



PaperlinX Holdings (Asia) Pte. Ltd.
Registration Number: 199604569W

Annual Report
Year ended 30 June 2011

Directors' report

We are pleased to submit this annual report to the members of the Company, together with the audited financial statements for the financial year ended 30 June 2011.

Directors

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

Kwok Low Mong
Genevieve Chua Kwee Huay

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Ultimate holding company		
PaperlinX Limited		
Performance rights to subscribe for ordinary shares with no par value		
Kwok Low Mong		
Exercisable from vesting to 24 August 2017 at A\$2.65	4,075	1,019
Exercisable from vesting to 27 August 2010 at A\$3.19	4,328	–
Exercisable from vesting to 31 October 2011 at A\$0.47	–	20,000
Exercisable from vesting to 31 August 2012 at A\$0.603	–	20,000
Genevieve Chua Kwee Huay		
Exercisable from vesting to 24 August 2017 at A\$2.65	1,195	299
Exercisable from vesting to 31 October 2011 at A\$0.47	–	10,000
Exercisable from vesting to 31 August 2012 at A\$0.603	–	10,000

The options cannot be exercised for three years from the date of being granted, except upon earlier termination of employment. These options do not entitle the holder to participate in any share issue of PaperlinX Limited. These options have no fixed expiry date.

Vesting of performance rights and performance options is subject to satisfaction of certain specified performance criteria over a 3 years period from the date of grant. Once vested, each performance right and performance option may be exercised to subscribe for one ordinary share in PaperlinX Limited. Performance rights and performance options have a fixed expiry date of 10 years from date of grant.

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

Neither at the end of, nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.

Since the end of the last financial year, no director has received or become entitled to receive a benefit other than for salaries and benefits related to a contract of employment 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.

Share options

During the financial year, there were:

- (i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

Signed by the Board of Directors



Kwok Low Mong
Director



Genevieve Chua Kwee Huay
Director

21 DEC 2011

Statement by Directors

In our opinion:

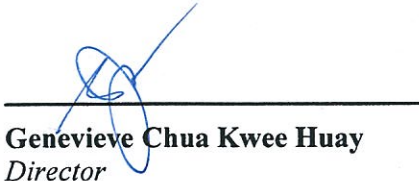
- (a) the financial statements set out on pages FS1 to FS15 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 2011 and of the results, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Signed by the Board of Directors



Kwok Low Mong
Director



Genevieve Chua Kwee Huay
Director

21 DEC 2011



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Independent auditors' report

Members of the Company
PaperlinX Holdings (Asia) Pte. Ltd.

Report on the financial statements

We have audited the accompanying financial statements of PaperlinX Holdings (Asia) Pte. Ltd. (the Company), which comprise the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS15.

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, Chapter 50 (the Act) and Singapore Financial Reporting Standards.

Management has acknowledged that its responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Company as at 30 June 2011 and the results, changes in equity and cash flows of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP
KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore

21 DEC 2011

Balance sheet
As at 30 June 2011

	Note	2011 \$'000	2010 \$'000
Non-current asset			
Subsidiaries	4	23,105	23,105
Amount due from a subsidiary (non-trade)	5	3,537	4,836
Loan to intermediate holding company	6	1,300	4,153
		<u>27,942</u>	<u>32,094</u>
Current assets			
Loan to intermediate holding company	6	3,199	–
Loan to a subsidiary	7	4,200	–
Cash at bank		188	71
		<u>7,587</u>	<u>71</u>
Total assets		<u>35,529</u>	<u>32,165</u>
Equity			
Share capital	8	30,732	41,985
Accumulated profits/(losses)		346	(11,251)
Total equity		<u>31,078</u>	<u>30,734</u>
Non-current liability			
Amount due to a subsidiary (non-trade)	5	1,235	1,412
Current liabilities			
Other payables and accrued operating expenses		17	19
Loan from a subsidiary	7	3,199	–
		<u>3,216</u>	<u>19</u>
Total liabilities		<u>4,451</u>	<u>1,431</u>
Total equity and liabilities		<u>35,529</u>	<u>32,165</u>

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

Statement of comprehensive income
Year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Revenue	9	7,892	4,148
Other operating income		388	135
Administrative expenses		(18)	(18)
Finance expenses	10	—	(12)
Profit before income tax	11	8,262	4,253
Income tax expense	12	(26)	—
Profit for the year		8,236	4,253
Other comprehensive income for the year, net of income tax		—	—
Total comprehensive income for the year		8,236	4,253

