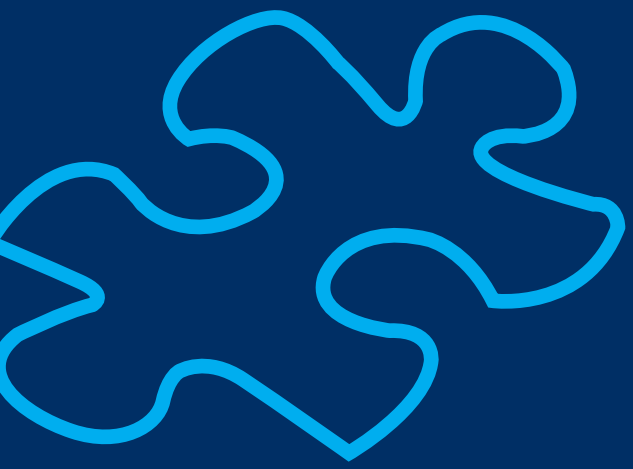
利通太平洋金融控股有限公司
Net Pacific Financial Holdings Limited

# DIVERSIFICATION FOR GROWTH

## Annual Report 2010

# CORPORATE PROFILE



**Net Pacific Financial Holdings Limited,** formerly known as K Plas Holdings Limited, was established in 2003 as a service provider for integrated mould design and fabrication and plastic injection moulding under its Plastic Business, serving customers mainly from consumer electronics, automotive, healthcare and household application industries.

As part of our diversification strategy, we went into the Financing Business and underwent a name change to Net Pacific Financial Holdings Limited in 2010. With long-term stability as our goal and positioned to capitalise on the growth and development of the PRC economy, we focus on creating value by offering small- to mid-sized companies in the PRC and the Hong Kong Special Administrative Region of the PRC access to capital through our financial services under the Financing Business.

In order to channel our resources to growing the Financing Business, we are proposing to dispose of the entire interests in the Plastic Business for approval by the shareholders in a general meeting. Please refer to our circular dated 13 April 2011 relating to the general mandate for the proposed disposal of the Plastic Business for more details.

**Financing Business**
We provide working capital financing, asset–backed loans and mezzanine loans. These loans will be secured by either floating or fixed charge over certain assets or shares of the borrower(s) and/or guaranteed by major shareholder(s) of the borrower(s).

While we focus on providing financing services, where opportunities arise, we may also make investments in companies which have good fundamentals and growth potential. In order to minimise risk to our Group, the 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.

**Plastic Business**
Using the plastic injection moulding process, we manufacture precision engineering plastic components which are used as mechanisms in end-user products such as cameras, game consoles, motor, VCD & DVD players, audio car stereo and ignition systems.

With in-house expertise, we are able to custom-design and fabricate plastic injection moulds according to the specifications of individual customers using machineries and technologies such as EDM, wire cutting, milling, lathe, and CNC-operated or surface grinding machines.

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# CHAIRMAN'S & EXECUTIVE DIRECTORS' MESSAGE

**Dear Shareholders,**
The financial year ended 31 December 2010 ("FY2010") was a noteworthy year for Net Pacific Financial Holdings Limited ("Net Pacific" or the "Group"), formerly known as K Plas Holdings Limited. During the year, we received shareholders' approval for the Group's diversification into the business of provision of financing services ("Financing Business"). With the diversification into the new Financing Business, we are en route to bigger achievements as we embarked on our journey of growth, which we will go on to explain in this letter.

**Challenges in the Plastic Business Continued to Prevail**
The last economic crisis brought significant changes to the global business arena. Although the economic challenges from 2009 were gradually easing out, the Group's operating environment in the provision of plastic injection moulding services ("Plastic Business") remains difficult. In FY2010, our Plastic Business continues to grapple with challenges of intense competition, rising costs of raw materials and increases in the wages of workers in the People's Republic of China ("PRC") as well as falling demand from our customers.

Overall, the Group's revenue has been declining as a result of the competitive environment of the Plastic Business. Despite having implemented ongoing cost-cutting measures to reduce our operating expenses, the Group incurred losses for the last three consecutive financial years including FY2010. We envisage the operating environment for our Plastic Business will remain tough and even deteriorate further with the need for substantial fresh capital investment to cope with the rising working capital requirements.

**Repositioning for Future Growth**
In our circular dated 25 May 2010 to shareholders, we explained how the Group will transit into a provider of financial services positioned to capitalise on the growth and development of the PRC economy.The reason for this is that we have identified that we have the opportunity to gain exposure to the Hong Kong Special Administrative Region of the PRC ("HKSAR") and the PRC because they are amongst the world's largest and fastest growing economies. As part of our diversification strategy into the Financing Business, we underwent a name change to Net Pacific Financial Holdings Limited in June 2010. On the operations front, we are pleased to report that the Financing Business is progressing well with a revenue contribution of S$0.4 million since it began its operations in July 2010.

**Review of FY2010**
For FY2010, the Group recorded a revenue of S$2.4 million, a level which is comparable to the last financial year ended 31 December 2009 ("FY2009") as a result of the weaker demand from the Group's customers. On a segmental basis, the Group's revenue from the Plastic Business which represents approximately 85% of the Group's total revenue in FY2010, decreased to S$2.0 million in FY2010 from S$2.4 million in FY2009. Separately, the contribution from the Financing Business in its five months of operations amounted to S$0.4 million in FY2010, accounting for approximately 15% of the Group's total revenue.

Gross profit for the year in review rose 85% to S$0.3 million in FY2010 from S$0.2 million in FY2009 due to the contribution from the higher margin Financing Business.

Total operating expenses comprising marketing and distribution costs and administrative expenses remained relatively unchanged at S$1.4 million in FY2010 and FY2009. Other operating expenses increased from S$32,000 in FY2009 to S$1.8 million in FY2010 mainly attributed to the impairment loss of plant and equipment of the Group's Plastic Business of S$1.2 million and a foreign exchange loss of S$0.6 million due to the depreciation of the US$ against the S$.

As a result, Net Pacific's continuing operations reported a net loss of S$2.9 million in FY2010 as compared to a net loss of S$1.1 million in FY2009.

In terms of the Group's discontinued operations relating to the operations of C.S.K. Plastic Industries (Shanghai) Co Ltd, which ceased operations since December 2008, net loss remained relatively unchanged at below S$0.1 million in FY2010.

All in all, Net Pacific reported a net loss of S$3.0 million in FY2010.

**Going Forward**
The growth of the Financing Business underpins the growth potential in the businesses, industries and prospects of HKSAR and the PRC. Our Financing Business will provide small- to medium-sized companies, which have operations in the PRC and the HKSAR to access to capital through our financial services. Our Financing Business will enable the Group to enjoy recurring interest income with potential additional return if our customers seek a public listing of their companies.

Moving ahead, we will focus on growing the Financing Business. Given its relatively short operating period, revenue from the Financing Business has already accounted for 15% of the Group's total revenue. At this growth rate, we expect the performance of this business to rapidly outpace the Plastic Business.

In view of the competitive nature of the Plastic Business, we do not foresee a turnaround in this business segment, without a substantial amount of fresh capital injected to meet the escalating working capital requirements. Instead, we have evaluated the feasibility of the Plastic Business and are proposing to dispose of the Group's entire interests in the Plastic Business for approval by shareholders in a general meeting in order to channel its resources to growing the Group's Financing Business (please refer to our circular dated 13 April 2011 relating to the general mandate for the proposed disposal of the Plastic Business for more details). Additionally, we are looking at cautiously deploying our capital resources where we can make the most positive impact.

**Special Thanks**
We would like to thank our Board of Directors, management, staff and shareholders for their continued support as we progressively grow Net Pacific. As the Group contends with persisting operating challenges, we remain steadfast in enhancing the Group's business fundamentals.

Also, we would like to extend our warm welcome to our new directors, Mr Teo Yi-dar (Zhang Yida) and Mr Chan Kwong Chung, Bernard, who joined us on 8 Feb 2010 and 6 April 2010 respectively. Lastly, we would like to express our deepest appreciation and special thanks to Mr Wong Kok Hoe who resigned as Independent Director on 6 April 2010, and Mr Chin Fah and Mr Leong Kin Weng who resigned as Non-Executive Director and Independent Director respectively on 19 November 2010 for their dedication and guidance in helping to steer the Group in the right strategic direction for sustainable development.

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

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

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

*13 April 2011*

# 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 ("metal recycling") 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. Mr Lee was also previously a committee member of the Bureau of International Recycling.

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

**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 was re-designated as Executive Director of the Company and assumed the responsibilities of Chief Executive Officer from June 2010.

Mr Ong is currently a non-executive director of Joyas International Holdings Limited and Jets Technics International Holdings Limited, both 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 listed on the main board of the Stock Exchange of Hong Kong Limited. Mr Ong has over 20 years of experience in financial and accounting. Mr Ong holds a Bachelor of Laws degree from the London School of Economic 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 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.

**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 was re-designated as Executive Director of the Company and assumed the responsibilities of Chief Operating Officer from June 2010.

Mr Kwok is currently the Managing 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 mergers 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 the 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 was appointed 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.

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

**CHAN KWONG CHUNG BERNARD**
*Independent Director*

Mr Chan Kwong Chung, Bernard was appointed 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.

# MANAGEMENT TEAM

**Tan Kim Liang**
*Head of Operations, K Plas Hi-Tech (Shanghai) Co Ltd & K Plas Hi-Tech Tooling (Shanghai) Co Ltd*

Mr Tan Kim Liang is the Head of Operations for K Plas Hi-Tech (Shanghai) Co Ltd and K Plas Hi-Tech Tooling (Shanghai) Co Ltd, and is responsible for managing the overall operations of the two plants operated by these subsidiaries of the Company.

Mr Tan has more than 30 years of experience in the plastic injection moulding industry. Prior to joining the Group as Factory Manager in 2005, Mr Tan was operating his own company from 1986 to 2002, and working as a factory manager with various companies in the plastic injection moulding industry from 2002 to 2005.

**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 positions covering auditing, accounting and financial positions in the commercial, manufacturing and public accounting sectors in Singapore and Taiwan.

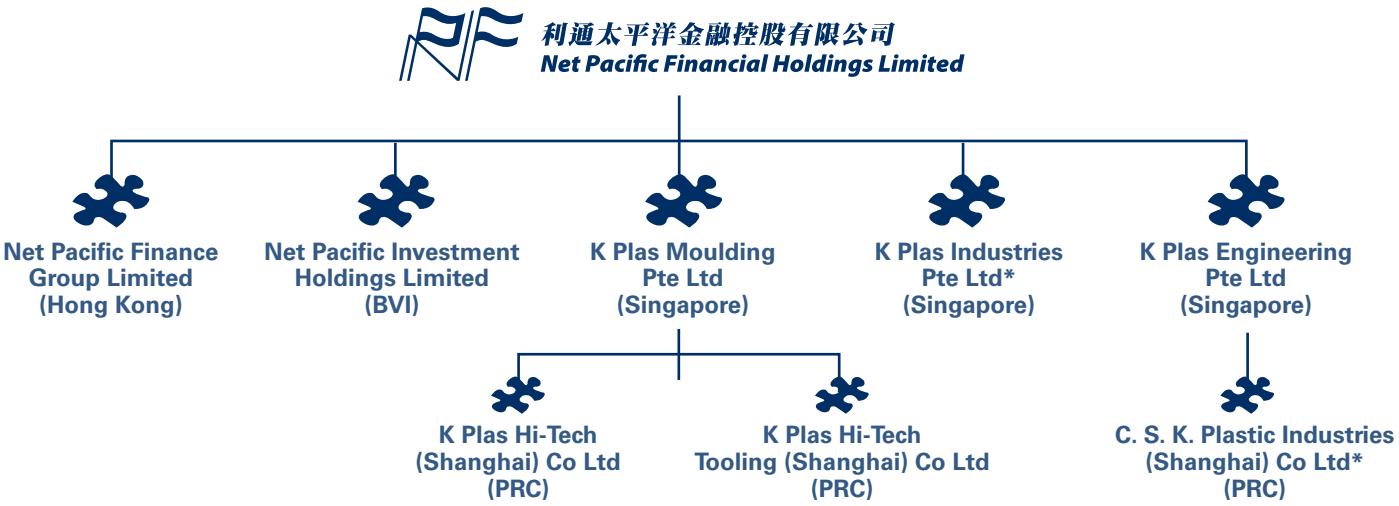
Ms Chong is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore and holds a Bachelor of Accountancy degree from the National University of Singapore.

