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

Annual Report 2017

SUSTAINABLE DEVELOPMENT GOALS

CORPORATE PROFILE

Net Pacific Financial Holdings Limited is an investment company that specialises in providing financing services to small and medium-sized companies in the People's Republic of China, Hong Kong Special Administrative Region, Australia and beyond access to capital.

Our strong business networks and established track record give us the competitive advantage to offer a suite of financing services, including working capital financing via asset-backed loans, as well as mezzanine loans, which are secured by either floating or fixed charge over certain assets or shares of the borrower and/or guaranteed by the major shareholder of the borrower.

As we set our sights on a long-term growth for our financing business, our focus is on optimising our investments in companies that have good fundamentals and growth potential as and when opportunities arise while maintaining a prudent operational approach. To minimise any downside risks to our Group, investments will be made in the form of convertible loans or preferred shares with capital protection structure.

With long-term stability as our goal, we strive to create value to our clientele by offering strategic and timely financing advisory services, and identify investment opportunities that are built on the Group's specialised financing skills and industry acumen.

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Net Pacific Financial Holdings Limited ("Net Pacific"), and together with its subsidiaries (the "Group"), we are pleased to report the Group's business overview and key financial performance for the financial year ended 31 December 2017 ("FY2017").

The global economy continued to sustain an upswing with economic activities strengthening in 2017 and it is expected to continue through 2018 with global growth projected to rise to 3.9% this year, according to the International Monetary Fund[1] During the year, major economies continued to show gradual growth despite geopolitical developments.

According to CNBC, the People's Republic of China's (the "PRC") economic growth expanded in 2017, with the country's gross domestic product growth at 6.9%. Economy watchers view this economic expansion as an indication of robust economic data in part due to global recovery. The Chinese economy is going through a transition - a phase of creative destruction as new economy sectors like e-commerce and online financial services coexist with still-dominant old economy sectors including manufacturing[2]. For 2018, the Chinese government aims to achieve its economic growth target at around 6.5%[3]. Besides focusing on domestic economic activities, the Chinese Central Government had also launched the Belt and Road Initiative, a strategic move that aims to connect 80 countries across three continents to the PRC through infrastructure investments and the development of trade routes along the Silk Road.

In reviewing the markets that we operate in, namely in the PRC, Hong Kong Special Administrative Region of the PRC ("HKSAR") and Australia, we remain cautiously optimistic of the prospects and continue to take a long-term stance in offering our financing services to small and medium sized companies as the economies progress in these markets.

FY2017 Key Financial Review

In FY2017, the Group recorded lower revenue of HK$12.5 million compared to HK$21.7 million in the financial year ended 31 December 2016 ("FY2016"). The revenue of the Group comprises revenue from the Financing Business and Investments.

Revenue from the Financing Business includes contribution from interest income from loans extended by the Group to customers and dividend income from the Group's investments in companies. During the financial year in review, revenue from Financing Business amounted to HK$12.5 million compared to HK$21.6 million in FY2016. This was mainly due to lower interest income from certain loan portfolios in Australia. There was no interest income from a borrower who has been placed under receivership in November 2016, of which the Group has entered into a settlement agreement with the underwriter on 31 December 2016 to recover the remaining net carrying value of the related principal and guaranteed 12% interest receivable from the underwriter.

Under Investments, revenue relates to the interest income arising from the Group's investments in short-term financial instruments. The revenue from such investments was lower in FY2017 as compared to FY2016, as the Group had disposed the investment in short-term financial instruments in early 2017.

For FY2017, the Group recorded a foreign exchange gain arising from the revaluation of its Australian Dollars ("A$") dominated loan portfolio. The foreign exchange gain of HK$8.6 million was due to the appreciation of A$ against HK$ in FY2017 as compared to the foreign exchange losses of HK$1.3 million in FY2016.

Total operating expenses of the Group, which is consists of marketing and distribution costs and administrative expenses, amounted to HK$6.2 million in FY2017, as compared to the total operating expenses of HK$6.6 million in FY2016. The decrease was mainly due to reversal of over accrual of certain expenses in prior years.

Other expenses in FY2017 refer mainly to the provision of impairment on other receivables in respect of the portion of the interest which was not guaranteed by the underwriter. During the year, the provision of HK$6.5 million was made in view of the slow property market in Western Australia for certain loan portfolio of the Group, while the provision of HK$4.9 million in FY2016 was made in view of the global weakness in commodities prices as a result of the massive slowdown in the mining activities in Northern part of Western Australia.

In FY2017, the Group's income tax expense of HK$1.0 million relates mainly to the withholding tax payable on the interest income from the loans extended to the Australian companies. Despite lower interest income in FY2017, the income tax expense in FY2017 was comparable to that in FY2016 due to the write back of withholding tax provision in the preceding year.

As a result of the foregoing, the Group reported a lower profit of HK$7.4 million in FY2017 as compared to a net profit of HK$7.9 million in FY2016.

Staying Resilient Amidst Challenges

The PRC government will remain steadfast in their commitment to achieve sustainable economic growth. This includes implementing curbs and measures to regulate financial risks, as well as driving initiatives to improve its domestic social and economic landscape. We believe the initiatives to support domestic spending will

1 https://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018

2 https://www.cnbc.com/2018/01/17/chinese-q4-gdp-china-reports-fourth-quarter-gross-domestic-product.html

3 https://www.cnbc.com/2018/03/04/china-keeps-gdp-target-of-6point-5-percent-this-year.html

CHAIRMAN'S MESSAGE

continue to lead a positive effect in creating business opportunities for small to medium sized companies in the PRC. As for Australia, the Australian government will continue to stimulate the business environment so as to encourage business growth and help create new businesses. This will bode well with the long-term potential of the Australian economy.

While challenges continue to be present in the global economy and the markets we operate in, there will be opportunities arising from future economic developments. Therefore, it is imperative for Net Pacific to stay relevant in times of change and build resilience amidst challenges. The Group will continue to leverage on its established business network and management experience to identify and offer Net Pacific's financial services to companies with growth potential in the PRC, HKSAR and Australia. In terms of investments, the Group will remain stringent in the due diligence process of probable investments before exercising investment decisions and new capital disbursements in 2018.

The changing political landscape in major economies will continue to influence economic trends and activity. We expect the overall business environment to be challenging and current market sentiments will remain largely unchanged – staying neutral with a cautious view. The Group will exercise care in monitoring and reviewing its portfolio on a timely basis in order to assess credit risks thoroughly and that risk management measures are effective. In this regard, the Group will limit its loan portfolio exposure to customers in Australia to no more than 60% of the Group's total loan portfolio in HK$ for risk management purposes.

In relation to the conversion of loans into shares of a partner company announced on 14 November 2017, the partner company is expected to list on the Australian Securities Exchange by the first half of 2018. Upon the successful listing of the partner company and the satisfaction of other conditions pursuant to the conditional agreement, Net Pacific will hold certain number of shares in the partner company as investment. Further updates on the conversion and/or investment in the partner company will be provided on a timely basis, as and when there is material development.

A Note of Appreciation

On behalf of the board, we would like to extend our appreciation to our valued shareholders for the years of support. Additionally, we are pleased to uphold our commitment of rewarding shareholders. The Board has proposed a first and final one-tier tax exempt dividend of 0.38 Hong Kong cents per ordinary share for FY2017. It is also our pleasure to extend our gratitude to our directors, management, staff, business partners and associates for their relentless commitment and support in pursuing greater growth for Net Pacific in the future.

Thank you.

Mr Zhou Wen Jie
Non-Executive Chairman

BOARD OF DIRECTORS

ZHOU WEN JIE
Non-executive Chairman

Mr Zhou Wen Jie, first appointed in February 2013 and last re-elected in April 2015, is the Non-executive Chairman of the Company.

Mr Zhou is currently the executive director of Zibao Metals Recycling Holdings Plc ("Zibao"), a company trading on the Alternative Investment Market, a market operated by the London Stock Exchange Plc. With over 16 years of experience in the industry of recycling of ferrous and non-ferrous metals, Mr Zhou also holds non-executive directorships in various companies involved in the metal recycling business. In addition, he also invests in property developments and investments in the People's Republic of China ("PRC") and Australia, private equity funds in the PRC, fund management and metal recycling related businesses.

Mr Zhou graduated from University of New South Wales, Australia with a Bachelor of Economics (major in Accounting). He is a member of the Certified Practising Accountant of Australia.

Mr Zhou is the brother-in-law of Mr Ben Lee, a Non-executive Director of the Company.

Mr Zhou is due for re-election as a Director at the forthcoming AGM of the Company.

ONG CHOR WEI @ ALAN ONG
Chief Executive Officer and Executive Director

Mr Ong Chor Wei, first appointed to the Board in February 2010 and last re-elected in April 2017, is the Chief Executive Officer of the Company.

Mr Ong is currently an executive director of Zibao on a part-time basis and a non-executive director of Joyas International Holdings Limited (a company listed on the SGX-ST). Mr. Ong is also an independent non-executive director of Man Wah Holdings Limited, O-Net Technologies (Group) Limited, Denox Environmental & Technology Holdings Limited, Nameson Holdings Limited and Smart Globe Holdings Limited respectively, all of which are listed on The Stock Exchange of Hong Kong Limited ("HK Exchange").

Mr. Ong is also a non-executive director of Prosperous Printing Company Limited and Vico International Holdings Limited respectively, all of which are listed on the HK Exchange. Previously, Mr Ong was a non-executive director of Hong Wei (Asia) Holdings Company Limited (a company listed on the Growth Enterprise Market of the HK Exchange) from 2013 to 2016. Mr Ong was also the non-executive director of Jets Technics International Holdings Limited (a company listed on the SGX-ST) from 2004 to 2013.

Mr Ong has over 27 years of experience in finance and accounting. He holds a Bachelor of Laws degree from The London School of Economics and Political Science, University of London. He also holds a distance learning degree in Masters in Business Administration jointly awarded by The University of Wales and The University of Manchester. Mr Ong is an associate member of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

KWOK CHIN PHANG
Chief Operating Officer and Executive Director

Mr Kwok Chin Phang is the Chief Operating Officer of the Company and was appointed to the Board in February 2010. He was last re-elected as a Director in April 2016.

Mr Kwok is currently a non-executive director of Zibao and a non-executive director of Joyas International Holdings Ltd (a company listed on the SGX-ST). Mr Kwok was under the employment of Nomura Singapore Limited from May 1994 to June 2009 and has more than 16 years of experience in the investment banking industry. He has extensive experience in the areas of capital market, corporate advisory and merger and acquisitions.

Mr Kwok graduated from King's College, University of London, with Bachelor of Engineering Degree (First Class Honours) in Electrical and Electronic Engineering.

BEN LEE
Non-executive Director

Mr Ben Lee is a Non-Executive Director of the Company and was appointed to the Board as the Non-executive Chairman in February 2010 and was re-designated as a Non-executive Director in February 2013. He was last re-elected as a Director in April 2017.

Mr Lee is currently the chairman of Wang Kei Yip Development Limited ("WKY"). He has over 15 years of experience in the industry of recycling of ferrous and non-ferrous metals and has extensive relationship with major metal recycling companies in the world. He founded various companies involved in the metal recycling business in the PRC and Hong Kong and holds directorship in some of these companies. Mr Lee is the Vice President of Nanhai Resources Recycling Association and was also previously a committee member of the Bureau of International Recycling.

Ben Lee is the brother-in-law of Mr Zhou Wen Jie, the Non-Executive Chairman of the Company.

CHIN FOOK LAI
Non-executive Director

Mr Chin Fook Lai is a Non-Executive Director of the Company and was appointed to the Board since January 2003. He was last re-elected as a Director in April 2016.

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

CHEUNG TING CHOR
Non-executive Director

Mr Cheung Ting Chor is a Non-Executive Director of the Company and was appointed to the Board in March 2013. He was last re-elected as a Director in April 2016.

Mr Cheung is currently the Chief Financial Officer of Wan Kee Group Holdings Limited ("WK"), and is responsible for the overall financial and accounting affairs of WK and its subsidiaries ("WK Group") since July 2017. The WK Group is principally involved in the retail trading of sports footwear, apparel and complementary accessories. Mr Cheung was the chief financial officer of WKY, responsible for the overall financial and accounting affairs of WKY and its subsidiaries from May 2011 to June 2017. Mr Cheung is also since August 2010, and on a part-time basis, the head of credit of Net Pacific Finance Group Limited which is a wholly-owned subsidiary of the Company, and is primarily responsible for establishing and developing its financing business and assessing credit proposals.

Mr Cheung was the managing director with Net Pacific Finance Limited from January 2009 to July 2010, responsible for establishing and developing its financing business. Prior to that, from 1985 to 2008, Mr Cheung held senior executive positions in the corporate and commercial banking departments of various financial institutions, including as the Vice President & Team Manager, Corporate & Investment Banking at DBS Bank (Hong Kong) Limited; the First Vice President, Head of Corporate Asia & Europe at Natexis Banques Populaires, and the Senior Manager, Corporate Banking at Rabobank, Hong Kong. During his employment with the various financial institutions, his primary responsibilities include strategic planning, staff management and training, financial products marketing, credit risk management, budgeting, managing loan portfolios and providing financial advisory on financial corporate restructuring.

Mr Cheung graduated from the Securities Institute Education, Australia with a graduate diploma in Applied Finance and Investment and also holds a Master's Degree in Business Administration from the Sul Ross State University in Texas, the United States of America. Mr Cheung is also a Fellow of the Financial Services Institute of Australasia.

CHEUNG KING KWOK
Lead Independent Director

Mr Cheung King Kwok was appointed an Independent Director of the Company in April 2015. Mr Cheung is also the chairman of the Audit Committee, Risk Management Committee and Nominating Committee and a member of the Remuneration Committee of the Company.

Mr Cheung King Kwok is currently the managing director of DJS Financial Management Pte Ltd, a company which provides corporate training and financial consultancy services. Mr Cheung is also an independent director of Joyas International Holdings Limited, a company listed on the SGX-ST. From 2004 to 2013, Mr Cheung had served as an independent director of Jets Technics International Holdings Limited (a company listed on the SGX-ST).

In 1991, Mr. Cheung joined The Grande Holdings Limited ("Grande") (a company listed on the HK Exchange) as its chief financial officer of one of its division where he was in charge of financial and treasury management. From 1992 to 1997, Mr Cheung was the Finance Director of Grande, in charge of its financial and treasury management, mergers and acquisitions. From 1997 to 2001, Mr Cheung was the executive director of Grande where he was responsible for management, strategic planning and corporate restructuring. He was also appointed directors of various listed subsidiaries of Grande, including Lafe International Holdings Limited (now known as Lafe Corporation Limited) (a company listed on the SGX-ST). From 1984 to 1990, Mr. Cheung was an audit manager and senior audit manager of Coopers and Lybrand where he carried out audit, investigations and due diligence reviews.

Mr. Cheung obtained a Bachelor of Commerce (Honours) from the University of Manitoba, Canada. He is a member of the Institute of Singapore Chartered Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr Cheung is due for re-election as a Director at the forthcoming AGM of the Company.

FRANCIS LEE FOOK WAH
Independent Director

Mr Francis Lee Fook Wah was appointed an Independent Director of the Company in May 2012 and was last re-elected as a Director in April 2017. Mr Lee is also the chairman of the Remuneration Committee and a member of the Audit Committee, the Risk Management Committee and the Nominating Committee of the Company.

Mr Lee is also currently an independent director of three other companies listed on the SGX-ST, namely Sheng Siong Group Ltd, Metech International Ltd and Asiaphos Limited. Mr Lee is also a director of Wise Alliance Investments Ltd, a private equity investment company. Mr Lee was the Chief Financial Officer of OKH Global Ltd, a company listed on the SGX-ST, from October 2014 to December 2017. From 2012 to 2014, Mr Lee had also served as an independent director of Jes International Holdings Limited (a company listed on the SGX-ST).

Mr Lee was an executive director, finance director and chief financial officer of Man Wah Holdings Limited ("Man Wah"), a main board company listed on the HK Exchange, from 2005 to 2011 where he was responsible for the overall accounting functions and matters relating to its corporate regulatory compliance and reporting for the group. He remained on the board of Man Wah as a non-executive director until 1 February 2012. Prior to that from 2001 to 2005, Mr Lee was a credit and relationship manager with Bank of China and also served as an investment and project manager with AP Oil International Ltd. Mr Lee began his career in 1990 in the Commercial Crime Division of the Criminal Investigation Department, where he served as a senior investigation officer, before moving on to OCBC Bank in 1993 as an assistant manager conducting credit analyses and Deutsche Morgan Grenfell Securities as a dealer's representative managing clients' investment portfolios between 1994 and 2001.

Mr Lee graduated from The National University of Singapore with a Bachelor's degree in Accountancy in 1990 and obtained a Master's degree in Business Administration (Investment and Finance) from The University of Hull in 1993. Mr Lee is a Chartered Accountant and a non-practising member of the Institute of Singapore Chartered Accountants. Mr Lee is also a member of the Singapore Institute of Directors.

WU HOUGUO
Independent Director

Mr Wu Houguo was appointed as an Independent Director of the Company in February 2013 and was last re-elected as a Director in April 2016. Mr Wu is also a member of the Audit Committee, the Risk Management Committee, the Nominating Committee and the Remuneration Committee of the Company.

Mr Wu is currently an investment adviser at Hejun Consulting Group, responsible for project management and equity fund raising activities and a lawyer with Beijing Ming Hua Law Office, overseeing the operations of its Guangdong office from 2008. He is also the general manger of Foshan He Yang Investment Management Ltd., Co. from March 2014, and the executive affairs representative appointed by Guangdong He Yang Equity Investment Co.(Limited Partners) from May 2014.

