利通太平洋金融控股有限公司
Net Pacific Financial Holdings Limited
(Incorporated in the Republic of Singapore on 9 January 2003)
(Company Registration Number 200300326D)

ENTRY INTO JOINT VENTURE AGREEMENT WITH AND ACQUISITION OF 51% OF SAINT PEARL TRAVEL PRODUCTS (GUANGDONG) CO.,LTD. (INCLUDING BEN'S HOLDING VIA THE JV COMPANY) FROM MR BEN LEE

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1. INTRODUCTION

1.1. The Board of Directors (the "**Board**") of Net Pacific Financial Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company had on 2 February 2024, entered into a joint venture agreement ("**JVA**") with Mr. Ben Lee ("**Ben**"), a Non-Independent Non-Executive Director of the Company ("**Joint Venture**"). Further to the JVA, a joint venture company, Net Industrial International Company Limited ("**JV Company**"), has been incorporated in the Hong Kong Special Administrative Region of the People's Republic of China ("**HKSAR**"). Pursuant to the JVA, the Company is the majority shareholder, holding 80% interest of the JV Company, while Ben, a Non-Executive Non-independent Director of the Company, will own the remaining 20%.

1.2. The JV Company had on 2 February 2024 also entered into a share transfer agreement ("**STA**") to acquire Ben's 51% of the total issued and paid-up share capital ("**Sale Shares**") of Saint Pearl Travel Products (Guangdong) Co., Ltd. ("**Target Company**") ("**Acquisition**", together with the Joint Venture, the "**Proposed Joint Venture and Acquisition**"), currently a wholly-owned subsidiary of Jiangmen Limingzhu Technology Co., Ltd. ("**Jiangmen Limingzhu**"), a portion of which is held on trust for Ben. Please refer to Section 2.6 for more details.

1.3. The JV Company had on 2 February 2024 also entered into a shareholders' agreement ("**SHA**") with Jiangmen Limingzhu and the Target Company to give effect to the intentions of the JV Company and Jiangmen Limingzhu, and to record and regulate their rights and obligations *inter se* as shareholders of the Target Company in conduct of the business and affairs of the Target Company.

1.4. The Directors have reviewed the Proposed Joint Venture and Acquisition and have resolved to convene an extraordinary general meeting of the Company to seek the approval of the shareholders of the Company for (i) the Proposed Joint Venture and Acquisition pursuant to Rule 1014 of the Catalist Rules; and (ii) the proposed business diversification. A circular to shareholders of the Company containing, *inter alia,* further information on the Proposed Joint Venture and Acquisition, and the business diversification, and the notice of the extraordinary general meeting (the "**Circular**") will be made available by the Company to its shareholders in due course.

2. INFORMATION ON TARGET COMPANY

2.1. The Target Company is a limited liability company incorporated on 6 April 2023 in the People's Republic of China ("**PRC**"). Based on a company search of the Target Company on 25 January 2024, the Target Company has an issued and paid-up share capital of RMB 5,000,000.

2.2. As the Target Company was only incorporated in April 2023, no audited financial statements were made available to the Company. Notwithstanding this, based on the management accounts of the Target Company as at 30 September 2023:

(a) the working capital of the Target Company was approximately negative RMB4,379,000;

(b) the book value of the Sale Shares, representing in aggregate 51% of the total issued and paid-up share capital of the Target Company (including Ben's holdings in the Target Company via the JV Company), was approximately RMB1,382,000;

(c) the net tangible asset ("**NTA**") value represented by the Sale Shares, representing in aggregate 51% of the total issued and paid-up share capital of the Target Company (including Ben's holdings in the Target Company via the JV Company), was approximately RMB1,382,000; and

(d) the net loss for the period from date of incorporation on 6 April 2023 to 30 September 2023 attributable to the Sale Shares, representing in aggregate 51% of the total issued and paid-up share capital of the Target Company (including Ben's holdings in the Target Company via the JV Company), was approximately RMB1,474,000.

2.3. The open market value of the Sale Shares is not available as the shares of the Target Company are not listed or traded on any securities exchange. For the purpose of the Acquisition, the Company commissioned Gravel Consulting Limited ("**Valuer**") to assess and determine the market value of the 100% equity interest in the capital of the Target Company as at the valuation date of 30 June 2023. The Valuer has adopted the summation method under the cost approach to obtain the aggregate market value of the assets and liabilities of the Target Company. Under the summation method, each asset and liability of the Target Company is being valued using the cost approach, and the market value of the 100% equity interest in the capital of the Target Company is derived by adding the component assets and deducting the component liabilities.

2.4. The Company has commissioned GFE Law Office ("**GFE**") to conduct legal due diligence on the Target Company. As at the date of this announcement, save for the following matters arising from the legal due diligence, nothing materially adverse has come to the attention of the Company:

(a) the Target Company had not made adequate contributions to social insurance and housing provident funds for its employees as required;

(b) the Target Company had commenced production before completion of the environmental protection procedures as required;

(c) the Target had not carried out the fire protection filing procedures required for its construction works;

(d) the ownership of the temporary real estate (a temporary structure of total gross floor area of 1,584 square meters) within one of the three lease contracts is not clear. GFE had not been provided with any construction project planning permit or any other documents certifying the ownership of the said real estate for the temporary leased premises;

(e) the Target Company had not made the occupational disease hazard declaration as required;

(f) the Target Company had not constructed occupational disease protection facilities as required;

(g) the Target Company had constructed certain self-constructed buildings including but not limited to a restroom, sample room and shredding room without obtaining a construction project planning permit if required or carrying out the completion and acceptance procedure; and

(h) the Target Company had not filed the three lease contracts with the relevant real estate authority as required.

2.5. The Board is of the view that the aforementioned issues arising from the legal due diligence will not affect operations. It is noted that one of the conditions precedent to the STA (as listed at Section 7.2.1 (d) of this announcement) is the rectification, or the procurement of such rectification, to the satisfaction of the Company by Jiangmen Limingzhu of all issues and irregularities uncovered by the Company during its due diligence investigations. In light of this, the Board is of the view that there is sufficient safeguard in that, in the event that this condition precedent is not fulfilled, the Company would have the option not to proceed with the Acquisition.

2.6. As at the date of this announcement, the Target Company is 100%-owned by Jiangmen Limingzhu. However, further to an equity holding agreement dated 6 April 2023 entered between Ben and Jiangmen Limingzhu, Jiangmen Limingzhu is holding 51% shareholding interest of the Target Company for the benefit of Ben. Ben is currently the chairman of Wang Kei Yip Development Ltd. 宏基业发展有限公司 ("**WKY**"), a company principally involved in the business of scrap recycling, processing, production and sale of aluminum ingots. Ben is also a passive investor in other small businesses including the initial group of companies in relation to the business of sale of golf simulators and the operation of golf simulator venues (the "**Golf Business**") which the Company has completed acquisition of on 1 December 2023, and the Target Company (prior to this Acquisition). As the chairman of WKY, he has to travel frequently and does not have time for the management of these passive investments and prefers these passive investments to be registered under third party registered owners for operational ease.

2.7. Jiangmen Limingzhu, established in 1993, is a luggage and leather goods manufacturer in Jiangmen City. It has become one of the prominent brands in the luggage and leather goods industry with its comprehensive range of products, advanced craftsmanship, and production equipment. Since its inception, Jiangmen Limingzhu provides a full set of travel product solutions for well-known domestic and foreign brands in the industry, such as Samsonite, French Ambassador, Japanese ACE, NIO, TESLA, etc., with its products targeting the global mainstream market. It also invests in research and development and production of various types of luggage including fabric luggage, business bags, casual bags, leather bags and other business travel products. Continuously exploring improvement in luggage production, it has more than 20 designer and development personnels, integrated worldwide design resources and collaborates with independent designers from Europe, Asia and a top domestic design university. Jiangmen Limingzhu commenced production of hard case travel products with the establishment of the Target Company on 6 April 2023. For more information on luggage production, please refer to Section 5.1.6 to 5.1.8.

