---|
| Teo Yi-dar (Zhang Yida) | (Chairman, Independent Director) |
| Chan Kwong Chung, Bernard | (Independent Director) |
| Chin Fook Lai | (Non-Executive Director) |

The AC carried out its functions in accordance with Section 201B(5) of the Act, the Catalist Rules and the Code of Corporate Governance. The functions are detailed in the "Corporate Governance Report" included in the annual report.

The AC is satisfied with the independence and objectivity of the independent auditor and has nominated Paul Wan & Co, a member firm of Morison International, for re-appointment at the forthcoming Annual General Meeting.

## 7. INDEPENDENT AUDITOR

The independent auditor, Paul Wan & Co, a member firm of Morison International has expressed its willingness to accept re-appointment.

On behalf of the directors

**Ben Lee**
Director

**Ong Chor Wei@Alan Ong**
Director

SINGAPORE
30 March 2012

# Statement by Directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 22 to 61 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 2011 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(ii) 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 directors

**Ben Lee**
Director

**Ong Chor Wei@Alan Ong**
Director

SINGAPORE
30 March 2012

# **Independent Auditor's** Report

To the Members of Net Pacific Financial Holdings Limited
(Incorporated in Singapore)

**Report on the Financial Statements**

We have audited the accompanying financial statements of Net Pacific Financial Holdings Limited (the "**Company**") and its subsidiary companies (the "**Group**") set out on pages 22 to 61, which comprise the statement of financial position of the Group and the Company as at 31 December 2011, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (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.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

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

**Report on Other Legal and Regulatory Requirements**

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

**PAUL WAN & CO**
**Public Accountants and**
**Certified Public Accountants, Singapore**
**A member firm of Morison International**

SINGAPORE
30 March 2012

# Consolidated Statement of Comprehensive Income

For the Financial Year ended 31 December 2011

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 4 | **10,936** | 2,118 |
| Other income | 5 | **26** | 13 |
| Marketing and distribution costs | | **(127)** | (168) |
| Administrative expenses | | **(3,809)** | (4,082) |
| Other expenses | 6 | **(35)** | (3,536) |
| **Profit/(Loss) before income tax** | 7 | **6,991** | (5,655) |
| Income tax expense | 9 | **(759)** | (324) |
| **Profit/(Loss) from continuing operations** | | **6,232** | (5,979) |
| **Discontinued operations** | | | |
| Loss from discontinued operations, net of tax | 10 | **(3,191)** | (11,859) |
| **Total profit/(loss)** | | **3,041** | (17,838) |
| **Other comprehensive income/(loss)** | | | |
| Currency translation differences arising from consolidation | | **–** | (1,220) |
| Reclassification of currency translation reserves on disposal of subsidiaries | | **909** | – |
| **Total comprehensive income/(loss) for the financial year** | | **3,950** | (19,058) |
| **Profit/(loss) attributable to:** | | | |
| Equity holders of the Company | | **3,041** | (17,709) |
| Non-controlling interests | | **–** | (129) |
| | | **3,041** | (17,838) |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Equity holders of the Company | | **3,950** | (18,787) |
| Non-controlling interests | | **–** | (271) |
| | | **3,950** | (19,058) |
| **Earnings/(loss) per share for profit/(loss) from continuing and discontinued operations attributable to equity holders of the Company (Hong Kong cents):** | | | |
| Basic and diluted – continuing operations | 11 | **1.19** | (2.11) |
| Basic and diluted – discontinued operations | 11 | **(0.61)** | (4.14) |

The accompanying notes from an integral part of these financial statements.

# **Statements of Financial** Position

As at 31 December 2011

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Plant and equipment | 12 | **2** | 3,269 | **2** | 13 |
| Available-for-sale financial assets | 13 | **30,000** | – | **–** | – |
| Investments in subsidiaries | 14 | **–** | – | **1,069** | 17,149 |
| **Total non-current assets** | | **30,002** | 3,269 | **1,071** | 17,162 |
| **Current assets** | | | | | |
| Inventories | 15 | **–** | 1,574 | **–** | – |
| Trade receivables | 16 | **2,319** | 3,758 | **–** | – |
| Loans and advances | 17 | **83,098** | 62,828 | **–** | – |
| Other receivables | 18 | **6,383** | 1,277 | **141,078** | 75,431 |
| Financial assets at fair value through profit or loss | 19 | **3,112** | – | **–** | – |
| Cash and cash equivalents | 20 | **27,378** | 74,575 | **8,186** | 57,313 |
| | | **122,290** | 144,012 | **149,264** | 132,744 |
| Current assets associated with discontinued operations | 21(a) | **–** | 5,055 | **–** | – |
| **Total current assets** | | **122,290** | 149,067 | **149,264** | 132,744 |
| **Total assets** | | **152,292** | 152,336 | **150,335** | 149,906 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 22 | **191,574** | 191,574 | **191,574** | 191,574 |
| Share option reserve | 22 | **340** | – | **340** | – |
| Other reserves | 23 | **-** | (463) | **–** | – |
| Accumulated losses | | **(42,153)** | (45,640) | **(42,999)** | (46,063) |
| Equity attributable to equity holders of the Company, total | | **149,761** | 145,471 | **148,915** | 145,511 |
| Non-controlling interests | | **–** | 2,493 | **–** | – |
| **Total equity** | | **149,761** | 147,964 | **148,915** | 145,511 |
| **Current liabilities** | | | | | |
| Trade payables | 24 | **–** | 1,227 | **–** | – |
| Other payables | 25 | **1,479** | 2,710 | **1,402** | 4,379 |
| Income tax payable | | **1,052** | 308 | **18** | 16 |
| | | **2,531** | 4,245 | **1,420** | 4,395 |
| Current liabilities associated with discontinued operations | 21(b) | **–** | 127 | **–** | – |
| **Total current liabilities** | | **2,531** | 4,372 | **1,420** | 4,395 |
| **Total equity and liabilities** | | **152,292** | 152,336 | **150,335** | 149,906 |

The accompanying notes from an integral part of these financial statements.

# Statements of Changes in Equity

For the Financial Year ended 31 December 2011

| | Note | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital HK$'000 | Share option reserve HK$'000 | Other reserves HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| **The Group** | | | | | | | | |
| Balance at 1 January 2010 | | 54,802 | – | 486 | (27,802) | 27,486 | 2,764 | 30,250 |
| Issue of shares | 22 | 139,473 | – | – | – | 139,473 | – | 139,473 |
| Share issue expenses | 22 | (2,701) | – | – | – | (2,701) | – | (2,701) |
| Total comprehensive loss for the financial year | | – | – | (949) | (17,838) | (18,787) | (271) | (19,058) |
| Balance at 31 December 2010 | | 191,574 | – | (463) | (45,640) | 145,471 | 2,493 | 147,964 |
| Employee share option scheme | 8 | – | 340 | – | – | 340 | – | 340 |
| Reclassification of statutory reserves | | – | – | (446) | 446 | – | – | – |
| Liquidation of subsidiaries | | – | – | – | – | – | (2,493) | (2,493) |
| Total comprehensive income for the financial year | | – | – | 909 | 3,041 | 3,950 | – | 3,950 |
| Balance at 31 December 2011 | | 191,574 | 340 | – | (42,153) | 149,761 | – | 149,761 |

The accompanying notes from an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2011