**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 (SHRI) 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




* K Plas Industries Pte Ltd and C. S. K. Plastic Industries (Shanghai) Co., Ltd are in the process of members' voluntary winding up.

# Corporate Governance Report

The board of directors ("**Board**") of **Net Pacific Financial Holdings Limited** (the "**Company**") is committed to maintaining a high standard of corporate governance by developing procedures and policies within the Company and its subsidiaries (the "**Group**") in conformity with the Code of Corporate Governance 2005 (the "**Code**"). This report outlines the corporate governance framework and practices of the Company in respect of the financial year ended 31 December 2010 ("**FY2010**").

## BOARD MATTERS

### Principle 1 The Board's conduct of its affair

The Board has overall responsibility of the corporate governance and the management of the Group.

The Board provides entrepreneurial leadership and ensures that the Group has the necessary financial and human resources in place for it to achieve its objectives. Apart from statutory responsibilities, the Board also reviews, approves and sets the Group's policies, strategies and directions, annual budgets, major investments and funding decisions. The Board has established a framework of prudent and effective controls to assess and manage risks and it also reviews and evaluates the Group's financial performance and management performance to ensure that proper internal controls and risk management processes are in place. The Board works closely with the management on the business and affairs of the Group, and is supported by 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**").

The Board meets regularly and as and when necessary to discuss and address any significant matters of the Group, and to approve, any financial and business objectives and strategies. Other matters may also be put to the Board for approval by way of circulating resolutions in writing in between meetings. The Articles of Association of the Company ("**Articles**") provide for participation from Directors via telephone conference, video conferencing and other communication medium to ensure meetings are held regularly with maximum participation from Directors. In order to safeguard the interests of the Company, all Directors are required to take decisions objectively.

The attendance of the Directors at meetings of the Board and Board committees is as follows:

| | Board | Audit Committee* | Remuneration Committee | Nominating Committee |
|---|---|---|---|---|
| No of meetings held in FY2010 | 3 | 3 | 1 | 1 |
| **Name of Director** | | | | |
| Ben Lee (1) | 2 | NA | – | – |
| Ong Chor Wei@Alan Ong (2) | 3 | 1 | 1 | NA |
| Kwok Chin Phang (3) | 3 | NA | NA | 1 |
| Chin Fook Lai (4) | 2 | – | NA | – |
| Teo Yi-dar (5) | 3 | 3 | 1 | 1 |
| Chan Kwong Chung, Bernard (6) | 2 | 2 | – | – |
| Chin Fah (7) | 3 | – | – | – |
| Leong Kin Weng (8) | 3 | 3 | – | – |
| Wong Kok Hoe (9) | 1 | – | 1 | 1 |
| Chan Siew Lim (10) | – | NA | NA | NA |

* The Company did not hold separate meetings for its RMC as members of the RMC are the same as members of the AC.

# Corporate Governance Report

Notes:

(1) Mr Ben Lee was appointed as the Company's Non-Executive Chairman on 8 February 2010. Mr Lee is also a member of the NC and RC from 19 November 2010. There was no NC and RC meeting held during his term as a member of the NC and the RC.

(2) Mr Ong Chor Wei@Alan Ong was appointed as Non-Executive Director on 8 February 2010. Mr Ong was a member of the AC and the RC from 8 February 2010 until he resigned on 6 April 2010. Mr Ong was re-designated as Executive Director and assumed the responsibilities of Chief Executive Officer from 18 June 2010. Mr Ong attended all the meetings during his term as a member of the AC and RC.

(3) Mr Kwok Chin Phang was appointed as Non-Executive Director on 8 February 2010. Mr Kwok was a member of the NC from 8 February 2010 until he resigned on 6 April 2010. Mr Kwok was re-designated as Executive Director and assumed the responsibilities of Chief Operating Officer from 18 June 2010. Mr Kwok attended all the meetings during his term as a member of the NC.

(4) Mr Chin Fook Lai was the Company's Non-Executive Chairman and a member of the NC until 7 February 2010. There was no NC meeting held during his term as a member of the NC. Mr Chin is also a member of the AC from 19 November 2010. There was no AC meeting held during his term as a member of the AC.

(5) Mr Teo Yi-dar (Zhang Yida) was appointed as Independent Director and Chairman of the AC, RC and NC on 8 February 2010. He resigned as chairman of the RC on 6 April 2010 but remained as a member of the RC.

(6) Mr Chan Kwong Chung, Bernard was appointed as Independent Director on 6 April 2010. He is also the Chairman of the RC and a member of the AC and NC. Mr Chan attended all the meetings during his term as a member of the AC. There were no meetings held for the RC and the NC after he was appointed.

(7) Mr Chin Fah was a member of the AC and RC until 8 February 2010. He was a member of the NC and RC from 6 April 2010 until he resigned from the Board on 19 November 2010. There were no meetings held during his two terms as a member of the AC/RC and the NC/RC.

(8) Mr Leong Kin Weng was the Chairman of the AC and the RC and a member of the NC until 8 February 2010. He remained as a member of the AC from 8 February 2010 until he resigned from the Board on 19 November 2010. Mr Leong attended all the meetings during his term as a member of the AC. There were no RC and NC meetings held during his term as a member of the RC and the NC.

(9) Mr Wong Kok Hoe was the Chairman of the NC and a member of the AC and the RC until 8 February 2010. He remained as a member of the NC and the RC until he resigned from the Board on 6 April 2010. Mr Wong attended all the meetings held during his term as a member of the RC and NC. There were no AC meetings held during his term as a member of the AC.

(10) Mr Chan Siew Lim resigned as the Company's Executive Director on 8 February 2010. There was no meeting held during his term as a director of the Company.

The Company makes available continuous and on-going training programmes to the Directors, including courses on Directors' duties and responsibilities as well as seminars and talks on relevant subject fields.

The Directors are conscious of the importance of continuing education in areas such as legal and regulatory responsibility and accounting issues and regularly update and refresh themselves on matters that affect their performance as a Board, or as a Board Committee member. Accordingly, further training for Directors will extend to relevant new laws, regulations and changing commercial risks from time to time.

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

# Corporate Governance Report

**Principle 2 Board's composition and balance**

The Board at the beginning of FY2010 comprised five (5) members as follows:

| Name | Position |
|---|---|
| Mr Chin Fook Lai | Non-Executive Chairman and member of NC |
| Mr Chin Fah | Non-Executive Director, member of AC and RC |
| Mr Chan Siew Lim | Managing Director |
| Mr Leong Kin Weng | Independent Director, chairman of AC and RC and member of NC |
| Mr Wong Kok Hoe | Independent Director, chairman of NC and member of AC and RC |

Upon the completion of the placement of 100,000,000 new ordinary shares in the capital of the Company to Full Join Holdings Limited on 8 February 2010 ("**Placement**"), Mr Ben Lee, Mr Ong Chor Wei@Alan Ong, Mr Kwok Chin Phang and Mr Teo Yi-dar (Zhang Yida) were appointed onto the Board and Mr Chan Siew Lim has resigned as a Director. The Company's various committees have also been reconstituted.

The Board after the completion of the Placement on 8 February 2010 has eight (8) members, comprising five (5) non-executive and non-independent Directors and three (3) non-executive independent Directors as follows:

| Name | Position |
|---|---|
| Mr Ben Lee | Non-Executive Chairman |
| Mr Ong Chor Wei@Alan Ong | Non-Executive Director, member of AC and RC |
| Mr Kwok Chin Phang | Non-Executive Director, member of NC |
| Mr Chin Fook Lai | Non-Executive Director |
| Mr Chin Fah | Non-Executive Director |
| Mr Teo Yi-dar (Zhang Yida) | Independent Director, chairman of AC, RC and NC |
| Mr Leong Kin Weng | Independent Director, member of AC |
| Mr Wong Kok Hoe | Independent Director, member of NC and RC |

On 6 April 2010, Mr Wong Kok Hoe resigned as an Independent Director for his own personal reasons, and Mr Chan Kwong Chung, Bernard was appointed as an Independent Director on the same day. The Company's various committees have also been reconstituted.

The Board after the above resignation and appointment of Directors on 6 April 2010 has eight (8) members, comprising five (5) non-executive and non-independent Directors and three (3) non-executive independent Directors as follows:

| Name | Position |
|---|---|
| Mr Ben Lee | Non-Executive Chairman |
| Mr Ong Chor Wei@Alan Ong | Non-Executive Director |
| Mr Kwok Chin Phang | Non-Executive Director |
| Mr Chin Fook Lai | Non-Executive Director |
| Mr Chin Fah | Non-Executive Director, member of RC and NC |
| Mr Teo Yi-dar (Zhang Yida) | Independent Director, chairman of AC and NC and member of RC |
| Mr Leong Kin Weng | Independent Director, member of AC |
| Mr Chan Kwong Chung, Bernard | Independent Director, chairman of RC and member of AC and NC |

# Corporate Governance Report

On 18 June 2010, following the approval of shareholders for the proposed diversification into the business of the provision of financing services ("**Diversification into the Financing Business**"), Mr Ong Chor Wei@Alan Ong and Mr Kwok Chin Phang were re-designated as Executive Directors and assumed the responsibilities of Chief Executive Officer and Chief Operating Officer respectively. The Company's various committees have also been reconstituted.

The Board on 18 June 2010 has eight (8) members, comprising two (2) executive Directors, three (3) non-executive and non-independent Directors and three (3) non-executive independent Directors as follows:

| Name | Position |
|---|---|
| Mr Ben Lee | Non-Executive Chairman |
| 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 |
| Mr Chin Fah | Non-Executive Director, member of RC and NC |
| Mr Teo Yi-dar (Zhang Yida) | Independent Director, chairman of AC, RMC and NC and member of RC |
| Mr Leong Kin Weng | Independent Director, member of AC and RMC |
| Mr Chan Kwong Chung, Bernard | Independent Director, chairman of RC and member of AC, RMC and NC |

As at the date of this report, the Board has six (6) members, comprising of two (2) executive Directors, two (2) non-executive and non-independent Directors and two (2) non-executive independent Directors after resignation of Mr Chin Fah and Mr Leong Kin Weng on 19 November 2010:

| Name | Position |
|---|---|
| Mr Ben Lee | Non-Executive Chairman and member of NC and RC |
| 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 AC and RMC |
| Mr Teo Yi-dar (Zhang Yida) | Independent Director, chairman of AC, RMC and NC and member of RC |
| Mr Chan Kwong Chung, Bernard | Independent Director, chairman of RC and member of AC, RMC and NC |

Given the current size and scope of operations of the Group, the current Board is of the view that there is a good balance between the Executive, Non-Executive and Independent Directors and an adequate independent element on the Board for objective judgement of the corporate affairs of the Group with two (2) independent directors out of six (6) Board members.