Prior to that, from 2005 to 2008, Mr Wu was the chief asset manager with Goal Achievers Limited (a subsidiary of Credit Suisse), principally engaged in non-performing assets, reorganization, financing and other related activities, and from 1997 to 2005, the vice president of the assets security branch of the Bank of China Limited, principally responsible for credit management.

Mr Wu is due for re-election as a Director at the forthcoming AGM of the Company.

MANAGEMENT TEAM

CHONG KIAN LEE
Financial Controller / Company Secretary

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

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

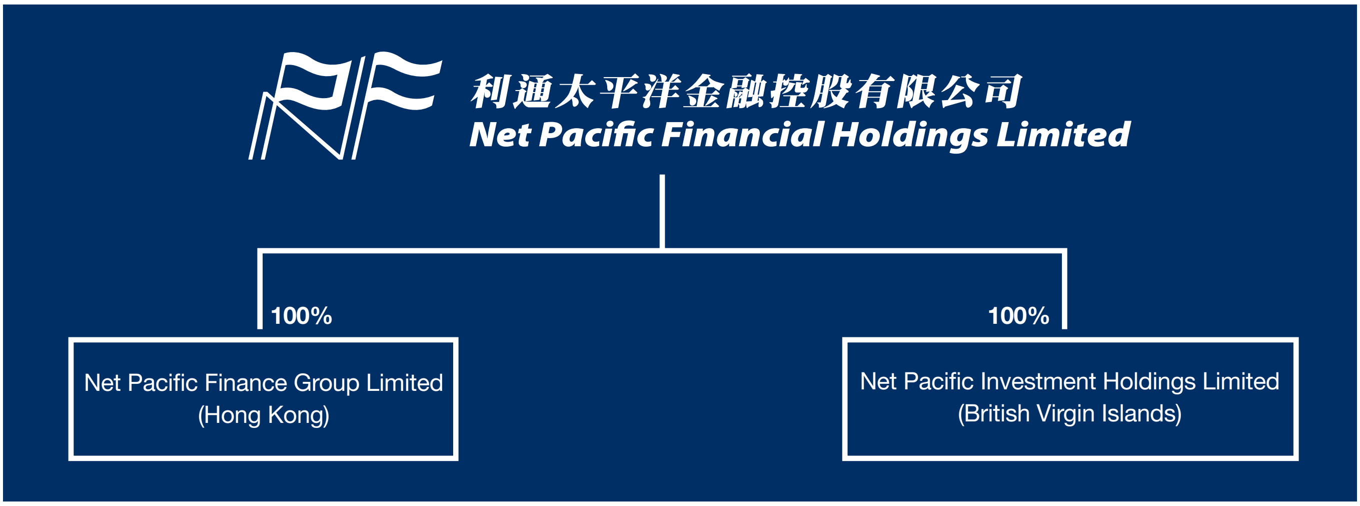
CHIN NYOK TOW
Administrative Manager

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

Ms Chin holds a diploma in Business & Human Resource Management from Singapore Human Resources Institute (SHRI) and a diploma in Information Technology from Informatics.

Ms Chin is the sister of the Company's Non-executive Director, Mr Chin Fook Lai.

CORPORATE STRUCTURE



CORPORATE GOVERNANCE REPORT

Net Pacific Financial Holdings Limited (the "**Company**") is committed to maintaining a good standard of corporate governance within the Company and its subsidiaries (the "**Group**") by complying with the Code of Corporate Governance 2012 (the "**Code**") to enhance the interests of the Company's shareholders ("**Shareholders**") and to provide corporate transparency.

The board of directors (the "**Board**") set out in this report the Company's corporate governance framework and practices in place in respect of the financial year ended 31 December 2017 ("**FY2017**") with specific references made to each of the principles of the Code and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**') in January 2015 (the "**Guide**"). The Company had complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations will be provided in the relevant sections below where there are deviations from the Code and/or the Guide.

BOARD MATTERS

Principle 1 The Board's Conduct of its Affairs

The Board is responsible for corporate governance and the overall strategy of the Group. Its role includes:

1. providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the company to meet its objectives;

2. Establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets;

3. supervising the management of the business and affairs of the Group;

4. identifying the key shareholder groups and recognise that their perceptions affect the company's reputation;

5. set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;

6. consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation; and

7. approving the corporate strategy, annual budgets, acquisitions and disposals.

The Board has adopted internal guidelines setting forth matters that require the Board's approval which includes, but not limited to the developing significant business plans, acquisitions and disposals of investments, share issuance and dividend, the release of the Group's half yearly and full year results and interested person transactions of a material nature exceeding S$100,000.

The Board meets at least twice each year to review key activities, budget, business and financial performance and approve the release of half-yearly and full year results. Additional meetings are held if there are matters requiring the Board's decision. In addition to physical attendance, the constitution of the Company (the "**Constitution**") also provides for meetings to be conducted *via* telephone conferencing or other means of simultaneous communication.

Board members are provided with complete, adequate information in a timely manner, including half-yearly management reports and all relevant information on material events and transactions, to enable them to be fully cognizant of the decisions and actions of the Group's management team. The directors of the Company ("**Directors**") are required to make decisions in the best interests of the Group.

Detailed Board papers prepared for each Board meeting includes information from management on financial, business and corporate issues and are normally circulated in advance of each meeting. This enables the Directors to request for and obtain further explanations, where necessary, in order to be adequately briefed before each meeting.

CORPORATE GOVERNANCE REPORT

The Board is supported by the various Board committees namely the Audit Committee (the "**AC**"), the Risk Management Committee (the "**RMC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**") to assist it in discharging its responsibilities (collectively referred to as the "**Board Committees**"). The Board Committees operate within clearly defined terms of reference and operating procedures which are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance.

The Board's comprises of 9 members as shown in the table below.

Name	**Position**	**Composition of Board Committees** • C – Chairman • M – Member			
		AC	**NC**	**RC**	**RMC**
Zhou Wen Jie	Non-Executive Chairman	–	–	–	–
Ong Chor Wei @ Alan Ong	Executive Director (Chief Executive Officer)	–	–	–	–
Kwok Chin Phang	Executive Director (Chief Operating Officer)	–	–	–	–
Ben Lee	Non-Executive Director	–	–	–	–
Chin Fook Lai	Non-Executive Director	–	–	–	–
Cheung Ting Chor	Non-Executive Director	–	–	–	–
Cheung King Kwok	Lead Independent Director	C	C	M	C
Francis Lee Fook Wah	Independent Director	M	M	C	M
Wu Houguo	Independent Director	M	M	M	M

Notes:-

1. *The AC comprises 3 members, all of whom, including the Chairman, are independent non-executive Directors.*

2. *The NC comprises 3 members, all of whom, including the Chairman, are independent non-executive Directors. The Lead Independent Director is the Chairman of the NC.*

3. *The RC comprises 3 members, all of whom, including the Chairman, are independent non-executive Directors.*

The number of Board and various Board Committee meetings held in FY2017 and the attendance are as follows:

	Board	**AC**	**RMC**	**RC**	**NC**
No of meetings held in FY2017	3	2	2	1	1
Name of Directors					
Zhou Wen Jie	3	–	–	–	–
Ong Chor Wei @ Alan Ong	3	–	–	–	–
Kwok Chin Phang	3	–	–	–	–
Ben Lee	3	–	–	–	–
Chin Fook Lai	2	–	–	–	–
Cheung Ting Chor	3	–	–	–	–
Francis Lee Fook Wah	3	2	2	1	1
Wu Houguo	2	2	2	1	1
Cheung King Kwok	3	2	2	1	1

CORPORATE GOVERNANCE REPORT

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

New Directors will also receive relevant training to familiarise themselves with the roles and responsibilities of a director of a listed company on the SGX-ST. New Directors, upon their appointment to the Board, are given an orientation to ensure that they are familiar with the Group's structure, business and corporate governance policies to facilitate effective discharge of their duties. The orientation programme also allows the new directors to get acquainted with the Group's management team, thereby facilitating Board interaction and independent access to the management.

Updates on corporate governance and/or new regulations and changing commercial risks which are relevant to the Group are circulated to all Board members by the Company Secretaries on a regular basis. Directors are constantly keep abreast of development on the accounting standards and regulatory updates that are of relevance to the Group through articles, reports and updates from the auditors and Company Secretaries, and participation in seminars and workshops. During FY2017, briefings were provided by the external auditors to the Audit Committee members and the Board on the new developments and changes in accounting standards. The Chief Executive Officer (the "CEO") and Chief Operating Officer routinely updates the Board at Board meeting on business and strategic development relating to the Company's business operations and the industry that the Company is operating in.

Principle 2 Board Composition and Guidance

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The Board comprises members who are suitably qualified with the appropriate mix of expertise, experience and knowledge in accounting and finance, management and strategic planning and industry knowledge.

The current Board composition provides a diversity of skills, experience, and knowledge to the Company as follows:

	Number of Directors	Proportion of Board
Core Competencies		
Accounting or finance	7	78%
Business management	9	100%
Legal or corporate governance	7	78%
Relevant industry knowledge or experience	8	89%
Strategic planning experience	9	100%
Customer based experience or knowledge	7	78%
Information Technology	5	56%
Gender		
Male	9	100%
Female	–	–

The Board has taken the following steps to maintain or enhance its balance and diversity:

(a) The NC conducts an annual review to assess whether the existing attributes and core competencies of the Board are complementary and whether the existing attributes and core competencies of the Board enhance the efficacy of the Board; and

(b) An annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

The profile of each existing Director is set out on pages 3 to 5 of the Annual Report.

The Board reviews the size of the board regularly, taking into consideration the nature and scope of business as well as the current and future plans of the Group, and is of the view that the current Board size of nine (9) Directors, of which three (3) are Independent Directors, is appropriate and effective. The NC is of the view that the current Board, with Independent Directors making up at least one third of the Board, has a strong and independent element to exercise objective judgment on corporate affairs independently from management.

Guideline 2.2 of the Code recommended that independent directors should make up at least half of the Board where the Chairman of the Board is not an independent director. After reviewing the size of the Board, the nature and scope of the business and the current and future plans of the Group, the NC and the Board are of the view that the current Board size of nine (9) Directors, of which three (3) are Independent Directors remains appropriate and effective for the following reasons:

(a) Mr Zhou Wen Jie, as the Chairman of the Board, is instrumental to the Group's financing business to connect with high-profile clients and investors;

(b) Further expansion of the size of the Board will most likely hinder effective decision making by the Board;

(c) The Independent Directors, together with the Non-Executive Directors, constructively challenge and help develop proposals on strategy and also review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance; and

(d) The Independent Directors have been effective in ensuring there is effective check and balance in the Board to safeguard the interest of minority shareholders, and there is no individual or small group of individuals that dominates the decision making of the Board.

The NC and the Board are also of the view that the current Board, with Independent Directors making up at least one third of the Board, has a strong and independent element to exercise objective judgment on corporate affairs independently from management.

As recommended by Guideline 3.3 of the Code, Mr Cheung King Kwok has been appointed as the Company's Lead Independent Director and makes himself available to Shareholders where they have concerns and for which contact through normal channels of the Chairman, the CEO or the Financial Controller has failed to resolve or is inappropriate.

The NC reviews and determines the independence of each Director annually. The NC adopts the Code's definition of what constitutes an Independent Director in its review. The Board considers an Independent Director as one who has no relationship with the Company, its related companies, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs.

The Independent Directors, namely Mr Cheung King Kwok, Mr Francis Lee Fook Wah and Mr Wu Houguo have confirmed that they do not have any relationship with the Company or its related companies or its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company. None of the existing Independent Directors has served on the Board beyond nine (9) years from the date of their first appointment. For FY2017, the NC has reviewed and determined that the existing Independent Directors, namely Mr Cheung King Kwok, Mr Francis Lee Fook Wah and Mr Wu Houguo are all independent.

To facilitate more effective check on the management, Non-Executive Directors and Independent Directors are encouraged to meet regularly without the presence of the management. They also review the performance of the Group's management team in meeting agreed goals and objects and monitor the reporting of performance.

Principle 3 Chairman and Chief Executive Officer

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

Mr Zhou Wen Jie, the Non-Executive Chairman of the Board, is responsible for the workings of the Board and ensures the Board's compliance with the corporate governance process.

In particular, the Chairman's duties include:

(i) setting out the corporate directions of the Company;
(ii) leading the Board to ensure its effectiveness on all aspects of its role;
(iii) setting the agenda for Board meetings and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
(iv) promote a culture of openness and debate at the Board;
(v) ensuring accurate, timely and clear information flow to Directors;
(vi) ensuring effective Shareholders' communication;
(vii) encouraging constructive relations between the Board and Management;
(viii) facilitating effective contribution of Non-Executive Directors;
(ix) encouraging constructive relations between Executive Directors and Non-Executive Directors; and
(x) promoting high standards of corporate governance.

Mr Ong Chor Wei @ Alan Ong, the CEO of the Group, is primarily responsible for the Group's day-to-day operations, strategic planning, major decision making as well as developing the business and vision of the Group.

Mr Zhou Wen Jie is not related to Mr Ong Chor Wei @ Alan Ong.

The Board has appointed Mr Cheung King Kwok as the Lead Independent Director to co-ordinate and to lead the independent directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the independent directors and the Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Chairman and CEO or Financial Controller has failed to resolve or is inappropriate.

Sessions were made available for the Independent Directors to meet in the absence of other directors prior to each Board meeting where necessary.

Principle 4 Board Membership
Principle 5 Board Performance

The NC comprises the following members, all of whom, including the Chairman of the NC, are Independent Directors:

Name	Position
Cheung King Kwok	Chairman, Lead Independent Director
Francis Lee Fook Wah	Member, Independent Director
Wu Houguo	Member, Independent Director

According to the terms of reference of the NC, the NC is responsible for, amongst others, evaluating the effectiveness and performance of the Board and Board committees, the contribution by each Director to the effectiveness of the Board and the review of board succession plans for directors, in particular, the Chairman and the CEO. In addition, the NC is tasked with the responsibility to review the Board structure, size and composition regularly, the review of training and professional development programs for the Board and to review and recommend to the Board on any new appointments or re-appointment of Directors, having regard to the Directors' contribution, performance and ability to commit sufficient time and attention to the affairs of the Company. It also determines the independence of Directors on an annual basis in accordance with the guidelines set out in the Code.

The NC does not prescribe a fixed maximum number of listed company representations for each Director, as it believes that any maximum number established is unlikely to be representative of the participation, commitments and skills and expertise that a Director may contribute to the Board, and its overall effectiveness. However, all Directors are required to declare their board representations. The NC determines annually whether each Director with multiple board representations or other principal commitments is able to and has been adequately carrying out his duties as a Director of the Company.

The Company has a process for selecting and appointing new Directors to the Board. In the event that a vacancy on the Board arises, the NC will evaluate the balance of skills, knowledge and experience on the Board in order to identify the essential and desirable competencies of the candidate. Suitable candidates are sourced through the recommendations of the Directors or the management or through other external sources. The NC will ensure that the new Director possesses the necessary skills, knowledge and experience that could facilitate the Board in the making of sound and well considered decisions before recommending its choice to the Board. The Board would consider the above factors in identifying potential director nominees, including from a diversity perspective, so as to work towards achieving an appropriate balance and diversity of skills, experience, gender and knowledge of the Company. Upon appointment, arrangements will be made for the new Directors to attend various briefings with the management team.

The NC takes into account the results of the assessment of the effectiveness of the individual Director, and their actual conduct on the Board, in making the determination, and is satisfied that for FY2017, all Directors who had multiple board representations and other principal commitments had adequately discharged their duties. The NC evaluates the Board's performance as a whole, which takes into consideration the Board's conduct of meetings, maintenance of independence, board accountability, communication with management, etc. The NC also assesses the performance of individual Directors based on their attendance record at the meetings of the Board and Board committees, their quality of participation at meetings as well as any outstanding contributions.

Performance evaluation is carried out by way of assessment surveys completed by the Directors and through discussions on the results of the assessment surveys. The Chairman of the Board, in consultation with the NC, acts on the results of the performance evaluation, and where appropriate, proposes new appointments or seeks the resignation of Directors. The NC has assessed the performance of the overall performance of the current Board and Board Committees as well as the effectiveness of individual Director during the financial year under review, and is of the view that the performance of the Board as a whole, that of the Chairman, the Board Committees and individual Director have been satisfactory.

The NC reviews the formal assessment processes for evaluating Board performance, Board Committee performance, as well as the contribution of individual Directors to the effectiveness of the Board annually. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or his re-nomination as Director.

In reviewing the nomination and re-appointment of the retiring Directors, the NC considers the existing attributes and core competencies of each of the retiring Directors, the performance and contributions of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and effort devoted to the Group's business and affairs, especially the contributions made by these Directors.

During FY2017, the Board has not engaged any external facilitator to advise on assessment processes or related matters.

Currently, the Company does not have any alternative Director on the Board.

The NC has recommended to the Board the re-election of Mr Zhou Wen Jie, Mr Cheung King Kwok and Mr Wu Houguo, who are retiring by rotation at the forthcoming AGM pursuant to Regulation 89 of the Constitution. The Board, to the best of their knowledge, is not aware of any relationships (including immediate family relationships) between Directors retiring at the forthcoming AGM of the Company and the other Director other than as follows: Mr Zhou Wen Jie is the brother-in-law of Mr Ben Lee, a non-executive Director and controlling shareholder of the Company.

Other key information in relation to the retiring Directors at the forthcoming AGM of the Company pursuant to Guideline 4.7 of the Code can be found in pages 3 to 5 and 27 to 28 of the annual report.