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Total profit/(loss) | | **3,041** | (17,838) |
| Adjustments for: | | | |
| Depreciation of plant and equipment | 12 | **777** | 2,661 |
| Employee share option expense | 22 | **340** | – |
| Income tax expense | | **759** | 324 |
| Gain on disposal of subsidiaries | | **(2,072)** | – |
| Loss on liquidation of subsidiaries | | **657** | – |
| Impairment loss on plant and equipment | | **–** | 7,182 |
| Interest income | | **–** | (13) |
| Operating profit/(loss) before working capital changes | | **3,502** | (7,684) |
| Inventories | | **(752)** | (648) |
| Trade receivables | | **(2,425)** | 218 |
| Loans and advances | | **(20,890)** | (62,828) |
| Other receivables | | **1,788** | (66) |
| Trade payables | | **889** | 272 |
| Other payables | | **1,242** | (823) |
| Currency translation adjustments of subsidiary companies | | **459** | 107 |
| **Cash used in operations** | | **(16,187)** | (71,452) |
| Income tax paid | | **(15)** | (5) |
| Interest income received | | **–** | 13 |
| **Net cash used in operating activities** | | **(16,202)** | (71,444) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of plant and equipment | | **(3)** | – |
| Purchase of financial assets at fair value through profit or loss | | **(3,112)** | – |
| Purchase of available-for-sale financial assets | | **(30,000)** | – |
| Disposal of discontinued operations, net of cash | 10 | **(2,007)** | – |
| **Net cash used in investing activities** | | **(35,122)** | – |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of shares | 22 | **–** | 139,473 |
| Share issue expenses | 22 | **–** | (2,701) |
| **Net cash generated from financing activities** | | **–** | 136,772 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(51,324)** | 65,328 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR** | | **78,702** | 14,329 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **–** | (955) |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR**(1) | | **27,378** | 78,702 |

| | | | |
|---|---|---|---|
| (1) Cash and cash equivalents at end of financial year: | | | |
| Continuing operations | 20 | 27,378 | 74,575 |
| Discontinued operations | 21 (a) | – | 4,127 |
| | | 27,378 | 78,702 |

The accompanying notes from an integral part of these financial statements.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2011

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. GENERAL INFORMATION

Net Pacific Financial Holdings Limited (the "Company") is listed on the Catalist which is a market on Singapore Exchange Securities Trading Limited. The Company is incorporated and domiciled in Singapore. The address of its registered office is 53A Duxton Road, Singapore 089517.

The principal activities of the Company are investment holding and provision of management service to its subsidiaries. The principal activities of its subsidiaries are described in Note 14 to the financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The Company changed its functional currency from Singapore dollars to Hong Kong dollars on 1 January 2011. The changes in the underlying transactions, events, and conditions, arose mainly from the Group diversifying away from a provider of plastic injection moulding services and repositioning itself into a provider of financial services.

The effect of this change in functional currency has been accounted for prospectively. The presentation currency of the Group was likewise changed from Singapore dollars to Hong Kong dollars.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting polices. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

On 1 January 2011, the Group adopted the new or amended FRSs and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

(b) Group accounting

(1) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Group accounting (cont'd)

(1) *Subsidiaries* (cont'd)

(i) *Consolidation* (cont'd)

In preparing the consolidated financial statements, transactions, balances and unrealised gains or transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired is recorded as goodwill.

(iii) *Disposals*

When a change in the Group ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(b) Group accounting (cont'd)

(1) *Subsidiaries* (cont'd)

(iii) *Disposals* (cont'd)

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(2) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(d) Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue and related cost can be reliably measured.

*(i) Sale of goods*

Revenue from sale of goods is recognised when a group's entity has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.

*(ii) Rendering of services*

Revenue from services is recognised when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

*(iii) Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

*(iv) Dividend income*

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

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Operating leases

Leases when a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the profit or loss on a straight-line basis over the period of lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by the way of penalty is recognised as an expense in the period in which termination takes place.

(f) Borrowing costs

All borrowing costs that consist of interest and other costs incurred in connection with the borrowing of funds are recognised as an expense in the period in which they are incurred.

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. The interest expenses are calculated using the effect interest method.

(g) Employee benefits

*(i) Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Such state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

*(ii) Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of service rendered by employees up to the end of the reporting period.

*(iii) Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At end of each reporting period, the Group revises its estimates of the number of share under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(g) Employee benefits (cont'd)

*(iii) Share-based compensation* (cont'd)

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees.

(h) Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses will be utilised.

Deferred income tax is measured at the tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred income taxes are recognised as an expense or income in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(i) Plant and equipment

All plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs and any fair value gains or losses on qualifying cash flow hedges of plant and equipment that are transferred from the hedging reserve. Depreciation is calculated using the straight-line method to allocate the depreciation amounts of plant and equipment less their estimated residual values over their estimated useful lives as follows:

| | Estimated useful lives |
|---|---|
| Leasehold improvements | 3 |
| Plant and equipment | 3 - 10 |

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(i) Plant and equipment (cont'd)

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at the end of the reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the assets only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of an item of plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other losses-net". Any amount in revaluation reserve relating to that asset is transferred to retained earnings directly

(j) Impairment of non-financial assets

(i) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(ii) *Intangible assets*
*Plant and equipment*
*Investment in subsidiaries, associated companies and joint ventures*

Intangible assets, plant and equipment and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(j) Impairment of non-financial assets (cont'd)

(ii) *Intangible assets*
*Plant and equipment*
*Investment in subsidiaries, associated companies and joint ventures* (cont'd)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Plant and equipment" for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

(k) Financial assets

(1) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to maturity, re-evaluates this designation at the end of the reporting period.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with the Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the end of the reporting period.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the end of the reporting period which are presented as non-current assets. Loans and receivables are presented as "trade receivables" (Note 16), "loans and advances" (Note 17), "other receivables" (Note 18), and "cash and cash equivalents" (Note 20) on the statement of financial position.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(k) Financial assets (cont'd)

(1) *Classification* (cont'd)

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

Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in current assets as management intends to dispose of the assets within 12 months after the end of the reporting period.

(2) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(3) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(4) *Subsequent measurement*

Available-for-sale financial assets and financial assets at fair value through profit or loss, are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognized in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognized separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(k) Financial assets (cont'd)

(5) *Impairment*

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

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

In addition to the objective evidence of impairment described in Note 2 (k) (5)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work-in-progress comprises direct materials and, where applicable, direct labour costs, other direct costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(n) Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

*(i) Trade and other payables*

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

*(ii) Equity instruments*

An equity instruments is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received net of direct issue costs.

*(iii) Other financial liabilities*

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

Medium-term notes, interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in profit or loss in the period in which they are incurred.

*(iv) Derecognition of financial liabilities*

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

(o) Financial guarantees

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 in accordance with the terms of debt instrument. Financial guarantees are classified as financial liabilities.

Financial guarantee contracts are initially recognised at their fair values, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(q) Currency translation

(1) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

(2) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "other expenses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Functional currency transaction and translation (cont'd)

(3) *Translation of Group entities' financial statements*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates (unless the average exchange rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the date of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the reporting date.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance for the operating segments.

(s) Current assets/liabilities associated with discontinued operations

Current assets/liabilities associated with discontinued operations, that are expected to be recovered primarily through a sale transaction rather than through continuing use, are classified as held for sale.

The assets of the disposal group, are measured at the lower of carrying amount and fair values less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and

(i) represents a separate major line of business or geographical area of operations; or

(ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view of resale.

When the operation has been abandoned, the operation's results and cash flows should be presented as discontinued operations. The results for the comparative period are re-presented.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Dividends

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

(u) Share capital

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.

(v) Government grant

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

(w) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

There were no key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. There were also no significant accounting judgments for preparation of financial statements.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2011

## 4. REVENUE

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Interest income from loans and advances | **10,688** | 2,118 |
| Change in fair value on financial assets at fair value through profit or loss | **248** | – |
| | **10,936** | 2,118 |

## 5. OTHER INCOME

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Cash grant | **26** | – |
| Interest income | **–** | 13 |
| | **26** | 13 |

## 6. OTHER EXPENSES

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Foreign currencies exchange difference | **35** | 3,536 |

## 7. EXPENSES BY NATURE

Profit/(loss) before tax is determined after charging the following:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Depreciation of plant and equipment (Note 12) | **11** | 11 |
| Auditors' remuneration - auditors of the Company | **154** | 358 |
| Sponsor fee | **432** | 454 |
| Rental expenses | **160** | 222 |
| Employee compensation (Note 8) | **2,417** | 2,412 |

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 8. EMPLOYEE COMPENSATION

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Salaries, wages and bonuses | **7,734** | 6,431 |
| Directors' fee | **372** | 545 |
| Defined contribution benefits | **833** | 582 |
| Other staff related expenses | **338** | 250 |
| Employee share option expenses (Note 22) | **340** | – |
| | **9,617** | 7,808 |
| Less: Amount attributable to discontinued operations | **(7,200)** | (5,396) |
| Amounts attributable to continuing operations (Note 7) | **2,417** | 2,412 |

## 9. INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Tax expense attributable to profit/(loss) from continuing operations is made up of: | | |
| Current income tax | **759** | 324 |
| The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows: | | |
| Profit/(loss) before tax from: | | |
| - continuing operations | **6,991** | (5,655) |
| - discontinued operations (Note 10) | **(3,191)** | (11,858) |
| | **3,800** | (17,513) |
| Income tax calculated at tax rate of 17% (2010: 17%) | **646** | (2,977) |
| Effect of different tax rates in other countries | **(22)** | (960) |
| Income not subject to tax | **(1,129)** | (48) |
| Expenses not deductible for tax purposes | **1,282** | 3,547 |
| Deferred tax benefit not recognised | **–** | 786 |
| Singapore statutory stepped income tax exemption | **(18)** | (24) |
| Income tax expense | **759** | 324 |

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 10. DISCONTINUED OPERATIONS

In November 2011, the Group disposed its entire equity interest of K Plas Moulding Pte. Ltd, K Plas Hi-Tech (Shanghai) Co., Ltd. and K Plas Hi-Tech Tooling (Shanghai) Co., Ltd. ("Plastic Companies"), for an aggregate amount of HK$8,281,000.