2.8. The existing director of Jiangmen Limingzhu is Li Rongda ("**Mr Li RD**") and he is primarily responsible for the day-to-day operation, strategic planning, major decision-making as well as development of the business and vision of Jiangmen Limingzhu. The existing supervisor is Mr Li Zhuping ("**Mr Li ZP**") who is Mr Li RD's uncle. Mr Li ZP is responsible for supervising and ensuring compliance of Jiangmen Limingzhu with local laws and regulations, as well as protecting the interests of Mr Li RD and Mr Li ZP as shareholders of Jiangmen Limingzhu. Mr Li ZP also helps to maintain the relationship with the local government officials.

2.9. The existing shareholders of Jiangmen Limingzhu are Mr Li RD and Mr Li ZP who each hold 50% of shareholding of Jiangmen Limingzhu. They have in aggregate more than 20 years' experience in the travel product solution business and have established good working relationships with well-known luggage brands in the world.

2.10. The principal activities of the Target Company are mainly hard case luggage manufacturing and sales in the Business-to-Business arena. Jiangmen Limingzhu focuses on the production and sale of soft case luggage while the Target Company focuses on the production and sale of hard case luggage, for internationally known brands. As such, while Jiangmen Limingzhu and the Target Company serve the same customers and/or target customer clusters, the Board is of the view that there is no competition given that their respective products are clearly demarcated. In any event and to avoid possible conflict of interest, the Company has procured letters of undertaking from the shareholders of Jiangmen Limingzhu. The letter of undertaking from Mr Li RD, a 50% shareholder of Jiangmen Limingzhu, sets out that:

(a) save for the first twelve (12) months from the date of the Li RD Undertakings (as defined and further elaborated below) or until such time when the Target Company attains the necessary quality recognition and certifications including ISO1400 and ISO9100 issued by the International Organization for Standardization required by customers to accept orders directly from them, whichever is the later, he shall not and will procure his Associates (as defined below) not to (without the prior written consent of the Company) directly or indirectly, carry on or be engaged in or concerned with or interested economically or otherwise in any manner whatsoever in such Luggage Business (as defined below) that may compete with the Group (please see below for the reason for the minimal 12-month carve-out);

(b) in respect of existing common customers between the Target Company and Jiangmen Limingzhu, Mr Li RD shall and will procure that his Associates shall place the interest of the Group above their own personal interests and shall not, without the prior written consent of the Company, directly or indirectly, take any action which will adversely affect or prejudice the interest of the Group; and

(c) in respect of any new potential customers or orders in the future which fall within the business scope of the Group, Mr Li RD shall and will procure that his Associates will refer such potential customers or orders to the Group. In this regard, Mr Li RD will, and will procure his Associates to, immediately notify the Group of any such business opportunity, and if directed to do so by the board of directors of the Company, will assist the Group to secure such business opportunity on terms acceptable to the Group.

(collectively, "**Li RD Undertakings**")

With respect to Li RD Undertakings, "**Associates**" means:

1. Mr. Li RD's spouse, child, adopted child, step-child, sibling and parent, but, for the avoidance of doubt, does not include Mr Li RD's uncle, Mr Li ZP;

2. the trustees of any trust of which Mr Li RD or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

3. any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

2.11. The Li RD Undertakings shall be effective for so long as the Company remains listed on the Catalist, Mr Li RD and/or any of his Associates remain a director and/or a controlling shareholder of the Target Company, or Mr Li RD and/or any of his Associates remain as a director and/or a controlling shareholder of Jiangmen Limingzhu.

2.12. The Company has also procured a letter of undertaking from Mr Li ZP, a 50% shareholder of Jiangmen Limingzhu, that:

(a) save for the first twelve (12) months from the date of the Li ZP Undertakings (as defined and further elaborated below) or until such time when the Target Company attains the necessary quality recognition and certifications, including ISO1400 and ISO9100 issued by the International Organization for Standardization required by customers to accept orders directly from them, whichever is the later, he shall not and will procure his Associates (as defined below) not to (without the prior written consent of the Company) directly or indirectly, carry on or be engaged in or concerned with or interested economically or otherwise in any manner whatsoever in such Luggage Business (as defined below) that may compete with the Group;

(b) in respect of existing common customers between the Target Company and Jiangmen Limingzhu, Mr Li ZP shall and will procure that his Associates shall place the interest of the Group above their own personal interests and shall not, without the prior written consent of the Company, directly or indirectly, take any action which will adversely affect or prejudice the interest of the Group; and

(c) in respect of any new potential customers or orders in the future which falls within the business scope of the Group, Mr Li ZP shall and will procure that his Associates will refer such potential customers or orders to the Group. In this regard, Mr Li ZP will, and will procure his Associates to, immediately notify the Group of any such business opportunity, and if directed to do so by the board of directors of the Company, will assist the Group to secure such business opportunity on terms acceptable to the Group.

(collectively, "**Li ZP Undertakings**")

With respect to Li ZP Undertakings, "**Associates**" means:

1. Mr. Li ZP's spouse, child, adopted child, step-child, sibling and parent, but, for the avoidance of doubt, does not include Mr Li ZP's nephew, Mr Li RD;

2. the trustees of any trust of which Mr Li ZP or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

3. any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

2.13. The Li ZP Undertakings shall be effective for so long as the Company remains listed on the Catalist, Mr Li ZP and/or any of his Associates remain a director and/or a controlling shareholder of the Target Company, or Mr Li ZP and/or any of his Associates remain as a director and/or a controlling shareholder of Jiangmen Limingzhu.

2.14. The Target Company is a newly-incorporated company at its infant stage of operations. It does not have sufficient qualification and experience to be included in the supplier list of international market players in the luggage industry. As Jiangmen Limingzhu is a more established company as compared to the Target Company, in the initial stages of the Joint Venture and as a temporary start-up arrangement for minimal first twelve (12) months from the date of the Li RD Undertakings and Li ZP Undertakings or until such time when the Target Company attains the necessary quality certifications including ISO1400 and ISO9100 issued by the International Organization for Standardization required by customers to accept orders directly from them, orders for hard case luggage may be obtained through Jiangmen Limingzhu but such orders will be sub-contracted to the Target Company based on certain apportion rates, information of which will be furnished in the Circular in due course. In light of the above, there is a carve out of a minimal twelve (12) months period in relation to the Li RD Undertakings and Li ZP Undertakings.

3. INFORMATION ON JIANGMEN LIMINGZHU

3.1. The Target Company is currently 100%-owned by Jiangmen Limingzhu. However, further to an equity holding agreement, Jiangmen Limingzhu is holding 51% shareholding interest of the Target Company for the benefit of Ben for the reasons as set out in Section 2.6 of this announcement.

3.2. As set out in Section 4 of this announcement, Ben is a Non-Independent Non-Executive director and a controlling shareholder of the Company, with a deemed 22.83% shareholding interest in the Company as at the date of this announcement. Save as disclosed in Section 4 of this announcement, Ben is not related to the directors, substantial shareholders of the Company, or their respective associates.

4. INFORMATION ON BEN

4.1. Ben is a Non-Independent Non-Executive director and a controlling shareholder of the Company, with a deemed 22.83% shareholding interest in the Company as at the date of this announcement.

4.2. Ben is deemed interested in the shares held by his wife, Zhou Dan, who is the sister of Zhou Wen Jie, another Non-Independent Non-Executive director and a controlling shareholder of the Company. For ease of reference, the shareholdings in the Company of Zhou Wen Jie, Zhou Dan and Ben are set out below:

	Direct Interest	**Deemed Interest**	**Total**	**%**
Zhou Wen Jie	119,750,600	-	119,750,600	22.78%
Zhou Dan	120,000,000		120,000,000	22.83%
Ben	-	120,000,000	-	22.83%

4.3. Save as disclosed above, Ben is not related to the directors, substantial shareholders of the Company, or their respective associates.

5. RATIONALE FOR PROPOSED JOINT VENTURE AND ACQUISITION, AND ENTRY INTO THE INTERESTED PERSON TRANSACTION

5.1. Rationale for Proposed Joint Venture and Acquisition

5.1.1. The Company is an investment company that specializes in providing financing services to small and medium-size companies mainly in PRC and HKSAR, which includes the provision of working capital financing, asset-backed loans, mezzanine loans and investment in companies with good fundamentals and growth potential (the "**Financing Business**"). The Company's holdings in the existing subsidiaries are part of the Financing Business via its investments of funding into these subsidiaries.