**Principle 3 Chairman and Chief Executive Officer**

The Group was headed by its Non-Executive Chairman, Mr Chin Fook Lai and Managing Director, Mr Chan Siew Lim before the completion of the Placement.

Mr Chin Fook Lai was responsible for the workings of the Board, and together with the AC, in ensuring the Board's compliance with the corporate governance process, while Mr Chan Siew Lim had full executive responsibilities in the overall management, investment decisions, direction and policies, as well as expansion and growth of the Group.

Following the completion of the Placement, Mr Ben Lee was appointed as the Non-Executive Chairman of the Company and Mr Chan Siew Lim had resigned as a Director. Mr Chan had also resigned as the Managing Director of the Company on 4 May 2010. The roles and responsibilities of the Managing Director were undertaken by Mr Ong Chor Wei@Alan Ong, the Company's Non-Executive Director, and supported by the Group's head of operations based in China during the interim period.

# Corporate Governance Report

On 18 June 2010, following the approval of shareholders for the Diversification into the Financing Business, Mr Ong Chor Wei@Alan Ong and Mr Kwok Chin Phang were re-designated as Executive Directors and assumed the responsibilities of Chief Executive Officer and Chief Operating Officer respectively.

As the Chief Executive Officer of the Group, Mr Ong Chor Wei@Alan Ong 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. He is also responsible for the establishment, development and expansion of the Group's financing business.

Mr Kwok Chin Phang, as the Chief Operating Officer of the Group, is responsible for implementing the Group's strategies and business plans. Mr Kwok is also responsible for exploring suitable opportunities in the financing business, including assessing investment opportunities and evaluating financing proposals.

Mr Ben Lee, who is the Non-Executive Chairman, and Mr Ong Chor Wei@Alan Ong, who is the Chief Executive Officer of the Group, are not related to each other. As no one individual holds a considerable concentration of power, the Board considers to have met the objective of the Code.

**Principle 4 Board membership**
**Principle 5 Board performance**

The NC at the beginning of FY2010 comprised the following members, the majority of whom, including the chairman of the NC, were independent Directors.

| Name | Position |
|---|---|
| Wong Kok Hoe | Chairman, Independent Director |
| Leong Kin Weng | Member, Independent Director |
| Chin Fook Lai | Member, Non-Executive Chairman |

The NC was reconstituted during FY2010 following the completion of the Placement, Diversification into Financing Business, resignation of Mr Wong Kok Hoe on 6 April 2010 and resignations of Mr Chin Fah and Mr Leong Kin Weng on 19 November 2010. As at the date of this report, the NC comprised the following members, the majority of whom, including the chairman of the NC, are independent Directors:

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

The NC is responsible for all matters pertaining to Board appointments and re-nominations, having regard to the experience and background for new appointments, and contribution and performance of each Director for re-appointments. The NC also evaluates the Board's performance as a whole and the contribution of each Director to the effectiveness of the Board in accordance with the assessment process, and determines annually whether or not a Director is independent. The Board's performance is a function of the experience and expertise that each of the Directors bring with them. The NC assesses the Board's effectiveness as a whole taking into consideration a number of factors such as the size and composition of the Board, the Board's access to information, participation in Board proceeding and the communications and guidance given by the Board to the management. The criteria for evaluation of the performance of individual Directors include the level of participation, attendance at Board and Board committees' meetings and the individual Director's functional expertise.

The Articles provide that at every annual general meeting of the Company ("**AGM**"), not less than one third of the Directors and all newly appointed Directors are required to retire by rotation at the next AGM. The retiring Directors are eligible to offer themselves for re-election.

# Corporate Governance Report

The current NC (saved that a member shall abstain from recommending his own re-election), has recommended to the Board the re-election of two (2) Directors namely Mr Ben Lee and Mr Teo Yi-dar (Zhang Yida) whom are retiring by rotation pursuant to Article 107 at the forthcoming AGM. The Board has accepted the NC's recommendation. Accordingly, all the above-mentioned Directors will be offering themselves for re-election at the upcoming AGM.

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 recommending 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**").

The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.

**Principle 6 Access to information**

The Board receives regular and timely reports on material operational and financial matters of the Group from the management to enable them to be fully informed of the decisions and actions of the management.

All Directors have unrestricted and independent access to the management and company secretaries on all matters whenever they deem necessary. In addition, the Board or an individual Board member may seek independent professional advice, if necessary, at the Company's expense.

The company secretaries attend all Board meetings and are responsible to ensure that Board procedures are followed. Management works closely with the company secretaries to ensure compliance with all relevant rules and regulations which are applicable to the Company, in particular the Singapore Companies Act, Cap. 50. and the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").

**Principle 7 Procedures for developing remuneration policies**

The RC at the beginning of FY2010 comprised the following members, the majority of whom, including the chairman of the RC, were independent Directors.

| Name | Position |
|---|---|
| Leong Kin Weng | Chairman, Independent Director |
| Wong Kok Hoe | Member, Independent Director |
| Chin Fah | Member, Non-Executive Director |

The RC was reconstituted during FY2010 following the completion of the Placement, the Diversification into the Financing Business, resignation of Mr Wong Kok Hoe on 6 April 2010 and resignations of Mr Chin Fah and Mr Leong Kin Weng on 19 November 2010. As at the date of this report, the RC comprised the following members, the majority of whom, including the chairman of the NC, are independent Directors:

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

# Corporate Governance Report

The RC reviews and recommends to the Board the remuneration packages including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind, for all Directors and key executives. In reviewing the remuneration packages for Executive Directors and key executives to be competitive and sufficient enough to attract, retain and motivate them to run the Group effectively, the RC will make comparative study of the remuneration packages in comparable industries, taking into consideration responsibilities, skills, experience and contributions to the Group.

Each member of the RC will abstain from voting and discussions on any resolutions in respect of his or her own remuneration package.

If necessary, the RC will seek expert advice inside and/or outside the Company on remuneration of all Directors.

**Principle 8 Level and mix of remuneration**
**Principle 9 Disclosure on remuneration**

Non-Executive Directors receive Directors' fees in accordance with their level of contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board committees. Directors' fees of S$90,000 payable to the six (6) Non-Executive Directors who served in FY2010, including Mr Chin Fah and Mr Leong Kin Weng who have resigned in November 2010, are recommended by the Board for approval by shareholders at the Company's AGM.

Mr Ong Chor Wei@Alan Ong, the Company's Chief Executive Officer and Mr Kwok Chin Phang, the Company's Chief Operating Officer are remunerated based on their service agreements with the Company for an initial term of three (3) years with effect from 18 June 2010.

The following table shows the level and mix of remuneration (in percentage terms) in FY2010 for the Directors and top 3 key executives of the Group in office during FY2010:

| Remuneration Bands | Salary (%) | Bonus (%) | Fees (%) | Other benefits (%) | Total (%) |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| **Below S$250,000** | | | | | |
| Ben Lee | – | – | 100 | – | 100 |
| Ong Chor Wei@Alan Ong | 100 | – | – | – | 100 |
| Kwok Chin Phang | 100 | – | – | – | 100 |
| Chin Fook Lai | – | – | 100 | – | 100 |
| Teo Yi-dar (Zhang Yida) | – | – | 100 | – | 100 |
| Chan Kwong Chung, Bernard | – | – | 100 | – | 100 |
| Chin Fah (1) | – | – | 100 | – | 100 |
| Leong Kin Weng (1) | – | – | 100 | – | 100 |
| Chan Siew Lim (2) | 94 | – | – | 6 | 100 |
| **Key executives** (3) | | | | | |
| **Below S$250,000** | | | | | |
| Tan Kim Liang | 88 | 8 | – | 4 | 100 |
| Chong Kian Lee | 93 | 7 | – | – | 100 |
| Chin Nyok Tow (4) | 93 | 7 | – | – | 100 |

Notes:

(1) Mr Chin Fah and Mr Leong Kin Weng resigned on 19 November 2010.

(2) Mr Chan Siew Lim resigned as the Company's Executive Director on 8 February 2010.

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

(4) Ms Chin Nyok Tow is the sister of Mr Chin Fook Lai, the Company's Non-Executive Director.

# Corporate Governance Report

The Company does not have any employee who is related to any of the Directors or substantial shareholders of the Company whose remuneration exceeded S$150,000 during FY2010.

The Company has adopted the Net Pacific Employee Share Option Scheme (the "Scheme") which was approved by the Company's shareholders on 15 February 2011. The Scheme is administered by the RC comprising Chan Kwong Chung, Bernard, Teo Yi-dar (Zhang Yida) and Ben Lee as at the date of this report.

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 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.

No Options has been granted by the Company since the date of approval of the Scheme. Accordingly, the disclosure requirements under Rule 851(1)(b), (c) and (d) of the Catalist Rules are not applicable.

**Principle 11 Audit committee**

The AC at the beginning of FY2010 comprised the following members, the majority of whom, including the chairman of the AC, were independent Directors.

| Name | Position |
|---|---|
| Leong Kin Weng | Chairman, Independent Director |
| Wong Kok Hoe | Member, Independent Director |
| Chin Fah | Member, Non-Executive Director |

The AC was reconstituted during FY2010 following the completion of the Placement, the Diversification into the Financing Business, resignation of Mr Wong Kok Hoe on 6 April 2010 and resignations of Mr Chin Fah and Mr Leong Kin Weng on 19 November 2010. As at the date of this report, the AC comprised the following members, the majority of whom, including the chairman of the AC, are independent Directors:

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

# Corporate Governance Report

The duties and responsibilities of the AC are:

(a) Reviewing with the internal and external auditors of the Company the audit plans, their evaluation of the system of internal controls of the Group, their audit reports, their management letters and management's responses;

(b) Reviewing the half-year and full-year financial statements of the Group before submission to the Board for approval;

(c) Reviewing problems and concerns, if any, arising from the audits, and any matters which the external auditors of the Company may wish to discuss with the AC without the presence of the management at least annually;

(d) Reviewing the independence and objectivity of the external auditors of the Company annually especially where the external auditors of the Company also provide non-audit services to the Company to ensure that independence and objectivity is not impaired;

(e) Examining the scope of internal audit procedures and the results of the internal audit;

(f) Reviewing with management and the internal and external auditors of the Company the adequacy and effectiveness of the Company's internal controls and matters arising from and requiring the attention of Board;

(g) Reviewing transactions falling within Chapter 9 of the Catalist Rules;

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

(i) Making recommendation to the Board on the appointment or re-appointment of the external auditors of the Company, the audit fees and matters relating to their resignation or dismissal.

In discharging the above duties, the AC meets at least twice a year to review the half-year and full-year results announcements of the Company before being approved by the Board for release to the SGX-ST. The AC confirms that it has full access to and co-operation of the management of the Company and is given full discretion to invite any Directors to attend its meetings.

The AC met with the external auditors of the Company separately without the presence of the management to review any area of audit concern. The AC has also noted that there were no non-audit services provided by the external auditors to the Group in FY2010. The AC is satisfied that the nature and extent of such services will not prejudice the independence of the external auditors. The AC has recommended to the Board the nomination of Messrs Paul Wan & Co for re-appointment as external auditors of the Company at the forthcoming AGM.