The decision to dispose the Plastic Companies is in line with the intention of the Group to focus on their core business. The disposal was completed on 30 November 2011.

The 11 months results of the Plastic Companies have been presented separately on the consolidated statement of comprehensive income as "Discontinued operations". Discontinued operations also include the gain on disposal of the Plastic Companies and loss on liquidations of K Plas Industries Pte. Ltd., K Plas Engineering Pte. Ltd, and C.S.K. Plastic Industries (Shanghai) Co., Ltd. which were liquidated in the financial year.

The results of the discontinued operations are as follows

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Revenue | **18,473** | 12,173 |
| Expenses | **(23,079)** | (24,031) |
| Loss before tax from discontinued operations | **(4,606)** | (11,858) |
| Income tax expenses | **–** | (1) |
| Loss after tax from discontinued operations | **(4,606)** | (11,859) |
| Gain on disposal of Plastic Companies: | | |
| - Prior to waiver of loan to Plastic Companies | **29,460** | – |
| - Loan from Company to Plastic Companies waived | **(27,388)** | – |
| | **2,072** | – |
| Loss on liquidation of subsidiaries | **(657)** | – |
| | **(3,191)** | (11,859) |
| Profit/(loss) attributable to equity holders of the Company relates to: | | |
| - Profit/(loss) from continuing operations | **6,232** | (5,979) |
| - Loss from discontinued operations | **(3,191)** | (11,730) |
| Total | **3,041** | (17,709) |

The impact of the discontinued operations on the cash flows of the Group is as follows:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Operating activities | **(539)** | (291) |
| Investing activities | **(4,080)** | – |
| Total cash outflows | **(4,619)** | (291) |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2011

## 10. DISCONTINUED OPERATIONS (cont'd)

The effects of the disposal of Plastic Companies on cash flows of the Group are as follows:

| | Group HK$'000 |
|---|---|
| Carrying amounts of assets and liabilities disposed of | |
| Cash and cash equivalents | 4,077 |
| Trade and other receivables | 4,731 |
| Inventories | 2,325 |
| Plant and equipment (Note 12) | 2,606 |
| Trade and other payables | (7,708) |
| Net assets disposed of | 6,031 |
| - Reclassification of currency translation | (194) |
| | 5,837 |
| Gain on disposal | 2,072 |
| | 7,909 |
| Expenses related to disposal of subsidiaries | 372 |
| Cash proceeds receivable from disposal | 8,281 |
| Less: Proceeds outstanding (Note 18) | (6,211) |
| Less: cash and cash equivalents in subsidiaries disposed of | (4,077) |
| Net cash outflow on disposal of subsidiaries | (2,007) |

## 11. EARNINGS/(LOSS) PER SHARE – BASIC AND DILUTED

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| Profit/(loss) attributable to equity holders of the Company for the financial year (in HK$'000) | **6,232** | (5,979) | **(3,191)** | (11,730) | **3,041** | (17,709) |
| Weighted average number of ordinary shares for calculation of basic earnings per share (in '000) | **525,624** | 283,287 | **525,624** | 283,287 | **525,624** | 283,287 |
| Earnings/(loss) per share (Hong Kong cents) | **1.19** | (2.11) | **(0.61)** | (4.14) | **0.58** | (6.25) |

Diluted profit/(loss) per share is the same as basic profit/(loss) per share because the Company does not have any potential dilutive shares.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 12. PLANT AND EQUIPMENT

| Group | Leasehold improvements HK$'000 | Plant and equipment HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2010 | 1,587 | 27,551 | 29,138 |
| Exchange adjustment | (84) | (1,449) | (1,533) |
| Additions | – | 341 | 341 |
| At 31 December 2010 | 1,503 | 26,443 | 27,946 |
| Exchange adjustment | 55 | 964 | 1,019 |
| Additions | – | 3 | 3 |
| Disposal | – | (21) | (21) |
| Discontinued operations (Note 10) | (1,558) | (27,357) | (28,915) |
| At 31 December 2011 | **–** | **32** | **32** |
| **Accumulated depreciation** | | | |
| At 1 January 2010 | 1,581 | 14,381 | 15,962 |
| Exchange adjustment | (84) | (826) | (910) |
| Charge for the financial year | | | |
| - continuing operations (Note 7) | – | 11 | 11 |
| - discontinued operations | 6 | 2,644 | 2,650 |
| At 31 December 2010 | 1,503 | 16,210 | 17,713 |
| Exchange adjustment | 55 | 595 | 650 |
| Charge for the financial year | | | |
| - continuing operations (Note 7) | – | 11 | 11 |
| - discontinued operations | – | 766 | 766 |
| Disposal | – | (20) | (20) |
| Discontinued operations (Note 10) | (1,558) | (17,532) | (19,090) |
| At 31 December 2011 | **–** | **30** | **30** |
| **Provision for impairment** | | | |
| At 1 January 2010 | – | 7,181 | 7,181 |
| Exchange adjustment | – | (218) | (218) |
| At 31 December 2010 | – | 6,963 | 6,963 |
| Exchange adjustment | – | 256 | 256 |
| Discontinued operations (Note 10) | – | (7,219) | (7,219) |
| At 31 December 2011 | – | – | – |
| **Net book value** | | | |
| At 31 December 2011 | – | 2 | 2 |
| At 31 December 2010 | **–** | **3,269** | **3,269** |

| Company | Office equipment **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| **Cost** | | |
| At 1 January and 31 December | **32** | 32 |
| **Accumulated depreciation** | | |
| At 1 January | **19** | 8 |
| Charge for the financial year | **11** | 11 |
| At 31 December | **30** | 19 |
| **Net book value** | | |
| At 31 December | **2** | 13 |

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| At 1 January | **–** | – |
| Additions (Note 27) | **30,000** | – |
| At 31 December | **30,000** | – |

Available-for-sale financial assets is analysed as follow:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Unlisted securities | | |
| - Convertible preference shares in Le On Trading Limited ("Le On") | **30,000** | – |
| | **30,000** | – |

Le On is principally engaged in the business of scrap recycling, processing, production and sale of aluminum ingot in Hong Kong.

The Group has the right to convert the convertible preference shares into Le On's shares at any time prior to the commencement of trading of Le On shares on an internationally recognised stock exchange, provided that the converted shares shall in aggregate represent not more than five per cent of the total issued and paid-up share capital of Le On immediately prior to the completion of the listing. The existing two shareholders of Le On are guarantors in favour of the Group's subsidiary, Net Pacific Finance Group Limited whereby the Group shall have the right to sell to the guarantors the convertible preferences shares based on the principal amount subscribed in the event of a default.

As the Le On convertible preference shares do not have a quoted market price in an active market and their fair value cannot be reliably measured, the Group has subsequently measured these investment at cost instead of at fair value.