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

Statement of changes in equity
 Year ended 30 June 2011

	Note	Share capital \$'000	Accumulated profits/(losses) \$'000	Total \$'000
At 1 July 2009		41,985	(15,504)	26,481
Total comprehensive income for the year				
Profit for the year		–	4,253	4,253
Total comprehensive income		–	4,253	4,253
Transactions with owners, recorded directly in equity				
Total contributions by and distributions to owners		–	–	–
At 30 June 2010		41,985	(11,251)	30,734
At 1 July 2010		41,985	(11,251)	30,734
Total comprehensive income for the year				
Profit for the year		–	8,236	8,236
Total comprehensive income		–	8,236	8,236
Transactions with owners, recorded directly in equity				
Share capital reduction	8	(11,253)	11,253	–
One-tier tax exempt interim dividend at \$0.257 per share		–	(7,892)	(7,892)
Total contributions by and distributions to owners		(11,253)	3,361	(7,892)
At 30 June 2011		30,732	346	31,078

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

Cash flow statement
Year ended 30 June 2011

	2011	2010
	S'000	S'000
Cash flows from operating activities		
Profit from operations before taxation	8,262	4,253
Adjustments for:		
Dividend income	(7,892)	(4,148)
Unrealised exchange gain on amount due to a subsidiary (non trade)	(177)	(53)
Interest income	(211)	(53)
Interest expense	–	12
	<hr/>	<hr/>
	(18)	(11)
Changes in working capital:		
Other payables and accrued operating expenses	(2)	(28)
	<hr/>	<hr/>
Cash flows from operating activities	(20)	(17)
Cash flows from investing activities		
Interest received	185	53
Dividend received	3,692*	4,148
Amount due from a subsidiary (non -trade)	1,299	780
Loan to intermediate holding company	(346)	(4,153)
	<hr/>	<hr/>
Net cash from investing activities	4,830	828
Cash flows from financing activities		
Interest-bearing borrowings	–	(750)
Loan from a subsidiary	3,199	–
Dividend paid	(7,892)	–
Interest paid	–	(12)
	<hr/>	<hr/>
Net cash used in financing activities	(4,693)	(762)
Net increase in cash and cash equivalents	117	49
Cash and cash equivalents at beginning of year	71	22
	<hr/>	<hr/>
Cash and cash equivalents at end of year	188	71

(i) Non-cash transaction

* Dividend receivable from a subsidiary amounting to S\$4,200,000 has been converted into loan to the subsidiary. (Refer to note 7).

(ii) Cash and cash equivalents comprise cash at bank and in hand.

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 21 DEC 2011.

1 Domicile and activities

PaperlinX Holdings (Asia) Pte. Ltd. (the Company) is incorporated in the Republic of Singapore and has its registered office at 3 Gul Crescent, Singapore 629519.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are set out in note 4 to the financial statements.

The holding companies, which are incorporated in Australia, are as follows:

Immediate holding company	– Paper Associates Pty Ltd (incorporated in Australia)
Intermediate holding company	– PaperlinX Australia Pty Ltd (incorporated in Australia)
Ultimate holding company	– PaperlinX Limited (incorporated in Australia)

As the Company meets the exemption criteria in FRS 27 (2004) *Consolidated and Separate Financial Statements*, it does not need to prepare consolidated financial statements and it only presents the Company's separate financial statements. Consolidated financial statements prepared by PaperlinX Limited are available from PaperlinX Limited at 307 Ferntree Gully Road, Mount Waverley, Victoria 3149, Australia.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty or critical judgements in the application of accounting policies that have significant effect on the amount recognised in the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

3.2 Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

3.3 Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company's non-derivative financial assets comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and bank deposits.

Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.4 Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Revenue recognition

Dividend income

Dividend income is recognised on the date that the shareholder's right to receive payment is established.

3.6 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.7 Finance costs

Interest expense and similar charges are expensed in the profit and loss account in the period in which they are incurred.

3.8 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

4 Subsidiaries

	2011	2010
	\$'000	\$'000
Non-current		
Investment in subsidiaries	23,105	23,105

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation	Effective interest held by the Company	
			2011	2010
			%	%
¹ Spicers Paper (Singapore) Pte Ltd and its subsidiary	Sale of paper products	Singapore	100	100
² Winpac Paper Pte Ltd	Sale of printing paper	Singapore	100	100
³ Spicers Paper (Malaysia) Sdn Bhd	Sale of paper products, graphic supplies and plates	Malaysia	100	100
⁴ Spicers Paper (Hong Kong) Limited	Sale of paper products and graphic supplies	Hong Kong	100	100

¹ Audited by KPMG LLP Singapore

² Audited by R Chan & Co. in Singapore

³ Audited by other member firms of KPMG International

⁴ Audited by Lau & Au Yeung, .P.A. Ltd in Hong Kong

5 Amount due from/(to) a subsidiary (non-trade)

The amount due from a subsidiary is unsecured and interest free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. These amounts are in substance, a part of investment in the subsidiary, they are stated at cost less accumulated impairment losses.

The amount due to a subsidiary is unsecured, interest-free and is not expected to be repaid within the next twelve months.