**Whistle-blowing policy**

The Company has adopted a whistle-blowing policy. The policy is intended to conform to the guidance set out in the Code which encourages employees to raise concerns, in confidence, about possible corporate improprieties in matters of financial reporting or other matters to the AC. It aims to provide an avenue for employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimization for whistle blowing in good faith within the limits of the law.

The AC exercises the administration of the policy. If applicable, periodic reports will be submitted to the AC stating the number and the complaints received, the results of the investigations, follow up actions and the unresolved complaints.

There was no complaint received up to the date of this report.

# Corporate Governance Report

**Principle 12 Internal controls**
**Principle 13 Internal audit**

The Board acknowledges the importance of maintaining a sound system of internal controls to safeguard the interests of shareholders of the Company and the Group's assets. The AC is tasked to oversee and review the effectiveness of material internal controls within the Group with the assistance of the external and internal auditors of the Company.

As the Company is currently undergoing restructuring following the completion of the Placement and the Diversification into the Financing Business, the AC concluded that it would not be cost and time effective to outsource the internal audit function in relation to the operations and size of the Company for the year under review. The internal audit function was assumed by the Company's finance team under the AC's supervision. The AC, having reviewed the findings of the Company's finance team for the year under review, is satisfied that there are adequate internal controls in the Company.

The AC will review the situation and would recommend to out-source the internal audit function to professional accounting firm once the need arises.

**Principle 10 Accountability**
**Principle 14 Communication with shareholders**
**Principle 15 Greater shareholder participation**

The Company's disclosure policy requires timely and full disclosure of all material information of major developments that impact the Group by way of public releases or announcements through the SGXNET and investor relations channels on our website (http://www.kplas.com.sg).

All shareholders of the Company will receive the annual report of the Company and notice of AGM within the mandatory period. The Board regards the AGM as an opportunity to communicate directly with the Company's shareholders and encourages shareholders' participation at the AGM. The chairpersons of the various Board committees and the external auditors of the Company are normally present at the AGM to address any queries by shareholders.

## DEALINGS IN SECURITIES

The Company has adopted an internal code which prohibits dealings in the Company's securities by Directors, management and officers of the Company who have access to price sensitive information during the period commencing one month before the announcement of the Group's half-year and full-year results and ending on the date of the announcement of such results. Directors and executives of the Company are also advised not to deal with the Company's shares for short-term considerations and are expected to observe the insider trading laws at all times even when dealing in the Company's securities within the permitted trading period.

## RISK MANAGEMENT

In connection with the Diversification into the Financing Business, 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 Financing Business to understand the background of the borrowers and risk exposure of the group on a quarterly basis.

# Corporate Governance Report

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, 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 RMC and AC.

## INTERESTED PERSON TRANSACTIONS

The Company has procedures in place governing all interested person transactions to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders. All interested person transactions will be subject to periodic reviews by the AC.

The Company confirms that there was no interested person transaction which exceeded S$100,000 in value during the year under review.

| Name of interested person | Aggregate value of all interested person transactions conducted during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding less than $100,000) |
|---|---|---|
| – | – | – |

## USE OF PROCEEDS

Pursuant to the Placement, the Company issued 100,000,000 new ordinary shares in the capital of the Company at S$0.06 each on 8 February 2010. The total net proceeds of S$5.9 million raised from the Placement has been fully utilised for the Financing Business undertaken by the Company's subsidiary, Net Pacific Finance Group Limited, in accordance with the intended use as disclosed in the Company's circular dated 21 January 2010 in relation to the Placement.

On 18 June 2010, the Company also obtained the approval of its shareholders for (i) 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 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 disregarded (the "**Share Consolidation**").

Pursuant to the Rights cum Warrants Issue and the Share Consolidation which were completed on 22 July 2010 and 28 July 2010 respectively, the Company raised total net proceeds of approximately S$17.0 million for the operations of the Financing Business. As at the date of this report, the Company has utilised approximately S$12.7 million from the proceeds from the Rights cum Warrant Issue for the Financing Business. The utilization is consistent with the intended use as disclosed in the Offer Information Statement dated 25 May 2010. The Company will make further announcements as and when the remaining proceeds from the Rights cum Warrants Issue are materially utilised.

# Corporate Governance Report

## MATERIAL CONTRACTS

The Company's subsidiary, Net Pacific Finance Group Limited, has on 10 January 2011 entered into a subscription agreement to subscribe for 1,250 convertible preference shares (the "**CPS**") in the capital of Le On Trading Limited ("**Le On**") at a subscription price of HK$24,000 per CPS, representing an aggregate subscription amount of HK$30.0 million (the "**Subscription**"). The Subscription was undertaken as part of the Financing Business of the Company to invest in companies with good fundamentals and growth potential.

Le On is an investment holding company incorporated in the British Virgin Islands with wholly-owned subsidiaries, Bright Luck Trading Limited, Wang Kei Yip Development Limited and Grand Billion Development Limited, principally involved in the business of scrap recycling, processing, production and sale of aluminum ingot.

Mr Ben Lee, the Non-Executive Chairman of the Company and a controlling shareholder, is the legal and beneficial owner of 50% of the total issued and paid up share capital of Le On. Mr Ben Lee is a passive shareholder of Le On and is not involved in the management of Le On and its subsidiaries.

Le On is considered an "interested person" of the Company pursuant to Chapter 9 of the Catalist Rules and the Subscription constituted an "interested person transaction" within the meaning of Chapter 9 of the Catalist Rules. As the Subscription exceeds the financial threshold prescribed under Rule 906(1)(a) of the Catalist Rules, being 5.0% of the latest audited net tangible assets of the Group, the Subscription was therefore subject to the approval of shareholders. The Company had on 15 February 2011 obtained shareholders' approval for the Subscription.

The Subscription was funded with the proceeds from the Rights cum Warrants Issue and completed on 18 February 2011.

Save 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 shareholder 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.

## CONTINUING SPONSOR

During FY2010, the Company paid S$159,673 to its continuing sponsor, CIMB Bank Berhad, Singapore Branch ("Continuing Sponsor"), being fees paid mainly for engaging the Continuing Sponsor as financial adviser in relation to the Placement, the Diversification into the Financing Business, and as manager in relation to the Rights cum Warrants Issue. Save as disclosed above, there were no fees relating to non-sponsorship activities paid to the Continuing Sponsor during FY2010.

# Financial Statements

# Directors' Report

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Net Pacific Financial Holdings Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2010.

## 1. DIRECTORS

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

Non-Executive Chairman:
Ben Lee (Appointed on 8 February 2010)

Executive Directors:
Ong Chor Wei@Alan Ong (Appointed on 8 February 2010)
Kwok Chin Phang (Appointed on 8 February 2010)

Non-Executive Director:
Chin Fook Lai

Independent Directors:
Teo Yi-dar (Zhang Yida) (Appointed on 8 February 2010)
Chan Kwong Chung Bernard (Appointed on 6 April 2010)

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

Neither at the end of the financial year nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company 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, DEBENTURES OR CONVERTIBLE SECURITIES

The Directors of the Company holding office at the end of the financial year had no interests in the shares, debentures and convertible securities of the Company and related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50. (the "Act") except as follows:

| | Shareholdings registered in the name of Director | | Shareholdings in which a Director is deemed to have an interest | |
|---|---|---|---|---|
| **Name of Directors** | **At 31.12.2010** | **At 31.12.2009** | **At 31.12.2010** | **At 31.12.2009** |
| ***The Company*** | | | | |
| Ben Lee | – | – | 300,000,000 | – |
| Ong Chor Wei@Alan Ong | – | – | 300,000,000 | – |
| Chin Fook Lai | 6,172,400 | 20,194,800 | 62,850,000 | 7,700,000 |

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.

The Directors' interests in the shares of the Company as at 21 January 2011 were the same as those at the end of the financial year.

# Directors' Report

## 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 in disclosed in the financial statements.

## 5. SHARE OPTIONS

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

During the financial 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.

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

## 6. AUDIT COMMITTEE

The members of the audit committee during the financial year are:

| | | |
|---|---|---|
| Wong Kok Hoe | (Independent Director) | (Resigned on 6 April 2010) |
| Chin Fah | (Non-executive Director) | (Resigned on 6 April 2010) |
| Ong Chor Wei@Alan Ong | (Non-executive Director) | (Appointed on 8 February/Resigned on 6 April 2010) |
| Teo Yi-dar (Zhang Yida) | (Independent Director) | (Appointed on 8 February 2010) |
| Chan Kwong Chung Bernard | (Independent Director) | (Appointed on 6 April 2010) |
| Leong Kin Weng | (Independent Director) | (Resigned on 19 November 2010) |
| Chin Fook Lai | (Non-Executive Director) | (Appointed on 19 November 2010) |

The members of the audit committee at the date of this report are:

| | | |
|---|---|---|
| Teo Yi-dar (Zhang Yida) | (Independent Director) | (Appointed on 8 February 2010) |
| Chan Kwong Chung Bernard | (Independent Director) | (Appointed on 6 April 2010) |
| Chin Fook Lai | (Non-Executive Director) | (Appointed on 19 November 2010) |

The audit committee carried out its functions in accordance with Section 201B(5) of the Act, the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist and the Code of Corporate Governance. The functions are detailed in the "Corporate Governance Report" included in the annual report.

The audit committee is satisfied with the independence and objectivity of the external auditor and has nominated Paul Wan & Co for re-appointment as independent auditor of the Company 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 Board of Directors

**Ben Lee**
Non-Executive Chairman

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

18 March 2011

# Statement by Directors

In the opinion of the Directors,

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 22 to 59 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company 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 Board of Directors

**Ben Lee**
Non-Executive Chairman

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

18 March 2011

# 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 (collectively, the "Group") set out on pages 22 to 59, which comprise the statements of financial position of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements for the financial year ended 31 December 2009 were audited by another auditors whose report dated 10 March 2010 expressed an unqualified opinion.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide 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 and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the 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**

18 March 2011

# Consolidated Statement of Comprehensive Income

For the Financial Year ended 31 December 2010

| | Note | 2010 S$'000 | 2009 S$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 4 | **2,361** | 2,379 |
| Cost of sales | | **(2,026)** | (2,198) |
| **Gross profit** | | **335** | 181 |
| Other income | | **2** | 1 |
| Other credits | 5 | **20** | 99 |
| Marketing and distribution costs | | **(107)** | (75) |
| Administrative expenses | | **(1,280)** | (1,306) |
| Other expenses | 6 | **(1,831)** | (32) |
| **Loss before tax** | 7 | **(2,861)** | (1,132) |
| Income tax (expense)/credit | 9 | **(54)** | 19 |
| **Loss from continuing operations, net of tax** | | **(2,915)** | (1,113) |
| Loss from discontinued operations, net of tax | 10 | **(54)** | (64) |
| **Loss for the financial year** | | **(2,969)** | (1,177) |
| **Other comprehensive loss, net of tax:** | | | |
| Currency translation differences on foreign operations | | **(181)** | (74) |
| **Total comprehensive loss for the financial year** | | **(3,150)** | (1,251) |
| **Loss attributable to:** | | | |
| Equity holders of the Company | | **(2,948)** | (1,121) |
| Non-controlling interests | | **(21)** | (56) |
| | | **(2,969)** | (1,177) |
| **Total comprehensive loss attributable to:** | | | |
| Equity holders of the Company | | **(3,105)** | (1,191) |
| Non-controlling interests | | **(45)** | (60) |
| | | **(3,150)** | (1,251) |
| **Loss per share (cents):** | | | |
| Basic and diluted – continuing operations | 11 | **(1.04)** | (1.12) |
| Basic and diluted – discontinued operations | 11 | **(0.01)** | (0.01) |