## 14. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Unquoted equity shares, at cost | **1,069** | 30,826 |
| Cost from fair value on financial guarantee | **–** | 429 |
| Quasi-equity loan (1) | **–** | 26,268 |
| | **1,069** | 57,523 |
| Less: Impairment losses | **–** | (40,374) |
| | **1,069** | 17,149 |
| Movement in allowance for impairment: | | |
| At 1 January | **(40,374)** | (25,496) |
| Additions | **–** | (14,878) |
| Disposals | **40,374** | – |
| At 31 December | **–** | (40,374) |

(1) This loan is an interest free quasi-equity loan from the Company to its subsidiary, K Plas Moulding Pte Ltd ("KMPL") and it is not expected to be repaid in the foreseeable future. KMPL has in turn invested substantially the proceeds from the quasi-equity loan as paid up capital of K Plas Hi-Tech (Shanghai) Co., Ltd and K Plas Hi-Tech Tooling (Shanghai) Co., Ltd.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2011

## 14. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Principal activities | Percentage of equity held by the Company 2011 | 2010 |
|---|---|---|---|---|
| Net Pacific Finance Group Limited [(b)] | Hong Kong Special Administrative Region of the People's Republic of China ("PRC") | Provision of financing services | **100** | 100 |
| Net Pacific Investment Holdings Limited [(b)] | British Virgin Islands | Investment holding | **100** | 100 |
| K Plas Industries Pte Ltd [(c)] | Singapore | Dormant | **–** | 100 |
| K Plas Engineering Pte Ltd [(a)] [(c)] | Singapore | Investment holding | **–** | 100 |
| K Plas Moulding Pte Ltd [(a)] [(d)] | Singapore | Investment holding | **–** | 100 |
| **Held through K Plas Moulding Pte Ltd** | | | | |
| K Plas Hi-Tech (Shanghai) Co., Ltd [(b)] [(d)] | Shanghai, PRC | Manufacture of plastic components | **–** | 100 |
| K Plas Hi-Tech Tooling (Shanghai) Co., Ltd [(b)] [(d)] | Shanghai, PRC | Manufacture of plastic injection moulds | **–** | 100 |
| **Held through K Plas Engineering Pte Ltd** | | | | |
| C.S.K. Plastic Industries (Shanghai) Co., Ltd [(b)] [(c)] | Shanghai, PRC | Dormant | **–** | 60.8 |

(a) Audited by Paul Wan & Co

(b) Audited by Paul Wan & Co for the sole purpose of inclusion in the consolidated financial statements.

(c) These subsidiaries are liquidated during the financial year.

(d) These subsidiaries are disposed during the financial year. The information is set out on Note 10.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 15. INVENTORIES

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Raw materials and consumables | **–** | 654 |
| Work-in-progress | **–** | 484 |
| Finished goods | **–** | 436 |
| | **–** | 1,574 |

The cost of inventories recognised as an expense and included in "result of discontinued operations" amounts to approximately HK$15,011,000 (2010: HK$12,262,000).

## 16. TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Third parties | **2,319** | 3,758 |

Trade receivables are non-interest bearing and are up to 30 days (2010: 90 days) credit term.

## 17. LOANS AND ADVANCES

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Third parties (secured) | **83,098** | 62,828 |

The loans were advanced to companies incorporated in Hong Kong Special Adminstrative Region of the PRC and British Virgin Islands.

The loans and advances are subject to interest and are repayable on demand. They are secured by floating charge over the assets of the borrowers and secured by personal guarantees by the shareholders of the borrowers.

The Group has the option to convert the above loans into shares of the borrowers or the holding company of the borrowers. These options have been recorded at HK$Nil (2010:HK$Nil) in the financial statements.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 18. OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Balance sales proceeds receivable from the purchaser of the Plastic Companies (Note 10) | **6,211** | – | **6,211** | – |
| Advance payment to suppliers | **–** | 164 | **–** | – |
| Deposits | **6** | 109 | **–** | – |
| Other receivables | **150** | 278 | **122** | 269 |
| Prepayments | **16** | 726 | **16** | 403 |
| Amount due from subsidiaries | **–** | – | **134,729** | 74,759 |
| | **6,383** | 1,277 | **141,078** | 75,431 |

The amounts due from subsidiaries are trade in nature, unsecured, bear interest at rate of 1.5% (2010:Nil) per annum and are receivable on demand.

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Quoted debt securities - Singapore | **3,112** | – |
| At 31 December | **3,112** | – |

The fair value of the quoted investment is based on current bid prices in an active market at the end of the financial year.

## 20. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash at bank and on hand | **27,378** | 74,575 | **8,186** | 57,313 |
| | **27,378** | 74,575 | **8,186** | 57,313 |

The effective interest rate of the fixed deposits and certain balances with bank ranges from 0.01% to 0.05% (2010: 0.15% to 0.36%) per annum.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 21. CURRENT ASSETS AND LIABILITIES WITH DISCONTINUED OPERATIONS

(a) Current assets

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Other receivables | **–** | 928 |
| Cash and cash equivalents | **–** | 4,127 |
| | **–** | 5,055 |

Included in other receivables is an amount due from a related party which is unsecured, interest-free and repayable on demand.

(b) Current liabilities

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Accrued operating expenses | – | 127 |
| | – | 127 |

## 22. SHARE CAPITAL

| | **Group and Company** | | | |
|---|---|---|---|---|
| | **2011** | | 2010 | |
| | **No. of shares** | **HK$'000** | No. of shares | HK$'000 |
| At 1 January | **525,624,328** | **191,574** | 99,000,000 | 54,802 |
| Issue of shares | **–** | **–** | 952,248,078 | 139,473 |
| Share issue expenses | **–** | **–** | – | (2,701) |
| At 31 December | **525,624,328** | **191,574** | 1,051,248,078 | 191,574 |
| After share consolidation | **525,624,328** | **191,574** | 525,624,328 | 191,574 |

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Group's residual assets.

On 8 February 2010, the Company issued 100,000,000 new ordinary shares in the capital of the Company ("Placement Shares") to Full Join Holdings Limited for cash at an issue price of S$0.06 per share pursuant to a placement exercise ("Placement"). Following the issuance of the Placement Shares, the total issued share capital of the Company increased from 99,000,000 ordinary shares to 199,000,000 shares.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

**22. SHARE CAPITAL (cont'd)**

On 18 June 2010, the Company obtained the approval of its shareholders for, inter alia, (a) the renounceable non-underwritten rights issue of up to 995,000,000 new ordinary shares (the "Rights Shares") in the capital of the Company at an issue price of S$0.02 for each Rights Share, with up to 597,000,000 free detachable and transferable warrants (the "Warrants"), each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company (the "New Shares") at the exercise price of S$0.06 for each New Share, on the basis of five (5) Rights Shares with three (3) Warrants for every one (1) existing share held by the shareholders as at 5.00 p.m. on 28 June 2010, fractional entitlements to be disregarded (the "Rights cum Warrants Issue"), and (ii) the consolidation of every two (2) shares held by shareholders as at 5.00 p.m. on 27 July 2010, into one (1) share after the completion of the Rights cum Warrants Issue, fractional entitlements to be disregarded (the "Share Consolidation").

On 22 July 2010, pursuant to the Rights cum Warrants Issue, a total of 852,248,705 Rights Shares and 511,349,215 Warrants were issued and allotted by the Company. Following the issuance of the Rights Shares, the total issued share capital of the Company increased from 199,000,000 shares to 1,051,248,705 shares.

On 28 July 2010, after the completion of Share Consolidation, the total issued share capital of the Company comprised 525,624,328 shares. As at 28 July 2010, the Company also had 255,674,598 outstanding Warrants, each such Warrant entitling its holder thereof to subscribe for one (1) New Share at an exercise price of S$0.12, subject to the terms and upon the conditions of the deed poll dated 21 June 2010.

Net Pacific Employee Share Option Scheme (the "Scheme")

The Scheme was approved by the members of the Company at an extraordinary general meeting held on 15 February 2011, which provided for the grant of ordinary shares of the Company to the directors of the Company and confirmed employees of the Company and its subsidiaries.

The exercise price is based on the average of the last dealt prices of the shares of the Company on the SGX-ST for a period of five consecutive market days immediately preceding the date of grant. The options are exercisable at any time after the first anniversary of the date of grant and up to the tenth anniversary of the date of grant except in the case of options granted to non-executive directors and independent directors where the exercise period may not exceed five years from the date of grant.