5.1.2. The Board has consistently been on the lookout for investment opportunities to increase the revenue and profit base of the Group and to diversify its business so as to boost growth and to enhance shareholder value. The Board holds the view that acquiring a controlling stake in an operating businesses would offer greater potential for growth as there is a possibility for higher returns on funding as compared to the existing Financing Business due to the ability to leverage on the operating business for additional funding from financial institutions. To further elaborate, obtaining bank loans for operating businesses, as opposed to for the Financing Business, is comparatively easier since the turnover and total assets of the operating business are recorded in the books of the Company. The ability to secure additional funds through bank loans results in more working capital for the Company, thereby potentially enhancing returns for both the Company and its shareholders.

5.1.3. As announced on 26 September 2023, the Group had on 25 September 2023 entered into a sale and purchase agreement with Ben to acquire 100% of the total issued and paid-up share capital of Ben Sports and Management Limited and its subsidiaries to diversify and engage in the Golf Business in the PRC (the "**Golf Acquisition Announcement**").

5.1.4. The Board is of the view that the Company's entry into the Joint Venture is also in line with its strategy to acquire and have a controlling stake in operating businesses to build up and diversify its revenue streams. The travel product solution business was chosen as the business model is feasible and scalable and with potential for growth, given that more people, both in PRC and worldwide, are expected to travel given that COVID-19 has been treated as endemic. Furthermore, the Target Company has an existing experienced and credible management team who are familiar with the travel product solution business. In addition, the Board is of the opinion that the Proposed Joint Venture and Acquisition would be beneficial to the Company as (a) the Company, through the JV Company, will be obtaining a controlling stake in the Target Company; (b) Ben is willing to provide an undertaking to the Company for the purposes of safeguarding the Group's interest earnings from the investment, further details of which are set out in Section 6.3 of this announcement; and (c) the Company will be acquiring the Target Company at cost of investment by the original shareholders, based on 51% of the unaudited net tangible asset value of the Target Company as at 30 June 2023, which is supported by a valuation report issued by Gravel Consulting Limited ("**Valuation Report**"). The funding for the acquisition of the Target Company will be through internal financial resources. Despite the unaudited NTA of the Target Company decreased from RMB5,307,000 as at 30 June 2023 to RMB2,709,000 as at 30 September 2023, the Board is of the opinion that Acquisition remains beneficial to the Group as, the decrease in the NTA was mainly due to the costs of testing and calibrating new production lines, which include labour, materials and sample production incurred during trial runs of the production lines. As the Target Company is still in its start-up stage and continues to expand production capacity, these costs are deemed as foreseeable and inevitable for new players in manufacturing industry.

5.1.5. The Board is of the view that the entry into the Joint Venture to eventually acquire the Target Company will provide the Group with yet another new revenue stream after the acquisition of the Golf Business, and accordingly, believes that the Joint Venture is in the best interests of the Company, without which the Company would not have access to this investment opportunity.

5.1.6. The core of Jiangmen Limingzhu's business is the manufacturing and sale of soft case travel products such as soft suitcases and hand luggage. Soft case travel products usually use cloth or nylon materials and are mainly cut and assembled by manual hand-made processes. This makes soft case travel products lighter on average than travel products that are made of other materials. In addition, it is easier to integrate more functions for soft case travel products such as additional external bags and other expansion capabilities. The production facilities requirement for the manufacturing of soft case products are also much lower than those for travel products made of other materials. In this regard, the market entry barrier is also low and the business of soft case travel products is largely labour-intensive, and the technical requirements for manual craftsmanship are relatively less significant.

5.1.7. As set out in Section 2.10, the Target Company's core business is the manufacturing and sale of hard case travel products such as hard case luggage. Hard case travel products can be made of a variety of different materials, such as low-cost polypropylene (“**PP**”), lighter but more expensive polycarbonate (“**PC**”), and even some reinforced composite layers that have both high strength and lightweight properties. Customers generally have strict technical requirements for manufacturing materials and product specifications. Therefore, a considerable amount of capital investment in resources and production facilities is required for each stage of production from research, product design and development, production and quality control. The typical production cycle involves melting machines, three-dimensional (3D) printing machines, computer aided design (CAD) software and hardware supporting equipment, plastic injection molding machines, luggage panels and stamping production lines, as well as product testing equipment, amongst others. The production facilities and technical requirements for manufacturing hard case travel products are much higher than those for soft travel products. Accordingly, the market entry barrier is also higher. In this regard, the business of hard case travel products is capital-intensive and requires a much higher amount of capital investment to build up automatic mechanised production lines.

5.1.8. Due to the fundamental differences in the manufacturing processes, techniques and requirements for production facilities between hard case and soft case travel products, the production of these two products is not interchangeable. The production plant of Jiangmen Limingzhu is unable to fulfil the purchase orders of hard case travel products, and vice versa. Therefore, a new investment in the Target Company is required to enter the market for hard case travel products.

5.1.9. Ben and Mr Li RD met through business associates about five (5) years ago and have always been on look out for business opportunities together. Ben and Mr Li RD had visited multiple local and overseas expositions to meet industry players, suppliers, customers and other vendors to understand the industry trend and market demand for hard cases, as well as met with existing and potential customers to understand their interests and explore business opportunities in hard cases for more than 2 years. From the findings, Ben and Mr Li RD are optimistic about the development prospects of hard case travel products. As such, they set up the Target Company on 6 April 2023 for the purpose of entry into the hard case travel products market. As mentioned earlier, 51% of the shareholdings in the Target Company was held by Jiangmen Limingzhu on behalf of Ben. At the same time, Ben introduced the Target Company to the Company, with the view that the Target Company could assist the Company to achieve its objective to increase revenue streams through diversification. Moreover, the Acquisition would put into good use the Company's idle internal financial resources. It was decided that the investment in the Target Company shall be done in the form of the Joint Venture to take advantage of the strength of Li RD and Ben in management and production experience and sales network respectively, and to share resources, expertise, business opportunities and risk.

5.1.10. Further to the Joint Venture arrangement, the effective beneficial interest of the Company in the Target Company is only 40.8%, being 80% of the 51% interest in the Target Company held via the JV Company. Despite this, the Company is able to exercise significant control over the Target Company given that it is a 80% shareholder of the JV Company. The Board is of the view that the business risks under the Joint Venture arrangement are acceptable taking into consideration the effective control the Company would have over the Target Company via the JV Company, coupled with undertakings by Ben as further elaborated in Section 6.3.

5.1.11. The Company has sought legal advice from GFE on the validity and legality of the Proposed Joint Venture and Acquisition. As at the date of the announcement, GFE is of the opinion that the structure of the Proposed Joint Venture and Acquisition does not violate the applicable PRC laws; and GFE is not aware of any legal impediments for the Company to distribute its dividends, if any, to Shareholders of the Company from the Target Company under the PRC Laws upon completion of the Proposed Joint Venture and Acquisition.

5.1.12. In addition, after reviewing relevant documents and financial information for the financial period ended 31 December 2022 and 30 September 2023 provided by the Company and the Target Company respectively, GFE is of the view that the Proposed Joint Venture and Acquisition would not result in the Company simultaneously meeting the two conditions set out in Circular 43 which would result in the Proposed Joint Venture and Acquisition being characterised as an indirect overseas offering and listing of a PRC domestic company. Therefore, the Company shall not be subject to the filing requirements under Circular 43. Circular 43 refers to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境内企业境外发行证券和上市管理试行办法) released by the China Securities Regulatory Commission (中国证券监督管理委员会) ("**CSRC**") on 17 February 2023, as well as the six supporting guidelines, which took effect from 31 March 2023 and 16 May 2023. Notwithstanding the above, as Circular 43 was only issued recently, the Board is of the view that, there is no assurance that any new rules or guidance relating to Circular 43 promulgated in the future would not impose requirements on the Company, nor is there assurance that CSRC or other government authorities will not recognise the Proposed Joint Venture and Acquisition as an indirect overseas listing, and require or notify the Company to go through filing procedures according to the Circular 43.

5.1.13. As at the date of this announcement, GFE has confirmed that there have been no changes in interpretation, and/or additional requirements which will be imposed on the Company with respect to Circular 43 based on the financial information GFE currently obtained in the foreseeable future, other than as disclosed above. In the event that there are such changes and/or additional requirements, the Board will address them as and when they arise, and if material, will promptly inform shareholders via an announcement on SGXNET.