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

# Statements of Financial Position

As at 31 December 2010

| | Note | The Group 2010 S$'000 | The Group 2009 S$'000 | The Company 2010 S$'000 | The Company 2009 S$'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Plant and equipment | 12 | **540** | 2,177 | **2** | 4 |
| Investment in subsidiaries | 13 | **–** | – | **2,834** | 5,115 |
| **Total non-current assets** | | **540** | 2,177 | **2,836** | 5,119 |
| **Current assets** | | | | | |
| Inventories | 14 | **260** | 153 | **–** | – |
| Trade receivables | 15 | **621** | 657 | **–** | – |
| Loans and advances | 16 | **10,381** | – | **–** | – |
| Other receivables | 17 | **211** | 189 | **12,463** | 236 |
| Assets held for sale | 18 | **–** | 55 | **–** | – |
| Cash and cash equivalents | 19 | **12,322** | 1,590 | **9,470** | 409 |
| | | **23,795** | 2,644 | **21,933** | 645 |
| Current assets associated with discontinued operations | 20(a) | **835** | 942 | **–** | – |
| **Total current assets** | | **24,630** | 3,586 | **21,933** | 645 |
| **Total assets** | | **25,170** | 5,763 | **24,769** | 5,764 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 21 | **31,654** | 9,055 | **31,654** | 9,055 |
| Other reserves | 22 | **(77)** | 80 | **–** | – |
| Accumulated losses | | **(7,542)** | (4,594) | **(7,611)** | (3,936) |
| Equity attributable to equity holders of the Company, total | | **24,035** | 4,541 | **24,043** | 5,119 |
| Non-controlling interests | | **412** | 457 | **–** | – |
| **Total equity** | | **24,447** | 4,998 | **24,043** | 5,119 |
| **Current liabilities** | | | | | |
| Trade payables | 23 | **203** | 158 | **–** | – |
| Other payables | 24 | **448** | 579 | **723** | 643 |
| Income tax payable | | **51** | 2 | **3** | 2 |
| | | **702** | 739 | **726** | 645 |
| Current liabilities associated with discontinued operations | 20(b) | **21** | 26 | **–** | – |
| **Total current liabilities** | | **723** | 765 | **726** | 645 |
| **Total equity and liabilities** | | **25,170** | 5,763 | **24,769** | 5,764 |

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

# Statements of Changes in Equity

For the Financial Year ended 31 December 2010

| | Note | Attributable to equity holders of the Company | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| | | Share capital S$'000 | Other reserves S$'000 | Accumulated losses S$'000 | Total S$'000 | S$'000 | S$'000 |
| **The Group** | | | | | | | |
| Balance at 1 January 2009 | | 9,055 | 150 | (3,473) | 5,732 | 784 | 6,516 |
| Dividend to non-controlling interests by a subsidiary | | – | – | – | – | (267) | (267) |
| Total comprehensive loss for the financial year | | – | (70) | (1,121) | (1,191) | (60) | (1,251) |
| Balance at 31 December 2009 | | 9,055 | 80 | (4,594) | 4,541 | 457 | 4,998 |
| Total comprehensive loss for the financial year | | – | (157) | (2,948) | (3,105) | (45) | (3,150) |
| Issue of shares | 21 | 23,045 | – | – | 23,045 | – | 23,045 |
| Share issue expenses | 21 | (446) | – | – | (446) | – | (446) |
| Balance at 31 December 2010 | | 31,654 | (77) | (7,542) | 24,035 | 412 | 24,447 |

| | Note | Share capital S$'000 | Accumulated losses S$'000 | Total S$'000 |
|---|---|---|---|---|
| **The Company** | | | | |
| Balance at 1 January 2009 | | 9,055 | (3,349) | 5,706 |
| Total comprehensive loss for the financial year | | – | (587) | (587) |
| Balance at 31 December 2009 | | 9,055 | (3,936) | 5,119 |
| Total comprehensive loss for the financial year | | – | (3,675) | (3,675) |
| Issue of shares | 21 | 23,045 | – | 23,045 |
| Share issue expenses | 21 | (446) | – | (446) |
| Balance at 31 December 2010 | | 31,654 | (7,611) | 24,043 |

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

# Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2010

| | Note | 2010 S$'000 | 2009 S$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before tax | | **(2,915)** | (1,196) |
| Adjustments for: | | | |
| Depreciation of plant and equipment | 12 | **440** | 499 |
| Loss on disposal of plant and equipment | | **–** | 7 |
| Plant and equipment written off | | **–** | 7 |
| Gain on disposal of assets held for sale | | **–** | (93) |
| Impairment loss on plant and equipment | 12 | **1,187** | – |
| Interest income | | **(2)** | (9) |
| Operating cash flows before movements in working capital | | **(1,290)** | (785) |
| Inventories | | **(107)** | 110 |
| Trade receivables | | **36** | 1,164 |
| Loans and advances | | **(10,381)** | – |
| Other receivables | | **(11)** | 262 |
| Trade payables | | **45** | (370) |
| Other payables | | **(136)** | (45) |
| Currency translation adjustments of subsidiary companies | | **38** | 9 |
| **Cash (used in)/generated from operations** | | **(11,806)** | 345 |
| Income tax (paid)/refund | | **(5)** | 9 |
| Interest income received | | **2** | 9 |
| **Net cash (used in)/generated from operating activities** | | **(11,809)** | 363 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of plant and equipment | | **–** | (5) |
| Proceeds from disposal of plant and equipment | | **–** | 2 |
| Proceeds from disposal of assets held for sale | | **–** | 196 |
| **Net cash generated from investing activities** | | **–** | 193 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of shares | 21 | **23,045** | – |
| Share issue expenses | 21 | **(446)** | – |
| Dividend paid to non-controlling interests by a subsidiary | | **–** | (267) |
| Repayment of borrowings | | **–** | (252) |
| **Net cash generated from/(used in) financing activities** | | **22,599** | (519) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **10,790** | 37 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR** | | **2,368** | 2,365 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **(154)** | (34) |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | 19 | **13,004** | 2,368 |

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

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

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

## 1. GENERAL INFORMATION

The Company (Registration no: 200300326D) is incorporated and domiciled in Singapore.

With effect from 21 June 2010, the name of the Company was changed from "K Plas Holdings Limited" to "Net Pacific Financial Holdings Limited".

The registered office of business of the Company is located at 53A Duxton Road, Singapore 089517.

The principal activities of the Company are investment holding and provision of management service to its subsidiaries. It is listed on the Catalist which is a market on Singapore Exchange Securities Trading Limited. The principal activities of its subsidiaries are described in Note 13 to the financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, expressed in Singapore dollar which is the Company's functional currency, 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.

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") issued by the Accounting Standards Council that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010.

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 not material effect on the amounts reported for the current or prior financial years except as disclosed below:

(i) *FRS 103 Business Combinations (revised)*

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

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;
- The Group elects for each acquisition of a business, to measure non-controlling interests at fair value, or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and
- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

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

(a) Basis of preparation (cont'd)

(i) *FRS 103 Business Combinations (revised)* (cont'd)

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

(ii) *FRS 27 Consolidated and Separate Financial Statements (revised)*

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

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

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

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

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

(b) Principles of consolidation

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

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and plant and equipment, are eliminated in full.

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

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated statement of financial position within equity, separately from the parent shareholders' equity, and are separately disclosed in the profit or loss of the Group.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

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

(c) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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

(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 during the financial year in which 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) *Financing income on loans and advances*

Interest income is recognised in profit or loss using the effective interest method.

(v) *Dividend income*

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

(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.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

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

(f) Borrowing costs

All borrowing costs that are 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.

(h) Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extend that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxes are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

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

### (i) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The initial cost of plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing an asset to its working condition and location for its intended use less any trade discounts and rebates.

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 reliably measured. Other subsequent expenditure is recognised in profit or loss during the financial year in which it is incurred.

Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

On disposal of a plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss; any amount in revaluation reserve relating to that asset is transferred to retained earnings.

Depreciation is calculated on a straight-line basis to write off the cost of all plant and equipment, less any estimated residual value over their estimated useful lives, using the straight-line method as follows:

| | **Years** |
|---|---|
| Leasehold improvements | 3 |
| Plant and equipment | 5 – 10 |

Fully depreciated assets are retained in the financial statements until they are no longer in use.

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

### (j) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Financial assets

(i) *Classification*

The Group classifies its financial assets according to the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

*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.

*Loan 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 included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are classified within "trade receivables", "other receivables", "loans and advances" and "cash and cash equivalents" on the statement of financial position.

*Financial assets, available-for-sale*

Financial assets, available-for-sale 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 when management intends to dispose of the assets within 12 months after the end of the reporting period.

(ii) *Recognition and derecognition*

Regular 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 net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also taken to profit or loss.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

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

(k) Financial assets (cont'd)

(iii) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(iv) *Subsequent measurement*

Loans and receivables are carried at amortised cost using the effective interest method less impairment.

Available-for-sale financial assets are subsequently carried at fair value. Interest income on financial assets is recognised separately in profit or loss.

(v) *Impairment*

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

*Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. 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.

*Financial assets, available-for-sale*

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that was recognised directly in the fair value reserve 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 on that financial asset previously recognised.

(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 2010

## 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) *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.

(ii) *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.

(iii) *Derecognition of financial liabilities*

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

(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. Financial guarantees are classified as financial liabilities.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs.

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 2010

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

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that the Group will be required to settle that 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.

(q) Foreign currencies

*Functional and presentation currency*

The individual financial statements of each entity in the Group are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements of the Group and the statement of financial position and changes in equity of the Company are presented in Singapore dollar, which is the Company's functional and presentation currency.

*Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies using exchange rates prevailing at the end of the reporting period are recognised in the profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the other reserves within equity in the consolidated financial statements.

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.

*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 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 exchange differences are taken to the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), are taken to other reserves.

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.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

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

(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, or 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.

(t) Dividend

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.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

**Critical judgement in applying the Group's and Company's accounting policies**

In the process of applying the Group's and Company's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

*Impairment of investment in subsidiaries*

When a subsidiary is in net equity deficit and has suffered operating losses, a test is made whether the investment in the investee had suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the subsidiaries, and the financial health of and near-term business outlook for the subsidiaries, including factors such as industry and sector performance, and operational and financing cash flow. The amount of the relevant investment is S$2,834,000 (2009: S$5,115,000) at the end of the reporting period. It is impracticable to disclose the extent of the possible effects.

**Key sources of estimation uncertainty**

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

(i) *Allowance for doubtful receivables*

An allowance is made for doubtful receivables for estimated losses resulting from subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful receivables. At the end of the reporting period, the receivables are measured at fair value and their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period. The carrying amount of the Group's trade receivables at the reporting date are S$621,000 (2009: S$657,000).

(ii) *Net realisable value of inventories*

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below costs and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate the future demand for the products. In any case, the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting period and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of allowance or write-down include aging analysis, technical assessment and review of subsequent sales volumes and inventory balances. In general, such an evaluation process requires significant judgement and might materially affects the carrying amount of inventories at the end of the reporting period. Possible changes in these estimates could result in revisions to the carrying value of the inventories. The carrying amount of inventories at the end of the reporting period was S$260,000 (2009: S$153,000).

