

# INDEPENDENT AUDITOR'S REPORT

To the members of Net Pacific Financial Holdings Limited

## Report on the Audit of the Financial Statements

### Disclaimer of Opinion

We were engaged to audit the financial statements of Net Pacific Financial Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for Disclaimer of Opinion

(1) Completeness of related party disclosures

As disclosed in Note 2(d) and Note 20, during the current financial year, management became aware that the controlling shareholder cum director of the Company held shares in an entity which currently has investments in the Australian borrowers. Furthermore, management also noted that it had not been disclosed in the financial statements that he was a creditor of Jetwin Investment Pty Ltd ("Jetwin") since inception of the loan disbursement in the financial year ended 31 December 2013 to date, and that Jetwin also held equity interest in the Australian borrowers. Management reviewed this relationship and any other potential relationships and assessed that there was no additional related party disclosure to be made in accordance with SFRS(I) 1-24 *Related Party Disclosures* for the relevant financial years.

Despite the above, management had determined there is no requirement to engage any independent legal expert to establish whether there had been more related party information to be disclosed in the relevant financial years concerning the Group, the controlling shareholder cum director of the Company, Jetwin and the Australian borrowers. As such, we were unable to obtain sufficient appropriate audit evidence to ascertain the completeness of related party disclosures among the Group, the controlling shareholder cum director of the Company, Jetwin and the Australian borrowers.

Furthermore, management did not involve an independent accounting specialist to perform a retrospective review based on the above information to evaluate whether the Group had control over the specified assets and liabilities of the deemed separate entity in Jetwin in the relevant years as described under "Control of specified assets and liabilities in Jetwin Investment Pty Ltd ("Jetwin")" of the Basis for Disclaimer of Opinion section of our report.

(2) Control of specified assets and liabilities in Jetwin Investment Pty Ltd ("Jetwin")

As disclosed in Note 2(d) and Note 13, in accordance with SFRS(I) 10 *Consolidated Financial Statements*, management has identified specified assets in Jetwin (and related credit enhancements, if any) are the only source of payment for specified liabilities of, or specified other interests in Jetwin. Management is of the view that the Group has no control over the specified assets and liabilities of the deemed separate entity in Jetwin.

The Group may be exposed to or has rights to variability in returns from its involvement with the deemed separate entity in Jetwin and affect the amount of the returns due to the following factors:

- (i) As stipulated under the Confirmation Letters, unless and until the amount due by Jetwin are fully repaid to NPIHL, the sale, transfer or disposal of any or all of the Properties held by Jetwin shall only be made with the prior written consent of NPIHL amongst other terms and conditions as specified in the Confirmation Letters, with such consent being at NPIHL's absolute discretion. NPIHL may request the disposal of any or all of the Properties held by Jetwin at market rates, and Jetwin shall expeditiously comply with the request; and the terms and conditions of every disposal by Jetwin shall be as reasonably agreed by NPIHL. As such, NPIHL will be entitled to any upside of the proceeds from the sale of the Properties in excess of the original settlement consideration until all monies under the loan agreements and as agreed under the Confirmation Letters between NPIHL and Jetwin have been fully repaid.
- (ii) NPIHL also agreed to contribute towards the ongoing maintenance cost and expenses relating to the Properties held by Jetwin in accordance with the relevant percentage of the loans disbursed as specified under the Confirmation Letters. Moreover, the Group also received net rental income from Jetwin on some of the Properties which were leased out to external parties.
- (iii) In respect of the trust accounts maintained in trust by an Australian law firm on behalf of Jetwin where the settlement proceeds were deposited into, the Australian law firm has also confirmed that it has the authority to disburse the funds from the trust accounts on the written request of the Executive director of the Company and the other loan provider who is also a controlling shareholder cum director of the Company.

Despite the presence of above factors which may indicate control over the specified assets and liabilities of the deemed separate entity in Jetwin as well as the additional information as described under "Completeness of related party disclosures" of the Basis for Disclaimer of Opinion section of our report, management did not involve an independent accounting specialist to perform a retrospective review to evaluate whether the Group had control over the specified assets and liabilities of the deemed separate entity in Jetwin in the relevant years. As such, we were unable to obtain sufficient appropriate audit evidence to establish whether there was control or no control, including legal representation and confirmation to validate whether or not the Group has the substantive right and power to direct the relevant activities of the deemed separate entity in Jetwin.