5.2. Rationale for Proposed Interested Person Transaction ("**IPT**") with Ben

5.2.1. Over the past two and a half years, the Board has reviewed not less than ten (10) business proposals and all were deemed unsuitable investments/acquisitions. In deciding which business proposal(s) to proceed with, the Board considered various factors including, the risk of business, control over the business, cost involved in setting up and engaging in the business, experience of the incumbent management team of the business to be acquired (where they form part of the business to be acquired), and whether it is a scalable business model. Based on the Board's review and evaluation, the proposed acquisition of 51% of the Luggage Business (as defined below) from Ben, despite being an IPT, is in the best interest of the Company, having considered the above-mentioned consideration factors, as well as reasons detailed in this Section 5.

5.2.2. The Company had also decided to proceed with the IPT with Ben as Ben's participation in the JV Company and Target Company would be valuable as he has practical understanding and knowledge of the market and business operations of the luggage industry. More details are set out in Section 6.4 of this announcement.

6. PRINCIPAL TERMS OF THE JVA

6.1. Share capital of the JV Company

6.1.1. The JV Company has been incorporated in the HKSAR with an issued and paid-up share capital of HK$1,000 comprising 1,000 Shares. The shareholding structure of the JV Company will be as follows:

Party	Number of shares in the JV Company	Paid-up share capital (HK$)	% of interest in the JV Company
The Company	800	800	80%
Ben	200	200	20%
Total	**1,000**	**1,000**	**100%**

6.2. Business of the JV Company

6.2.1. The business of the JV Company ("**Luggage Business**") following its acquisition of the Target Company shall be the following:

(a) the research, design, production and sales of travel hard cases made from PP, PC, and other innovative materials, providing comprehensive travel product solutions;

(b) the research, design, production and sales of PP, PC, and other new material travel hard cases, providing a complete set of travel product solutions to internationally known luggage brands through intermediaries both domestically in the PRC and internationally; and

(c) the investment into companies that carry out the activities as set out under the (a) and (b).

6.3. Further Financing and Funding

6.3.1. In the event any additional financing is required by the JV Company, such financing shall be met through the provision of banking or credit facilities to the JV Company from such financial institutions as the board of directors of the JV Company may from time to time agree; or subject to the consent of the relevant shareholder(s) of the JV Company, provision of advance loans by the shareholder(s) to the JV Company on such terms as may be agreed between the relevant shareholder(s) and the JV Company, in compliance with relevant Catalist Rules, including Catalist Rule 916, at all times.

6.3.2. Notwithstanding the foregoing, for the furtherance of the Luggage Business, the Company and Ben shall each provide funding to the JV Company as follows:

Consideration for the Acquisition

(a) The Company and Ben agree that of the consideration of RMB 2,706,000 ("**Consideration**") required for the Acquisition, NET shall provide a shareholder's loan of RMB 2,165,000 (the "**NET Shareholder's Loan 1**") and Ben shall provide a shareholder's loan of RMB 541,000 (the "**Ben Shareholder's Loan 1**"). Please refer to Section 7.1.1 of the announcement for details on how the Consideration amount was reached;

General funding

(b) The Company and Ben agree that the Company shall provide shareholder's loans of up to RMB 13,339,000 (the "**NET Shareholder's Loan 2**", together with Net Shareholder's Loan 1, "**NET Shareholder's Loans**") and Ben shall provide shareholder's loan of up to RMB 3,335,000 (the "**Ben Shareholder's Loan 2**", together with Ben Shareholder's Loan 1, "**Ben Shareholder's Loans**") to the JV Company for the furtherance of the Luggage Business.

In arriving at the amount for the NET Shareholder's Loan 2 and Ben Shareholder's Loan 2, the factors considered included the business plan and working capital required in setting up new production lines and expansion plans over the next 2 to 3 years.

Interest

(c) Interest on each tranche of the NET Shareholder's Loans and Ben Shareholder's Loans shall be calculated from, and including, the date of disbursement at the rate of 8% per annum, payable yearly in arrears by the date falling sixty (60) days from the date such interest is accrued. Notwithstanding this, the Company and Ben reserves the right to alter or change the interest rate of the NET Shareholder's Loans and Ben Shareholder's Loans concurrently at their joint discretion.

The right to alter or change the interest rate is to allow for flexibility in anticipation of interest rates movement going forward. The rate of 8% was arrived at after considering the following factors: (i) the current base interest rate of 12% for existing loans under the Financing Business; (ii) the prevailing interest rates in the market in the range of 5% and 36% for varying loan durations, quantum, security and creditability of borrowers and (iii) the additional benefits of acquiring the equity interest in the Target Company (as elaborated in Section 5) apart from the interest payable from the NET Shareholder's Loans;

Repayment

(d) The JV Company shall repay the Company and Ben the principal amount of the NET Shareholder's Loans and Ben Shareholder's Loans together with all other sums due or payable under the JVA on the date falling two (2) years from the date of disbursement of the initial tranche of the NET Shareholder's Loans and Ben Shareholder's Loans (the "**Maturity Date**"). Notwithstanding this, the Company and Ben reserves the right to alter the Maturity Date at their joint discretion;

At the time of this announcement, the intention is for the Company and Ben to extend the Maturity Date indefinitely unless there are exceptional issues with the Target Company such as bad results implying that the business is no longer viable. In which case, the Company will cease to extend the Maturity Date and would also require Ben to purchase the Company's NET Shares (as defined below) pursuant to the undertaking provided by Ben as set out in Section 6.3.2 (f) (if applicable), which would result in divestment.

Undertaking by Ben

(e) Ben hereby undertakes that in the event the JV Company fails to repay, in whole or any part thereof, the interest payable on the relevant tranche of the NET Shareholder's Loans ("**NET Loan Interest**"), Ben shall be responsible for such NET Loan Interest due but not having been paid by the JV Company, and shall make payment of such NET Loan Interest to the Company. Such NET Loan Interest shall be payable in RMB or HKD equivalent and in cash to the Company within two (2) months of the relevant NET Loan Interest being due.

(f) In addition to (e) above, Ben hereby undertakes that in the event the Company (at its sole discretion) requires Ben to purchase the Company's interest in the JV Company (the "**NET Shares**") from the Company, Ben shall acquire the NET Shares from the Company within three (3) to six (6) months, for an amount equivalent to the NET Shareholder's Loans which has been disbursed, subject to compliance with applicable Catalist Rules, and such amount shall be payable in RMB or HKD equivalent and in cash to the Company. This sub-section (f) shall only apply during the period commencing from the date of the JVA and ending on the date falling on the fifth anniversary of the date of the JVA.

6.3.3. For the avoidance of doubt, any funding to be provided by the Company and Ben to the JV Company as may be agreed between the Company and Ben in writing from time to time, as and when so provided, shall be provided by the Company and Ben in proportion to their respective shareholdings in the JV Company and on the same terms. Subject to the above, the NET Shareholder's Loans and Ben Shareholder's Loans may be provided by the Company or Ben (as applicable) in separate tranches PROVIDED THAT each tranche of the NET Shareholder's Loans and Ben Shareholder's Loans shall be provided in proportion to their respective shareholdings in the Company.

6.4. Board of Directors and Management of the JV Company

6.4.1. In line with the JVA, the board of directors of the JV Company shall be:

(a) Ong Chor Wei @ Alan Ong, Executive Director of the Company;
(b) Ben; and
(c) Chan Chun Kit.

6.4.2. Besides being appointed as a director of the JV Company, Ben will also be appointed as a director of the Target Company. The Board is of the view that Ben's participation on the Board of JV Company and Target Company is in the best interest of the Company as (i) his interests will be in line with the Group given that he, through his spouse, is a controlling shareholder of the Company and he is providing several undertakings as disclosed under 6.3.2 (e) and (f), (ii) Ben has acquired the best understanding of the market and operations of the Luggage business as prior to his involvement in the Target Company, Ben had already been engaging with Mr Li RD in discussions on the market environment and has been conducting business feasibility of hard case travel products for more than 2 (two) years. As such, Ben had obtained an overall understanding of the market. Ben and Mr Li RD had visited multiple local and overseas expositions to meet industry players, suppliers, customers and other vendors for business development purposes and also met with potential customers and other vendors to secure sales orders by Target Company. Following from the above, Ben's participation in the JV Company and Target Company would be valuable as he has practical understanding and knowledge of the market and business operations of the luggage industry.