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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

(iii) *Impairment of plant and equipment*

The Group and Company has plant and equipment stated at carrying value of $540,000 (2009: S$2,177,000) and S$2,000 (2009: S$4,000) respectively. An assessment is made at each reporting date whether there is any indication that the assets may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. If the revised estimated gross margin is less favourable than that used in the calculations there would be a need to provide for impairment. It is impracticable to disclose the extent of the possible effects.

(iv) *Depreciations of plant and equipment*

Management estimate the useful lives of the Group's and the Company's plant and equipment to be within 3 – 10 years.

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The depreciation charge is increased where useful lives are less than previously estimated useful lives or the carrying amounts written off or written down for being technically obsolete or non-strategic assets that have been abandoned or sold. If the actual useful lives of these plant and equipment were to differ from management's estimates, it could result in revisions to the carrying value of plant and equipment.

## 4. REVENUE

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Plastic injection moulding | **1,481** | 1,648 |
| Mould design and fabrication | **530** | 731 |
| Financing income | **350** | – |
| | **2,361** | 2,379 |

## 5. OTHER CREDITS

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Foreign currencies exchange differences | **–** | 23 |
| Chuan Sha Industrial Park Incentives | **9** | 61 |
| Others | **11** | 15 |
| | **20** | 99 |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 6. OTHER EXPENSES

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Foreign currencies exchange differences | **644** | – |
| Impairment loss on plant and equipment | **1,187** | – |
| Loss on disposal of plant and equipment | **–** | 7 |
| Plant and equipment written off | **–** | 7 |
| Write down of inventories | **–** | 18 |
| | **1,831** | 32 |

## 7. LOSS BEFORE TAX

Loss before tax is determined after charging/(crediting) the following:

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Cost of inventories included in cost of sales | **592** | 731 |
| Interest income | **(2)** | (1) |
| Depreciation of plant and equipment | **440** | 499 |
| Rental expenses | **197** | 200 |
| Personnel expenses (Note 8) | **1,350** | 1,428 |
| Fees for non-audit services by ex-auditors of the Company | **–** | 4 |

## 8. PERSONNEL EXPENSES

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Salaries, wages and bonuses | **1,220** | 1,280 |
| Defined contribution benefits | **112** | 138 |
| Other staff related expenses | **64** | 92 |
| | **1,396** | 1,510 |
| Less: Amount attributable to discontinued operations | **(46)** | (82) |
| | **1,350** | 1,428 |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 8. PERSONNEL EXPENSES (cont'd)

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

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Directors of the Company | | |
| - Salaries and bonuses | **50** | 151 |
| - Fees | **90** | 60 |
| Key management personnel (non-directors) | | |
| - Salaries and bonuses | **382** | 301 |
| - Defined contribution benefits | **16** | 18 |
| - Other related expenses | **9** | 14 |
| | **547** | 544 |

## 9. INCOME TAX EXPENSE/(CREDIT)

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Income tax expense/(credit) attributable to loss before income tax is made up of: | | |
| **From continuing operations** | | |
| *Income tax* | | |
| Current year provision | **54** | 2 |
| Over-provision in prior years | **–** | (21) |
| | **54** | (19) |

The income tax expense/(credit) on the results of the financial year varies from the amount of income tax determined by applying the applicable corporate income tax rate to loss before income tax from operations due to the following factors:

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Loss before tax from: | | |
| - continuing operations | **(2,861)** | (1,132) |
| - discontinued operations (Note 10) | **(54)** | (64) |
| | **(2,915)** | (1,196) |
| Income tax calculated at tax rate of 17% (2009: 17%) | **(495)** | (203) |
| Effect of different tax rate in other countries | **(160)** | (49) |
| Income not subject to tax | **(8)** | (12) |
| Expenses not deductible for tax purposes | **590** | 203 |
| Deferred tax benefit not recognised | **131** | 66 |
| Singapore statutory stepped income tax exemption | **(4)** | (3) |
| Over provision in prior years | **–** | (21) |
| Income tax expense/(credit) | **54** | (19) |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 9. INCOME TAX EXPENSE/(CREDIT) (cont'd)

The Group has unutilised tax losses and other temporary differences of approximately S$779,000 and S$Nil respectively (2009: S$673,000 and S$4,000). The use of these balances is subject to the agreement of the relevant tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operates.

No deferred tax asset has been recognised as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised.

## 10. DISCONTINUED OPERATIONS

Following the approval of the Board of Directors on 25 November 2008, C.S.K. Plastic Industries (Shanghai) Co., Ltd ("C.S.K.") has ceased its operations in December 2008. The results of C.S.K. have been presented separately on the consolidated statement of comprehensive income as "discontinued operations". During the financial year, the Company has commenced members' voluntary winding up and the process is expected to be completed in 2011.

An analysis of the results of discontinued operations is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **S$'000** | S$'000 |
| Revenue | **–** | – |
| Cost of sales | **–** | – |
| Gross profit | **–** | – |
| Other income | **7** | 182 |
| Administrative expenses | **(61)** | (163) |
| Other expenses | **–** | (83) |
| Loss before tax from discontinued operations | **(54)** | (64) |
| Income tax expenses | **–** | – |
| Loss after tax from discontinued operations | **(54)** | (64) |

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

| | **The Group** | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Operating activities | **(48)** | 406 |
| Investing activities | **–** | (267) |
| Financing activities | **–** | (252) |
| Net decrease in cash and cash equivalents | **(48)** | (113) |
| Cash and cash equivalent at beginning of financial year | **778** | 1,295 |
| Effect of exchange rate changes on cash and cash equivalents | **(48)** | 10 |
| Dividend paid to holding company and eliminated at Group's consolidated financial statements | **–** | (414) |
| Cash and cash equivalents at end of financial year | **682** | 778 |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 11. LOSS PER SHARE

**From continuing and discontinued operations**

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

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Net loss for the financial year attributable to equity holders of the Company (S$'000) | **(2,948)** | (1,121) |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000) | **283,287** | 99,000 |

**From continuing operations**

The calculation of the basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the parent entity is based on the following data:

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Loss for the financial year attributable to the equity holders of the Company | **(2,948)** | (1,121) |
| Less: loss for the financial year from discontinued operation | **33** | 8 |
| Loss for the purpose of basic loss per share from continuing operations | **(2,915)** | (1,113) |

The denominators used are the same as those detailed above for both basic and diluted loss per share.

**From discontinued operations**

Basic and diluted loss per share for discontinued operation are based on the loss for the financial year from discontinued operation of S$33,000 (2009: S$8,000) and the similar denominators for continuing operations for both basic and diluted loss per share detailed above.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 12. PLANT AND EQUIPMENT

| The Group | Leasehold improvements S$'000 | Plant and equipment S$'000 | Total S$'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2009 | 267 | 4,674 | 4,941 |
| Exchange adjustment | (5) | (92) | (97) |
| Additions | – | 5 | 5 |
| Disposals | – | (17) | (17) |
| Written off | – | (18) | (18) |
| At 31 December 2009 | 262 | 4,552 | 4,814 |
| Exchange adjustment | (14) | (239) | (253) |
| Additions | – | 56 | 56 |
| At 31 December 2010 | **248** | **4,369** | **4,617** |
| **Accumulated depreciation** | | | |
| At 1 January 2009 | 265 | 1,959 | 2,224 |
| Exchange adjustment | (5) | (54) | (59) |
| Depreciation charge | 1 | 498 | 499 |
| Written off | – | (16) | (16) |
| Disposals | – | (11) | (11) |
| At 31 December 2009 | 261 | 2,376 | 2,637 |
| Exchange adjustment | (14) | (136) | (150) |
| Depreciation charge | 1 | 439 | 440 |
| At 31 December 2010 | **248** | **2,679** | **2,927** |
| **Provision for impairment** | | | |
| Impairment loss | – | 1,187 | 1,187 |
| Exchange adjustment | – | (37) | (37) |
| At 31 December 2010 | – | 1,150 | 1,150 |
| **Net book value** | | | |
| At 31 December 2010 | – | 540 | 540 |
| At 31 December 2009 | **1** | **2,176** | **2,177** |

| The Company | Office equipment 2010 S$'000 | Office equipment 2009 S$'000 |
|---|---|---|
| **Cost** | | |
| At 1 January | **5** | 18 |
| Additions | **–** | 5 |
| Written off | **–** | (18) |
| At 31 December | **5** | 5 |
| **Accumulated depreciation** | | |
| At 1 January | **1** | 8 |
| Depreciation charge | **2** | 4 |
| Written off | **–** | (11) |
| At 31 December | **3** | 1 |
| **Net book value** | | |
| At 31 December | **2** | 4 |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 13. INVESTMENT IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Unquoted equity shares, at cost | **5,094** | 4,917 |
| Cost from fair value on financial guarantee | **70** | 70 |
| Quasi-equity loan [1] | **4,340** | 4,340 |
| | **9,504** | 9,327 |
| Less: Allowance for impairment | **(6,670)** | (4,212) |
| | **2,834** | 5,115 |
| Movement in allowance for impairment: | | |
| At 1 January | **(4,212)** | (3,782) |
| Additions | **(2,458)** | (430) |
| At 31 December | **(6,670)** | (4,212) |

(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.

Details of the subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Principal activities | Percentage of equity held by the Company | |
|---|---|---|---|---|
| | | | **2010** | 2009 |
| Net Pacific Finance Group Limited [b] | Hong Kong Special Administrative Region of the People's Republic of China ("PRC") | Provision of financing services | **100** | – |
| Net Pacific Investment Holdings Limited [b] | British Virgin Islands | Investment holding | **100** | – |
| K Plas Industries Pte Ltd [c] | Singapore | Dormant | **100** | 100 |
| K Plas Engineering Pte Ltd [a] | Singapore | Investment holding | **100** | 100 |
| K Plas Moulding Pte Ltd [a] | Singapore | Investment holding | **100** | 100 |
| **Held through K Plas Moulding Pte Ltd** | | | | |
| K Plas Hi-Tech (Shanghai) Co., Ltd [b] | Shanghai, PRC | Manufacture of plastic components | **100** | 100 |
| K Plas Hi-Tech Tooling (Shanghai) Co., Ltd [b] | Shanghai, PRC | Manufacture of plastic injection moulds | **100** | 100 |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

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

| Name of subsidiary | Country of incorporation | Principal activities | Percentage of equity held by the Company 2010 | 2009 |
|---|---|---|---|---|
| **Held through K Plas Engineering Pte Ltd** | | | | |
| C.S.K. Plastic Industries (Shanghai) Co., Ltd [(b) (c)] | Shanghai, PRC | Dormant | **60.8** | 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 have commenced members' voluntary winding up during the financial year. The information on the discontinued operations is set out on Note 10 and 20.

## 14. INVENTORIES

| | The Group 2010 S$'000 | 2009 S$'000 |
|---|---|---|
| Raw materials and consumables | **108** | 87 |
| Work-in-progress | **80** | 14 |
| Finished goods | **72** | 52 |
| | **260** | 153 |

Raw material and finished goods are stated at net realisable value after write down of S$23,000 and S$14,000 (2009: S$42,000 and S$20,000) respectively.

The cost of inventories recognised as an expense and included in "Cost of sales" amounts to approximately S$592,000 (2009: S$731,000).

The Group has recognised a reversal of S$9,000 (2009: Nil) being part of an inventory write-down made in 2009, as the inventory were sold above carrying amount in 2010.