Consequently, we were unable to determine whether any further adjustments to these amounts were necessary or would have a consequential significant effect on the Group's financial statements for the current year and corresponding years ended 31 December 2019 to 31 December 2021 and the related disclosures.

# INDEPENDENT AUDITOR'S REPORT

To the members of Net Pacific Financial Holdings Limited

## Basis for Disclaimer of Opinion (Cont'd)

(3) Classification and measurement of amounts owing from Jetwin

In accordance with SFRS(I) 9 *Financial Instruments*, the Group determines if a financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Management is of the view that the business model of the Group has not changed and there are proper loan documentations in place with Jetwin which support that the contractual terms of the amounts due from Jetwin will give rise on specified dates to cash flows that will result from collecting contractual cashflows from the principal amounts outstanding from Jetwin. The net rental income received from Jetwin is a form of compensation in place of interest income since the debt is interest-free.

As highlighted under "Control of specified assets and liabilities in Jetwin Investment Pty Ltd ("Jetwin")" of the Basis for Disclaimer of Opinion section of our report, the Group received net rental income from Jetwin on some of the Properties which were leased out to external parties. Furthermore, NPIHL will be entitled to any upside of the proceeds from the sale of the Properties in excess of the original settlement consideration until all monies under the loan agreements and as agreed under the Confirmation Letters between NPIHL and Jetwin have been fully repaid. As a result, these may give rise on specified dates to cash flows that may not be solely payments of principal and interest on the principal amount owing from Jetwin. In addition, management did not involve an independent accounting specialist to perform a retrospective review to evaluate whether the Group had control over the specified assets and liabilities of the deemed separate entity in Jetwin.

In the absence of other satisfactory evidence, we were thus unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the proper classification and measurement of the principal amounts outstanding from Jetwin recorded on the consolidated statement of financial position of the Group as of 31 December 2022 and relevant corresponding years. Consequently, we were unable to determine whether any further adjustments to these amounts were necessary or would have a consequential significant effect on the Group's financial statements for the year ended 31 December 2022 and the relevant corresponding years and the related disclosures.

(4) Accuracy of the expected credit losses, gain on settlement and foreign exchange differences of the loans to Australian borrowers in respect of the financial year ended 31 December 2021

On 6 August 2021, Jetwin Investment Pty Ltd ("Jetwin") had entered into a deed of settlement and release with the Australian borrowers ("2021 Deed") pursuant to which all parties to the 2021 Deed would release each other from the performance of any and all of their obligations under the loan agreements between Jetwin and the three Australian borrowers. Under the 2021 Deed, cash of AUD 4.2 million and the ownership in three properties in Australia had been transferred to Jetwin as settlement of the loans previously granted by the Group through Jetwin.

As highlighted in our auditor's report dated 11 April 2022, as a result of the qualification on the accuracy and recoverability of the carrying value of the loans to the three Australian borrowers of HK\$18,585,000 for the financial year ended 31 December 2020, we were unable to determine whether the opening balances as at 1 January 2021 were fairly stated. Accordingly, we were unable to ascertain whether the reversal of expected credit losses of HK\$4,165,000, gain on settlement of loan of HK\$221,000 and foreign exchange loss of HK\$837,000 arising from the translation of the carrying amounts of the loans to these three Australian borrowers denominated in Australian dollars at the date of settlement to its functional currency (Hong Kong dollars) reported in the consolidated statement of profit or loss and other comprehensive income was fairly stated for the financial year ended 31 December 2021. Since opening balances of the carrying values of the loans due from the Australian borrowers affect the determination of the results of operations, we were unable to determine whether any adjustments to the results of operations and/or opening retained earnings might be necessary for the financial year ended 31 December 2021. Our audit opinion on the financial statements for the year ended 31 December 2021 was modified accordingly.