Movements in the number of unissued ordinary shares under option and their exercise prices are as follows:

| | No. of unissued ordinary shares under option | | | | | |
|---|---|---|---|---|---|---|
| | Balance at 1.1.2011 | Granted during financial year | Exercised during financial year | Balance at 31.12.2011 | Exercise price | Exercise period |
| | | | | | SGD | |
| Group and Company | | | | | | |
| 2011 Options | – | 8,000,000 | – | 8,000,000 | 0.035 | 9.5.2012 to 8.5.2016 |
| 2011 Options | – | 20,750,000 | – | 20,750,000 | 0.035 | 9.5.2012 to 8.5.2021 |

The fair value of options granted on 9 May 2011 determined using the Black Scholes Model, was HK$340,000. The significant inputs into the model were the share price of S$0.035 at the grant date, the exercise price of S$0.035, the volatility of expected share price return of 10%, the option life shown above and the annual risk-free interest rate of 2.5%.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 23. OTHER RESERVES

| | Statutory reserve HK$'000 | Translation reserve HK$'000 | Total HK$'000 |
|---|---|---|---|
| **The Group** | | | |
| At 1 January 2010 | 446 | 40 | 486 |
| Exchange difference | – | (949) | (949) |
| At 31 December 2010 | 446 | (909) | (463) |
| Reclassification on disposal and liquidation of subsidiaries | – | 909 | 909 |
| Reclassification of retained earnings | (446) | – | (446) |
| At 31 December 2011 | – | – | – |

*Statutory reserve*

In accordance with the relevant PRC regulations, subsidiaries which are incorporated in the PRC are required to transfer 10% of their respective net profits to the statutory reserve until the reserve reaches 50% of their registered capital. The transfer to this reserve must be made before the payment of dividends to shareholders.

The statutory reserve can only be used to set off against losses, to expand the subsidiary's production operations or to increase the share capital of the subsidiary. The subsidiary may convert its statutory reserve into share capital provided that the remaining balance of such reserve is not less than 25% of the registered share capital.

This statutory reserve is not available for dividend appropriate to the shareholders.

*Translation reserve*

The translation reserve accumulated all foreign exchange differences on translating the results and net assets of foreign operations that the Group controls during the financial year.

## 24. TRADE PAYABLES

| | Group | |
|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 |
| Third parties | – | 1,227 |

The average credit period taken to settle trade payables approximates Nil (2010: 60 days).

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 25. OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Advance payment to suppliers | **–** | 115 | **–** | – |
| Accrued operating expenses | **1,479** | 2,445 | **1,402** | 1,557 |
| Other payables | **–** | 150 | **–** | – |
| Amount due to subsidiaries | **–** | – | **–** | 2,822 |
| | **1,479** | 2,710 | **1,402** | 4,379 |

The amount due to subsidiaries are non-trade in nature, unsecured, interest-free and are repayable on demand.

## 26. OPERATING LEASE COMMITMENTS

The Group and the Company leases various office space and factories from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period, but not recognised as liabilities, are payable as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| No later than one financial year | **172** | 1,041 | **145** | 54 |
| Later than one financial year but not later than five financial years | **73** | 1,198 | **73** | – |
| | **245** | 2,239 | **218** | 54 |

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 27. RELATED PARTY TRANSACTIONS

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

(a) Significant related parties transactions

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Subscription of convertible preference shares in a company related to a director (Note 13) | **30,000** | – |

Company related to a director

Ben Lee, the director of the Company has a 50% equity interest in Le On Trading Limited, in which the Group subscribed convertible preference shares amounting to HK$30,000,000 ("Subscription"). The Company had on 15 February 2011 obtained the specific approval of shareholders for the Subscription, and the Subscription was completed on 18 February 2011.

(b) Compensation of key management personnel

Directors' and key management personnel's remunerations are as follows:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Directors of the Company | | |
| - Salaries and bonuses | **482** | 496 |
| - Defined contribution benefits | **38** | 16 |
| - Fees | **372** | 545 |
| - Employee share option expenses | **272** | – |
| Key management personnel (non-directors) | | |
| - Salaries and bonuses | **1,076** | 2,120 |
| - Defined contribution benefits | **109** | 99 |
| - Other related expenses | **–** | 56 |
| - Employee share option expenses | **68** | – |
| | **2,417** | 3,332 |

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 28. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks arising from its operations. The key financial risks include foreign currency risk, credit risk, interest rate risk, liquidity and cash flow risk. The Group's overall risk management strategy seeks to minimise adverse effects from these financial risks on the Group's financial performance. The Group's overall risk management policy is to ensure adequate financial resources are available for the development of the Group's business whilst managing its risk. The Group's overall risk management is determined and carried out by the board of directors.

*(i) Foreign currency risk*

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities of the Group. The foreign currencies in which the Group's currency risk arises are mainly United States dollar ("USD") and Singapore dollar ("SGD"). The Group does not use forward contracts to hedge their exposure to foreign currency risk in the local functional currency.

The Group maintains their respective books and accounts in their functional currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. It is the Group's policy to take speculative positions in foreign currencies.

The Group's currency exposure based on the information provided to key management is as follows:

| **Group** | **HKD HK$'000** | **USD HK$'000** | **SGD HK$'000** | **Total HK$'000** |
|---|---|---|---|---|
| As at 31 December 2011 | | | | |
| **Financial assets** | | | | |
| Trade receivables | 2,319 | – | – | 2,319 |
| Loan and advances | 83,098 | – | – | 83,098 |
| Other receivables | 6 | – | 6,361 | 6,367 |
| Cash and cash equivalents | 3,281 | 7,222 | 16,875 | 27,378 |
| | 88,704 | 7,222 | 23,236 | 119,162 |
| **Financial liabilities** | | | | |
| Other payables | 14 | – | 1,465 | 1,479 |
| | 14 | – | 1,465 | 1,479 |
| **Net financial assets** | 88,690 | 7,222 | 21,771 | 117,683 |
| Less: Net financial assets denominated in the functional currencies of the respective entities | (88,690) | – | – | |
| Foreign currency exposure | – | 7,222 | 21,771 | |

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 28. FINANCIAL RISK MANAGEMENT (cont'd)

*(i) Foreign currency risk (cont'd)*

| Group | HKD HK$'000 | RMB HK$'000 | USD HK$'000 | SGD HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| As at 31 December 2010 | | | | | |
| **Financial assets** | | | | | |
| Trade receivables | – | 2,497 | 1,261 | – | 3,758 |
| Loan and advances | – | – | 62,828 | – | 62,828 |
| Other receivables | 4 | 278 | – | 269 | 551 |
| Cash and cash equivalents | 426 | 2,348 | 2,395 | 69,406 | 74,575 |
| | 430 | 5,123 | 66,484 | 69,675 | 141,712 |
| **Financial liabilities** | | | | | |
| Trade payables | – | 1,212 | 15 | – | 1,227 |
| Other payables | 15 | 1,076 | 62 | 1,557 | 2,710 |
| | 15 | 2,288 | 77 | 1,557 | 3,937 |
| **Net financial assets** | 415 | 2,835 | 66,407 | 68,118 | 137,775 |
| Less: Net financial assets denominated in the functional currencies of the respective entities | (415) | (2,835) | – | – | |
| Foreign currency exposure | – | – | 66,407 | 68,118 | |

| Company | HKD HK$'000 | SGD HK$'000 | Total HK$'000 |
|---|---|---|---|
| As at 31 December 2011 | | | |
| **Financial assets** | | | |
| Other receivables | **134,728** | **6,334** | **141,062** |
| Cash and cash equivalents | **368** | **7,818** | **8,186** |
| | **135,096** | **14,152** | **149,248** |
| **Financial liabilities** | | | |
| Other payables | **–** | **1,402** | **1,402** |
| | **–** | **1,402** | **1,402** |
| **Net financial assets** | **135,096** | **12,750** | **147,846** |
| Less: Net financial assets denominated in the functional currencies of the respective entities | **(135,096)** | **–** | |
| Foreign currency exposure | **–** | **12,750** | |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2011