Principle 6 Access to Information

The Board is provided with management reports on a quarterly basis and updates of on-going developments and strategic plans within the Group and matters requiring the Board's decision, prior to Board meetings. The information provided to the Board includes background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. The Directors are given unrestricted access to independent professional advice to advise them on specific issues which may be of concern to the Board, should they consider necessary, at the Company's expense.

All Directors have separate and independent access to the Company Secretaries and key management personnel at all times to obtain additional information or explanations. Under the direction of the Chairman, the Company Secretaries' responsibilities include ensuring good information flows within the Board and Board Committees and between the senior management and Non-Executive Directors and advising the Board on all governance matters. The Company Secretaries also facilitate orientation and assist with professional development as and when required. The Company Secretaries attend all meetings of the Board and ensure that board procedures, applicable rules and regulations are followed. The Company Secretaries also attend all meetings of the Board and the Board Committees. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

Principle 7 Remuneration Matters

The RC comprises the following members, all of whom, including the Chairman of the RC, are Independent Directors:

Name	Position
Francis Lee Fook Wah	Chairman, Independent Director
Cheung King Kwok	Member, Lead Independent Director
Wu Houguo	Member, Independent Director

According to the terms of reference of the RC, the duties and responsibilities of the RC, amongst others, are to develop policies on executive remuneration and to review the remuneration packages for Directors and key management personnel based on performance, experience and scope of responsibility. The RC is also responsible for making recommendations on an appropriate framework of remuneration policies for the Board and key management personnel to ensure that the remuneration packages are competitive within the industry and amongst comparable companies. This is to attract, retain and motivate Directors and key management personnel of the required experience and expertise. The RC also reviews the remuneration packages of employees related to Directors and substantial Shareholders of the Company to ensure that these are in line with the Group's staff remuneration policies and commensurate with their respective job scopes and responsibilities. The RC covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind. The RC undertakes the duties of overseeing the administration of share plans as may be implemented by the Company from time to time.

In addition, the RC reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The service agreements of the Executive Directors are not excessively long or with onerous removal clauses. The service agreements may be terminated by the Company or the Executive Directors by giving not less than six (6) months' written notice of such termination. The RC seeks to be fair and avoids rewarding poor performance.

The RC has access to internal and external expert and/or professional advice on human resource and remuneration of all Directors, amongst other matters, whenever there is a need for such consultation. During FY2017, the RC has not engaged any external remuneration consultant to advise on remuneration matters.

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

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

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

According to the respective service agreements of the Executive Directors, Mr Ong Chor Wei @ Alan Ong, the Company's Chief Executive Officer and Mr Kwok Chin Phang, the Company's Chief Operating Officer, were paid a fixed salary and an annual incentive bonus for an initial period of three (3) years starting from 18 June 2010, and the agreements were renewed for another three (3) years in June 2013 and June 2016. The service agreements of the Executive Directors are not excessively long or with onerous removal clauses. The service agreements may be terminated by the Company or the Executive Directors by giving not less than six (6) months' written notice of such termination. The RC seeks to be fair and avoids rewarding poor performance.

The key management personnel of the Group were paid a fixed salary and an annual incentive bonus. The employment contracts of the key management personnel are not excessively long or with onerous removal clauses. The employment contracts may be terminated by the Company or the key management personnel by giving not less than three (3) months' written notice of such termination.

Annual incentive bonus for the Executive Directors and key management personnel are reviewed and approved by the RC and are determined based on assessment of individual's commitment, contribution, relevant experience, year of service etc. among other factors.

The Company has in place the Net Pacific Employee Share Option Scheme (the "**Scheme**"), which is administered by the RC. The RC reviews whether Directors and employees should be eligible for benefits under such long-term service schemes, taking into account factors such as rank, past performance, length of service, contribution to the success and development of the Company, potential for future development and prevailing economic conditions. Details on the Scheme are set out in the Company's circular to Shareholders dated 31 January 2011.

The Company currently does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from its Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Executive Directors and key management personnel owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Directors and key management personnel in the event of such breach of fiduciary duties. The Company shall review the feasibility of having the said contractual provisions in future renewals of service contracts of its Executive Directors and key management personnel as recommended by the Code.

The recommended Directors' fees of S$165,500 by the RC for FY2017 are determined on the same basis as those of the previous financial year. The Directors' fees include a base fee of S$17,500 for each Director and additional fees of S$4,000 to the Chairmen of AC, RMC, NC and RC for their added responsibilities.

The Board has duly accepted the RC's recommendations on the Directors' fees and is proposing the same for approval by Shareholders at the forthcoming AGM. Save for Directors' fees which are subject to the approval of the Shareholders at every AGM, the Independent Directors and Non-Executive Directors do not receive any remuneration from the Company, except for Mr Cheung Ting Chor, who will receive an annual performance bonus of S$40,000 in FY2017 as he is also the head of credit for the Group's financing business on a part-time basis.

CORPORATE GOVERNANCE REPORT

The amount of remuneration (rounded to the nearest half-thousand dollars) for the Directors and mix of remuneration (in percentage terms) for the Directors, the CEO and the top two (2) key management personnel (who are not also Directors or the CEO) of the Group in office during FY2017 are as follows:

Directors	Amount of Remuneration (S$'000)
Zhou Wen Jie [(1)]	17.5
Ong Chor Wei @ Alan Ong [(1)(2)]	187.5
Kwok Chin Phang [(1)]	205.5
Ben Lee [(1)]	17.5
Chin Fook Lai [(1)]	17.5
Cheung Ting Chor [(1)]	57.5
Cheung King Kwok [(1)]	21.5
Francis Lee Fook Wah [(1)]	21.5
Wu Houguo [(1)]	17.5

Notes:

(1) The Directors' fees in respect of FY2017 are subject to Shareholders' approval at the forthcoming AGM

(2) Ong Chor Wei @ Alan Ong is also the CEO of the Company.

Breakdown of remuneration[(1)]	Salary %	Bonus %	Fees[(2)] %	Other benefits %	Total %
Directors					
Zhou Wen Jie	–	–	100	–	100
Ong Chor Wei @ Alan Ong	64	27	9	–	100
Kwok Chin Phang	67	24	9	–	100
Ben Lee	–	–	100	–	100
Chin Fook Lai	–	–	100	–	100
Cheung King Kwok	–	–	100	–	100
Cheung Ting Chor [(3)]	–	70	30	–	100
Francis Lee Fook Wah	–	–	100	–	100
Wu Houguo	–	–	100	–	100
Key management personnel [(4)]					
Below S$250,000					
Chong Kian Lee	87	13	–	–	100
Chin Nyok Tow [(5)]	88	12	–	–	100

Notes:

(1) The remuneration shown in the tables above includes all forms of remuneration from the Company and its subsidiaries including Central Provident Fund contributions.

(2) The Directors' fees in respect of FY2017 are subject to Shareholders' approval at the forthcoming AGM.

(3) For serving as head of credit of the Group on a part-time basis, Mr Cheung Ting Chor was paid an annual performance bonus of S$40,000 in FY2017 in addition to the Directors' fees paid for FY2017.

(4) The Company only has two (2) key management personnel.

(5) Ms Chin Nyok Tow is the sister of Mr Chin Fook Lai, the Company's Non-Executive Director. Her remuneration was between S$50,000 to S$100,000 in FY2017.

The aggregate total remuneration paid to the two (2) key management personnel of the Group in FY2017 were S$199,000.

Save as disclosed above, there are no other employees who are immediate family members of a Director or the CEO, and whose remuneration exceeded S$50,000 during FY2017.

There were no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the key management personnel in FY2017, other than in compliance with the standard contractual notice period termination payment.

The Company has adopted the Net Pacific Employee Share Option Scheme (the "**Scheme**") which was approved by Shareholders on 15 February 2011. The Scheme is administered by the RC, currently comprising Mr Francis Lee Fook Wah, Mr Cheung King Kwok and Mr Wu Houguo.

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

During FY2017, there were no Options granted under the Scheme. Please refer to the Directors' Statement for more details on the Scheme.

Principle 11 Risk Management and Internal Controls

The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems, including financial, operational, compliance and information technology controls, on an annual basis. The internal control and risk management functions are performed by the Group's key management personnel.

Risk Management

The Board has tasked the RMC with the overall responsibility of overseeing the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies as well as the identification and management of business risks of the Group. The RMC as at the date of this report comprises Mr Cheung King Kwok (Chairman), Mr Francis Lee Fook Wah and Mr Wu Houguo, all of whom are Independent Directors and also members of the AC.

The RMC reviews the Group's loan portfolio with the Credit Committee to understand the background of the borrowers and the risk exposure of the Group on a quarterly basis. As at the date hereof, the Group's Credit Committee comprises five (5) members, namely Mr Zhou Wen Jie, Mr Ong Chor Wei @ Alan Ong, Mr Kwok Chin Phang, Mr Cheung Ting Chor and Mr Ben Lee.

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

The management reviews the Company's business and operational activities regularly to identify areas of significant business, operational and compliance risks, and employs a wide range of measures to control these risks, including financial, operational, compliance and information technology controls. The management has embedded the risk management process and internal controls into all business operating procedures, where it becomes ultimately the responsibility of all business and operational managers. All identified areas of risks are promptly addressed by the managers who swiftly determine and implement appropriate measures to control and mitigate such risks. The identified risks and the corresponding countervailing controls are regularly reviewed by the managers to ensure that they are up to date and effective. All significant matters are highlighted to the Board, the AC and RMC for their review, and the Board monitors the adequacy and effectiveness of the internal controls and risk management policies.

The Board has also received assurance from the Chief Executive Officer and the Financial Controller:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the Group's risk management systems and internal control systems are effective and adequate.

Based on the internal controls established and maintained by the Group, works performed by the external auditors and the internal auditors, and reviews performed by management, various Board Committees and the Board, the Board is of the opinion, with the concurrence of the AC and RMC, that the Group's internal controls including financial, operational, compliance and information technology controls and risk management systems were adequate and effective as at 31 December 2017.

Principle 12 Audit Committee ("AC")

The AC comprises the following members, all of whom, including the Chairman of the AC, are Independent Directors:

Name	Position
Cheung King Kwok	Chairman, Lead Independent Director
Francis Lee Fook Wah	Member, Independent Director
Wu Houguo	Member, Independent Director

The Board is of the view that all the members of the AC, including the Chairman of the AC, have sufficient financial management expertise and experience to discharge their responsibilities. None of the AC members were previous partners or the directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

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

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

(b) conducting the annual review of the audit plans, the scope and findings of the audit and its cost effectiveness, the evaluation of the system of internal accounting controls and adequacy and effectiveness of internal controls, including financial, operational, compliance and information technology controls, with internal and external auditors;

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

(d) reviewing the scope and results of the external audit;

(e) reviewing the significant financial reporting issues and judgments with the financial controller and the external auditors so as to ensure the integrity of the financial statements of the Company;

(f) reviewing the effectiveness and adequacy of the Company's internal audit function;

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

(h) undertaking such other reviews or projects as may be requested by the Board (including reviews of potential conflicts of interest matters) and projects as may be requested by the Board and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(i) recommending the appointment or re-appointment of the internal auditors and external auditors to the Board, and approving the terms of engagement and compensation of the auditors; and

(j) reviewing the Company's risk profile on a regular basis to understand the significant risks facing the Company and how they are being mitigated.

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

The AC has met with the Company's external auditors without the presence of the management twice during FY2017 to review the scope and results of the audit, as well as the independence and objectivity of the external auditors. The fees relating to the provision of non-audit services payable to the corporate finance arm of the external auditors, Foo Kon Tan LLP, amounts to S$9,000 during FY2017, and the amount payable to the external auditors relating to the provision of audit services for FY2017 amounts to approximately S$93,000. The aggregate amount of fees paid to the external auditors, Foo Kon Tan LLP, for FY2017 amounted to S$102,000.

Having reviewed the non-audit services rendered by the external auditors for FY2017 as well as the fees paid, the AC is satisfied that the external auditors are independent and has recommended to the Board the re-appointment of Foo Kon Tan LLP as the Company's external auditors at the forthcoming AGM.

The Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of auditors. All of the Company's subsidiaries are audited by Foo Kon Tan LLP and Foo Kon Tan LLP is registered with the Accounting and Corporate Regulatory Authority of Singapore.

The members of the AC have the necessary accounting and financial expertise to deal with the matters that come before them. They attend courses and seminars to keep abreast of changes to accounting standards and other issues which may have a direct impact on financial statements, as and when necessary. During FY2017, the external auditors briefed the AC on new and changes in accounting standards.

Whistle blowing policy

The Company has incorporated a whistle-blowing policy by which employees may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters such as suspected fraud, corruption, and dishonest practices via mail or email whistleblowing@netpac.com.sg. External parties may also raise their concerns, if any, to whistleblowing@netpac.com.sg. These reports are directed to the Chairman of the AC and the AC will be informed immediately of any whistle-blowing reports received. To ensure independent investigation into such matters and for appropriate follow-up action, all whistle-blowing reports are reviewed by the AC and the Board. In the event that the whistle-blowing report is about a Director, that Director shall not be involved in the review and any decisions with respect to that whistle-blowing report. The whistle-blowing policy aims to encourage the reporting of such matters in good faith, with the confidence that any employees making such reports will be treated fairly and be protected from reprisals. There was no whistle-blowing report received by the AC during FY2017.

Principle 13 Internal Audit

The Company has outsourced its internal audit function to an external professional accounting firm, David Ho & Company (with a primary line of reporting to the Chairman of the AC), which has met the Hong Kong Financial Reporting Standards set by the Hong Kong Institute of Certified Public Accountants for the review of internal controls of the Group in FY2017. The internal auditor has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC. The AC reviews at least annually the adequacy and effectiveness of the Group's risk management and internal control systems as well as internal audit function. During FY2017, the AC has met with the internal auditor to discuss on the findings and results of the internal audit work, and the effectiveness of actions taken by the management on the recommendations made by the internal auditor in this respect. The AC has also met with the Company's internal auditor without the presence of the management in FY2017. The AC is satisfied that the internal auditor is adequately resourced and has appropriate standard within the Company.

In the course of the annual statutory audit of the financial statements, the external auditors also carry out a review of the effectiveness of the Group's internal controls system. The Company will be working with the external auditors on their recommendations to improve the internal controls system in due course.

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

Principle 10 Accountability
Principle 14 Communications with Shareholders
Principle 15 Greater Shareholder Participation
Principle 16 Conduct of Shareholder Meetings

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

The Company's website is a key source of information for the investment community. It contains a wealth of investor-related information on the Company, including its business, contact details, financial results, annual reports, press releases, and announcements which the Company has released via SGXNET.

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange and is mindful of its obligations to provide timely and fair disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports are announced within the mandatory period. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. The management provides the Board with quarterly management accounts that present a balanced and understandable assessment of the Group's performance, position and prospects. In addition, the management seeks to provide the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties.

The Company seeks to ensure that shareholders are sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the Company's shares. Further, the Company is fully committed to corporate governance and transparency by disclosing to its stakeholders, including its shareholders, as much relevant information as is possible, in a timely, fair and transparent manner as well as to hearing its shareholders' views and addressing their concerns.

Shareholders are encouraged to attend, to participate effectively and to vote in the AGM and to stay informed of the Company's strategy and goals, to ensure a high level of accountability. The annual reports and the Notice of the AGM are despatched to Shareholders, together with explanatory notes or a circular on items of special business (if necessary), before the meeting. Shareholders may vote in person or by proxy. To solicit and understand the views of Shareholders, the Board welcomes questions from Shareholders who wish to raise issues either informally or formally before or at the AGM. The Chairmen of the AC, NC and RC and the external auditors, are normally available at the meeting to answer questions relating to the general meetings, work of their committees, conduct of audit and the preparation and content of the auditors' report.

Separate resolutions are provided at general meetings on each separate issue and the 'bundling' of resolutions is avoided unless they are inter-dependent and linked so as to form one significant proposal and unless the Company explains the reasons and material implications. All resolutions at general meetings are put to vote by poll so as to better reflect Shareholders' shareholding interests and ensure transparency. The results of the poll voting on each resolution tabled at general meetings are announced after the said meeting via SGXNET.

Members of the Company are generally able to appoint one (1) or two (2) proxies to attend and vote instead of the member. In addition, where a member is a relevant intermediary (as defined under Section 181 of the Companies Act, as amended), such member is entitled to appoint more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.

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

All material information on the performance and development of the Group and of the Company is also disclosed in a timely, accurate and comprehensive manner through SGXNET, press releases and the Company's website. The Company does not practice selective disclosure of material information. All materials on the half-yearly and full year financial results are available on the Company's website – www.netpac.com.sg.

In addition to further encourage and promote communications with Shareholders and the investment community, Shareholders and the investment community are invited to send emails queries to the management at webmaster@netpac.com.sg.

Dealing in Securities

The Company has adopted and implemented an internal guideline to the Company, its Directors, management and officers of the Company who have access to price sensitive information to prohibit them from dealings in the Company's securities during the period commencing one (1) month before the announcement of the Company's half year and full year results, which is in compliance with Rule 1204(19) of the Catalist Rules.

The Company, its Directors and executives are also advised to observe insider trading laws at all times even when dealing in the Company's securities within the permitted trading period and not to deal in the Company's securities on short-term considerations.

Material Contracts and Interested Person Transactions ("IPTs")

The Company has established procedures to ensure that all transactions with interested persons are reviewed by the AC on a timely basis and are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders. All IPTs will be subject to periodic reviews by the AC. The Company confirms that there was no IPT with S$100,000 and more in value during FY2017.