6.4.3. While Ben is the Chairman of WKY, the Board understands that Ben is interested in the luggage industry and believes in its potential and is willing to devote more time to the Joint Venture as compared to his other ventures. Furthermore, even though he will be a director of the JV Company and the Target Company, he would not be involved in the day-to-day management of the JV Company and Target Company. In addition, there are other directors on the board of directors of the JV Company and the Target Company to ensure optimal and impartial board decisions are made. Given the experience of the existing management team of the Target Company, it is envisaged that Ben, despite his other business commitments, would be able to undertake his responsibilities as a director of the JV Company and the Target Company.

6.4.4. The JV Company's board shall have overall oversight of its business, but the day-to-day administration and/or management of the JV Company will be vested in the incumbent management and other professional managers to be recruited as and when needed, who shall at all times be responsible and subject to the oversight of the board of the JV Company.

6.4.5. Mr Chan Chun Kit, who was introduced to the Company by Ben who met him in 2021 for a potential engagement on a business deal with WKY, is a certified public accountant with over 16 years' experience in financial reporting, financial management, corporate governance and audit in several Singapore Exchange Securities Trading Limited (the "**SGX-ST**")-listed companies and professional firm. Currently, he is a corporate financial consultant for various HKSAR, PRC and overseas listed and private companies. He has been appointed as the financial consultant of the Group since November 2023 with the work scope of providing financial and accounting consultancy service, particularly for the ongoing and potential establishment and acquisition of subsidiaries and/or target companies based in PRC. Between 2011 to 2018, he was the Chief Financial Officer and company secretary of China Flexible Packaging Holdings Limited (listed on SGX-ST until 2017). Prior to these roles and positions, he had worked at an international audit firm, BDO Limited in Hong Kong from 2007 to 2011 as an auditor.

6.4.6. Mr Chan Chun Kit had previously served as an Independent Non-Executive Director for various listed companies including (i) GS Holdings Limited (listed on SGX-ST) from 2019 to 2022 (ii) Universe Printshop Holdings Limited (listed on the HKEX) from 2017 to 2022 (iii) Raffles Financial Group Limited (listed on the Canadian Securities Exchange) from 2020 to 2021 (iv) Shenzhen Mingwah Aohan High Technology Corporation Limited (listed on HKEX) from 2020 to 2021 (v) Hua Han Health Industry Holdings Limited (listed on HKEX) from 2017 to 2018.

6.4.7. Mr Chan Chun Kit is a member of the Hong Kong Institute of Certified Public Accountants. He is also a Chartered Governance Professional and Chartered Company Secretary, as well as a member of The Hong Kong Chartered Governance Institute. He graduated from the Hong Kong Polytechnic University with a Master's Degree in Corporate Governance and a Bachelor Degree in Accountancy.

6.4.8. Overall, the appointment of Mr Chan Chun Kit as a director of the JV Company would bring financial expertise, risk management capabilities, compliance knowledge, and strategic insights to the JV Company. His involvement would contribute to sound financial management, effective governance, and informed decision-making, ultimately benefiting the Company's financial performance and long-term sustainability. Accordingly, Mr Chan Chun Kit's appointment as a director of the JV Company would be beneficial to the Company and is in the best interest of the Company.

6.4.9. To the best of the knowledge of the Directors, save as disclosed above, Mr Chan does not have any other relationships (including business relationships) with the Company, the Group, the directors, substantial shareholders of the Company, or their respective associates.

6.5. Conditions Precedent

6.5.1. Pursuant to the JVA, the obligations of the parties under Section 6.1 and Section 6.3 of this announcement are subject to and conditional upon fulfillment of the following:

(a) all necessary approvals, consents and/or waivers as may be necessary from its board of directors and/or shareholders (if applicable) for the transactions contemplated under Section 6.1 and Section 6.3 of this announcement, being granted or obtained by the relevant party(ies), and being in full force and effect and not having been withdrawn, suspended, amended or revoked so as to affect the completion of the transactions contemplated under Section 6.1 and Section 6.3 of this announcement;

(b) all necessary approvals, consents and/or waivers as may be necessary from any third party, governmental or regulatory body or relevant competent authority for the transactions contemplated under Section 6.1 and Section 6.3 of this announcement, being granted or obtained by the relevant party(ies), and being in full force and effect and not having been withdrawn, suspended, amended or revoked so as to affect the completion of the transactions contemplated under Section 6.1 and Section 6.3 of this announcement; and

(c) the execution and performance of the transactions contemplated under Section 6.1 and Section 6.3 of this announcement by the parties not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority.

6.6. Transfer of shares

6.6.1. Further to the JVA, all sale, transfer or disposal by a shareholder of the JV Company of its shares shall comply with the provisions as set out below.

6.6.2. Each Transferor shall give to the JV Company and the other shareholders ("**Other Shareholders**") a Transfer Notice, which shall specify the following:

(a) date of despatch of the Transfer Notice;

(b) Transfer Shares;

(c) Transfer Price;

(d) any other terms and conditions of such sale (if any); and

(e) the identity and background of the Third Party Purchaser.

6.6.3. The Transfer Notice shall constitute the JV Company as the Transferor's agent for the sale of all the Transfer Shares during the Period and shall not be revocable except with the Board's unanimous consent.

6.6.4. Upon receipt of the Transfer Notice, the JV Company shall forthwith by notice in writing inform the Other Shareholders, of the number of the Transfer Shares and the Transfer Price and invite Other Shareholders to apply in writing to the JV Company within fourteen (14) days of the date of dispatch of the notice, for such maximum number of the Transfer Shares (being all or any thereof) as it shall specify in such application.

6.6.5. If an Other Shareholder shall within the period of fourteen (14) days as set out above apply for all or any of the Transfer Shares, the directors of the JV Company shall allocate the said shares to such Other Shareholder and the JV Company shall forthwith give an Allocation Notice to the Transferor and to the Other Shareholder and shall specify in such Allocation Notice the place and time (being not earlier than three (3) days and not later than seven (7) days after the date of the Allocation Notice) at which the sale of the Transfer Shares so allocated shall be completed. Where more than one (1) Other Shareholder applies for all or any of the Transfer Shares, the directors of the JV Company shall allocate said shares to such Other Shareholder(s) as nearly as possible on a pro rata basis based on their existing shareholding proportion in the JV Company.

6.6.6. The Transferor shall be bound to transfer the Transfer Shares comprised in an Allocation Notice to the Other Shareholder(s) at the time and place therein specified and, if he shall fail to do so, the chairman of the board of the JV Company or some other person appointed by the directors of the JV Company shall be deemed to have been appointed attorney of the Transferor with full power to execute, complete and deliver, in the name and on behalf of the Transferor, transfers of the Transfer Shares to the Other Shareholder(s) against payment of the Transfer Price.

6.6.7. If the Other Shareholder does not accept the offer referred to above in respect of all the Transfer Shares or if not all of the Transfer Shares are agreed to be taken up within thirty (30) days after the Transfer Notice is served on the JV Company, the Transferor may after the Period be at liberty to sell all (and not part only) of the remaining Transfer Shares to the aforesaid Third Party Purchaser, provided always that:

(a) the price at which such Third Party Purchaser buys the remaining Transfer Shares shall not be below the Transfer Price and shall be on terms no more favourable than those specified in the Transfer Notice; and

(b) the Transferor shall remain and continue to be liable and be responsible for the discharge, observance and performance of all his liabilities and obligations, whether actual or contingent, arising out of or in connection with the JVA at any time up to and including the date of the transfer of the Transfer Shares and shall remain entitled to all accrued rights and benefits arising out of or in connection with the Transfer Shares.

6.6.8. In the event the Transfer Shares are not sold by the Transferor to the Third Party Purchaser within sixty (60) days of the date of the Transfer Notice, any subsequent sale or disposal of the Transfer Shares shall need to comply with the provisions hereinbefore set out.