## 28. FINANCIAL RISK MANAEGEMENT (cont'd)

*(i) Foreign currency risk (cont'd)*

| **Company** | **HKD HK$'000** | **USD HK$'000** | **SGD HK$'000** | **Total HK$'000** |
|---|---|---|---|---|
| As at 31 December 2010 | | | | |
| **Financial assets** | | | | |
| Other receivables | – | 73,339 | 1,689 | 75,028 |
| Cash and cash equivalents | 399 | – | 56,914 | 57,313 |
| | 399 | 73,339 | 58,603 | 132,341 |
| **Financial liabilities** | | | | |
| Other payables | – | – | 4,379 | 4,379 |
| | – | – | 4,379 | 4,379 |
| **Net financial assets** | 399 | 73,339 | 54,224 | 127,962 |
| Less: Net financial assets denominated in the functional currencies of the respective entities | (399) | – | – | |
| Foreign currency exposure | – | 73,339 | 54,224 | |

If the USD and SGD change against the HKD by 2% (2010: 2%) and 2% (2010: 2%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

| | **Profit after tax Increase/(decrease)** | |
|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 |
| Group | | |
| USD against HKD | | |
| - Strengthened | **144** | 1,328 |
| - Weakened | **(144)** | (1,328) |
| SGD against HKD | | |
| - Strengthened | **435** | 1,362 |
| - Weakened | **(435)** | (1,362) |

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 28. FINANCIAL RISK MANAEGEMENT (cont'd)

*(i) Foreign currency risk (cont'd)*

| | Profit after tax Increase/(decrease) | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| <u>Company</u> | | |
| USD against HKD | | |
| - Strengthened | **–** | 1,467 |
| - Weakened | **–** | (1,467) |
| SGD against HKD | | |
| - Strengthened | **255** | 1,084 |
| - Weakened | **(255)** | (1,084) |

*(ii) Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposit, trade receivables, other receivables and loans and advances to customers. For trade receivables, other receivables and loans and advances to customers the Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure including the default risk of the individual obligor, security risk and market/industry risk.

Credit policies are formulated covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements. All credit facilities, which must be fully secured, require the approval by management as appropriate. All collateral assets must be tangible and accessible or marketable in Singapore.

The Group has in place a monitoring system to identify early symptoms of problematic loan accounts. A risk grading system is used in determining where impairment provisions may be required against specific credit exposures. Risk grades are subject to regular reviews and credit exposures take into consideration of stress testing of the fair value of collateral and other security enhancements held against the loans and advances.

The Group establishes an allowance for impairment losses that represents its estimates of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance.

The Group and the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

**28. FINANCIAL RISK MANAEGEMENT (cont'd)**

*(ii) Credit risk (cont'd)*

Financial assets that are neither past due nor impaired

Trade receivable, other receivables and loans and advances that are neither past due nor impaired are creditworthy debtors with good payment record with the Group and the Company. Cash and bank balances are placed with reputable financial institutions with high credit ratings and no history of default.

There are no loans and advances graded as doubtful as at 31 December 2011 and 2010.

No loans and advances described as neither past due nor impaired have renegotiated terms as at 31 December 2011 (2010: Nil).

Financial assets that are either past due or impaired

The table below is an analysis of trade receivables as at end of the reporting period:

| | Group | |
|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 |
| Not past due and not impaired | **2,149** | 3,256 |
| Past due but not impaired | | |
| - Past due 0 to 3 months | **170** | 502 |
| | **2,319** | 3,758 |

*(iii) 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 cash deposits placed with the financial institutions. The Group managed the interest rate risks by placing cash deposits with reputable financial institutions on varying maturities and interest rate terms.

As the Group and Company have no material interest-bearing assets, the Group and the Company's income are substantially independent of changes in market interest rate.

The sensitivity analysis for changes in interest rate is not disclosed as the effect on profit or loss is considered not significant.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

**28. FINANCIAL RISK MANAEGEMENT (cont'd)**

*(iv) Liquidity and cash flow risk*

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligation as they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalent deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

At the end of the reporting period, all the liabilities of the Group are due within one year. There are sufficient cash and cash equivalents available to meet the liabilities when they fall due.

Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalent, assets held for sale, trade receivable, other receivables, loans and advances, trade payables and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

**29. SEGMENT INFORMATION**

For management purposes, the Group is organised into two business units based on its services. The reportable segments are financing and investment holding. Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of each segment.

The financing segment ("financing") is the business of the provision of financing services in the PRC and the Hong Kong Special Administrative Region, which include the provision of working capital financing, asset-backed loans, mezzanine loans and investments in companies with good fundamentals and growth potential.

The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

# **Notes to the Financial** Statements

For the Financial Year ended 31 December 2011

## 29. SEGMENT INFORMATION (cont'd)

Segment information provided to management for reportable segments are as follows:

| | Financing | | Investing | | Total | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| **Continuing operations** | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Revenue by segments | | | | | | |
| Total revenue by segments | **10,688** | 2,118 | **248** | – | **10,936** | 2,118 |
| External revenue | **10,688** | 2,118 | **248** | – | **10,936** | 2,118 |
| **Segment profit** | **10,469** | **2,023** | **148** | **–** | **10,617** | **2,023** |
| Unallocated expenses | | | | | **(3,626)** | (7,678) |
| Profit/(Loss) before tax from continuing operations | | | | | **6,991** | (5,655) |
| Income tax expense | | | | | **(759)** | (324) |
| **Profit/(Loss) from continuing operations, net of tax** | | | | | **6,232** | **(5,979)** |
| Loss from discontinued operations, net of tax | | | | | **(3,191)** | (11,859) |
| **Total profit/(loss) for the financial year** | | | | | **3,041** | **(17,838)** |

| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
|---|---|---|---|---|---|---|
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Segment assets | **101,548** | 70,214 | **36,206** | 6,052 | **137,754** | 76,266 |
| Unallocated assets | | | | | **14,538** | 71,015 |
| | | | | | **152,292** | 147,281 |
| Assets associated with discontinued operations | | | | | **–** | 5,055 |
| Consolidated total assets | | | | | **152,292** | 152,336 |
| Segment liabilities | **1,111** | 307 | **–** | – | **1,111** | 307 |
| Unallocated liabilities | | | | | **1,420** | 3,938 |
| | | | | | **2,531** | 4,245 |
| Liabilities associated with discontinued operations | | | | | **–** | 127 |
| Consolidated total liabilities | | | | | **2,531** | 4,372 |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2011

## 29. SEGMENT INFORMATION (cont'd)

Segment results

Performance of each segment is evaluated based on segment profit or loss which is measured differently from the net profit or loss before tax in the consolidated financial statements. Interest income and finance expenses are not allocated to segments as financing is managed on a group basis.

Segments assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the asset attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments other than certain other receivables and cash and bank balances which are classified as unallocated assets.

Segment liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than certain other payables and income tax payable. These liabilities are classified as unallocated liabilities.

*Geographical information*

Revenue and non-current assets information based on the geographical locations of customers and assets respectively are as follows:

| | **Sales to external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **S$'000** | S$'000 |
| Hong Kong Special Administrative Region of the PRC | **9,451** | 2,118 | **30,000** | – |
| British Virgin Islands | **1,485** | – | **–** | – |
| Singapore | **–** | – | **2** | 3,269 |
| | **10,936** | 2,118 | **30,002** | 3,269 |

Non-current assets information presented above are non-current assets as presented on the consolidated statement of financial position.

Information about major customer

Revenue of approximately HK$4,148,000 (2010: HK$1,178,000) are derived from a single external customer and are attributable to the financing segment.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2011

## 30. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued as of the reporting date but are not yet effective:

- Amendments to FRS 101 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Transfers of Financial Assets

- Amendments to FRS 107 Disclosures – Transfers of Financial Assets

- Amendments to FRS 12 Deferred Tax : Recovery of Underlying Assets

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.

## 31. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

The directors of the Company propose a first and final one-tier tax exempt dividend of 0.57 Hong Kong cents per share in respect of the financial year ended 31 December 2011, subject to approval by shareholders of the Company at the Annual General Meeting.

The proposed dividend, estimated to be approximately HK$3,000,000, has not been included as a liability in these financial statements, and will be payable to all shareholders on the Register of Members as at books closure date.

## 32. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements were authorized for issue in accordance with a resolution of the directors dated 30 March 2012.