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

Conflicts of Interests

All Directors have a duty to disclose their interests in respect of any transaction in which they have any personal material interest or any actual or potential conflicts of interests (including a conflict that arises from their directorship or employment or personal investment in any corporation). Upon such disclosure, such Directors will not participate in any proceedings of the Board or the Committee (as the case may be) and shall abstain from voting in respect of any such transaction where the conflict arises.

Since FY2013, the Group has expanded its loan portfolio to include companies in Australia. Prior to FY2016, all of the Group's loans in Australia were disbursed through an intermediary, Jetwin Investment Pty Ltd ("**Jetwin**"). Mr Zhou Wen Jie, the Company's Non-Executive Chairman and a Controlling Shareholder, has also been extending loans to companies in Australia through Jetwin. Certain loans that Mr Zhou has made in the past were to the same borrowers of the loans extended by the Group. In respect of certain of such loans, Mr Zhou was also appointed to the board of the borrower as a nominee of the Group to safeguard the Group's interests. There were no new loans with similar arrangements disbursed by the Company and Mr Zhou since FY2016.

Mr Zhou has confirmed to the Company that save for his loans to the borrowers (which were made on the same terms as the Group's loans) and his directorship on the board of certain borrowers (in the capacity as a nominee of the Group), he has no other interests in the borrowers and does not have any executive or operational role in these companies. Mr Zhou is a businessman who operates metal recycling businesses and is also an investor. He had granted the loans to the borrowers in the past in his own private capacity as he had excess cash resources. There was no agreement, understanding or arrangement in respect of the loan transactions, whether formal or informal, between the Company or any of its subsidiaries and Mr Zhou Wen Jie and each party evaluated the investment merits and credit worthiness of the borrowers independently on their own.

In view of the materiality of the Australian market to the Group and to mitigate any potential conflicts of interest (perceived or otherwise) arising from Mr Zhou's loans to the same borrowers as the loans of the Group in Australia, the following measures have been put in place:

(i) Pursuant to a deed of undertaking dated 16 March 2016 ("**Undertaking**"), Mr Zhou Wen Jie has undertaken to the Company that for so long as the Company remains listed on the Catalist and he and/or his Associates (as defined in the Catalist Rules) remains as a Director or a Controlling Shareholder of the Company:

   (a) save for the loans already granted by Mr Zhou and/or his Associates and existing as at the date of the Undertaking (the "**Existing Loans**"), he shall not and will procure that his Associates shall not (without the prior written consent of the Company) directly or indirectly, carry on or be engaged or concerned or interested economically or otherwise in any manner whatsoever in such financing business that may compete with the Group in China, Hong Kong and Australia (the "**Territories**");

   (b) in respect of the Existing Loans to the same borrowers as the loans of the Group, Mr Zhou shall and will procure that his Associates shall place the interest of the Group above their own personal interest and shall not without the prior 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 proposed financing transaction in the Territories in the future which falls within the business scope of the Group, Mr Zhou shall and will procure that his Associates shall grant the Company a right of first refusal.

(ii) Each of the Group's loans must be approved by a majority of the Group's Credit Committee members. In the event where a loan, that any Director, Controlling Shareholder or their respective Associates may be interested in, is proposed to the Credit Committee for approval, such interested Director or Controlling Shareholder or their Associates will disclose his interest to the Credit Committee and must abstain from participating in any discussions involving, and voting in, matters in which he may be interested. In addition, such loan transaction to be entered into by the Group shall require unanimous approval of all the other members of the Group's Credit Committee.

(iii) The Financial Controller will maintain a register to record all transactions of the Group where a Director or Controlling Shareholder has also extended loans to the same borrower in his own private capacity, and will submit such register for review by the AC on a half-yearly basis to ensure that the terms of such transactions conducted by a Director or Controlling Shareholder and the terms of the Group's transactions are materially the same.

The AC has reviewed the above measures put in place and is of the opinion that these measures are sufficient to safeguard the interests of the Company and its minority Shareholders. The AC shall review the procedures at least annually to determine if they continue to be adequate and commercially practicable in ensuring that conflict situations are satisfactorily addressed.

Dividends

The Company does not have a fixed dividend policy. The form, frequency and the amount of dividend will depend on the Group's earnings, financial position, financial needs, expansion plan and other factors which the Board may deem appropriate.

The Board has proposed a first and final dividend of 0.38 Hong Kong cents per ordinary share (tax-exempt one-tier) in respect of FY2017. Such first and final dividend will be subject to the approval of the Shareholders at the forthcoming AGM.

Continuing Sponsor

No fees relating to non-sponsorship activities or services were paid to the Company's continuing sponsor, PrimePartners Corporate Finance Pte. Ltd., during FY2017.

SUSTAINABILITY REPORT

for the Financial Year ended 2017

This is the first Sustainability Report issued by Net Pacific Financial Holdings Limited ("**Net Pacific**" or the "**Company**") for the financial year ended 31 December 2017 ("**FY2017**") and focuses on the material environmental, social and governance ("**ESG**") factors. This Sustainability Report has been prepared in accordance with Rule 711B and Practice Note 7F: Sustainability Reporting Guide of the Listing Manual (Section B: Rules of Catalist) (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and is guided by the International Integrated Reporting Council Framework. As this is the first year that our Company is issuing this Sustainability Report, we have undertaken the phased approach set out in Practice Note 7F: Sustainability Report Guide as specified in the Catalist Rules of the SGX-ST. We endeavor to progressively improve our sustainability reporting in terms of both quality and depth in the years to come.

The following sections discuss the material ESG factors we have discovered. As our Company is principally engaged in the provision of financial services, this Sustainability Report shall discuss the material ESG factors relating to our financial services business.

1. Environmental

a. Energy Consumption

Electricity Consumption

As we are principally engaged in the financial services business which is primarily conducted in the typical office environment, we do not consume a significant amount of energy compared to other industries such as manufacturing. Further, since our business only involves essential equipment such as desktop computers and LED lighting, we do not consume a significant amount of electricity. As a result, associated CO2 equivalent emissions is minimal. Being a responsible enterprise, we are committed to minimizing impacts on our environment by implementing measures to raise the awareness of energy-saving amongst our employees.

We are aware that our use of electricity, and in particular, electricity consumed for air-conditioning, can contribute to global warming. Whenever possible, we will encourage our employees to adjust the air-conditioner to an appropriate temperature to maximize energy efficiency and to minimize our consumption of electricity. We will also encourage our employees to turn off their monitors and computers when they leave the office either during office hours for a meeting or at the end of the day to reduce wastage of electricity from idle equipment.

Emissions

The operations of our business does not directly consume any fuel nor do we own any vehicles, therefore we do not have associated emissions in relation to gaseous fuels. Our employees usually travel around by plane, taxi or Mass Rapid Transit (MRT). We encourage our staff to travel by public transportation and/or green vehicles, such as electric cars or hybrid cars, whenever possible, in order to avoid emissions of gaseous fuels.

Water Consumption

Notwithstanding that we do not consume a significant amount of water in our daily business operations, we recognize that water is a precious resource. Our employees are reminded to conserve water by turning off the tap after use and to fix dripping taps and water mains promptly.

Waste Generation

Due to our business nature, we do not produce any hazardous waste during the course of our business. We mainly generate non-hazardous waste such as paper, food scraps, plastics and other general waste similar to a typical household or office setting. Due to our efforts to create a paperless office in 2017, our consumption of office paper was minimal and we produced an insignificant amount of CO2 equivalent per employee considering the amount of paper waste disposed at landfills. In order to minimize the waste produced, we strive to reduce unnecessary office waste by encouraging procurement of office supply only when necessary and to create a paper-less office.

b. Creating an Eco-friendly Office

Go Green in the Office

We are committed to build an environmentally friendly office in order to achieve environmental sustainability and more efficient use of resources. We have set up eco-friendly guidelines in our Company and all employees are encouraged to play a part to achieve such eco-friendly goals. Some of the guidelines are shown below:

- Create a paper-less office by using e-mail to communicate and printing on both sides of paper;
- Switch off all lights, air-conditioners and all electronic devices when not in use;
- Use LED lights to save electricity on lighting;
- Set aside containers for collection of paper to reuse and to recycle;
- Optimize the use of natural light and ventilation; and
- Procure energy-efficient electronical appliances.

As seen above, we have been operating with minimal impact to the environment and we endeavor to maintain and improve our protection of the environment via innovation of management model or new technology advancements, where such improvement is practicable for our adoption.

Environmentally Friendly Policy

We spend a sizable amount of time communicating with overseas clients. However, travelling abroad produces carbon footprint that may impact the environment significantly. With the advancement of technology, we can now communicate with overseas clients via video conferencing, email and other online communication tools. Our Company strongly encourages employees to communicate through online platforms, irrespective for internal or external communications with clients. This enables efficient communications, cut costs and make our business environmentally friendly through the reduction of our carbon footprint.

Our short-term strategy for resources consumption is to maintain the current electricity and paper consumption record in the coming years and to monitor the effectiveness of the various environmentally friendly measures implemented by the Group. In the long run, we would maintain our lean business model so that resource consumption can be minimized at the source, and to explore management models, innovations and technological advancements so that we could further minimise the resource consumption, whenever practicable.

2. Social

a. Employees' Welfare

In Net Pacific, we see our employees as our greatest asset. They help us meet our customers' needs, drive innovation and elevate our business to greater heights. In return, we hope to provide a caring, safe and supportive workplace for our employees. We provide employment welfare beyond statutory requirements for our employees to take care of their needs and improve business relationships. We regularly review the welfare and compensation packages offered to our employees, comparing against those offered by industry players engaged in the same or similar business operations, to ensure that our welfare and compensation packages stay competitive so that we could retain and attract the best talents.

b. Training and Development

Good training and development programs allow our employees to develop skills and knowledge that will improve job performance and enhance career development. Our employees are encouraged to participate in continuing professional development ("**CPD**") programs conducted by external parties and each employee has achieved more than 8 CPD hours in 2017 through participating in various training courses on finance and administration. As CPD programs are important for our business and our employees, we strive to provide similar or more CPD programs for our employees in 2018.

c. Equal Opportunity

We are committed to provide an equal and diverse workplace for our employees. Our employees will not be discriminated due to their sex, age, religion, family status or ethnic background. Our recruitment team selects talents based on their attitude, education level and working experience. We sincerely hope that our employees strive towards excellence and reach their full potential in a workplace free from harassment and discrimination. We encourage our employees to report to the senior management or human resource personnel in the unfortunate case that any of them are treated unfairly or harassed, and our senior management or human resource personnel will investigate the case and take appropriate action.

d. Health and Safety

We are committed to creating a safe and comfortable working environment for our employees. We comply with all relevant laws and regulations in Singapore and Hong Kong concerning occupational health and safety. Although we are primarily an office-based business where there is no perceivable risk of fatality or injury causing prolonged absence from work, we still endeavor to create a safe and healthy workplace. For example, we ensure that ventilation, temperature, lighting and rest facilities meet the standards of health, safety and welfare promoted by the statutory and other advisory bodies. We also encourage employees to adopt a healthy lifestyle and to be aware of office and personal hygiene.

e. Labour Standards

Our employment and recruitment process strictly adheres to the Employment Ordinance of Hong Kong and Employment Act of Singapore. We carry out detailed pre-employment background checks, procedures and verifications on identity documents of every candidate to ensure that there is no forced or child labour or other persons ineligible for employment are employed. We also avoid working with companies that violate such laws.

f. Community Integration

We have not participated in any community activity in the reporting period. However, we will actively consider organizing or participating in community activities in the future, with active participation by our management and employees as well as monetary contributions.

g. Anti-corruption and Integrity

We do not tolerate corruption. Our employees are provided with anti-corruption and practice notes on handling invitations of bribery. Our employees are encouraged to report any suspected corruption practice to the senior management or the board of directors, whoever appropriate. The senior management or board of directors will conduct investigations and if corruption is established, the case will be reported to the relevant authorities in the jurisdiction concerned, such as the Independent Commission Against Corruption for cases in Hong Kong.

We have also adopted a whistleblowing policy to provide a reporting channel for employees to raise concerns over any perceived anomalies concerning internal control, financial reporting, our products and services or other business conducts. After receiving a complaint, our officers will investigate the matter with strict confidence and interview such internal or external party as required. The whistleblowing policy will encourage the reporting of organisational issues in good faith, allowing such issues to be highlighted and rectified where necessary.

h. Service Responsibility

We are committed to providing high quality services to our clients. The services we provide include, amongst others, the provision of working capital financing, asset-backed loans, mezzanine loans and investments in companies with good fundamentals and growth potential. We strive to ensure that clients' expectations are effectively communicated and that our services comply with relevant laws and regulations in the jurisdiction concerned. We sincerely hope that our provision of financial services will add value to our clients' businesses. Legal compliance and effective communication with our clients are of utmost importance to our business operations as our reputation is of tremendous importance to us, and such compliance and meticulous handling of clients' affairs is a major step in managing regulatory and reputational risks that are inherent in our business.

In addition, our effort and emphasis in communications with our clients and transparency in such communications distinguishes us from our competitors in that our clients are able to rely on our services and products with assurance. This gives us an edge in the long-run, as we foresee that the regulatory framework may impose more stringent requirements on our business, particularly on transparency in future. We are confident that we will be prepared for such requirements when they are being implemented.

i. Privacy and Data Protection

Data protection and privacy are crucial to our business and we take serious measures to ensure security of data. We strictly comply with the Personal Data Protection Act 2012 of Singapore, Personal Data (Privacy) Ordinance of Hong Kong, and other rules and regulations in relation to data protection. As a financial services company, we routinely collect sensitive information from our clients, but such data would only be used for the business commissioned by our clients and would not be used for any other purposes unless explicit prior consent is obtained from our clients. Specific monitoring system has been set up to protect clients' privacy and our employees are briefed about internal guidelines relating to the proper handling of data. Such monitoring system ensures that there will be no data leakage to unauthorized persons, and clients are informed of the identity of the personnel handling their specific cases and that access to their information and data is restricted to the personnel handling the relevant project at the relevant time. This policy also protects employees from accidentally accessing client information irrelevant to their specific tasks, so as to prevent any prohibited or illegal actions such as insider trading from happening.

3. Board Statement

Our Board considers sustainability issues to be an integral part of our strategic formulation. In the preparation of this Sustainability Report, our Board has reviewed and considered among others, the material ESG factors, discussed in this Sustainability Report, and has overseen the management in monitoring these material ESG factors.

We hope that the information disclosed in this Sustainability Report read together with information in other sections of the Annual Report will provide the reader with a holistic view of the operations of our Company. We will continue to monitor, review and upgrade our material ESG factors from time to time and improve our Sustainability Report whenever practicable in the future in order to create long-term value for our stakeholders.

Financial Statements

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The directors ("Directors") of Net Pacific Financial Holdings Limited (the "Company") are pleased to submit this statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2017.

In our opinion:

(a) the accompanying financial statements of the Group and the Company are drawn up so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Names of directors

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

Zhou Wen Jie	(Non-executive Chairman)
Ong Chor Wei @ Alan Ong	(Executive director)
Kwok Chin Phang	(Executive director)
Ben Lee	(Non-executive director)
Chin Fook Lai	(Non-executive director)
Cheung Ting Chor	(Non-executive director)
Cheung King Kwok	(Lead Independent director)
Francis Lee Fook Wah	(Independent director)
Wu Houguo	(Independent director)

Directors' interest in shares or debentures

(a) According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
	As at 1.1.2017	**As at 31.12.2017 and 21.1.2018**	As at 1.1.2017	**As at 31.12.2017 and 21.1.2018**
The Company		**Number of ordinary shares**		
Zhou Wen Jie	120,000,000	**119,750,600**	–	**–**
Ben Lee [(1)]	–	**–**	120,000,000	**120,000,000**
Ong Chor Wei @ Alan Ong [(2)]	3,150,000	**3,150,000**	53,700,000	**53,700,000**
Kwok Chin Phang	1,575,000	**5,000**	–	**–**
Cheung Ting Chor	1,575,000	**195,000**	–	**–**
Chin Fook Lai	69,022,400	**69,022,400**	–	**–**
Francis Lee Fook Wah	1,025,000	**1,025,000**	–	**–**

Directors' interest in shares or debentures (Cont'd)

Notes:

(1) Ben Lee's deemed interest arose from shares held in the name of Zhou Dan, wife of Ben Lee.

(2) 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. Quad Sky Limited owns 53,700,000 shares representing approximately 10.2% of the issued share capital of the Company.

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

(b) According to the register of Directors' shareholdings, certain directors holding office at the end of the financial year had interests in options ("Options") to subscribe for ordinary shares in the capital of the Company ("Shares") granted pursuant to the Net Pacific Employee Share Option Scheme as set out below and under the paragraph "Share option scheme" of this statement.

	Number of unissued ordinary shares under option	
	As at	**As at**
The Company	1.1.2017	**31.12.2017**
Ong Chor Wei @ Alan Ong	7,000,000	**7,000,000**
Kwok Chin Phang	8,000,000	**8,000,000**
Cheung Ting Chor	5,000,000	**5,000,000**

(c) The Directors' interests in the Shares and Options as at 21 January 2018 were the same as those as at 31 December 2017.

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

Share option scheme

Net Pacific Employee Share Option Scheme

The Company has a Net Pacific Employee Share Option Scheme (the "Scheme"), which was approved by the members of the Company at an Extraordinary General Meeting of the Company held on 15 February 2011, and provides for the grant of Options to the Directors and confirmed employees of the Company and its subsidiaries to subscribe for ordinary shares in the Company.