6.6.9. Unless otherwise agreed by the shareholders of the JV Company, it shall be a condition precedent to the right of any Transferor to transfer shares that the transferee (if not already bound by the provisions of the JVA) executes a deed of ratification and accession, substantially in the form set out in Schedule A of the JVA, under which the transferee shall agree to be bound by the obligations and shall be entitled to the benefit of the JVA as if it is an original party hereto in place of the Transferor.

6.6.10. Notwithstanding anything contained in the JVA, a shareholder of the JV Company may freely transfer the entire legal and beneficial interest in all (and not part only) of the shares held by such shareholder if the Third Party Purchaser is an Affiliate of such shareholder, in which event, that shareholder shall remain party to the JVA as a guarantor of the obligations of such subsidiary and provided that the legal and beneficial interest in all shares which are transferred by a shareholder to a Third Party Purchaser pursuant to this Section shall be transferred back to such shareholder in the event that such Third Party Purchaser ceases to be an Affiliate of such shareholder.

6.6.11. For the purposes of this Section 6.6,

"**Affiliate**" means, in relation to any person (other than a natural person), any entity Controlled, through ownership of voting stock or otherwise, directly or indirectly, by that person, any entity that Controls, directly or indirectly, that person, or any entity under common Control with that person or, in the case of a natural person, any relative (i.e., parents, spouse and children) of such natural person;

"**Allocation Notice**" means the notice given on allocations;

"**Other Shareholders**" means other Shareholders other than the Transferor;

"**Period**" means the period of thirty (30) days from the date of the Transfer Notice;

"**Third Party Purchaser**" means the third party that the Transferor proposes to transfer its shares to;

"**Transferor**" means each shareholder who desires to transfer any or all of its shares;

"**Transfer Notice**" means a notice in writing;

"**Transfer Price**" means the price for the sale of such Transfer Shares to be set by the Transferor;

"**Transfer Shares**" means the number of shares proposed to be sold and transferred;

6.7. <u>Termination</u>

6.7.1. The JVA shall continue in force without limit in point of time until terminated in accordance with the JVA or by agreement of the parties in writing. The JVA shall terminate forthwith and cease to be applicable to the parties if the JV Company is put into liquidation, whether voluntary or compulsory.

7. PRINCIPAL TERMS OF THE STA

7.1. <u>Consideration</u>

7.1.1. In accordance with the STA, the Consideration payable by the JV Company for the Acquisition is approximately RMB 2,706,000. The Consideration was arrived at original cost of investment based on 51% of the unaudited NTA of the Target Company as at 30 June 2023 which is supported by a Valuation Report.

7.1.2 The unaudited NTA of the Target Company as at 30 September 2023 is RMB2,709,000, which is lower than the unaudited NTA of RMB5,307,000 as at 30 June 2023. The lower NTA as at 30 September 2023 was mainly due to the losses incurred during the start-up stage of the Target Company. These are mainly costs of testing and calibrating new production lines, which include labour, materials and sample production incurred during trial runs of the production lines. As mentioned under 2.14, the Target Company is a newly-incorporated company at its infant stage of operations undergoing testing of new production lines and trial runs for new products and training of production team. The Board has anticipated such expenses to be incurred at the start-up stage, which is not expected to have long term nor material impact on the valuation of the business.

7.1.3 Based on the Company's effective equity control of 40.8% in the Target Company, the change in NTA between the two periods amounted to RMB1,060,000 (equivalent to approximately S$198,000). Having considered various factors such as the original cost of investment, valuation of the Sale Shares based on the Valuation Report and earnings and growth prospects of Target Company having regard to its portfolio of existing and potential customers of international brands, the Board is of the view that the Consideration as supported by the Valuation Report based on the valuation date of 30 June 2023 is justifiable.

7.2. <u>Conditions Precedent</u>

7.2.1. The obligations of the parties under the STA are conditional upon, and completion shall not take place until all of the following conditions precedent have been fulfilled:

(a) the Company obtaining such approvals, consents and/or waivers from its Board, its shareholders and/or the SGX-ST (and any other regulatory authority) in connection with the STA and the transactions contemplated therein, as may be necessary;

(b) the Company being satisfied, in its absolute discretion, with the results of the due diligence (including but not limited to legal, financial, contractual, tax or otherwise) as may be carried out by the JV Company and/or its advisers on the Target Company ("**Due Diligence Investigations**");

(c) Jiangmen Limingzhu having procured the completion of the transfer of equity, in compliance with all applicable laws and regulations, and in such manner reasonably satisfactory to the JV Company and the Company;

(d) the rectification, or the procurement of such rectification, to the satisfaction of the Company by Jiangmen Limingzhu of all issues and irregularities uncovered by the Company during its Due Diligence Investigations on the Target Company which are capable of rectification, unless waived by the Company in its absolute discretion. For the avoidance of doubt, the failure of Jiangmen Limingzhu to rectify any issue or irregularity shall be considered a material breach of this condition precedent on the part of Jiangmen Limingzhu which is not capable of remedy;

(e) Jiangmen Limingzhu's statements, warranties and disclosures remain true, accurate, and not misleading, with no omissions. There have been no circumstances that would cause Jiangmen Limingzhu to breach its warranties or any provisions of the STA;

(f) each of the warranties and undertakings remaining true and not misleading in any respect as at the Completion Date (as defined below), as if repeated on the Completion Date and at all times between the date of the STA and the Completion Date;

(g) there being no material adverse change, or events, acts or omissions since the date of the STA likely to lead to a material adverse change, in the business, performance, operations, assets and liabilities, financial condition and/or prospects of the Target Company;

(h) all approvals, consents and/or waivers as may be necessary from any third party, governmental or regulatory body or relevant competent authority for the transactions contemplated under the STA, being granted or obtained by Jiangmen Limingzhu and/or the Target Company, and being in full force and effect and not having been withdrawn, suspended, amended or revoked before the Completion Date, and if such approvals, consents and/or waivers are granted or obtained subject to any condition(s), such condition(s) being acceptable to the JV Company and if such condition(s) are required to be fulfilled before the Completion Date, such condition(s) being fulfilled before the Completion Date; and

(i) there are no foreseeable circumstances that may cause the execution and performance of the STA by the JV Company and Jiangmen Limingzhu being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority from the date of the STA to the Completion Date.

7.3. Completion

7.3.1. Completion date refers to the 30th business day after the satisfaction or waiver (if permitted) of all the conditions precedent, or any other date as mutually agreed upon in writing ("**Completion Date**").

7.4. Termination

7.4.1. If either party fails to fulfill its obligations under the STA or seriously violates the provisions of the STA, resulting in the inability to complete the STA, it shall be considered as a unilateral termination of the agreement by the defaulting party. The non-defaulting party has the right to claim damages from the defaulting party and has the right to terminate the STA in accordance with the provisions of the STA.

8. SALIENT TERMS OF THE SHA

8.1.1. The SHA contains *inter alia* customary provisions relating to the management and governance of the Target Company. Pursuant to the SHA:

(a) Unless otherwise agreed by the shareholders in writing, the number of directors shall be three (3) and the JV Company shall be entitled (but not obligated) to appoint two (2) directors to the board ("**JV Company Directors**" and each, a "**JV Company Director**") while Jiangmen Limingzhu shall be entitled (but not obligated) to appoint one (1) director;

(b) Subject to the Constitution of the Target Company and applicable laws and regulations, a resolution in writing signed by a majority of the board shall be valid and effectual as if it had been passed at a meeting of the board duly convened and held, provided that all resolutions in writing must be provided to every director prior to the passing of such resolution. Any such resolution may consists of several documents in like form, each signed by one (1) or more of the directors; and

(c) Subject always to the shareholders reserved matters and applicable laws and regulations, a resolution in writing signed by shareholders holding a majority of the shares for the time being in the capital of the Target Company shall be valid and effectual as if it had been passed at a meeting of the shareholders duly convened and held, provided that all resolutions in writing must be provided to every shareholder prior to the passing of such resolution. Any such resolution may consist of several documents in like form, each signed by one or more of the shareholders.

8.1.2. With respect to Section 8.1.1(a), the directors nominated by the JV Company are Mr Zhou Lichang and Ben while the director nominated by Jiangmen Limingzhu is Mr Li RD.