## 15. TRADE RECEIVABLES

| | The Group 2010 S$'000 | 2009 S$'000 |
|---|---|---|
| Third parties | **621** | 657 |

Trade receivables are non-interest bearing and are up to 90 days credit term. The credit term varies from customers to customers after taking into consideration their payment track record, financial background, length of business relationship and size of transactions.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 15. TRADE RECEIVABLES (cont'd)

They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Not past due and not impaired | **538** | 559 |
| Past due but not impaired | **83** | 98 |
| | **621** | 657 |

The aging analysis of trade receivables which is past due but not impaired is as follows:

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Past due less than 3 months | **83** | 98 |
| Concentration of trade receivable customers: | | |
| Top 1 customer | **304** | 229 |
| Top 2 customers | **407** | 315 |
| Top 3 customers | **474** | 376 |

## 16. LOANS AND ADVANCES

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Third parties (secured) | **10,381** | – |

During the financial year, the Group has commenced its new financing business. The loans were advanced to companies incorporated in the Hong Kong Special Administrative Region of the PRC.

The loans and advances are charged an interest rate of 12% (2009: Nil) per annum and are repayable on demand. They are secured by floating charge over the assets of the borrowers' inventories and receivables with loan to value of assets of not less than 70% and secured by personal guarantees of the shareholders of the borrowers. The Group has options to convert the loans into equity shares of the borrowers. These options have been recorded at S$Nil (2009: Nil) in the financial statements.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 17. OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Advance payment to suppliers | **27** | 20 | **–** | – |
| Deposits | **18** | 32 | **–** | 30 |
| Other receivables | **46** | 10 | **44** | 5 |
| Prepayments | **120** | 46 | **67** | 5 |
| Amount due from subsidiaries | **–** | – | **12,352** | 196 |
| | **211** | 108 | **12,463** | 236 |

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

## 18. ASSETS HELD FOR SALE

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| At 1 January | **55** | – |
| Additions | **–** | 250 |
| Disposal | **(55)** | (195) |
| At 31 December | **–** | 55 |

## 19. CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Cash at bank and on hand | **12,322** | 1,550 | **9,470** | 369 |
| Fixed deposits | **–** | 40 | **–** | 40 |
| | **12,322** | 1,590 | **9,470** | 409 |

The effective interest rate of the fixed deposits and certain balances with bank ranges from 0.15% to 0.36% (2009: 0.10% to 0.36%) per annum. Fixed deposits are placed with banks and mature in varying periods within 12 months after the end of the reporting period.

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Cash and cash equivalents are represented by: | | |
| Cash and bank balances from continuing operations | **12,322** | 1,590 |
| Cash and bank balances from discontinued operations (note 20(a)) | **682** | 778 |
| | **13,004** | 2,368 |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 20. CURRENT ASSETS AND LIABILITIES WITH DISCONTINUED OPERATIONS

(a) Current assets

| | **2010** | 2009 |
|---|---|---|
| | **S$'000** | S$'000 |
| Other receivables | **153** | 164 |
| Cash and bank balances | **682** | 778 |
| | **835** | 942 |

Other receivables

| | **2010** | 2009 |
|---|---|---|
| | **S$'000** | S$'000 |
| Amount due from a related party | **153** | 162 |
| Deposits | **–** | 1 |
| Prepayments | **–** | 1 |
| | **153** | 164 |

The amount due from a related party is unsecured, interest-free and repayable on demand.

(b) Current liabilities

| | **2010** | 2009 |
|---|---|---|
| | **S$'000** | S$'000 |
| Accrued operating expenses | **21** | 26 |

## 21. SHARE CAPITAL

| | **The Group and the Company** | | | |
|---|---|---|---|---|
| | **2010** | | 2009 | |
| | **No. of shares** | **S$'000** | No. of shares | S$'000 |
| At 1 January | **99,000,000** | **9,055** | 99,000,000 | 9,055 |
| Issue of shares | **952,248,078** | **23,045** | – | – |
| Share issue expenses | **–** | **(446)** | – | – |
| At 31 December | **1,051,248,078** | **31,654** | 99,000,000 | 9,055 |
| After share consolidation | **525,624,328** | **31,654** | – | – |

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 and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 21. SHARE CAPITAL (cont'd)

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.

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 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 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 the 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.

## 22. OTHER RESERVES

| | Statutory reserve S$'000 | Translation reserve S$'000 | Total S$'000 |
|---|---|---|---|
| **The Group** | | | |
| At 1 January 2009 | 74 | 76 | 150 |
| Exchange difference | – | (70) | (70) |
| At 31 December 2009 | 74 | 6 | 80 |
| Exchange difference | – | (157) | (157) |
| At 31 December 2010 | 74 | (151) | (77) |

*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.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 22. OTHER RESERVES (cont'd)

*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.

## 23. TRADE PAYABLES

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Third parties | **203** | 158 |

The average credit period taken to settle trade payables approximates 60 days (2009: 60 days).

## 24. OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Advance from subscriber | **–** | 270 | **–** | 270 |
| Advance receipts from customers | **19** | – | **–** | – |
| Accrued operating expenses | **404** | 301 | **257** | 169 |
| Other payables | **25** | 8 | **–** | – |
| Amount due to subsidiaries | **–** | – | **466** | 204 |
| | **448** | 579 | **723** | 643 |

Advance from subscriber is deposits received from subscriber in 2009 in relation to the Placement completed in February 2010 (See note 21).

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

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 25. OPERATING LEASE COMMITMENTS

The Group and the Company leases various 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:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| No later than one financial year | **172** | 87 | **9** | 48 |
| Later than one financial year but not later than five financial years | **198** | 40 | **–** | 40 |
| | **370** | 127 | **9** | 88 |

## 26. RELATED PARTY TRANSACTIONS

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the Group or that has an interest in the Group that gives it significant influence over the Group's financial and operating policies. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence for which significant voting power in the Group resides with, directly or indirectly.

In addition to information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and the related parties who are not members of the Group during the financial year on terms agreed by the parties concerned:

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **S$'000** | S$'000 |
| Dividends paid to non-controlling interests of a subsidiary | **–** | 267 |
| Management fee paid to non-controlling interests of a subsidiary | **–** | 50 |
| Sales of assets held for sale to non-controlling interests of a subsidiary | **–** | (248) |

Intra-group transactions that have been eliminated in the financial statements are not disclosed as related party transactions.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 27. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group sets the amount of capital in proportion to risk. Management manages the capital structure and makes adjustments to it in light of changes in economics conditions and the risk characteristics of the underlying assets. In order to maintain or achieve an optimal capital structure, management may adjust the amount of dividends payment, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital of the Group consists of share capital, other reserves and retained earnings, and the Group's overall strategy remains unchanged from 2009.

## 28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial instruments as at the end of the reporting period are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| **Financial assets** | | | | |
| Loans and receivables | **24,325** | 3,478 | **21,866** | 610 |
| Assets held for sale | **–** | 55 | **–** | – |
| **Financial liabilities** | | | | |
| Measured at amortised cost | **704** | 765 | **726** | 375 |

(b) 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"), Hong Kong dollar ("HKD"), Singapore dollar ("SGD") and Japanese Yen ("JPY"). 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.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 28. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

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

At the end of the reporting period, the Group has the following financial assets and financial liabilities denominated in foreign currencies based on the information provided by management:

| | 2010 | | |
|---|---|---|---|
| | **USD S$'000** | **HKD S$'000** | **SGD S$'000** |
| **The Group** | | | |
| **Financial assets** | | | |
| Trade and other receivables | **215** | **–** | **–** |
| Loans and advances | **10,381** | **–** | **–** |
| Cash and bank balances | **403** | **66** | **2,000** |
| | **10,999** | **66** | **2,000** |
| **Financial liabilities** | | | |
| Trade payables | **3** | **–** | **–** |
| | **3** | **–** | **–** |
| Financial assets denominated in foreign currencies | **10,996** | **66** | **2,000** |

| | 2009 | |
|---|---|---|
| | USD S$'000 | JPY S$'000 |
| **The Group** | | |
| **Financial assets** | | |
| Trade and other receivables | 255 | – |
| Cash and bank balances | 635 | 1 |
| | 890 | 1 |
| **Financial liabilities** | | |
| Trade payables | 26 | – |
| | 26 | – |
| Financial assets denominated in foreign currencies | 864 | 1 |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 28. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

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

| | 2010 | |
|---|---|---|
| | **USD S$'000** | **HKD S$'000** |
| **The Company** | | |
| **Financial assets** | | |
| Amount due from subsidiaries | **11,119** | **–** |
| Cash and bank balances | **–** | **66** |
| Financial assets denominated in foreign currencies | **11,119** | **66** |

2009

The Company's operations are denominated in Singapore dollars. Hence, the Company is not exposed to material foreign exchange movements.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, HKD and JPY exchange rate against the respective functional currencies of the Group's entities, with all other variables held constant, of the Group's profit after tax as follows:

| | Profit after tax | |
|---|---|---|
| | **2010 S$'000** | 2009 S$'000 |
| **The Group** | | |
| USD – strengthened 2% (2009: 2%) | **220** | 15 |
| – weakened 2% (2009: 2%) | **(220)** | (15) |
| HKD – strengthened 2% (2009: 2%) | **1** | – |
| – weakened 2% (2009: 2%) | **(1)** | – |
| JPY – strengthened 2% (2009: 2%) | **–** | 15 |
| – weakened 2% (2009: 2%) | **–** | (15) |
| **The Company** | | |
| USD – strengthened 2% (2009: 2%) | **222** | – |
| – weakened 2% (2009: 2%) | **(222)** | – |
| HKD – strengthened 2% (2009: 2%) | **1** | – |
| – weakened 2% (2009: 2%) | **(1)** | – |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 28. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(ii) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, other receivables and loans and advances, 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.

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.

<u>Financial assets that are neither past due nor impaired</u>

Trade receivables, 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 2010 and 2009.

No loans and advances described as neither past due nor impaired have renegotiated terms as at 31 December 2010 (2009: Nil).

<u>Financial assets that are either past due or impaired</u>

There is no other class of financial assets that is past due and/or impaired except for trade receivables as disclosed in Note 15 to the financial statements.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 28. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

(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.

(iv) *Liquidity and cash flow risk*

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company manages the liquidity risk by maintaining sufficient cash to enable them to meet their operating commitments.

(c) Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, assets held for sale, trade receivables, 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 three business units based on its products and services. The reportable segments are plastic injection moulding, mould design and fabrication and financing. 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 plastic injection moulding segment ("injection moulding") is manufacturing of precision engineering plastic components of varying shapes and sizes. These components are used as parts or segments of finished products such as cameras, game console, motors, VCD & DVD players, audio car systems and ignition systems.

The mould design and fabrication segment ("mould fabrication") is manufacturing of plastic injection mould according to the specification of the customers. The mould is also designed to facilitate the plastic injection moulding and assembly process. Once the design of the mould has been approved by the customers, the mould is fabricated with the aid of a combination of CNC operated machines, wire cutting, milling, lathe, surface grinding machines and other machineries.