The objectives of the Scheme are as follows:

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

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

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

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

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

As at the date of this statement, the Scheme is administered by the Remuneration Committee ("RC") comprising Messrs Francis Lee Fook Wah (Chairman of RC), Cheung King Kwok and Wu Houguo, all independent Directors of the Company.

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

Furthermore, the aggregate number of Shares over which Options may be granted by the RC under the Scheme to controlling shareholders of the Company and their associates (as defined in the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("Catalist Rules")) shall not exceed 25% of the Shares available under the Scheme, and the number of Shares over which an Option may be granted to each controlling shareholder or each of his associate shall not exceed 10% of the Shares available under the Scheme.

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

Share option scheme (Cont'd)

Share Options granted

On 9 May 2011, the Company granted 28,750,000 Options to directors and employees of the Group under the Scheme giving them the right to subscribe for 28,750,000 Shares at an exercise price of S$0.035 per share. Of the 28,750,000 Options granted, 8,000,000 Options are exercisable from 9 May 2012 to 8 May 2016 and 20,750,000 Options are exercisable from 9 May 2012 to 8 May 2021. The total fair value of the 2011 Options granted on 9 May 2011 was estimated to be HK$340,000, using the Black Scholes Option Pricing Model. The grant of Options was announced by the Company via SGXNET on 9 May 2011.

The following table summarises the information on the Options granted under the Scheme to Directors and Participants as required to be disclosed under Rule 851(1)(b) of the Catalist Rules:

Name	Options granted during the financial year ended 31.12.2017	Aggregate options granted since commencement of Scheme to 31.12.2017	Aggregate options exercised since commencement of Scheme to 31.12.2017	Aggregate options cancelled since commencement of Scheme to 31.12.2017	Aggregate Options Outstanding as at 31.12.2017
Directors					
Executive Directors:					
Ong Chor Wei @ Alan Ong (1)	–	7,000,000	–	–	7,000,000
Kwok Chin Phang	–	8,000,000	–	–	8,000,000
Non-Executive Directors:					
Ben Lee (1) (2)	–	5,000,000	–	(5,000,000)	–
Teo Yi-dar (Zhang Yida) (3)	–	1,000,000	–	(1,000,000)	–
Chan Kwong Chung, Bernard (4)	–	1,000,000	–	(1,000,000)	–
Chin Fook Lai(2)	–	1,000,000	–	(1,000,000)	–
Cheung Ting Chor	–	5,000,000	–	–	5,000,000
Sub-total	–	28,000,000	–	(8,000,000)	20,000,000
Participants who received less than 5% of the total available options other than Directors					
Other employees	–	750,000	–	–	750,000
Total	–	28,750,000	–	(8,000,000)	20,750,000

Notes:

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

(2) Options granted to Mr Ben Lee & Mr Chin Fook Lai expired on 8 May 2016.

(3) Mr Teo Yi-dar (Zhang Yida) resigned as a Director on 28 April 2015.

(4) Mr Chan Kwong Chung, Bernard, resigned as a Director on 15 May 2012.

Share option scheme (Cont'd)

Share Options granted (Cont'd)

The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company in the Group.

Other than the options granted to the controlling shareholders and their associates (as defined in the Catalist Rules) as disclosed above (namely Mr Ben Lee and Mr Ong Chor Wei @ Alan Ong), no options have been granted since the commencement of the Scheme on 15 February 2011 to the end of the financial year to the Company's parent group employees. No individual has received 5% or more of the total number of options available under the Scheme. No options were granted at a discount since the commencement of the Scheme on 15 February 2011 to the end of the financial year.

No options to take up unissued shares of the subsidiaries have been granted during the financial year.

There were no unissued shares of subsidiaries under option as at 31 December 2017.

No shares were issued during the financial year to which this statement relates by virtue of the exercise of the options to take up unissued shares of the Company or any subsidiary.

Audit Committee

The Audit Committee as at the date of this statement comprises the following members, all of whom are independent directors:

Cheung King Kwok (Chairman)
Francis Lee Fook Wah
Wu Hougou

The Audit Committee performs the functions specified in Section 201B (5) of the Act and the Catalist Rules. In performing those functions, the committee reviewed the following:

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditor. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the half-yearly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditor; and

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee.

Audit Committee (Cont'd)

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Corporate Governance Report.

In appointing our auditors for the Company, we have complied with Rules 712 and 715 of the Catalist Rules.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

ZHOU WEN JIE

ONG CHOR WEI @ ALAN ONG

Dated: 3 April 2018

Report on the financial statements

Qualified Opinion

We have audited the financial statements of Net Pacific Financial Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

Accuracy and recoverability of the principal and interest receivable of the loans

As at 31 December 2017, the carrying values of the loans and advances and other receivables stated on the consolidated financial statements are HK$86,431,000 and HK$36,148,000 respectively amounting to HK$122,579,000 in aggregate. Included in this total amount is HK$75,598,000 which comprises of 5 Australian loans. The total principal and interest receivable are HK$49,822,000 and HK$25,776,000 respectively. We received all the loan confirmations from the borrowers in prior years confirming both the principal and interest receivable. However, we are unable to obtain all the loan confirmations in the current year. Based on the legal advice provided to the Ultimate Borrowers, we did not receive any confirmations in the current year and we are unable to ascertain the accuracy of the amount.

As at 31 December 2017, all the principal and interest receivable of 6 Australian loans of HK$58,431,000 and HK$30,351,000 respectively have passed their maturity dates (i.e. June and December 2017). In 2017, there have been no repayment of principal and interest receivable for all the loans except for two loans with minimal repayments. We are unable to ascertain the repayment as of the date of this report. In the absence of other satisfactory evidence, we are unable to satisfy ourselves as to the recoverability of the principal and interest receivable of the said loans. Please refer to Note 12 for details.

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information refers to the annual report but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Information Other than the Financial Statements and Auditor's Report Thereon (Cont'd)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amount and existence of the principal and interest receivable as at 31 December 2017. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Risk	Our responses and work performed
Valuation of available-for-sale financial assets	We focused on this area due to the size of the balance and the inherent judgement involved in determining the valuation of available-for-sale financial assets ("AFS"). As at 31 December 2017, AFS were valued at HK$23.4 million which made up 13.1% of the total assets of the Group. The Group's AFS are investments in unquoted equity investments, and are classified as "level 3" financial instruments in accordance with the classification under Singapore Financial Reporting Standards where fair values are derived from valuation techniques which involve assumptions based on market conditions existing at the end of the reporting period. The valuation of these level 3 financial assets therefore requires a higher degree of judgement and assumption. Any possible changes to the underlying key assumptions and estimations used in the fair value assessment, in particular, the discount rate, may result in a significant change to the fair values. This is a significant risk of misstatement due to error.	Our audit focused on assessing the appropriateness of the fair values of the AFS and included the following key procedures: • Obtained the AFS valuation report prepared by the management's expert and evaluated the expertise, objectivity, and experience and obtained an understanding of the nature of the work performed by the management's expert. • Engaged our valuation specialist as auditor's expert to review and assess the management's expert's computation of fair value, understanding of valuation models used and appropriateness of the underlying key assumptions used by the management's expert in their report on the fair value of the AFS. • Evaluated that the auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes. In the case of an auditor's external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert's objectivity. • Performed a review on the reasonableness of management's impairment review on the AFS. Based on the procedures we performed, we found that the financial assets were carried at values within the range of acceptable valuations that were independently computed by the auditor's expert. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements. The Group's disclosures about AFS financial assets are included in Note 10 to the financial statements.

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 Act and FRSs, 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 and the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the members of Net Pacific Financial Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Ang Soh Mui.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 3 April 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		The Group		The Company	
		2017	2016	**2017**	2016
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS					
Non-Current Assets					
Plant and equipment	9	**7**	20	**7**	20
Investment in subsidiaries	11	**–**	–	**1,069**	1,069
		7	20	**1,076**	1,089
Current Assets					
Loans and advances	12	**86,431**	100,532	**–**	–
Available-for-sale financial assets	10	**23,355**	32,593	**–**	–
Other receivables	13	**36,148**	35,430	**147,920**	149,311
Financial assets at fair value through profit or loss	14	**–**	1,344	**–**	–
Cash and cash equivalents	15	**32,385**	4,315	**1,416**	1,165
		178,319	174,214	**149,336**	150,476
Total Assets		**178,326**	174,234	**150,412**	151,565
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	16	**145,105**	145,105	**145,105**	145,105
Reserves	17	**5,696**	7,975	**340**	340
Retained profits		**19,030**	13,586	**2,274**	3,167
Total Equity		**169,831**	166,666	**147,719**	148,612
Current Liabilities					
Other payables	18	**8,434**	7,264	**2,647**	2,912
Current tax payable		**61**	304	**46**	41
		8,495	7,568	**2,693**	2,953
Total Liabilities		**8,495**	7,568	**2,693**	2,953
Total Equity and Liabilities		**178,326**	174,234	**150,412**	151,565

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenue	3	**12,494**	21,659
Other income	4	**8,783**	35
Marketing and distribution costs		**(190)**	(159)
Administrative expenses		**(6,049)**	(6,489)
Other expenses	5	**(6,599)**	(6,183)
Profit before taxation	6	**8,439**	8,863
Income tax expense	7	**(1,000)**	(994)
Profit for the year		**7,439**	7,869
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
- Changes in fair value of available-for-sale financial assets, at nil tax	10	**(157)**	2,475
- Reversal due to redemption of available-for-sale financial assets, at nil tax	10	**(2,122)**	–
Total comprehensive income for the year, net of tax		**5,160**	10,344
Profit for the year attributable to equity holders of the Company		**7,439**	7,869
Total comprehensive income attributable to equity holders of the Company		**5,160**	10,344
Earnings per share for profit attributable to equity holders of the Company (Hong Kong cents):	8		
- Basic		**1.42**	1.50
- Diluted		**1.40**	1.50

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Share capital HK$'000	Share option reserve HK$'000	Fair value reserve HK$'000	Retained profits HK$'000	Total attributable to equity holders of the Company HK$'000
At 1 January 2016	145,105	340	5,160	7,708	158,313
Total comprehensive income for the year					
Profit for the year	–	–	–	7,869	7,869
Other comprehensive income					
- Changes in fair value of available-for-sale financial assets	–	–	2,475	–	2,475
	–	–	2,475	7,869	10,344
Transaction with owners of the Company, recognised directly in equity					
Contribution by and distributions to owners of the Company					
2015 final tax-exempt (one-tier) dividend of 0.38 Hong Kong cents per share (Note 26)	–	–	–	(1,991)	(1,991)
	–	–	–	(1,991)	(1,991)
At 31 December 2016	**145,105**	**340**	**7,635**	**13,586**	**166,666**
At 1 January 2017	**145,105**	**340**	**7,635**	**13,586**	**166,666**
Total comprehensive income for the year					
Profit for the year	–	–	–	7,439	7,439
Other comprehensive income					
- Reversal due to redemption of available-for-sale financial assets	–	–	(2,122)	–	(2,122)
- Changes in fair value of available-for-sale financial assets	–	–	(157)	–	(157)
	–	–	(2,279)	7,439	5,160
Transaction with owners of the Company, recognised directly in equity					
Contribution by and distributions to owners of the Company					
2016 final tax-exempt (one-tier) dividend of 0.38 Hong Kong cents per share (Note 26)	**–**	**–**	**–**	**(1,995)**	**(1,995)**
	–	**–**	**–**	**(1,995)**	**(1,995)**
At 31 December 2017	**145,105**	**340**	**5,356**	**19,030**	**169,831**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash Flows from Operating Activities			
Profit after taxation		7,439	7,869
Adjustments for:			
Depreciation of plant and equipment	9	13	14
Changes in fair value on financial assets at fair value through profit or loss	5	–	27
Loss on disposal of financial assets at fair value through profit or loss	5	5	–
Loss on redemption of available-for-sale financial assets	5	57	–
Income tax expenses	7	1,000	994
Interest income	3,4	(9,412)	(16,912)
Dividend income	3	(3,199)	(4,747)
Operating loss before working capital changes		(4,097)	(12,755)
Decrease/(increase) in loans and advances		14,101	(19,302)
Decrease in other receivables		3,869	5,090
Decrease in available-for-sale financial assets		6,902	–
Increase in other payables		573	234
Cash generated from / (used in) operations		21,348	(26,733)
Interest income received		3,414	3,820
Dividend income received		4,610	5,173
Income tax paid		(646)	(483)
Net cash generated from / (used in) operating activities		28,726	(18,223)
Cash Flows from Investing Activities			
Proceed on disposal of financial assets at fair value through profit or loss		1,339	–
Net cash generated from investing activities		1,339	–
Cash Flows from Financing Activities			
Payment of dividends	26	(1,995)	(1,991)
Net cash used in financing activities		(1,995)	(1,991)
Net increase / (decrease) in cash and cash equivalents		28,070	(20,214)
Cash and cash equivalents at beginning of year		4,315	24,529
Cash and cash equivalents at end of year (Note 15)		32,385	4,315

Notes:

With effect from 1 January 2017, the Amendments to FRS 7 Statements of Cash Flow comes with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. No reconciliation is required as the Group's cash flows from financing activities arise from dividends payment to its shareholders only.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on the Statement by Directors.

The Company is listed on the Catalist which is a market on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company is incorporated as a limited liability company and domiciled in the Republic of Singapore.

The registered office is located at 35 Selegie Road, #10-25, Singapore 188307.

The principal activities of the Company are investment holding and has business operations through its foreign subsidiaries in the area of the provision of financial services. The principal activities of the subsidiaries are as stated in Note 11 to the financial statements.

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Hong Kong dollars (HK$) which is the Company's functional currency. All financial information has been presented in Hong Kong dollars thousands, unless otherwise stated.

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

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS 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 revenues 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.

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

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

(a) Significant judgements in applying accounting policies

Identification of functional currency

These financial statements are presented in HK$, which is the functional currency of the Company.

Determination of functional currency involves significant judgment. The functional currency of the Company is principally determined by the primary economic environment in which it operates.

The Company reconsiders its functional currency if there is a change in the underlying transactions, events and conditions which determine its primary economic environment. The determination of functional currency affects the exchange gains and losses included in the income statement.

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (cont'd)

(a) Significant judgements in applying accounting policies (cont'd)

Income tax

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's and the Company's current tax payable as at 31 December 2017 amounted to HK$61,000 (2016 - HK$304,000) and HK$46,000 (2016 - HK$41,000) respectively.

Impairment of loans and advances

The Group has invested in loans and advances with a carrying value of HK$86,431,000 (2016 - HK$100,532,000) as at 31 December 2017. The Group assesses whether or not there is an impairment of loans and advances by conducting the 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 Ultimate Borrowers (the ultimate borrowers of the loan granted), including:

- the credit portfolio of the individual borrowers granted via Jetwin Investment Pty Ltd;
- the assessment of the loan to security ratio;
- the status and performance of the property projects; and
- country risk where the properties are located

To the best of the knowledge of the directors of the Group given the understanding and perspective of the Ultimate Borrowers' capability, there is no indication of impairment.

The Group has also assessed the financial abilities of the underwriters for repayment of debts in the event of default of repayment by the Ultimate Borrowers.

The carrying amounts of the Group's loans and receivables at the end of the reporting period are disclosed in Note 12 to the financial statements.

Impairment of available-for-sale financial assets

The Group reviews its equity securities classified as available-for-sale investments at each reporting date to assess whether there are significant or prolonged decline in recognising impairment in the available-for-sale financial assets. The fair value of assets that are not traded in an active market (for example, unquoted equities where market prices are not readily available) is determined by using valuation techniques. The independent valuer uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. Independent valuations are also obtained from appropriately qualified independent valuation firms. The valuations may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The Group's unquoted equity holdings are recognised at fair value using the discounted cash flows method. The projected future cash flows are driven by management's business strategies and goals and its assumptions of the recoverable of dividends and principal, market demand, inflation, etc. The independent valuer uses discount rates that reflect the uncertainty of the amount and timing of the cash flows. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (cont'd)

(a) Significant judgements in applying accounting policies (cont'd)

Impairment of available-for-sale financial assets (cont'd)

Significant judgement is applied by management in determining the recoverability of the available-for-sale financial assets:

(a) recent prices of similar investments in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.
(b) current performance of the investee company and whether market, economic or company-specific conditions have significantly improved or deteriorated since the time of the original investment.
(c) the review of the financial performance and position of the investee company are based on historical financial information (and in certain cases, based on unaudited financial information of the investee company's principal subsidiary) which may not be indicative of the investee company's recoverable amounts as of the reporting date.
(d) recent developments and changes in laws and regulations that might affect the probability of successful listing of the ultimate borrowers and therefore fully realise the estimated values of the available-for-sale financial assets.
(e) discounted cash flow projections based on estimates of future cash flows, derived from the terms of external evidence such as current market performance for similar industries, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. As at 31 December 2017, discount rates ranged from 1.33% to 1.58% (31 December 2016: 1.13% to 6.05%).

The recoverable amounts may differ significantly from the carrying amounts at the reporting date had a readily available market for such assets existed, or had such assets been liquidated, and the differences could be material to the financial statements.

The Group has invested in available-for-sale financial assets with a carrying value of HK$23,355,000 (2016 - HK$32,593,000) as at 31 December 2017. Further details are given in Note 10 to the financial statements.

Determination of operating segments

Management will first identify the Chief Executive Officer. Then it should identify their business activities (which may not necessarily earn revenue or incur expenses). Management will further determine whether discrete financial information is available for the business activities and whether that information is regularly reviewed by the Chief Executive Officer. Judgement is applied by management of the aggregation criteria to operating segments.