6 Loan to intermediate holding company

	2011	2010
	\$'000	\$'000
Current	3,199	—
Non current	1,300	4,153

- (i) Loan to the intermediate holding company designated in Singapore dollars of S\$1,300,000 is unsecured, interest-bearing at 3.4375% (2010: 3.39%) per annum and is not expected to be received within the next twelve months. Interest rates are re-priced at intervals of three months at 3.00% plus the 3 months SIBOR on the first day of the interest period.
- (ii) Loan to intermediate holding company designated in Malaysia ringgit of RM 8,000,000 (equivalents to S\$3,198,976) is unsecured, interest bearing at 6.05% (2010: Nil) per annum and is expected to be received within the next twelve months. Interest rates are re-priced at intervals of three months at 3.00% plus the 3 months Malaysia LIBOR on the first day of the interest period.

7 **Loan to/(from) a subsidiary**

- (i) Dividend receivable from a subsidiary of S\$4,200,000 was converted to a loan to the subsidiary.
- (ii) During the year, the Company received a loan of RM 8,000,000 (equivalents to S\$3,198,976) from a subsidiary.

Loans to/ (from) the subsidiaries are unsecured, interest free and have no fixed terms of repayment. These amounts are repayable on demand.

8 **Share capital**

	2011	2010
	Number of	Number of
	shares	shares
	('000)	('000)
Issued and fully paid:		
At 1 July	41,985	41,985
Capital reduction	(11,253)	—
At 30 June	<u>30,732</u>	<u>41,985</u>

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

During the year, the Company undertook a capital reduction exercise (the Capital Reduction) pursuant to Section 78B of the Companies Act (Cap. 50), to reduce and cancel the share capital of the Company which is not represented by available assets to the extent of S\$11,253,000, being accumulated losses as at 31 July 2010.

The Capital Reduction was approved by the shareholders in an extraordinary general meeting held on 16 September 2010. The Company's issued and paid-up share capital was reduced from S\$41,985,300 to S\$30,732,300. In connection with the Capital Reduction, the amount of S\$11,253,000 arising therefrom was applied to reduce the accumulated losses.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Company is also committed to maintain efficient mix of debt and equity in order to achieve an optimal cost of capital, while taking into account the adequacy of access to cash flows.

The Company manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may align the dividend payment to shareholders, return capital to shareholders or issue new shares.

There are no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

9 Revenue

	2011	2010
	\$'000	\$'000
Dividend income	7,892	4,148
	7,892	4,148

10 Finance costs

	2011	2010
	\$'000	\$'000
Interest paid and payable to a bank	-	12
	-	12

11 Profit for the year

The following item has been included in arriving at profit for the year:

	2011	2010
	\$'000	\$'000
Net exchange gain	177	53
	177	53

There are no staff under the employment of the Company. The accounting and administration functions are provided by its subsidiary.

12 Income tax expense

Reconciliation of effective tax rate

	2011 \$'000	2010 \$'000
Profit before taxation	8,262	4,253
Income tax using Singapore tax rate of 17%	1,405	723
Income not subject to tax	(1,408)	(728)
Expenses not deductible for tax purposes	3	5
Withholding tax paid	26	–
	<u>26</u>	<u>–</u>

13 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included in the financial statements.

The Board of Directors has an overall responsibility for the establishment and oversight of the Company's risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Other than \$3,536,777 due from subsidiary, there are no significant concentration of credit risk at the balance sheet date. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Cash and bank deposits are placed with banks and financial institutions which are regulated. Management does not expect any of its counterparties to fail to meet its obligations.

Liquidity risk

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

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. This excludes the potential impact of extreme circumstances that cannot be reasonably be predicted.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company is not exposed to any equity price risk.

Interest rate risk

The Company's exposure to changes in interest rates relates primarily to the Company's debt obligations. Interest rate is managed by the Company on an on-going basis with the primary objective of limiting the extent to which the interest expense could be affected by an adverse movement in interest rates.

Foreign currency risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company does not have any significant exposure to foreign currency risk except for the below:

	Hong Kong Dollar \$'000	Malaysia Ringgit \$'000
2011		
Intercompany receivables	–	3,199
Cash and cash equivalents	–	–
Intercompany payables	(1,235)	(3,199)
	<u>(1,235)</u>	<u>–</u>
2010		
Cash and cash equivalents	–	–
Intercompany payables	(1,412)	–
	<u>(1,412)</u>	<u>–</u>

Sensitivity analysis

A 10% weakening of the Singapore dollar against the following currencies at the reporting date would decrease profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or (loss) S'000
2011	
Hong Kong dollar	<u>(137)</u>
2010	
Hong Kong dollar	<u>(141)</u>

A 10% strengthening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Fair value

Loan to intermediate holding company is principally variable rate instruments which re-price every three months and their carrying values approximate their fair values.

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including cash at bank, other payables, loan to a subsidiary and loan from a subsidiary) are assumed to approximate their fair values because of the short period to maturity.