# **Statistics of** Shareholdings

As at 22 March 2012

| | |
|---|---|
| Number of shares | 525,624,328 |
| Class of shares | Ordinary shares |
| Voting rights of ordinary shareholders | One vote per share |

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 999 | 145 | 21.94 | 33,474 | 0.01 |
| 1,000 – 10,000 | 195 | 29.50 | 1,111,621 | 0.21 |
| 10,001 – 1,000,000 | 295 | 44.63 | 35,525,881 | 6.76 |
| 1,000,001 and above | 26 | 3.93 | 488,953,352 | 93.02 |
| **TOTAL** | **661** | **100.00** | **525,624,328** | **100.00** |

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the register of shareholders and to the best of knowledge of the Company, approximately 22.57% of the total issued ordinary shares of the Company is held by the public as at 22 March 2012 and therefore, the Company is in compliance with Rule723 of the SGX-ST Listing Manual Section B: Rules of Catalist.

The Company has no treasury shares as at 22 March 2012.

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | FULL JOIN HOLDINGS LIMITED | 300,000,000 | 57.07 |
| 2 | HL BANK NOMINEES (SINGAPORE) PTE LTD | 59,060,000 | 11.24 |
| 3 | BEH KIM LING | 31,525,000 | 6.00 |
| 4 | RAMESH S/O PRITAMDAS CHANDIRAMANI | 14,261,000 | 2.71 |
| 5 | MAYBANK KIM ENG SECURITIES PTE LTD | 10,993,500 | 2.09 |
| 6 | CHIN FOOK LAI | 10,022,400 | 1.91 |
| 7 | STONE CANYON CAPITAL PTE LTD | 9,300,000 | 1.77 |
| 8 | CHIN FAH | 9,064,350 | 1.72 |
| 9 | FORTE CAPITAL MANAGEMENT PTE LTD | 8,000,000 | 1.52 |
| 10 | TAN ENG CHUA EDWIN | 4,635,500 | 0.88 |
| 11 | LOW SIEW YAM | 4,000,000 | 0.76 |
| 12 | CHIN FOOK CHOY | 3,750,500 | 0.71 |
| 13 | CHIN NYOK TOW | 2,714,300 | 0.52 |
| 14 | BANK OF SINGAPORE NOMINEES PTE LTD | 2,525,000 | 0.48 |
| 15 | MAYBAN NOMINEES (SINGAPORE) PTE LTD | 2,500,000 | 0.48 |
| 16 | RAFFLES NOMINEES (PTE) LTD | 2,312,000 | 0.44 |
| 17 | TAN CHIN WAH | 2,000,000 | 0.38 |
| 18 | SAMUEL NG CHEE YONG (SAMUEL WU ZHIYONG) | 1,887,022 | 0.36 |
| 19 | PHILLIP SECURITIES PTE LTD | 1,851,851 | 0.35 |
| 20 | LIM TENG SAY | 1,686,000 | 0.32 |
| | **TOTAL** | **482,088,423** | **91.71** |

# **Statistics of** Shareholdings

As at 22 March 2012

## SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| **Name of Substantial Shareholders** | **Direct Interest** | **Deemed Interest** | **Total** | **%** |
| Full Join Holdings Limited | 300,000,000 | – | 300,000,000 | 57.07 |
| Ben Lee (1) | – | 300,000,000 | 300,000,000 | 57.07 |
| Ong Chor Wei@Alan Ong (2) | – | 300,000,000 | 300,000,000 | 57.07 |
| Win Wealth Group Limited (3) | – | 300,000,000 | 300,000,000 | 57.07 |
| Quad Sky Limited (4) | – | 300,000,000 | 300,000,000 | 57.07 |
| Wingate Investment Corporation (5) | – | 300,000,000 | 300,000,000 | 57.07 |
| Head Quator Limited (6) | – | 300,000,000 | 300,000,000 | 57.07 |
| Yung Fung Ping (7) | – | 300,000,000 | 300,000,000 | 57.07 |
| Chan Mei Sau (8) | – | 300,000,000 | 300,000,000 | 57.07 |
| Chin Fook Lai (9) | 10,022,400 | 59,000,000 | 69,022,400 | 13.13 |
| Beh Kim Ling | 31,525,000 | – | 31,525,000 | 6.00 |

Notes:

(1) Ben Lee is deemed interested in the shares held by Full Join Holdings Limited by virtue of him owning 100.0% shareholding interest of Win Wealth Group Limited, which in turn owns 60.0% shareholding interest of Full Join Holdings Limited.

(2) Ong Chor Wei @ Alan Ong is deemed interested in the shares held by Full Join Holdings Limited by virtue of him owning 100.0% of the shareholding interest of Head Quator Limited which in turn owns 50.0% of the shareholding interest of Quad Sky Limited, which in turns owns 35.8% of the shareholding interest of Full Join Holdings Limited. Ong Chor Wei @ Alan Ong also owns 50.0% of the shareholding interest in Net Pacific International Limited, which in turn owns 4.2% of the shareholding interest in Full Join Holdings Limited.

(3) Win Wealth Group Limited is deemed interested in the shares held by Full Join Holdings Limited by virtue of it owning 60.0% shareholding interest of Full Join Holdings Limited.

(4) Quad Sky Limited is deemed interested in the shares held by Full Join Holdings Limited by virtue of it owning 35.8% shareholding interest of Full Join Holdings Limited.

(5) Wingate Investment Corporation is deemed interested in the shares held by Full Join Holdings Limited by virtue of it owning 50.0% of the shareholding interest of Quad Sky Limited, which in turn owns 35.8% shareholding interest of Full Join Holdings Limited.

(6) Head Quator Limited is deemed interested in the shares held by Full Join Holdings Limited by virtue of it owning 50.0% of the shareholding interest of Quad Sky Limited, which in turn owns 35.8% shareholding interest of Full Join Holdings Limited.

(7) Yung Fung Ping is deemed interested in the shares held by Full Join Holdings Limited by virtue of her owning 50.0% of the shareholding interest of Wingate Investment Corporation which in turn owns 50.0% of the shareholding interest of Quad Sky Limited, which in turns owns 35.8% of the shareholding interest of Full Join Holdings Limited.

(8) Chan Mei Sau is deemed interested in the shares held by Full Join Holdings Limited by virtue of her owning 50.0% of the shareholding interest of Wingate Investment Corporation which in turn owns 50.0% of the shareholding interest of Quad Sky Limited, which in turns owns 35.8% of the shareholding interest of Full Join Holdings Limited.

(9) Chin Fook Lai's deemed interest arises from shares held in the name of HL Bank Nominees (S) Pte Ltd.

# **Statistics of** Warrant holdings

As at 22 March 2012

## DISTRIBUTION OF WARRANT HOLDINGS

| SIZE OF WARRANT HOLDINGS | NO. OF WARRANT HOLDERS | % | NO. OF WARRANTS | % |
|---|---|---|---|---|
| 1 – 999 | 50 | 15.43 | 23,145 | 0.01 |
| 1,000 – 10,000 | 52 | 16.05 | 248,696 | 0.10 |
| 10,001 – 1,000,000 | 210 | 64.82 | 21,108,822 | 8.25 |
| 1,000,001 and above | 12 | 3.70 | 234,293,935 | 91.64 |
| **TOTAL** | **324** | **100.00** | **255,674,598** | **100.00** |

## TWENTY LARGEST WARRANT HOLDERS

| NO. | NAME | NO. OF WARRANTS | % |
|---|---|---|---|
| 1 | FULL JOIN HOLDINGS LIMITED | 101,000,000 | 39.50 |
| 2 | CHIN FOOK LAI | 82,045,000 | 32.09 |
| 3 | LEONG HONG KAH | 25,157,500 | 9.87 |
| 4 | TAN ENG CHUA EDWIN | 5,962,300 | 2.33 |
| 5 | STONE CANYON CAPITAL PTE LTD | 4,742,100 | 1.85 |
| 6 | PERIANNAN S/O RAMAKRISHNAN | 4,634,000 | 1.81 |
| 7 | CHIN FAH | 3,000,000 | 1.17 |
| 8 | BEH KIM LING | 2,389,000 | 0.93 |
| 9 | TAY BUAN CHUAN MICHAEL | 1,930,000 | 0.75 |
| 10 | CHIN NYOK TOW | 1,200,000 | 0.47 |
| 11 | SAMUEL NG CHEE YONG (SAMUEL WU ZHIYONG) | 1,132,200 | 0.44 |
| 12 | TAN CHAY LONG | 1,101,835 | 0.43 |
| 13 | FOK CHEE CHEONG @ FOK CHEE CHIONG | 950,000 | 0.37 |
| 14 | OCBC SECURITIES PRIVATE LTD | 797,334 | 0.31 |
| 15 | TONG CHEE KEONG | 690,300 | 0.27 |
| 16 | PHILLIP SECURITIES PTE LTD | 644,156 | 0.25 |
| 17 | TAN LIM HUI | 600,000 | 0.23 |
| 18 | TAN MING CHING | 600,000 | 0.23 |
| 19 | TAN JUI YAK | 498,000 | 0.19 |
| 20 | ONG POH PIEOW | 479,400 | 0.19 |
| | **TOTAL** | **239,553,125** | **93.65** |