8.1.3. Mr Zhou Lichang is a friend of Ben and Ben has known Mr Zhou Lichang for approximately ten years. Mr Zhou Lichang has over 22 years of experience in production management, marketing and sales in the field of manufacturing of toys and mechanical parts in the PRC. He is currently the sales manager of Jiangmen Huari Motorcycle Parts Co. and is responsible for the marketing and promoting of the company's products, expanding and developing the company's customer base, customer relationship, tracking customer needs and coordinating customer feedback, and assisting the general manger in formulating company development plans, operational plans, business development plans, organising and coordinating the implementation of various plans, and analysing market information for insights and summaries. Between 2005 and 2010, Mr Zhou Lichang was with Jiangmen Yongshun Advertising Company as a team supervisor and was responsible for managing and leading a team of advertising professionals, project coordination, performance monitoring and client communication. Between 2002 and 2004, Mr Zhou Lichang was with Zhongshan Yufu Toys Factory as a unit leader responsible for production management, quality control, resource management, safety and compliance.

8.1.4. As a PRC citizen, Mr Zhou Lichang has both marketing and selling capabilities as well as relevant exposure in the local manufacturing environment. The Target Company can benefit from his operational experience, understanding of industry and technology trends, knowledge of industry best practices and lean manufacturing principles, local regulatory compliance knowledge, marketing skills and business connections. Accordingly, Mr Zhou's appointment as a director of the Target Company would ultimately be beneficial to the Company and is in the best interest of the Company.

8.1.5. To the best of the knowledge of the Directors, save as disclosed above, Mr Zhou Lichang does not have any other relationships (including business relationships) with the Company, the Group, the directors, substantial shareholders of the Company, or their respective associates.

9. THE PROPOSED JOINT VENTURE AND ACQUISITION AS AN INTERESTED PERSON TRANSACTION

9.1.1. As Ben is a Non-Independent Non-Executive director and a controlling shareholder of the Company, Ben is an "interested person" for the purposes of Chapter 9 of the Catalist Rules and the Joint Venture is an "interested person transaction" under Chapter 9 of the Catalist Rules.

9.1.2. Under Chapter 9 of the Catalist Rules, shareholders' approval is required for an IPT of a value equal to, or exceeding, 5% of the Group's latest audited NTA.

9.1.3. Under Rule 909(2) of the Catalist Rules, in the case of a joint venture, the value of the transaction includes the equity participation, shareholder's loans and guarantees given by the entity at risk. In this regard, the Company's equity participation in the JV Company is HK$800. At the time of the Acquisition, the "entity at risk" would be the JV Company and accordingly, the Consideration is included in the computation as set out below:

	Amount in RMB	Amount in HK$[2]
IPT for the Proposed Joint Venture and Acquisition		
Equity participation in the JV Company[1]	733	800
Consideration for the Acquisition (this amount includes the entire Consideration)	2,706,000	2,954,000
Total	2,706,733	2,954,800
For prudency, in addition to the above, the aggregate amount of IPTs for the Group with Ben and his associates for the financial year ended 31 December 2023 and up to the date of this announcement i.e. including the acquisition of Ben Sports and Management Limited as per the Company's announcement dated 25 September 2023 ("Ben Sports Acquisition"), is presented as follows:		
Consideration for Ben Sports Acquisition	-	100,000
Asset Purchase Price	558,364	609,510
Total	558,364	709.510
Grand total IPT	3,264,804	3,664,310

Notes:

(1) Equity participation the JV Company is in HK$. RMB equivalent converted based on exchange rate under footnote (2) for comparison purposes only.

(2) Converted to HK$ based on the exchange rate of HK$1: RMB0.9161, as at 25 January 2024 obtained from the website of the Monetary Authority of Singapore as at the Latest Practicable Date.

9.1.4. As at the date of the JVA, the Group's latest audited NTA as at 31 December 2022 is HK$97,594,000.

9.1.5. As the value of the Proposed Joint Venture and Acquisition of HK$2,954,800 against the Group's latest audited NTA of HK$97,594,000 is approximately 3.03%, shareholders' approval will not be required pursuant to Chapter 9 of the Catalist Rules.

9.1.6. For completeness, the aggregate value of IPTs entered into by the Group with Ben and his associates for the financial year ended 31 December 2023 and up to the date of this announcement i.e. including the equity participation in the JV Company, Consideration and Ben Sports Acquisition is approximately HK$3,664,310, representing approximately 3.76% of the Group's latest audited NTA as at 31 December 2022 of approximately HK$97,594,000.

9.1.7. For good corporate governance, both Ben and Zhou Wen Jie (i.e., the brother-in-law of Ben) have abstained from making any deliberation/recommendation on or approving any matters in connection with the Proposed Joint Venture and Acquisition.

9.1.8. Save for the Joint Venture, the Acquisition, Ben Sports Acquisition (Ben Sports Acquisition being a transaction that took place in the previous financial year) and Ben's undertaking in relation to the Ben Sports Acquisition as announced by the Company on 31 January 2024, there are no IPTs between Ben and his associates, and the Company in the financial year ended 31 December 2023 up to the date of this announcement.

10. STATEMENT BY AUDIT COMMITTEE

10.1.1. The members of the Audit Committee are considered independent for the purposes of the Proposed Joint Venture and Acquisition. The Audit Committee having considered, inter alia, the rationale and information relating to the Proposed Joint Venture and Acquisition is of the view that the Proposed Joint Venture and Acquisition is on normal commercial terms, the risks and rewards of the Joint Venture are in proportion to the equity of each Joint Venture partners and the terms of the JVA are not prejudicial to the interests of the Company and its minority shareholders.

11. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

11.1.1. The relative figures with respect to the (a) Proposed Joint Venture and Acquisition and (b) Proposed Joint Venture and Acquisition, and Ben Sports Acquisition on the bases set out in Rule 1006 of the Catalist Rules:

Rule 1006	Bases	Relative Figures taking into account the Proposed Joint Venture and Acquisition (%)	Relative Figures taking into account the Proposed Joint Venture and Acquisition, and Ben Sports Acquisition (%)
(a)	The net asset value of the assets to be disposed of compared with the Group's net asset value	Not applicable(1)	Not applicable(1)
(b)	The net profits/loss attributable to the assets acquired or disposed compared with the Group's consolidated net profits/loss	63.67 (2)	64.25 (2)
(c)	The aggregate value of the consideration given, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	44.73 (3)	65.31 (3)
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable(4)	Not applicable(4)
(e)	The aggregate volume or amount of proved and probable reserves to be	Not applicable(5)	Not applicable(5)

	disposed of, compared with the aggregate of the Group's proved and probable reserves		

Notes:

(1) Rule 1006(a) is not applicable to an acquisition of assets.

(2) "Net profit/(loss)" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests for the latest announced consolidated accounts for the period ended 30 September 2023.

The Target Company reported a loss of HK$3,156,000 (approximately RMB2,891,000) for the period from date of incorporation on 6 April 2023 to 30 September 2023. As the loss incurred is for six months period, the loss presented in the above computation has been extrapolated to reflect a loss of HK$4,734,000 (approximately RMB4,337,000) for nine months period ended 30 September 2023 to be compared against the latest announced consolidated accounts of the Group for period ended 30 September 2023. Profit test is arrived based on the Company's 51% share (including Ben's holding via the JV Company) of loss of HK$2,414,000 (approximately RMB2,212,000).

The presentation is solely for illustration purposes as the Target Company is in the early stages of setting up.

(3) Based on the equity participation in the JV Company of HK$1,000, the Consideration for the Acquisition of RMB2,706,000 (including Ben Shareholder's Loan 1 to the JV Company), the provision of financial assistance of RMB15,504,000 (in the form of NET Shareholder's Loan 2 and Ben's Shareholder's Loan 2 under Section 6.3.2 (b)) and the market capitalisation of the Company being S$8,108,000 equivalent to HK$47,304,000 as of 25 January 2024 which was determined by multiplying the number of shares in issue (525,630,328 ordinary shares) by the Hong Kong dollar equivalent (based on the SGD: HK$ exchange rate of S$1 : HK$ 5.8343 of the weighted average price of S$0.015425 on 17 January 2024, being the market day immediately preceding the date of the JVA in which the shares of the Company were traded.