(b) Critical accounting estimates and assumptions used in applying accounting policies

Fair value of unquoted available-for-sale financial assets

Unquoted available-for-sale financial assets ("AFS") are stated at fair value which approximates the acquisition costs. If the market for a financial asset is not active or not available, the fair value is established by using valuation techniques such as the discounted cash flows analysis refined to reflect the issuer's specific circumstances. This valuation involves considerable subjective judgement in selecting among a range of different valuation methodologies, and making estimates about expected future cash flows and discount rates.

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (cont'd)

(b) Critical accounting estimates and assumptions used in applying accounting policies (cont'd)

Fair value of unquoted available-for-sale financial assets (cont'd)

When valuing unquoted equity investment classified as AFS, the cost or latest financing price of the investments will be taken into consideration, but that will not be the sole determinant of fair value. Cost or latest financing price may be a good indication of fair value upon purchase or the latest financing round. However, after some period of time, the cost or the latest financing price becomes less reliable as an approximation of fair value. Therefore, the management will assess whether the fair value has changed, taking into account changes in circumstances such as the current performance of the investee company, whether market, economic or company-specific conditions have significantly improved or deteriorated since the time of the original investment. These estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and the differences could be material to the financial statements. The carrying amounts of the specific assets at the end of the reporting period affected by this assumption are HK$23,355,000 (2016 - HK$32,593,000).

If the fair value of the unquoted AFS decreased by 10% from management's estimates, the Group's fair value reserve will decrease by HK$2,335,500 (2016 – decrease by HK$3,259,300).

Impairment of investments in and amounts due from subsidiaries

Determining whether investment in and amounts due from subsidiaries are impaired requires an estimation of the value-in-use of the investments. The value-in-use calculation requires the Company to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. At the reporting date, the carrying amounts of investment in subsidiaries are HK$1,069,000 (2016 - HK$1,069,000) and amounts due from subsidiaries are HK$147,847,000 (2016 - HK$149,220,000). Management has evaluated the recoverability of the investment based on such estimates.

If the present value of estimated future cash flows decrease by 10% from management's estimates, the Company's allowance for impairment of investments in and amounts due from subsidiaries will increase by HK$106,900 and HK$14,784,700 (2016 - increase by HK$106,900 and HK$14,922,000) respectively.

Allowance for impairment loss for other receivables

Allowances for impairment loss are based on an assessment of the recoverability of other receivables which mainly comprise of dividend and interest receivable. Allowances are applied to other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of other receivables and doubtful debt expenses in the period in which such estimate has been changed. The carrying amounts of the Group's other receivables at the reporting date are disclosed in Note 13 to the financial statements.

If the recoverable values of the other receivables decrease by 10% from management's estimates, the Group's profit will decrease by HK$3,610,100 (2016 - HK$3,538,300).

2(b) Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Company and the Group adopted the amended FRSs that are mandatory for application from that date. Changes to the Company and the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs. This includes the following FRSs which are relevant to the Group:

Reference	Description	Effective date (Annual Periods beginning on)
Amendments to FRS 7	Statement of Cash Flows	1 January 2017
Amendments to FRS 12	Recognition of Deferred Tax Assets for Unrecognised Losses	1 January 2017

The adoption of these standards did not have any material impact on the financial performance or position of the Group and the Company in the period of their initial adoption except for the following:

Amendments to FRS 7 Statement of Cash Flows

The Amendments to FRS 7 Statement of Cash Flows required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows - excluding contributed equity - to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way - e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. These amendments are effective on beginning or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in the current year.

Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments to FRS 12 Recognition of Deferred Tax Assets for unrealised losses clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments to FRS 12 is effective for annual periods beginning on or after 1 January 2017. Management has reassessed all unrealised losses on debt instruments measured at fair value and there is no material impact.

2(c) SFRS(I) not yet effective

The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018 and thereafter Singapore Financial Reporting Standards (International) (SFRS(I)s) which refer to Singapore Financial Reporting Standards (International) and SFRS(I) Interpretations issued by the ASC.

2(c) SFRS(I) not yet effective (Cont'd)

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed below.

Reference	Description	Effective date (Annual periods beginning on)
Amendments to SFRS(I) 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
SFRS(I) 15	Revenue from Contracts with Customers	1 January 2018
SFRS(I) 9	Financial Instruments	1 January 2018
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
SFRS(I) 16	Leases	1 January 2019

Amendments to SFRS(I) 2 Classification and Measurement of Shared-based Payment Transactions

The amendments to SFRS(I) 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

(i) The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
(ii) Share-based payment transactions with a net settlement feature for withholding tax obligations; and
(iii) A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Companies are required to apply the amendments for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the consolidated financial statements.

SFRS(I) 15 Revenue Contracts with Customers

SFRS (I) 15 Revenue from Contracts with Customers establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard replaces FRS 11 Construction Contracts, FRS 18 Revenue, INT FRS 113 Customer Loyalty Programmes, INT FRS 115 Agreements for Construction of Real Estate, INT FRS 118 Transfer of Assets from Customers and INT FRS 31 Revenue – Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

The standard clarifies how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

2(c) SFRS(I) not yet effective (Cont'd)

SFRS(I) 15 Revenue Contracts with Customers (cont'd)

SFRS(I) 15 is effective for annual periods beginning on or after 1 January 2018.

During 2017, the Group completed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group does not expect significant changes to the basis of revenue from the provision of financial services since these are recognised on a time-proportioned basis using the effective interest method and when the right to receive payment is established.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 Financial Instruments replaces FRS 39 and it is a package of improvements introduced by SFRS(I) 9 which include a logical model for:

- Classification and measurement;
- A single, forward-looking "expected loss" impairment model; and
- A substantially reformed approach to hedge accounting.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018.

During 2017, the Group has completed its initial assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant change to the measurement basis arising from adoption of the new classification and measurement model under SFRS(I) 9.

For financial assets currently held at fair value, the Group expects to continue measuring cost of the assets at fair value under SFRS(I) 9.

Available-for-sale equity securities are held as long-term investments. For these, the Group expects to elect subsequent changes in fair value in OCI. Under SFRS(I) 9, only dividend income is recognised in profit or loss. Any subsequent fair value changes are recognised in OCI and will not be reclassified in profit or loss.

Impairment – The Group plans to apply the 12- month approach and record lifetime expected impairment losses on all trade receivables.

Transition – The Group is currently performing a detailed analysis under SFRS (I) 9 which will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Management will consider whether the 12 month or lifetime expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of SFRS (I) 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new SFRS (I) 9.

SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration

This Interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. The Interpretations are effective from 1 January 2018. The Group is reassessing the impact to the consolidated financial statements.

2(c) SFRS(I) not yet effective (Cont'd)

SFRS(I) 16 Leases

SFRS(I) 16 Leases replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 Leases that are no longer considered fit for purpose, and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. FRS 116 Leases will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted SFRS(I) 15.

The Group has operating leases relating to office premises. The Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. This would increase the gearing ratio of the Group. Management does not plan to early adopt the above new SFRS(I) 16.

2(d) Significant accounting policies

Consolidation

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

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

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
– de-recognises the carrying amount of any non-controlling interest;
– de-recognises the cumulative translation differences recorded in equity;
– recognises the fair value of the consideration received;
– recognises the fair value of any investment retained;
– recognises any surplus or deficit in profit or loss; and
– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

– power over the investee;
– exposure, or rights or variable returns from its involvement with the investee; and
– the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2(d) Significant accounting policies (Cont'd)

Consolidation (cont'd)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
– potential voting rights held by the Group, other vote holders or other parties;
– rights arising from other contractual arrangements; and
– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group. The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

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

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

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

Disposal

Changes in the ownership interest Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS (I)). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I)9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2(d) Significant accounting policies (Cont'd)

Consolidation (cont'd)

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the depreciable amount of these assets over their estimated useful lives as follows:

Office equipment	3 years

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

Subsequent expenditure relating to plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

Subsidiaries

In the Company's separate financial statements, shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

2(d) Significant accounting policies (Cont'd)

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group and the Company do not have held-to-maturity financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. In addition, derivative financial instruments that do not qualify for hedge accounting are classified as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of the reporting period.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or writeback is recognised in the profit or loss.

Loans and receivables comprise loans and advances and other receivables, excluding prepayments.

2(d) Significant accounting policies (Cont'd)

Financial assets (cont'd)

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in equity, net of any effects arising from income taxes, until the financial assets is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity is included in the profit or loss for the period.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from the equity and recognised in the profit or loss even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed in profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses recognised in a previous interim period in respect of available-for-sale equity investments are not reversed even if the impairment losses would have been reduced or avoided had the impairment assessment been made at a subsequent reporting period or end of the reporting period.

Gains or losses from sales of available-for-sale investments are recognised upon conclusion of the contract for sale and the amount of sales proceed and the costs incurred or to be incurred in respect of the transaction can be measured reliably and there is certainty of gross inflow of benefits from the sale.

Financial guarantees

The Group has entered into underwriting agreements with individuals and corporate entity (collectively as "Underwriters") for some of its loans and advances and available-for-sale financial assets. These guarantees are financial guarantees as they require the Underwriters to reimburse the principal and minimum interest/ dividend of 12% if the ultimate borrowers/ investees fail to make principal or interest/ dividend payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the statement of financial position of the Group.

Financial guarantees are subsequently amortised to profit or loss over the period of the loans and advances and available-for-sale financial assets.

Determination of fair value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active or is unquoted, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs. Where fair value of unquoted instruments cannot be measured reliably, fair value is determined by the transaction price.

2(d) Significant accounting policies (Cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with financial institutions which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the constitution of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

The Group's financial liabilities include other payables. Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process. As at the end of the respective reporting periods, there are no financial liabilities carried at fair value.

Borrowings which are due to be settled within 12 months after the end of the reporting period are included in current borrowings in the statement of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

2(d) Significant accounting policies (Cont'd)

Operating leases

Where the Group and the Company are lessee

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred.

Contingent rents are mainly determined as a percentage of revenue in excess of a specified amount during the month. They are charged to the profit or loss when incurred.

Income taxes

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

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

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

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

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

Employee benefits

<u>Short-term employee benefits</u>

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2(d) Significant accounting policies (Cont'd)

Employee benefits (cont'd)

Pension obligations

The Company and the Group participate in the defined contribution national pension schemes as provided by the laws of the countries in which they have operations. In particular, the Singapore incorporated companies in the Group contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to the profit or loss in the period to which the contributions relate.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Employee Share Option Scheme

The Company also has an employee share option plan for the granting of non-transferable options.

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

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

In the Company's separate financial statements, the fair value of options granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain managers are considered key management personnel.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

2(d) Significant accounting policies (Cont'd)

Related parties (cont'd)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Impairment of non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

2(d) Significant accounting policies (Cont'd)

Impairment of non-financial assets (cont'd)

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of the reporting period.

A reversal of an impairment loss is recognised as income in profit or loss.

Revenue recognition

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

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

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

Earnings per share

Basic and diluted earnings per share amounts are calculated by dividing net profit for the year attributable to the owners of the Company by the number of ordinary shares outstanding during the financial years.

Functional currency

Functional and presentation currency

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

2(d) Significant accounting policies (Cont'd)

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss.

All other foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "other losses - net".

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the translations.

Operating segments

For management purposes, operating segments are organised based on their investment portfolio which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

3 Revenue

The principal activities of the Group consist of the provision of financing and investment holding services. Significant categories of revenue are set out below:

The Group	**2017 HK$'000**	2016 HK$'000
Interest income from loans and advances	**9,288**	16,846
Dividend income	**3,199**	4,747
Interest income from short-term financial instrument	**7**	66
	12,494	21,659

4 Other income

The Group	**2017 HK$'000**	2016 HK$'000
Foreign exchange gain	**8,649**	–
Interest income from fixed deposit	**117**	–
Other income	**17**	35
	8,783	35

The foreign exchange gain are mainly derived from the foreign exchange revaluation effects of principal and interest receivable of loans granted to Australian borrowers as the Australian dollar has appreciated against Hong Kong dollars during the current financial year.

5 Other expenses

The Group	2017 HK$'000	2016 HK$'000
Foreign exchange losses	–	1,257
Changes in fair value on financial assets at fair value through profit or loss	–	27
Allowance for impairment loss of other receivables (Note 13)	**6,537**	4,899
Loss on disposal of financial assets at fair value through profit or loss	**5**	–
Loss on redemption of available-for-sale financial assets (Note 10)	**57**	–
	6,599	6,183

The foreign exchange losses are mainly derived from the foreign exchange revaluation effects of principal and interest receivable of loans granted to Australian borrowers as the Australian dollar continued to depreciate against Hong Kong dollars during the last financial year.

6 Profit before taxation

The Group	Note	2017 HK$'000	2016 HK$'000
Profit before taxation has been arrived at after charging:			
Depreciation of plant and equipment	9	**13**	14
Audit fees paid to:			
- Auditors of the Company		**619**	622
- Other auditors		**62**	63
Non-audit fees paid to			
- Auditors of the Company		**50**	51
Sponsor fee		**368**	368
Operating lease expenses		**127**	133
Directors of the Company (*)			
- Salaries and bonuses		**1,813**	1,922
- Central Provident Fund		**100**	73
- Fees		**923**	929
Key management personnel (non-directors) (*)			
- Salaries and bonuses		**902**	967
- Central Provident Fund		**136**	136
		3,874	4,027

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

7 Taxation

7.1 Taxation

The Group	2017 HK$'000	2016 HK$'000
Current tax expense:		
Current year provision	**403**	496
Withholding tax on income of subsidiary	**597**	498
	1,000	994

Reconciliation of effective tax rate

The tax expense on the results of the financial year varies from the amount of income tax determined by applying each entity's domestic rates of income tax on the Group's results as a result of the following:

The Group	2017 HK$'000	2016 HK$'000
Profit before taxation	**8,439**	8,863
Income tax using applicable tax rates	**580**	1,147
Tax effect on non-deductible expenses	**960**	1,070
Tax effect on non-taxable income	**(1,089)**	(1,667)
Singapore statutory stepped income exemption	**(24)**	(27)
Corporate income tax rebate	**(24)**	(27)
Withholding tax on income from subsidiary	**597**	498
	1,000	994

The non-deductible expenses mainly derived from the total expenditure of the Company whose taxable profit is deemed at 5% of total operating expenses as agreed with the local tax authority.

Withholding tax on income from subsidiary arose from the accrual of withholding tax for interest income from Australian loans which has yet to be received to-date.

The domestic tax rates applicable to the profit of the following companies are as follows:

	Country	Rate	Basis
- Net Pacific Financial Holdings Limited	Singapore	17.0%	Full tax
- Net Pacific Finance Group Limited	Hong Kong	16.5%	Full tax
- Net Pacific Investment Holdings Limited	British Virgin Islands	0%	Full tax

Unrecognised deferred tax liabilities

At the end of the reporting period, the aggregate amount of undistributed earnings of subsidiaries amounted to HK$11,661,000 (2016 - HK$6,296,000) which is equivalent to the deferred tax liabilities of HK$1,982,000 (2016 - HK$1,070,000) that have not been recognised. No liability has been recognised because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

8 Earnings per share

The Group

The basic earnings per share is calculated based on the Group's profits attributable to the equity holders of the Company divided by the weighted average number of shares in issue of 525,630,328 (2016 - 525,630,328) shares during the financial year.

Fully diluted earnings per shares in 2017 were calculated on the Group's profits attributable to the equity holders of the Company divided by 531,644,649 (2016 - 525,630,328) ordinary shares. The number of ordinary shares is calculated based on the weighted average number of shares in issue during financial year adjusted for the potential effects arising from the exercise of employee share options into ordinary shares as at 31 December of the respective financial years. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares. The outstanding options were anti-dilutive during the previous financial year ended 31 December 2016.

The following table reflects the share data used in the computation of basic and diluted earnings per share from continuing operations for the year ended 31 December:

	2017	2016
Weighted average number of ordinary shares for the purpose of		
- basic earnings per share	**525,630,528**	525,630,328
- diluted earnings per share	**531,644,649**	525,630,328

9 Plant and equipment

The Group and the Company	**Office equipment HK$'000**
Cost	
At 1 January 2016 and 2017	40
At 31 December 2016 and 2017	**40**
Accumulated depreciation	
At 1 January 2016	6
Depreciation for the year	14
At 31 December 2016	20
Depreciation for the year	**13**
At 31 December 2017	**33**
Carrying value	
At 31 December 2017	**7**
At 31 December 2016	20

10 Available-for-sale financial assets

The Group's investments in unquoted equity investments are classified as available-for-sale financial assets and are stated at fair value. Available-for-sale unquoted equity investments are held for strategic rather than trading purposes. The Group does not actively trade in available-for-sale investments. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the reporting date.

The Group	2017 HK$'000	2016 HK$'000
At 1 January	**32,593**	30,118
Redemption of available-for-sale financial assets	**(6,902)**	–
Changes in fair value of available-for-sale financial assets	**(157)**	2,475
Loss on redemption of available-for-sale financial assets	**(57)**	–
Reversal due to redemption of available-for-sale financial assets	**(2,122)**	–
At 31 December	**23,355**	32,593
Amount redeemable within one year	**23,355**	32,593
Amount redeemable after one year	**–**	–
Total available-for-sale financial assets	**23,355**	32,593

Available-for-sale financial assets measured at fair value are analysed as follows:

The Group	2017 HK$'000	2016 HK$'000
Unquoted equity investments		
- Class A shares in unquoted equity investment	**23,355**	32,593
	23,355	32,593

Details of Class A shares in unquoted equity investment are presented as follows:

Available-for-sale investments in companies	Nature of business of the investees	% of investment to net asset of the investees		Fair value of the investment	
		2017	**2016**	**2017**	**2016**
		%	%	**HK$'000**	**HK$'000**
A	Tea cultivation and selling	**–**	2	**–**	6,715
B	Printing	**6**	6	**14,000**	13,232
C	Financing business	**6**	10	**9,355**	12,646
				23,355	32,593

The Group subscribes to Class A shares of the investee companies, which are entitled to dividends. The investments in Class A shares are subsequently invested in the ultimate investees which plan to apply for public listing in the future. The shares of the investee companies are not publicly traded, redemption can be made by the Group at any time after the occurrence of the Redemption Event, i.e. the investee failed to go public listing or breach/termination of the subscription agreement, at the aggregate issue price plus cumulative and compounded dividend. As a result, the carrying values of the Class A shares are indicative of the values ultimately realised on redemption.