Our opinion on the current year's financial statements is modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

(5) Accuracy of the expected credit loss of the amounts due from a subsidiary – Company level

As at 31 December 2022, included in Other receivables (Note 13) is a net carrying value of non-trade amounts due from a subsidiary recorded at the Company level of HK\$58,299,000 (2021: HK\$60,646,000). In performing the expected credit loss assessment for the financial year ended 31 December 2022, management has not involved an independent accounting specialist to evaluate whether the Group had the control or not over the specified assets and liabilities of the deemed separate entity in Jetwin which may be recorded on the books of the subsidiary as described under the "Control of specified assets and liabilities in Jetwin Investment Pty Ltd ("Jetwin")" of the Basis for Disclaimer of Opinion section of our report, and hence did not consider and evaluate the expected realisable amounts of these assets and liabilities for expected credit loss assessment of the amounts due from the subsidiary in accordance with SFRS(I) 9 *Financial Instruments*. As such, we were unable to obtain sufficient appropriate evidence to satisfy ourselves as to the accuracy of the expected credit loss of HK\$4,179,000 made during the financial year ended 31 December 2022 and the carrying value of the amounts due from the subsidiary of HK\$58,299,000 as at 31 December 2022.

The auditor's report dated 11 April 2022 for the financial year ended 31 December 2021 included a similar qualification on this matter. Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

# INDEPENDENT AUDITOR'S REPORT

To the members of Net Pacific Financial Holdings Limited

## **Responsibilities of Management and Directors 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 1967 (the "Act") and Singapore Financial Reporting Standards (International), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether 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.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ser.

Foo Kon Tan LLP  
*Public Accountants and  
Chartered Accountants*

Singapore, 13 June 2023

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2(d) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of incomes and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

The critical accounting estimates and assumptions used and areas involving significant judgement are described below.

### Significant judgements in applying accounting policies

#### (a) Completeness of related party disclosures

As disclosed in Note 20, during the current financial year, management became aware that the controlling shareholder cum director of the Company held shares in an entity which currently has investments in the Australian borrowers. Furthermore, management also noted that it had not been disclosed in the financial statements that he was a creditor of Jetwin since inception of the loan disbursement in the financial year ended 31 December 2013 to date, and Jetwin also held equity interest in the Australian borrowers. Management reviewed this relationship and any other potential relationships and assessed that there was no additional related party disclosure to be made in accordance with SFRS(I) 1-24 *Related Party Disclosures*.

#### (b) Control of specified assets and liabilities in Jetwin

In accordance with SFRS(I) 10 *Consolidated Financial Statements*, management has identified specified assets in Jetwin (and related credit enhancements, if any) are the only source of payment for specified liabilities of, or specified other interests in Jetwin. These specified assets and liabilities of the deemed separate entity in Jetwin are the Properties and cash proceeds received under the settlement; and the balances owing to the Group and the other loan provider who is also the controlling shareholder cum director of the Company respectively. Under the Confirmation Letters dated 7 November 2019 and 6 August 2021, Jetwin confirmed and agreed that all the proceeds received under the provision of the 2019 Deed and 2021 Deed and the subsequent sale of the Properties shall be paid to the Group in accordance with the terms and conditions as set out in the original loan agreements between the Group and Jetwin.

Management is of the view that the Group has no control over the specified assets and liabilities of the deemed separate entity in Jetwin because:

- (i) The Group has no equity interest in Jetwin;
- (ii) None of the directors or controlling shareholders of the Group is a director or shareholder of Jetwin;
- (iii) The sale, transfer or disposal of any or all of the Properties held by Jetwin at NPIHL's absolute discretion is to safeguard the recoverability of the debt due from Jetwin;
- (iv) The receipt of net rental income from Jetwin is a form of compensation in place of interest income; and
- (v) The authority to disburse the funds from the trust accounts held in trust by an Australian law firm is merely a protective right.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 2(d) Critical accounting judgements and key sources of estimation uncertainty (Cont'd)

### Significant judgements in applying accounting policies (Cont'd)

#### (c) Classification and measurement of amounts due from Jetwin at amortised cost

In accordance with SFRS(I) 9 *Financial Instruments*, the Group determines if a financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The business model of the Group has not changed and there are proper loan documentations in place with Jetwin which support that the contractual terms of the amounts due from Jetwin will give rise on specified dates to cash flows that will result from collecting contractual cashflows from the principal amounts outstanding from Jetwin. The net rental income received from Jetwin is a form of compensation in place of interest income since the debt is interest-free.