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.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 29. SEGMENT INFORMATION (cont'd)

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

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

| | Injection moulding S$'000 | Financing S$'000 | Mould fabrication S$'000 | Total S$'000 |
|---|---|---|---|---|
| **2010** | | | | |
| Total revenue by segments | **1,481** | **350** | **648** | **2,479** |
| Inter-segments sales | **–** | **–** | **(118)** | **(118)** |
| External revenue | **1,481** | **350** | **530** | **2,361** |
| Segment (loss)/profit | **(1,198)** | **334** | **(715)** | **(1,579)** |
| Unallocated expenses | | | | **(1,282)** |
| Loss before tax from continuing operations | | | | **(2,861)** |
| Income tax expense | | | | **(54)** |
| Loss from continuing operation, net of tax | | | | **(2,915)** |
| Loss from discontinued operation, net of tax | | | | **(54)** |
| Loss for the financial year | | | | **(2,969)** |

| | Injection moulding S$'000 | Financing S$'000 | Mould fabrication S$'000 | Total S$'000 |
|---|---|---|---|---|
| **2009** | | | | |
| Total revenue by segments | 1,648 | – | 867 | 2,515 |
| Inter-segments sales | – | – | (136) | (136) |
| External revenue | 1,648 | – | 731 | 2,379 |
| Segment loss | (439) | – | (102) | (541) |
| Unallocated expenses | | | | (591) |
| Loss before tax from continuing operations | | | | (1,132) |
| Income tax credit | | | | 19 |
| Loss from continuing operation, net of tax | | | | (1,113) |
| Loss from discontinued operation, net of tax | | | | (64) |
| Loss for the financial year | | | | (1,177) |

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 29. SEGMENT INFORMATION (cont'd)

| | Injection moulding S$'000 | Financing S$'000 | Mould fabrication S$'000 | Total S$'000 |
|---|---|---|---|---|
| **2010** | | | | |
| Segment Assets | **1,435** | **11,601** | **671** | **13,707** |
| Unallocated assets | | | | **10,628** |
| | | | | **24,335** |
| Assets associated with discontinued operations | | | | **835** |
| Consolidated total assets | | | | **25,170** |
| Segment liabilities | **202** | **51** | **179** | **432** |
| Unallocated liabilities | | | | **270** |
| | | | | **702** |
| Liabilities associated with discontinued operation | | | | **21** |
| Consolidated total liabilities | | | | **723** |

| | Injection moulding S$'000 | Financing S$'000 | Mould fabrication S$'000 | Total S$'000 |
|---|---|---|---|---|
| **2009** | | | | |
| Segment Assets | 2,660 | – | 1,481 | 4,141 |
| Unallocated assets | | | | 680 |
| | | | | 4,821 |
| Assets associated with discontinued operations | | | | 942 |
| Consolidated total assets | | | | 5,763 |
| Segment liabilities | 147 | – | 139 | 286 |
| Unallocated liabilities | | | | 453 |
| | | | | 739 |
| Liabilities associated with discontinued operation | | | | 26 |
| Consolidated total liabilities | | | | 765 |

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.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

## 29. SEGMENT INFORMATION (cont'd)

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 location of customers and assets respectively are as follows:

| | **Sales to external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| PRC | **2,011** | 2,379 | **538** | 2,173 |
| Hong Kong Special Administrative Region of the PRC | **350** | – | **–** | – |
| Singapore | **–** | – | **2** | 4 |
| | **2,361** | 2,379 | **540** | 2,177 |

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 $534,000 (2009: $362,000) are derived from a single external customer and are attributable to the plastic injection moulding segment.

## 30. SUBSEQUENT EVENTS

The Company had on 15 February 2011 received shareholders' approval to subscribe for 1,250 convertible preference shares in the capital of Le On Trading Limited ("Issuer") for an aggregate consideration of HK$30 million ("Proposed Subscription"), on the terms and subject to the conditions to the subscription agreement dated 10 January 2011 entered into between the Company's subsidiary, Net Pacific Finance Group Limited, the Issuer, Mr Liu Jianhang and Mr Ben Lee. The Proposed Subscription was completed on 18 February 2011.

On 15 February 2011, the shareholders have approved the implementation of an employee share option scheme, the Net Pacific Employee Share Option Scheme.

# Notes to the Financial Statements

For the Financial Year ended 31 December 2010

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

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

- Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets
- Amendments to FRS 32 Financial Instruments: Presentation – Classification of Rights Issues
- Amendments to FRS 107 Disclosures – Transfers of Financial Assets
- INT FRS 119 Extinguishing Financial Liabilities with Equity Instruments
- Revised FRS 24 Related Party Disclosures
- Amendments to INT FRS 114 - Prepayments of a Minimum Funding Requirement

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

Revised FRS 24 Related Party Disclosures

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

## 32. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Group and the statement for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors dated 18 March 2011.

# Statistics of Shareholdings

As at 22 March 2011

| | |
|---|---|
| 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 | 157 | 22.66 | 36,632 | 0.01 |
| 1,000 – 10,000 | 190 | 27.42 | 1,094,026 | 0.21 |
| 10,001 – 1,000,000 | 322 | 46.46 | 39,421,663 | 7.50 |
| 1,000,001 and above | 24 | 3.46 | 485,072,007 | 92.28 |
| **TOTAL** | **693** | **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 2011 and therefore, the Company has complied with Rule 723 of the SGX-ST Listing Manual Section B: Rules of Catalist.

The Company has no treasury shares as at 22 March 2011.

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | FULL JOIN HOLDINGS LIMITED | 300,000,000 | 57.07 |
| 2 | HL BANK NOMINEES (S) PTE LTD | 59,060,000 | 11.24 |
| 3 | BEH KIM LING | 31,525,000 | 6.00 |
| 4 | KIM ENG SECURITIES PTE. LTD. | 11,886,500 | 2.26 |
| 5 | RAMESH S/O PRITAMDAS CHANDIRAMANI | 10,000,000 | 1.90 |
| 6 | STONE CANYON CAPITAL PTE LTD | 9,300,000 | 1.77 |
| 7 | CHIN FAH | 9,064,350 | 1.72 |
| 8 | CHIN FOOK LAI | 6,172,400 | 1.17 |
| 9 | FORTE CAPITAL MANAGEMENT PTE LTD | 6,000,000 | 1.14 |
| 10 | TAN ENG CHUA EDWIN | 4,540,500 | 0.86 |
| 11 | TAN GHUAT WOON MRS HO TAN GHUAT WOON | 4,259,000 | 0.81 |
| 12 | LOW SIEW YAM | 4,000,000 | 0.76 |
| 13 | HONG LEONG FINANCE NOMINEES PTE LTD | 3,980,000 | 0.76 |
| 14 | CHIN FOOK CHOY | 3,750,500 | 0.71 |
| 15 | PHILLIP SECURITIES PTE LTD | 3,363,851 | 0.64 |
| 16 | CHIN NYOK TOW | 2,714,300 | 0.52 |
| 17 | OCBC SECURITIES PRIVATE LTD | 2,695,506 | 0.51 |
| 18 | PERIANNAN S/O RAMAKRISHNAN | 2,500,000 | 0.48 |
| 19 | BNP PARIBAS NOMINEES SINGAPORE PTE LTD | 2,097,000 | 0.40 |
| 20 | LIM SENG LEONG | 2,095,700 | 0.40 |
| | **TOTAL** | **479,004,607** | **91.12** |

# Statistics of Shareholdings

As at 22 March 2011

## 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) | 6,172,400 | 62,850,000 | 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 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 Hong Leong Finance Nominees Pte Ltd and HL Bank Nominees (S) Pte Ltd.

# Statistics of Warrantholdings

As at 22 March 2011

## DISTRIBUTION OF WARRANTHOLDINGS

| SIZE OF WARRANTHOLDINGS | NO. OF WARRANTHOLDERS | % | NO. OF WARRANTS | % |
|---|---|---|---|---|
| 1 – 999 | 48 | 13.71 | 22,503 | 0.01 |
| 1,000 – 10,000 | 52 | 14.86 | 250,696 | 0.10 |
| 10,001 – 1,000,000 | 236 | 67.43 | 22,927,330 | 8.97 |
| 1,000,001 and above | 14 | 4.00 | 232,474,069 | 90.92 |
| **TOTAL** | **350** | **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 | 20,481,500 | 8.01 |
| 4 | STONE CANYON CAPITAL PTE LTD | 4,742,100 | 1.85 |
| 5 | PERIANNAN S/O RAMAKRISHNAN | 4,634,000 | 1.81 |
| 6 | TAN ENG CHUA EDWIN | 4,574,300 | 1.79 |
| 7 | CHIN FAH | 3,000,000 | 1.17 |
| 8 | BEH KIM LING | 2,389,000 | 0.93 |
| 9 | HO YENG PEW | 2,040,000 | 0.80 |
| 10 | FORTE CAPITAL MANAGEMENT PTE LTD | 1,940,000 | 0.76 |
| 11 | TAY BUAN CHUAN MICHAEL | 1,930,000 | 0.75 |
| 12 | OCBC SECURITIES PRIVATE LTD | 1,397,334 | 0.55 |
| 13 | CHIN NYOK TOW | 1,200,000 | 0.47 |
| 14 | TAN CHAY LONG | 1,100,835 | 0.43 |
| 15 | FOK CHEE CHIONG | 950,000 | 0.37 |
| 16 | PHILLIP SECURITIES PTE LTD | 690,611 | 0.27 |
| 17 | TONG CHEE KEONG | 690,300 | 0.27 |
| 18 | TAN LIM HUI | 600,000 | 0.23 |
| 19 | TAN MING CHING | 600,000 | 0.23 |
| 20 | TAN JUI YAK | 498,000 | 0.19 |
| | **TOTAL** | **236,502,980** | **92.47** |

# Notice of Annual General Meeting

Registration No: 200300326D

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Net Pacific Financial Holdings Limited (the "**Company**") will be held at 1 Robinson Road, #18-00 AIA Tower, Singapore 048542 on Thursday, 28 April 2011 at 9.30 a.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 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 107 of the Company's Articles of Association:

   Mr Ben Lee **(Resolution 2)**
   Mr Teo Yi-dar (Zhang Yida) **(Resolution 3)**

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

3. To approve the payment of Directors' fees of S$90,000.00 for the financial year ended 31 December 2010 (2009: S$60,000.00). **(Resolution 4)**

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

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

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

6. **Authority to allot and issue shares**

   "That, pursuant to Section 161 of the Companies Act, Cap. 50., and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors of the Company to allot and issue shares and convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) 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 provided that:-

   (a) the aggregate number of shares and convertible securities 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 (b) below), of which the aggregate number of shares and convertible securities to be issued other than on a *pro rata* basis to existing shareholders of the Company 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 (b) below);

# Notice of Annual General Meeting

Registration No: 200300326D

(b) (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 (a) 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 convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the options or 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.

(c) 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 Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
*[See Explanatory Note (i)]* **(Resolution 6)**

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

"That the Directors of the Company 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 7)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Chong Kian Lee
Joint Company Secretaries
Singapore, 13 April 2011

# Notice of Annual General Meeting

Registration No: 200300326D

**Explanatory Notes:**

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The 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 Annual General Meeting.

(ii) The Ordinary Resolution 7 proposed in item 7 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 Annual General Meeting 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 Annual General Meeting.

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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 Thursday, 28 April 2011 at 9.30 a.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 2010 | | |
| 2. | Re-election of Mr Ben Lee as a Director of the Company (Article 107) | | |
| 3. | Re-election of Mr Teo Yi-dar (Zhang Yida) as a Director of the Company (Article 107) | | |
| 4. | Approval of Directors' fees amounting to S$90,000.00 for the financial year ended 31 December 2010 | | |
| 5. | Re-appointment of Messrs Paul Wan & Co as Auditors of the Company | | |
| 6. | Authority to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50. | | |
| 7. | Authority to grant options and issue shares under the Net Pacific Employee Share Option Scheme | | |

Dated this _____ day of _____ 2011

| **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 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 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 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

## BOARD OF 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)

## CONTINUING SPONSOR:

CIMB Bank Berhad, Singapore Branch
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623
Contact person: Ms Tan Cher Ting
Senior Vice President, 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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