# **Notice of Annual General** Meeting

Registration No: 200300326D

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of Net Pacific Financial Holdings Limited (the "**Company**") will be held at 1 Robinson Road #18-00 AIA Tower, Singapore 048542 on Monday, 30 April 2012 at 3.30 p.m. for the following purposes:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of a first and final one-tier tax exempt dividend of 0.57 HK cents per ordinary share in the capital of the Company for the financial year ended 31 December 2011 (2010: Nil). **(Resolution 2)**

3. To re-elect the following directors of the Company ("**Directors**") retiring pursuant to Article 107 of the Company's Articles of Association:

   Mr Ong Chor Wei @ Alan Ong **(Resolution 3)**
   Mr Chan Kwong Chung, Bernard **(Resolution 4)**

   *Mr Chan Kwong Chung, Bernard will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee, the Risk Management Committee and the Nominating Committee of the Company and will be considered independent for the purposes of Rule 704(7) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").*

4. To approve the payment of Directors' fees of S$60,000 for the financial year ended 31 December 2011 (2010: S$90,000). **(Resolution 5)**

5. To re-appoint Messrs Paul Wan & Co., as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may be properly transacted at an AGM.

**AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to allot and issue shares in the capital of the Company**

   "That, pursuant to Section 161 of the Companies Act, Chapter 50. and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors to:-

   (a) (i) allot and issue shares in the capital of 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 may in their absolute discretion deem fit; and

# **Notice of Annual General** Meeting

Registration No: 200300326D

(b) notwithstanding that 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 while this Resolution is 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), to be issued pursuant to this Resolution does not exceed one hundred per cent (100%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculations as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub- paragraph (1) above, the percentage of the total number of issued Shares excluding treasury shares shall be based on the total number of issued Shares excluding treasury shares of the Company at the time this Resolution is passed after adjusting for:-

(i) new Shares arising from the conversion or exercise of any Instruments or any convertible securities;

(ii) new Shares arising from exercising of share options or vesting of share awards outstanding and/or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or sub-division of Shares.

(3) in exercising the authority conferred by this Resolution, the Directors shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is the earlier.

*[See Explanatory Note (i)]* **(Resolution 7)**

# **Notice of Annual General** Meeting

Registration No: 200300326D

8. **Authority to allot and issue shares under the Net Pacific Employee Share Option Scheme**

"That the Directors be and are hereby authorised to offer and grant options in accordance with the Net Pacific Employee Share Option Scheme (the "**Scheme**") and to issue such Shares as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of Shares to be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the issued share capital of the Company (excluding treasury shares) from time to time."

*[See Explanatory Note (ii)]* **(Resolution 8)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Chong Kian Lee
Joint Company Secretaries
Singapore, 13 April 2012

**Explanatory Notes:**

(i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of the above AGM until the date of the next AGM, to allot and issue Shares and convertible securities in the Company. The aggregate number of Shares and convertible securities, which the Directors may allot and issue under this Resolution shall not exceed 100% of the total number of issued Shares excluding treasury shares of the Company at the time of passing this Resolution. For allotment and issue of Shares and convertible securities other than on a *pro-rata* basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be allotted and issued shall not exceed 50% of the total number of issued Shares excluding treasury shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

(ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors, to grant options and to allot and issue shares upon the exercise of such options in accordance with the Scheme.

**Notes:**

1. A Member entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the registered office of the Company at **53A Duxton Road, Singapore 089517** not less than **forty-eight (48)** hours before the time appointed for holding the AGM.

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**NET PACIFIC FINANCIAL HOLDINGS LIMITED**
(Company Registration Number: 200300326D)
(Incorporated in Singapore with limited liability)

# PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

**IMPORTANT:**

1. For investors who have used their CPF monies to buy Net Pacific Financial Holdings Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely 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.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

*I/We, ____________________ (Name)

of ____________________ (Address)

being *a member/members of NET PACIFIC FINANCIAL HOLDINGS LIMITED (the "Company"), hereby appoint:

| **Name** | *** NRIC/Passport No.** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **Number of Shares** | **%** |
| **Address** | | | |

and/or (delete as appropriate)

| **Name** | *** NRIC/Passport No.** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **Number of Shares** | **%** |
| **Address** | | | |

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 1 Robinson Road #18-00 AIA Tower Singapore 048542 on Monday, 30 April 2012 at 3.30 p.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

**(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)**

| No. | Resolutions relating to: | For | Against |
|---|---|---|---|
| 1. | Directors' Report and Audited Accounts for the financial year ended 31 December 2011 | | |
| 2. | Payment of a first and final one-tier tax exempt dividend of 0.57 HK cents per ordinary share in the capital of the Company for the financial year ended 31 December 2011 | | |
| 3. | Re-election of Mr Ong Chor Wei @ Alan Ong as a Director of the Company (Article 107) | | |
| 4. | Re-election of Mr Chan Kwong Chung, Bernard as a Director of the Company (Article 107) | | |
| 5. | Approval of Directors' fees amounting to S$60,000 for the financial year ended 31 December 2011 | | |
| 6. | Re-appointment of Messrs Paul Wan & Co. as Auditors of the Company | | |
| 7. | Authority to allot and issue new shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap 50. | | |
| 8. | Authority to grant options and issue shares under the Net Pacific Employee Share Option Scheme | | |

Dated this __________ day of ____________________ 2012

| Total number of Shares in: | Number of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

____________________________________

*Signature of Shareholder(s)*
*or, Common Seal of Corporate Shareholder*

* Delete accordingly

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at **53A Duxton Road, Singapore 089517** not less than **forty-eight (48)** hours before the time appointed for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her 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 seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name 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.

# Corporate **Information**

## Directors

Ben Lee *(Non-Executive Chairman)*
Ong Chor Wei@Alan Ong *(Chief Executive Officer)*
Kwok Chin Phang *(Chief Operating Officer)*
Chin Fook Lai *(Non-Executive Director)*
Teo Yi-dar (Zhang Yida) *(Independent Director)*
Chan Kwong Chung, Bernard *(Independent Director)*

## Audit Committee

Teo Yi-dar (Zhang Yida) *(Chairman)*
Chan Kwong Chung, Bernard
Chin Fook Lai

## Remuneration Committee

Chan Kwong Chung, Bernard *(Chairman)*
Teo Yi-dar (Zhang Yida)
Ben Lee

## Nominating Committee

Teo Yi-dar (Zhang Yida) *(Chairman)*
Chan Kwong Chung, Bernard
Ben Lee

## Risk Management Committee

Teo Yi-dar (Zhang Yida) *(Chairman)*
Chan Kwong Chung, Bernard
Chin Fook Lai

## Company Secretaries

Gn Jong Yuh Gwendolyn, LLB (Hons)
Chong Kian Lee, CPA

## Registered Office

53A Duxton Road
Singapore 089517
Tel: (65) 6542 3488
Fax: (65) 6542 1933

## Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355

## Auditors

Paul Wan & Co
Public Accountant & Certified Public Accountants, Singapore
A member firm of Morison International
10 Anson Road #35-07/08
International Plaze
Singapore 079903
Partner-in-charge: Mr Wan Tong Chee Paul
Date of appointment: 4 November 2010
(effective from financial year ended 31 December 2010)

## Sponsor

CIMB Bank Berhad, Singapore Branch
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623
Contact person: Ms Tan Cher Ting
Director, Corporate Finance
Tel: +65 6337 5115

利通太平洋金融控股有限公司
Net Pacific Financial Holdings Limited

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