#### (d) Determination of functional currency

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

### Critical accounting estimates and assumptions used in applying accounting policies

#### (a) Impairment of amounts due from subsidiaries

The Company held non-trade receivables due from its subsidiaries of HK\$79,579,000 (2021 - HK\$83,692,000) as at the end of the reporting period. The impairment of the amounts due from its subsidiaries is based on the expected credit loss model using general approach which considers the availability of highly accessible liquid assets of the subsidiaries to repay these amounts if demanded repayment at the end of the reporting period. As a result of management's assessment, an impairment allowance of HK\$4,179,000 (2021 - reversal of impairment allowance of HK\$1,016,000) was recorded during the financial year. The carrying amount of the Company's amounts due from subsidiaries is disclosed in Note 13 to the financial statements. As at 31 December 2022, the Group believes that any reasonably change in the key assumption will not result in a significant impact to the Company.

#### (b) Impairment of receivables due from Jetwin

The carrying amount of the Group's receivables due from Jetwin amounted to HK\$30,337,000 (2021: HK\$34,839,000) as at 31 December 2022. The majority of the assets held by Jetwin is in the form of properties and cash. Significant application of judgement is required to assess the financial conditions of the counterparty and estimation is involved in determining the fair values of these properties held by Jetwin, as well as establishing the validity and enforceability of the relevant documents and arrangement with Jetwin to use the properties as repayment. The carrying amount of the Group's receivables due from Jetwin is disclosed in Note 13 to the financial statements. Any reasonably change in the key assumption is unlikely to result in a significant impact to the Group as at 31 December 2022.

#### (c) Allowance for expected credit loss ("ECL") of loans and advances and other receivables

Allowance for ECL of loans and advances and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history, existing market conditions, current credit standing of debtor as well as forward looking estimates at each reporting date. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group and the Company apply the 3-stage general approach to determine ECL for loans and advances and other receivables. ECL is measured as an allowance equal to 12-month ECL for stage-1 assets, or lifetime ECL for stage-2 or stage-3 assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider reasonable and supportable qualitative and quantitative forward looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within twelve months after the reporting date.

The Group assesses whether or not there is an expected credit loss on the loans and advances by conducting credit assessment on a loan-by-loan basis at the Credit Committee Meetings, which are held twice a year. In making their judgements, the manner in which the management considers the financial capabilities of the borrowers includes:

- the credit portfolio of the individual borrower granted;
- the assessment of the loan to security ratio;
- the status and performance of the projects being financed; and
- country risk where the projects are located

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 13 Other receivables

	The Group		The Company	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Interest receivable	1,185	96	-	-
Dividend receivable	640	880	-	-
	<b>1,825</b>	976	-	-
Expected credit losses:				
At beginning	-	(24,858)	-	-
Write-off (Note c)	-	23,737	-	-
Foreign exchange difference	-	1,121	-	-
At end	-	-	-	-
Net interest and dividend receivables	<b>1,825</b>	976	-	-
Deposits	55	23	14	15
Other receivables (Note a)	34,798	40,072	9	12
Amounts due from subsidiaries (non-trade) (Note b)	-	-	134,079	134,013
	<b>36,678</b>	41,071	<b>134,102</b>	134,040
Expected credit losses:				
At beginning	-	-	(50,321)	(51,337)
Allowance for expected credit loss	-	-	(4,179)	1,016
At end	-	-	(54,500)	(50,321)
Net other receivables	<b>36,678</b>	41,071	<b>79,602</b>	83,719
Income tax recoverable	-	36	-	36
Prepayments	44	40	44	40
Total other receivables	<b>36,722</b>	41,147	<b>79,646</b>	83,795
Presented as:				
- Non-current	3,671	-	-	-
- Current	33,051	41,147	79,646	83,795
	<b>36,722</b>	41,147	<b>79,646</b>	83,795