10 Available-for-sale financial assets (Cont'd)

Assessment of potential control

The available-for-sale financial assets are funds held by two external investees (2016 - three) in which the Group only has interests at 6% (2016: 2% to 10%) and the Group has no significant influence or control as to voting right or decision making in terms of the following criteria:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

The Group holds the investment as a passive investor and does not possess significant influence or control over the investee.

Summary of available-for-sale financial assets

The key terms of the Class A shares of some of the unquoted equity investment are as follows:

(a) 12% (2016 - 12%) of dividend per annum, which is payable on a quarterly basis.

(b) The right to redeem all or some of the shares at any time after the occurrence of the Redemption Event, i.e. the investee failed to go public listing or breach/termination of the subscription agreement, at the aggregate issue price plus cumulative and compounded dividend.

(c) The Group has a put option to require the guarantor to acquire the Class A shares of certain investee based on the face value of the Class A shares together with any outstanding dividends declared on such Class A shares. As of 31 December 2014, the put option had been cancelled.

The basis as mentioned above indicates that the equity investment will not be held to maturity. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Available-for-sale financial assets are denominated in the following currencies.

The Group	**2017** **HK$'000**	2016 HK$'000
United States dollar	**–**	6,715
Hong Kong dollar	**23,355**	25,878
	23,355	32,593

For information on the financial guarantee, please refer to Note 12.

10 Available-for-sale financial assets (Cont'd)

Determination of fair value

As the unquoted Class A shares are not publicly traded, the fair values presented are determined based on the discounted cash flow calculations of the underlying investees based on a valuation report issued by an independent valuer. These calculations use cash flow projections based on the yield to maturity of comparative unquoted equity investments using the estimated discount rates stated below:

	2017	2016
The Group		
Unquoted equity investment	**1.33% - 1.58%**	1.13% - 6.05%

The key assumptions for the discounted cash flow calculations are those regarding:

- the discount rates, coupon rates;
- yield to maturity which is the rate of return expected on a Class A Share which is held till maturity;
- growth rates; and
- maturity date and expected changes to selling prices and direct costs during the period.

The independent valuer and management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Class A shares. These assumptions have been used for the analysis of each Class A shares. The discount rates used are pre-tax and reflect specific risks relating to the business segments. Significant judgement is used in determining the fair value of the Class A shares.

Impairment assessment

The Group records impairment charges on available-for-sale equity investments when there has been a significant (no less than 20%) or prolonged (no less than 9 months) decline in the fair value below their cost. The Group has obtained external assessment of the work performed by a professional independent valuer, on the basis that the fair value of the investments are higher than the carrying value of the investments and believe that there is no impairment required.

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

11 Investments in subsidiaries

	2017	2016
The Company	**HK$'000**	HK$'000
Unquoted equity shares, at cost	**1,069**	1,069

11 Investments in subsidiaries (Cont'd)

The subsidiaries are:

Name	Country of incorporation	Effective interest held by the Company 2017 %	2016 %	Principal activities
Held by the Company				
Net Pacific Finance Group Limited [(a) (b)]	Hong Kong Special Administrative Region of the People's Republic of China ("PRC")	**100**	100	Provision of financing services
Net Pacific Investment Holdings Limited [(a) (c)]	British Virgin Islands	**100**	100	Provision of financing services and investment holding

(a) Audited by Foo Kon Tan LLP for consolidation purposes
(b) Audited by H. C. Wong & Co
(c) Not required to be audited in the country of jurisdiction

12 Loans and advances

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets.

The Group has (a) offered and granted six loans to external parties (2016 – six) via an independent and non-controlling vehicle which is Jetwin Investment Pty Ltd (the "Intermediary") to borrowers located in Australia (b) offered and granted four loans (2016 – three) to external parties via its Hong Kong subsidiary (registered money lender in Hong Kong). The Intermediary was incorporated in Australia in 2013 by third parties.

The Intermediary has on 12 November 2017 entered into a conditional agreement (on behalf of the Group) with three of the Ultimate Borrowers in Australia to convert the loans of approximately AUD5,000,000 (equivalent to approximately HK$30,507,000) into shares of a company ("Partner Company"), which is the holding company of the development manager for the property development projects ("Conversion"). The Partner Company is currently seeking to list on the Australian Securities Exchange ("ASX"). The Conversion is subject to the satisfaction of various conditions including the successful listing of the shares of the Partner Company on the ASX.

Nature of business of borrowers	Principal amount of loans 2017 HK$'000	Principal amount of loans 2016 HK$'000	Country	Maturity date	Interest rate 2017 %	Interest rate 2016 %
Scrap metals trading	**18,000**	29,968	PRC and Hong Kong	Revolving in 6-12 months from draw down	**12**	12
Property development	**58,431**	65,564	Australia	30 June 2017	**12-48**	12-48
Personal use	**5,000**	5,000	Hong Kong	Revolving in 6 months from draw down	**13**	13
Investment	**5,000**	–	British Virgin Islands	Revolving	**12**	–
	86,431	100,532				

12 Loans and advances (Cont'd)

The Group	2017 HK$'000	2016 HK$'000
Amount repayable within one year	**86,431**	100,532

Loans and advances are denominated in the following currencies:

The Group	2017 HK$'000	2016 HK$'000
Australian dollar	**58,431**	65,564
Hong Kong dollar	**28,000**	34,968
Total loans and advances	**86,431**	100,532

The carrying amounts of loans and advances approximate their fair value.

In respect of credit risk, please refer to Note 21.3.

Financial guarantee of the loans and advances

To the extent of guaranteed returns, the Group's subsidiary, Net Pacific Investment Holdings Limited, has entered into financial guarantee contracts with Underwriters who are contracted as the issuer of the financial guarantee to underwrite the full portion of principal invested by the Group and the minimum interest of 12% per annum. In return, the Underwriters are entitled to benefit arising from the repayment of the loans on the following basis:

(i) where the return per annum on the loans due to the Group including annual interest (after tax, if any) ("Returns on Borrowing") for the applicable year is equal to or more than 48% per annum of the loans, the Group shall pay the Underwriters such commission which is equal to 50% of the Returns on Borrowing for such year; or
(ii) where the Returns on Borrowing for the applicable year is equal to or more than 24% per annum of the loans, but less than 48% of the loans per annum, the Group shall pay the Underwriters such commission equal to such amount of Returns on Borrowing for such year in excess of 24% per annum of the investment; or
(iii) where the Returns on Borrowing is less than 24% per annum of the loans, the Underwriters shall not be entitled to a commission for such year and the Returns on Borrowing for such year shall be retained solely for the benefit of the Group.

There is no commission incurred or paid to the Underwriters during the current financial year (2016 - HK$Nil).

The Group requires the guarantees repayable sum on the principal and to the extent of interest thereon from the Underwriters.

The Group has entered into underwriting agreements for all the available-for-sale financial assets (Note 10) with similar terms and conditions. In aggregate, the Group has entered into underwriting agreements with three Underwriters (2016 - three) for loans and advances, and available-for-sale financial assets.

12 Loans and advances (Cont'd)

Impairment assessment

The Group has performed internal assessment via its Credit Committee on the financial ability of the Ultimate Borrowers' financial abilities. No impairment is required on the basis that the market value of the projects are higher than the carrying value of the loans and receivables, except for six (2016 – one) Ultimate Borrower described below:

(a) The Group has recognised an impairment loss of HK$6,537,000 (2016 – HK$4,899,000) in the profit or loss for the current year ended 31 December 2017 in Note 13 for the interest receivable to the extent of un-guaranteed sum by the Underwriters and the unrecoverable amount based on projected cash flow from the respective development projects.

(b) One of the Ultimate Borrower has been placed under receivership in November 2016. The Group has initiated the process by entering into settlement agreement to claim the remaining net carrying value of the related principal amount and guaranteed 12% interest receivable totalling HK$18,776,000 from the underwriter.

(c) The Group has received HK$7,164,000 from the Underwriter and HK$17,676,000 from the Ultimate Borrowers in 2017.

(d) The balance of HK$13,184,000 is due on 31 December 2017 pursuant to the settlement agreement. The Group has agreed with the Underwriter on 28 January 2018 and further extended on 8 March 2018 to settle the balance via additional shares of a Partner Company upon its successful listing on the ASX latest by 30 April 2018.

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

13 Other receivables

	The Group		The Company	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest receivable	**50,636**	40,797	**–**	–
Dividend receivable	**4,114**	5,574	**–**	–
	54,750	46,371	**–**	–
Allowance for impairment loss:				
At 1 January	**(11,994)**	(7,338)	**–**	–
Allowance for impairment	**(6,537)**	(4,899)	**–**	–
Foreign exchange difference	**(1,105)**	243	**–**	–
At 31 December	**(19,636)**	(11,994)	**–**	–
Net interest and dividend receivable	**35,114**	34,377	**–**	–
Deposits	**24**	26	**17**	18
Other receivables (*)	**963**	980	**9**	26
Amounts due from subsidiaries (Note 23.3)	**–**	–	**147,847**	149,220
Total loans and receivables	**36,101**	35,383	**147,873**	149,264
Prepayments	**47**	47	**47**	47
Total other receivables	**36,148**	35,430	**147,920**	149,311

The interests on the loans and advances are accrued based on the loan agreements which are payable monthly, quarterly, annually or upon maturity of the loans. The impairment loss of HK$6,537,000 (2016 - HK$4,899,000) has been provided for the interest receivable to the extent of un-guaranteed sum by the Underwriters and the unrecoverable amount based on projected cash flow from the respective development projects. The impairment loss has been provided for certain loan portfolios of the Group in Australia in view of the slow property market.

(*) Included in other receivables is an amount of HK$25,000 (2016 - HK$77,000) due from Intermediary, representing the net amount of funds held on behalf of the Group. The Group and the Intermediary have an arrangement to settle the balances due to or due from each other on a net basis. Please refer to Note 21 for details of foreign currency exposure and credit risk exposure and Note 23 for the off-setting disclosure.

13 Other receivables (Cont'd)

The amounts due from subsidiaries are non-trade in nature, unsecured, bear interest at rate of 1.5% (2016 - 1.5%) per annum and are repayable on demand. There is no allowance for doubtful debts for the outstanding balances as management is of the view that they will be fully recovered.

Other receivables are denominated in the following currencies:

	The Group		The Company	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Singapore dollar	**73**	117	**73**	91
Hong Kong dollar	**4,769**	3,936	**147,847**	149,220
United States dollar	**–**	2,244	**–**	–
Australian dollar	**31,306**	29,133	**–**	–
Total other receivables	**36,148**	35,430	**147,920**	149,311

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

14 Financial assets at fair value through profit or loss

	2017	2016
The Group	**HK$'000**	HK$'000
Quoted debt securities - Hong Kong	**–**	1,344
	–	1,344

The fair value of the quoted debt securities was based on current bid prices in an active market at the reporting date and was not materially different from its carrying value.

Quoted securities as at 31 December 2016 comprised quoted debt instruments with a carrying value of HK$1,344,000 with an effective interest rate of 4.875% per annum and mature in 2022. Interest payment will be received on the bonds on a semi-annual basis.

The Group has disposed of the financial assets at fair value through profit or loss for a sales consideration of HK$1,370,000 during the current financial year.

These financial assets are subject to financial risk exposure in terms of price risk. Please refer to Note 21 for details of equity price risk and foreign currency risks.

The maturity of the debt instruments is as follows:

	2017	2016
The Group	**HK$'000**	HK$'000
Later than 5 years	**–**	1,344

15 Cash and cash equivalents

	The Group		The Company	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank	**10,420**	4,315	**1,416**	1,165
Fixed deposit	**21,965**	–	**–**	–
	32,385	4,315	**1,416**	1,165

The fixed deposit matures in 3 days (2016 - Nil) after the end of the reporting date, with an effective interest rate of 1.04% (2016 - Nil) per annum.

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Singapore dollar	**1,069**	947	**1,063**	813
United States dollar	**798**	784	**–**	–
Hong Kong dollar	**8,541**	2,584	**353**	352
Australian dollar	**21,977**	–	**–**	–
	32,385	4,315	**1,416**	1,165

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

16 Share capital

	No. of shares		Amount	
The Company	**2017**	2016	**2017**	2016
			HK$'000	HK$'000
Issued and fully paid with no par value:				
At 1 January and 31 December	**525,630,328**	525,630,328	**145,105**	145,105

	Amount	
The Company	**2017**	2016
	S$	S$
Issued and fully paid share capital denominated in original currency:		
At 1 January and 31 December	**24,584,340**	24,584,340

S$: Singapore dollars

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

16 Share capital (Cont'd)

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

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

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

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

The Company	Balance at 1.1.2016	Options granted	Options exercised	Options lapsed or cancelled	Balance at 31.12.2016	Exercise Price (S$)	Exercise period
2011 Options	6,000,000	–	–	(6,000,000)	–	0.035	9.5.2012 to 8.5.2016
2011 Options	20,750,000	–	–	–	20,750,000	0.035	9.5.2012 to 8.5.2021
Exercisable	26,750,000	–	–	(6,000,000)	20,750,000		

The Company	Balance at 1.1.2017	Options granted	Options exercised	Options lapsed or cancelled	Balance at 31.12.2017	Exercise price (S$)	Exercise period
2011 Options	20,750,000	–	–	–	20,750,000	0.035	9.5.2012 to 8.5.2021
Exercisable	20,750,000	–	–	–	20,750,000		

No options were exercised at the reporting date since the commencement of the Scheme in 2011.

The options under the Scheme have a vesting period of one year and the share-based payment expenses were fully recognised in 2011. No further share-based payment expenses were recognised since 2011.

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

17 Reserves

	The Group		The Company	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share option reserve	**340**	340	**340**	340
Fair value reserve	**5,356**	7,635	**–**	–
	5,696	7,975	**340**	340

Share option reserve

Share option reserve represents the equity-settled share options granted to employees (Note 16). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

Fair value reserve

Fair value reserve arises from surplus on valuation of available-for-sale financial assets held on at the end of the reporting period (Note 10). The fair value reserve comprises the cumulative net changes in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

18 Other payables

	The Group		The Company	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accrued operating expenses	**3,144**	3,234	**2,647**	2,912
Other creditors (*)	**1,037**	62	**–**	–
Withholding tax payable	**4,253**	3,968	**–**	–
	8,434	7,264	**2,647**	2,912

(*) Included in other creditors is an amount of HK$1,037,000 (2016 - HK$62,000) due to Intermediary, representing the net amount of funds held on behalf of the Group. The Group and the Intermediary have an arrangement to settle the balances due to or due from each other on a net basis. Please refer to Note 21 for details of foreign currency exposure and credit risk exposure and Note 23 for the off-setting disclosure.

Withholding tax payable relates to the unpaid withheld tax in respect of the unremitted interest income which arose from the loans and advances to Australian Ultimate Borrowers.

Other payables are denominated in the following currencies:

	The Group		The Company	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Singapore dollar	**2,647**	2,912	**2,647**	2,912
Hong Kong dollar	**496**	206	**–**	–
Australian dollar	**5,291**	4,146	**–**	–
	8,434	7,264	**2,647**	2,912

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

19 Operating lease commitments

The Company and the Group as lessee

The leases have varying terms, escalation clauses and renewal rights. These operating leases expire between May 2018 and October 2018. At the end of the reporting period, the Company and the Group were committed to making the following payments in respect of non-cancellable operating leases for office space from non-related parties:

	The Group		The Company	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than 1 year	**121**	70	**88**	37
Later than 1 year and not later than 5 years	**36**	–	**37**	–
	157	70	**125**	37

20 Related party transactions

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

	2017	2016
The Group	**HK$'000**	HK$'000
Interest income from the borrowers [(a)]	**1,260**	9,177
Dividend income from the investment [(a)]	**1,849**	2,947
Rental and utility expense to other related party [(b)]	**89**	96
Fund transferred to a borrower through a related party [(b)(c)]	**–**	19,718
Fund transferred from a borrower through a related party [(b)(c)]	**–**	(8,892)
Fund transferred to a underwriter through a related party [(b)(d)]	**3,575**	–

(a) This relates to entities in which the Company's director cum shareholder is also a director who was appointed after disbursement of loan/funds to safeguard interest of the Group.

(b) This relates to entities in which the Company's director cum shareholder is also a shareholder cum director.

(c) During the financial year ended 31 December 2016, the Group transferred an amount of HK$19,718,000 to one of its Ultimate Borrowers and received an amount of HK$8,892,000, through an entity in which the Company's director cum shareholder is also a shareholder cum director to facilitate the funds transfer process. As at 31 December 2017, the amount due from the Ultimate Borrower is HK$Nil (2016 – HK$11,968,000).

(d) During the financial year ended 31 December 2017, the Group received an amount of HK$3,575,000 (2016 – HK$Nil) from one of its underwriter through an entity in which the Company's Director cum Shareholder is also a shareholder cum director to facilitate the funds transfer process. As at 31 December 2017, the amount due from the underwriter is HK$13,184,000 (2016 – HK$18,807,000).