(4) Rule 1006(d) is not applicable as no equity securities will be issued by the Company in connection with the Joint Venture and Acquisition.

(5) Rule 1006(e) is not applicable as the Company is not a mineral, oil and gas company.

11.1.2. As each of the relative figures computed under Rules 1006(b) and (c) of the Catalist Rules exceeds 5% but is less than 75%, the Proposed Joint Venture and Acquisition constitutes a "disclosable transaction" under Rule 1010 of the Catalist Rules. However, in calculating the relative figure under Rule 1006(b), negative figures were involved. As both the net asset value of the asset to be acquired and the Company is loss making, paragraphs 4.3(a) and 4.4(a) of Practice Note 10A have been taken into consideration. Given that the absolute relative figure computed on the basis of Rule 1006(c) is more than 5% and the net loss of the asset to be acquired is more than 5% of the consolidated net loss of the Company, the transaction would not fall under paragraph 4.3(a). While the absolute relative figure computer on the basis of Rule 1006(c) does not exceed 75%, the net loss of the asset to be acquired is more than 10% of the consolidated net loss of the Company, thus the transaction would not fall under paragraph 4.4(a). In this regard, further to paragraph 4.6 of Practice Note 10A, Catalist Rule 1014 shall apply to the Proposed Joint Venture and Acquisition. Accordingly, the Proposed Joint Venture and Acquisition is subject to the approval of the Shareholders at an extraordinary general meeting.

12. FINANCIAL EFFECTS

12.1.1. The financial effects are presented for illustrative purposes only and are not intended to reflect the actual future financial performance and position of the Company or the Group after the relevant transactions.

12.1.2. The financial effects have been prepared based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2022 ("**FY2022**") and based on, *inter alia*, the following assumptions:

(a) the financial effects on the NTA per share of the Group are computed assuming that the Proposed Joint Venture and Acquisition was completed on 31 December 2022;

(b) the financial effects for FY2022 on the on the EPS / LPS of the Group are computed assuming that the Proposed Joint Venture and Acquisition was completed on 1 January 2022; and

(c) the costs and expenses in connection with the Proposed Joint Venture and Acquisition shall be disregarded in view of their immateriality.

12.1.3. Financial effects on the NTA per share of the Group

	Before the Proposed Joint Venture and Acquisition	**After the Proposed Joint Venture and Acquisition**	**After the Proposed Joint Venture and Acquisition, and taking into account Ben Sports Acquisition**
NTA as at 31 December 2022 (HK$ '000)	97,594	95,019[(1)]	94,997
Number of shares in the Company, excluding treasury shares and subsidiary holdings	525,630,328	525,630,328	525,630,328
NTA per Share (HK$ cents)	18.57	18.08	18.07

Notes:

(1) The Target Company reported a loss of HK$3,156,000 (approximately RMB2,891,000) for the period from the date of incorporation on 6 April 2023 to 30 September 2023. As the loss incurred is for a six months' period, the loss presented in the above computation has been extrapolated to reflect a loss of HK$6,312,000 (approximately RMB5,782,000) (i.e. for FY2023). The effects on the NTA as at 31 December 2022 shown above is based on HK$2,575,000 (approximately RMB2,359,000) being the Company's effective 40.8% of the Target Company's extrapolated loss for FY2023.

12.1.4. Financial effects on the EPS / (LPS) of the Group

	Before the Proposed Joint Venture and Acquisition	After the Proposed Joint Venture and Acquisition	After the Proposed Joint Venture and Acquisition, and taking into account Ben Sports Acquisition

Net loss for FY2022 (HK$ '000)	(3,522)	(6,097)[(1)]	(6,119)
Weighted average number of shares in the Company, excluding treasury shares and subsidiary holdings	525,630,328	525,630,328	525,630,328
LPS of the Group (HK$ cents)	(0.67)	(1.16)	(1.16)

Notes:

(1) The Target Company reported a loss of HK$3,156,000 (approximately RMB2,891,000) for the period from the date of incorporation on 6 April 2023 to 30 September 2023. As the loss incurred is for a six months period, the loss presented in the above computation has been extrapolated to reflect a loss of HK$6,311,000 (approximately RMB5,782,000) (i.e. for FY2023). The effects on the net loss for FY2022 is based on HK$2,575,000 (approximately RMB2,359,000) being the Company's effective 40.8% interest of the Target Company's extrapolated loss for FY2023.

13. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed at Section 4.2 of this announcement and as set out as below, none of the Company's directors or controlling shareholders or their associates has any interest, direct or indirect, in the Proposed Joint Venture and Acquisition, other than through their respective shareholdings in the Company.

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders, as at the date of this announcement, the shareholding interests of the Directors and Substantial Shareholders are set out below:

	Number of Shares			**Total Percentage Interest (%)[(1)]**
	Direct	Deemed	Total	
Directors				
Mr Chung Wai Man	-	-	-	-
Mr Zhou Wen Jie[(1)]	119,750,600	-	119,750,600	22.78
Mr Ong Chor Wei @ Alan Ong	3,150,000	53,700,000	56,850,000	10.82
Mr Ben Lee[(1)(2)]	-	120,000,000	120,000,000	22.83
Mr Chin Fook Lai	69,022,400	-	69,022,400	13.13
Mr Tso Sze Wai	-	-	-	-
Mr Chak Chi Shing	-	-	-	-
Ms Kwok Meei Ying, Monica	-	-	-	-
Substantial Shareholders (other than Directors)				
Zhou Dan[(1)(2)]	120,000,000	-	120,000,000	22.83
Quad Sky Limited[(3)(4)]	53,700,000	-	53,700,000	10.22

Head Quarter Limited(3)	-	53,700,000	53,700,000	10.22
Wingate Investment Corporation(4)	-	53,700,000	53,700,000	10.22
Yung Fund Ping(4)	-	53,700,000	53,700,000	10.22
Chan Mei Sau(4)	-	53,700,000	53,700,000	10.22
Chin Fook Lai	69,022,400	-	69,022,400	13.13

Notes:

(1) Zhou Wen Jie is the brother of Zhou Dan and the brother-in-law of Ben Lee.

(2) Zhou Dan is the wife of Ben Lee. Ben Lee is deemed interested in the shares held by Zhou Dan.

(3) Ong Chor Wei @ Alan Ong is deemed interested in the shares held by Quad Sky Limited by virtue of him owning 100.0% of the equity interest in Head Quator Limited which in turn owns 50.0% of the equity interest in Quad Sky Limited.

Head Quator Limited is deemed interested in the shares held by Quad Sky Limited by virtue of it owning 50% of the equity interest in Quad Sky Limited.

(4) Wingate Investment Corporation is deemed interested in the shares held by Quad Sky Limited by virtue of it owning 50% of the equity interest in Quad Sky Limited.

Yung Fung Ping and Chan Mei Sau are deemed interested in the shares held by Quad Sky Limited by virtue of them each owning 50% of the equity interest in Wingate Investment Corporation which in turn owns 50% of the equity interest in Quad Sky Limited.

14. SERVICE CONTRACT

No new directors are proposed to be appointed to the Board in connection with the Proposed Joint Venture and Acquisition. As such, no service agreements will be entered into with any new director of the Company in connection with the Proposed Joint Venture and Acquisition.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 35 Selegie Road #10-25 Singapore 188307, during normal business for three (3) months from the date of this announcement:

(a) the JVA;

(b) the STA;

(c) the SHA; and

(d) Valuation Report.

16. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing or trading in the Company's shares. There is no certainty or assurance as at the date of this announcement that no changes will be made to the terms of the JVA, STA and SHA or that the Proposed Joint Venture and Acquisition will be completed. The Company will make the necessary announcement(s) as appropriate or when there are further material developments on the JVA, STA and SHA. Shareholders and potential investors of the Company are advised to read this announcement and further announcements made by the Company, if any, carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

17. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Joint Venture and Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

By Order of the Board
Net Pacific Financial Holdings Limited

Ong Chor Wei @ Alan Ong
Executive Director

2 February 2024

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*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Ms. Foo Jien Jieng, 16 Collyer Quay #10-00 Collyer Quay Centre Singapore 049318, sponsorship@ppcf.com.sg.