Note a

Other receivables comprise mainly:

- HK\$30,337,000 (2021 - HK\$34,839,000) due from Jetwin which is secured, interest-free and repayable on demand. Included in this balance is mainly receivable arising from the settlement of the loans by the borrowers in Australia to Jetwin in the form of Properties and cash under two separate deeds of settlement.
  - On 25 June 2019, Jetwin had entered into Deed of Settlement and Release ("2019 Deed") with two borrowers pursuant to which it was agreed that the parties to the 2019 Deed would release each other from the performance of any and all of their obligations under the loan agreements entered into between Jetwin and the borrowers, and any and all claims which existed in respect of the conditional agreements entered on 12 November 2017. Under the 2019 Deed, cash of AUD487,000 and the ownership in five properties in Australia were transferred to Jetwin as settlement of the loans previously granted by the Group to the two borrowers via Jetwin. On 7 November 2019, Jetwin confirmed and agreed that all the proceeds received under the provision of the 2019 Deed and the subsequent sale of the five properties shall be paid to NPIHL in accordance with the terms and conditions as set out in the original loan agreements between the relevant parties.
  - On 6 August 2021, Jetwin entered into a similar Deed of Settlement and Release with three remaining borrowers ("2021 Deed") pursuant to which it was agreed, among other things, that the parties to the 2021 Deed shall resolve all their disputes on the terms and conditions set out in the 2021 Deed and absolutely, unconditionally and irrevocably release and forever discharge and hold each other free from and against any and all claims including their obligations under the loan agreements entered into between Jetwin and the borrowers without any admission of any liability of any kind whatever. Under the 2021 Deed, cash of AUD4,196,000 and the ownership in three properties in Australia had been transferred to Jetwin as settlement of the loans previously granted by the Group to the remaining three borrowers via Jetwin. Under the Confirmation Letter dated 6 August 2021, Jetwin confirmed and agreed that all the proceeds received under the provision of the 2021 Deed and the subsequent sale of the three properties shall be paid to NPIHL in accordance with the terms and conditions as set out in the original loan agreements between the relevant parties.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

## 13 Other receivables (Cont'd)

### Note a (Cont'd)

SFRS(I) 10 *Consolidated Financial Statements* requires an investor to consider whether it treats a portion of an investee as a deemed separate entity and, if so, whether it controls the deemed separate entity. An investor shall treat a portion of an investee as a deemed separate entity if the specified assets of the investee (and related credit enhancements, if any) are the only source of payment for the specified liabilities of, or specified other interests in, the investee.

Pursuant to the 2019 Deed and 2021 Deed, Jetwin had received settlement proceeds from the underlying borrowers in Australia in the form of 8 properties ("the Properties") and cash proceeds in aggregate. The Properties and the cash proceeds received under the provision of the 2019 Deed and 2021 Deed shall be paid to the Group and the other loan provider who is also a controlling shareholder cum director of the Company.

As at 31 December 2022, the financials of Jetwin comprised mainly of the Properties and trust accounts of Jetwin held in trust by an Australian law firm where the debt settlement proceeds were deposited into, and liabilities which comprised mainly of payables owing to the Group and the other loan provider who is also a controlling shareholder cum director of the Company. In respect of the Properties held by Jetwin, under the Confirmation Letters dated 7 November 2019 and 6 August 2021 (the "Confirmation Letters") between NPIHL, a wholly-owned subsidiary of the Company, and Jetwin, the latter had confirmed that notwithstanding that the Properties were transferred to Jetwin, Jetwin agreed to grant security over the Properties to NPIHL, whether by way of caveat or registered mortgage, and not otherwise encumber the Properties as security for repayment of the loans.

In addition, as stipulated under the Confirmation Letters, unless and until the amount due by Jetwin are fully repaid to NPIHL, the sale, transfer or disposal of any or all of the Properties held by Jetwin shall only be made with the prior written consent of NPIHL amongst other terms and conditions as specified in the Confirmation Letters, with such consent being at NPIHL's absolute discretion. NPIHL may request the disposal of any or all of the Properties held by Jetwin at market rates, and Jetwin shall expeditiously comply with the request; and the terms and conditions of every disposal by Jetwin shall be as reasonably agreed by NPIHL. As such, NPIHL will be entitled to any upside of the proceeds from the sale of the Properties in excess of the original settlement consideration until all monies under the loan agreements and as agreed under the Confirmation Letters between NPIHL and Jetwin have been fully repaid. NPIHL also agreed to contribute towards the ongoing maintenance cost and expenses relating to the Properties held by Jetwin in accordance with the relevant percentage of the loans disbursed as specified under the Confirmation Letters. Moreover, the Group also received net rental income from Jetwin on some of the Properties which were leased out to external parties. In respect of the trust accounts maintained in trust by an Australian law firm on behalf of Jetwin where the settlement proceeds were deposited into, the Australian law firm has also confirmed that it has the authority to disburse the funds from the trust accounts on the written request of the Executive director of the Company and the other loan provider who is also a controlling shareholder cum director of the Company.

In accordance with SFRS(I) 9 *Financial Instruments*, a financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Management is of the view that the business model of the Group has not changed and there are proper loan documentations in place with Jetwin which support that the contractual terms of the amounts due from Jetwin give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As such, management concluded that the amounts due from Jetwin continue to be classified and measured at amortised costs is appropriate.

- HK\$4,307,000 (2021 - HK\$5,067,000) due from an external buyer on the disposal of financial asset at fair value through profit or loss in prior periods. Under a revised repayment schedule approved by the Credit Committee during the year, the remaining balance would be repaid over another 24 instalments from January 2023 to December 2024, which was unsecured and interest-free.

### Note b

The amounts due from subsidiaries are non-trade in nature, unsecured, bear interest at rate of 1.65% (2021 - 0.11%) per annum and are repayable on demand.

At the end of the reporting period, the Company evaluated its subsidiaries' financial performance to meet the contractual cash flow obligations and had provided an expected credit loss of HK\$4,179,000 (2021 - reversal of expected credit loss of HK\$1,016,000) on the non-trade amounts due from a subsidiary.

	The Group		The Company	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Singapore dollar	67	103	67	103
Hong Kong dollar	6,173	6,051	79,579	83,692
Australian dollar	30,482	34,993	-	-
Total other receivables	36,722	41,147	79,646	83,795

Please refer to Note 21 for details of foreign currency and credit risk exposure.

### Note c

In the last financial year ended 31 December 2021, management had written off the interest receivables amounting HK\$23,737,000 following the settlement of loans by the 3 borrowers in Australia as elaborated under Note 12.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

**20 Related party transactions**

Other than as disclosed elsewhere in the financial statement, significant transactions with related parties are as follows:

<b>The Group</b>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Interest income from the borrowers <sup>(c)</sup>	-	<sup>(b)</sup> -
Fund transferred from a borrower through a related party <sup>(a)</sup>	<b>1,071</b>	2,160

<sup>(a)</sup> During the financial year ended 31 December 2022, the Group received an amount of HK\$1,071,000 (2021 -HK\$2,160,000) from a borrower in PRC through an entity in which one of the Company's directors is also a director cum shareholder of the entity to facilitate the funds transfer process.

<sup>(b)</sup> The transactions related to entities in which two of the Company's directors cum shareholders each hold a directorship separately. They were appointed after disbursement of loans to safeguard interest of the Group. These individuals had ceased to be a director of the borrowers in August 2021.

<sup>(c)</sup> During the current financial year, management became aware that a controlling shareholder cum director of the Company held shares in an entity which currently has investments in the Australian borrowers. Furthermore, management also noted that it had not been disclosed in the financial statements that he was a creditor of Jetwin since inception of the loan disbursement in the financial year ended 31 December 2013 to date, and that Jetwin also held equity interest in the Australian borrowers. However, management maintains the view that the controlling shareholder cum director of the Company does not have any beneficial interest in Jetwin nor the borrowers in Australia, and that there is no need for any shareholders' mandate to approve any interested person transactions under the Listing Manual of the SGX-ST Chapter 9.