21 Financial risk management

21.1 Financial risk factors

The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance. The key financial risks include foreign currency risk, credit risk, equity price risk, interest rate risk, liquidity risk and cash flow risk. The Company's and the Group's overall risk management strategy seeks to minimise adverse effects from these financial risks on the Company's and the Group's financial performance. The Company's and the Group's overall risk management policy is to ensure adequate financial resources are available for the development of the Company's and the Group's business whilst managing the risk.

The Company's and the Group's risk management is carried out by the board of directors. The Company and the Group do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

There has been no change to the Company's and the Group's exposure to these financial risks and the manner in which they manage and measure the risks.

21.2 Market risk

21.2.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's quoted debt, unquoted debt and equity instruments, loans and advances have fixed interest rates and there is no significant exposure to interest rate risk for these instruments.

The Group's and the Company's exposure to interest rate risk arises primarily from cash deposits placed with the financial institutions. The Group and the Company managed the interest rate risks by placing cash deposits with reputable financial institutions on varying maturities and interest rate terms.

The fluctuations of the rates of interest rates on available-for-sale financial assets and loans and advances will be of significant effect on profit or loss, since the bulk of assets are loans and advances. If the interest rates on the available-for-sale financial assets and loans and advances strengthen/weaken by 10%, the total interest will be HK$1,248,700 (2016 - HK$2,159,300) higher/lower.

Cash flow sensitivity analysis for variable rate instruments

An increase and a decrease of 10 basis points (bp) in interest rates on the loans and advances and available-for-sale financial assets would have increased/decreased profit before tax and equity by the amounts shown below. The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit before tax		**Equity**	
The Group	**10 bp increase HK$**	**10 bp decrease HK$**	**10 bp increase HK$**	**10 bp decrease HK$**
At 31 December 2017				
Available-for-sale financial assets	**23,355**	**(23,355)**	**23,355**	**(23,355)**
Loans and advances	**86,431**	**(86,431)**	**86,431**	**(86,431)**
At 31 December 2016				
Available-for-sale financial assets	32,593	(32,593)	32,593	(32,593)
Loans and advances	100,532	(100,532)	100,532	(100,532)

21 Financial risk management (Cont'd)

21.2.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Most of the Group's transactions in 2017 are carried out in Australian dollar (AUD) as a result of the Group expanding its loan portfolio to include companies in Australia market from 2014.

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

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in AUD, USD and SGD.

The Group's and the Company's exposures to currency risks are as follows:

	Australian dollar		**United States dollar**		**Singapore dollar**	
The Group	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Financial Assets						
Available-for-sale financial assets	**–**	–	**–**	6,715	**–**	–
Loans and advances	**58,431**	65,564	**–**	–	**–**	–
Other receivables	**31,306**	29,133	**–**	2,244	**73**	117
Financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	1,344
Cash and cash equivalents	**21,977**	–	**798**	784	**1,069**	947
	111,714	94,697	**798**	9,743	**1,142**	2,408
Financial Liabilities						
Other payables	**5,291**	4,146	**–**	–	**2,647**	2,912
	5,291	4,146	**–**	–	**2,647**	2,912
Net currency exposure on financial assets and (financial liabilities)	**106,423**	90,551	**798**	9,743	**(1,505)**	(504)

	Singapore dollar	
The Company	**2017**	2016
	HK$'000	HK$'000
Financial Assets		
Other receivables	**73**	91
Cash and cash equivalents	**1,063**	813
	1,136	904
Financial Liabilities		
Other payables	**2,647**	2,912
	2,647	2,912
Net currency exposure on financial assets and (financial liabilities)	**(1,511)**	(2,008)

21 Financial risk management (Cont'd)

21.2.2 Currency risk (cont'd)

Sensitivity analysis for foreign currency risk

A 5% strengthening/weakening of the above currencies against the respective functional currencies of the group entities at 31 December would have increased/(decreased) equity and profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

	2017		2016	
	Profit before tax HK$'000	**Equity HK$'000**	Profit before tax HK$'000	Equity HK$'000
The Group				
AUD				
- strengthened 5% (2016 - 5%) against HKD	**5,321**	**5,321**	4,528	4,528
- weakened 5% (2016 - 5%) against HKD	**(5,321)**	**(5,321)**	(4,528)	(4,528)
USD				
- strengthened 5% (2016 - 5%) against HKD	**40**	**40**	487	487
- weakened 5% (2016 - 5%) against HKD	**(40)**	**(40)**	(487)	(487)
SGD				
- strengthened 5% (2016 - 5%) against HKD	**(75)**	**(75)**	(25)	(25)
- weakened 5% (2016 - 5%) against HKD	**75**	**75**	25	25
The Company				
SGD				
- strengthened 5% (2016 - 5%) against HKD	**(76)**	**(76)**	(100)	(100)
- weakened 5% (2016 - 5%) against HKD	**76**	**76**	100	100

21.3 Credit risk

Credit risk refers to the risk that counterparties may default on their contractual obligations and loans and advances resulting in financial loss to the Group. The Group's exposure to credit risk arises primarily from loans and advances and other receivables. The credit risk relating to its available-for-sale financial assets and loans and advances and its impairment assessment by management is detailed in Notes 10 and 12.

The Group's objective is to seek continual growth while minimising losses arising from credit risk exposure. For loans and other receivables, the Group adopts the policy of dealing only with borrowers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The Group closely monitors and avoids any significant concentration of credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

21 Financial risk management (Cont'd)

21.3 Credit risk (cont'd)

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

Credit policies are formulated covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

All credit facilities, including those that require collateral, require the approval by management as appropriate. All collateral assets must be tangible and accessible or marketable in Singapore or a reputable market.

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

The Group's significant exposure to credit risk arises from available-for-sale financial assets and loans and advances and other receivables. Credit exposure to an individual counterparty is restricted by credit limits that are approved by the credit committee based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored by the respective management and the credit committee. The Group's loans and advances comprise of nine borrowers (2016 – nine borrowers) that represented 100% (2016 - 100%) of the total loans and advances. There is significant credit concentration in a few borrowers.

In order to mitigate the concentration of credit risk, the loans and advances are guaranteed by the shareholders of the borrowers and/or Underwriters.

At the reporting date, the management has considered, among other factors, the positive net assets, sufficient liquidity and public reputation of the Underwriters and are satisfied that the financial capabilities of the Underwriters are sufficient to cover the available-for-sale financial assets and loans and advances and minimum dividend of 12% per annum in case of default of the Ultimate Borrowers.

The Group establishes an allowance for impairment losses that represents its estimates of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance. No loan loss impairment was necessary at the reporting dates based on management's estimate, except for detailed disclosure in Note 13.

The Group and the Company hold collateral in respect of one loan. The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets in the statement of financial position.

There are no loans and advances graded as doubtful as at 31 December 2017 or 2016 except the loan and related interest receivable disclosed in Notes 12 and 13.

Cash and cash equivalents are placed with reputable financial institutions.

21 Financial risk management (Cont'd)

21.4 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

As at 31 December 2016, the Group is exposed to market price risks arising from the financial assets classified as financial assets at fair value through profit or loss for an investment in debt securities quoted on the Hong Kong Stock Exchange with a carrying value of HK$1,344,000. The Group has disposed the financial assets at fair value through profit or loss in the current financial year ended 31 December 2017.

Market price sensitivity

As at 31 December 2016, if the market value had been 2% higher/lower with all other variables held constant, the Group's profit net of tax and equity would have been HK$27,000 higher/lower, arising as a result of higher/lower fair value gains on the financial assets classified as fair value through profit or loss.

21.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or other financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

The table below financial risk factors analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows.

The Group and the Company ensure that there are adequate funds to meet all their obligations in a timely and cost effective manner. The management aims at maintaining flexibility in funding by monitoring the recoverability of the investments, loans and advances with the investee companies. As at financial year ended 31 December 2017, management had redeemed the available-for-sale financial asset in a Hong Kong investee company amounting to HK$9,081,000 recognised at fair value at the total consideration of HK$18,382,000 and reversal of fair value reserve amounting to HK$2,122,000. A realised loss of HK$57,000 was recognised in respect of this redemption of the available-for-sale financial asset. Management had also received payment for loans to Hong Kong, China and Australian borrowers amounting to HK$24,840,000 (2016 – Hong Kong and China borrowers HK$16,750,000). Management believes that it will have the necessary liquidity by scaling its business activities, collections from investments, loans and advances and /or raising funds as it deemed appropriate.

The Group had net negative operating cash flows of HK$18,223,000 and cash balances of HK$4,315,000 for the year ended 31 December 2016, the Group:

(i) Entered into settlement agreement dated 31 December 2016 to recover a total amount of HK$18,766,000 by 31 December 2017. As at 31 December 2017, the Group has received the first two instalments of HK$7,164,000 from the underwriter. The last instalment will be settled by way of shares in a Partner Company going through an initial public offer in 2018; and

(ii) Fully redeemed the available-for-sale financial assets with a carrying value of HK$6,715,000 as at 31 December 2016.

21 Financial risk management (Cont'd)

21.5 Liquidity risk (cont'd)

The table summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted payments:

The Group	Carrying amount HK$'000	Contractual undiscounted cash flows Total HK$'000	Less than 1 year HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
31 December 2017					
Other payables (*)	**4,181**	**4,181**	**4,181**	–	–
31 December 2016					
Other payables (*)	3,296	3,296	3,296	–	–

(*) Excluded withholding tax payable

The Company	Carrying amount HK$'000	Contractual undiscounted cash flows Total HK$'000	Less than 1 year HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
31 December 2017					
Other payables	**2,647**	**2,647**	**2,647**	–	–
31 December 2016					
Other payables	2,912	2,912	2,912	–	–

22 Financial instruments

22.1 Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

The Group	Available-for-sale (Carried at fair value)	Held for trading (FVTPL) (Carried at fair value)	Loans and receivables (Carried at amortised cost)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
2017				
Financial assets				
Available-for-sale financial assets	23,355	–	–	23,355
Loans and advances	–	–	86,431	86,431
Other receivables [1]	–	–	36,101	36,101
Cash and cash equivalents	–	–	32,385	32,385
	23,355	–	154,917	178,272

	Other liabilities (Carried at amortised cost)	Total
	HK$'000	HK$'000
Financial liabilities		
Other payables [2]	4,181	4,181

[1] *Excluded prepayment*

[2] *Excluded withholding tax payable*

22 Financial instruments (Cont'd)

22.1 Accounting classifications of financial assets and financial liabilities (cont'd)

The carrying amounts of financial assets and financial liabilities in each category are as follows (cont'd):

The Group	**Available-for-sale** (Carried at fair value)	**Held for trading (FVTPL)** (Carried at fair value)	**Loans and receivables (Carried at amortised cost)**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
2016				
Financial assets				
Available-for-sale financial assets	32,593	–	–	32,593
Loans and advances	–	–	100,532	100,532
Other receivables [(1)]	–	–	35,383	35,383
Financial assets at fair value through profit or loss	–	1,344	–	1,344
Cash and cash equivalents	–	–	4,315	4,315
	32,593	1,344	140,230	174,167

	Other liabilities (Carried at amortised cost)	**Total**
	HK$'000	**HK$'000**
Financial liabilities		
Other payables [(2)]	3,296	3,296

[(1)] *Excluded prepayment*

[(2)] *Excluded withholding tax payable*

The Company	**Loans and receivables (Carried at amortised cost)**	**Total**
2017	**HK$'000**	**HK$'000**
Financial assets		
Other receivables [(1)]	**147,873**	**147,873**
Cash and cash equivalents	**1,416**	**1,416**
	149,289	**149,289**

	Other liabilities (Carried at amortised cost)	**Total**
	HK$'000	**HK$'000**
Financial liabilities		
Other payables	**2,647**	**2.647**

[(1)] *Excluded prepayment*

22 Financial instruments (Cont'd)

22.1 Accounting classifications of financial assets and financial liabilities (cont'd)

The carrying amounts of financial assets and financial liabilities in each category are as follows (cont'd):

The Company **2016**	**Loans and receivables (Carried at amortised cost)** **HK$'000**	**Total** **HK$'000**
Financial assets		
Other receivables [(1)]	149,264	149,264
Cash and cash equivalents	1,165	1,165
	150,429	150,429

	Other liabilities (Carried at amortised cost) **HK$'000**	**Total** **HK$'000**
Other payables	**2,912**	**2,912**

[(1)] *Excluded prepayment*

23 Fair value measurement

Definition of fair value

FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

23.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 : inputs for the assets or liability that are not based on observable market date.

The following table shows the levels within the hierarchy of financial assets measured at fair value on a recurring basis as at 31 December 2017 and 2016:

The Group	**Level 1** **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
31 December 2017				
Available-for-sale financial assets	**–**	**–**	**23,355**	**23,355**

23 Fair value measurement (Cont'd)

23.1 Fair value measurement of financial instruments (cont'd)

The following table shows the levels within the hierarchy of financial assets measured at fair value on a recurring basis at 31 December 2017 and 2016: (cont'd)

The Group	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
31 December 2016				
Available-for-sale financial assets	–	–	32,593	32,593
Financial assets at fair value through profit or loss	1,344	–	–	1,344

23.2 Determination of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial instruments whose carrying amounts approximate fair value

The carrying amounts of financial assets and liabilities at their amortised costs with a maturity of less than one year (including loans and advances and other receivables, cash and cash equivalents and other payables) approximate their fair values because of the short period. Management has determined the fair value of this loan to closely approximate the carrying amount.

The Company and the Group do not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

Fair value measurement of financial instruments

The fair value of publicly traded securities and debt securities are based on quoted market prices at the end of the reporting period. These instruments are included in Level 1.

The Group's finance team in consultation with third party valuation specialist performs valuations of available-for-sale financial assets for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at lease every year, in line with the Group's reporting dates. The valuation techniques used for instruments categorised in Level 3 are described below:

Quoted debt instrument – financial assets at fair value through profit or loss (Level 1)

The fair value of financial instruments traded in active markets (such as quoted debt instruments) are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

23 Fair value measurement (Cont'd)

23.2 Determination of fair values (cont'd)

Unquoted equity security – available-for-sale (Level 3)

The fair value of financial instruments that are not traded in an active market (for example, unlisted available-for-sale financial assets) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period, for instance, discounted cash flow analysis method. Such instruments are included in Level 3.

There were no transfers between Level 1 and Level 3 in 2017 and 2016.

The following table provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

Significant unobservable input	Sensitivity of the fair value measurement to input
Increase/(decrease) of 1% discount rate	There would be a (decrease)/increase in fair value by (HK$183,257)/HK$181,533

The following table presents the changes in Level 3 instruments:

The Group	Available-for-sale financial assets HK$'000
At 1 January 2016	30,118
Transfers into Level 3	–
Purchases of Level 3 securities	–
Redemption of available-for-sale financial assets	–
Changes in fair value of available-for-sale financial assets	2,475
Reversal due to redemption of available-for-sale financial assets	–
At 31 December 2016	**32,593**
Transfers into Level 3	**–**
Redemption of available-for-sale financial assets	**(6,902)**
Reversal due to redemption of available-for-sale financial assets	**(2,122)**
Loss on redemption of available-for-sale financial assets	**(57)**
Changes in fair value of available-for-sale financial assets	**(157)**
At 31 December 2017	**23,355**

Total unrealised foreign currency exchange gains or losses for the period included in profit or loss for assets held	
- for the year ended 31 December 2016	–
- for the year ended 31 December 2017	–

23 Fair value measurement (Cont'd)

23.3 Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements

(a) Set-off of balances with subsidiaries (the Company)

The subsidiaries regularly pay expenses on behalf of the Company. Both parties have arrangements to settle intercompany balances due to or due from each other on a net basis. The amounts of due to and due from subsidiaries that are set-off are as follows:

	Gross carrying amounts HK$'000	Gross amounts offset in the statement of financial position HK$'000	Net amounts in the statement of financial position HK$'000
The Company			
31 December 2017			
Amounts due from subsidiaries	**151,949**	**(9,102)**	**147,847**
Amounts due to subsidiaries (non-trade)	**(9,102)**	**9,102**	**–**
	147,847	**–**	**147,847**
The Company			
31 December 2016			
Amounts due from subsidiaries	157,194	(7,974)	149,220
Amounts due to subsidiaries (non-trade)	(7,974)	7,974	–
	149,220	–	149,220

(b) Set-off of balances with the Intermediary (the Group)

The Intermediary has transferred funds to and received funds from the subsidiary, Net Pacific Investment Holdings Limited, on behalf of the subsidiary. Both parties have an arrangement to settle the balances due to or due from each other on a net basis.

The amounts due to and due from the Intermediary that are off-set are as follows:

	Gross carrying amounts HK$'000	Gross amounts offset in the statement of financial position HK$'000	Net amounts in the statement of financial position HK$'000
The Group			
31 December 2017			
Amounts due from one Intermediary	**22,933**	**(23,945)**	**(1,012)**
Amounts due to one Intermediary	**(23,945)**	**23,945**	**–**
Net amount due to one Intermediary	**(1,012)**	**–**	**(1,012)**
The Group			
31 December 2016			
Amounts due from one Intermediary	1,188	(1,103)	15
Amounts due to one Intermediary	(1,103)	1,103	–
Net amount due from one Intermediary	15	–	15

23 Fair value measurement (Cont'd)

(c) Set-off of balances with Underwriters (the Group)

The subsidiary, Net Pacific Investment Holdings Limited, has been charged underwriting expense by Underwriters and the Underwriters are obligated to pay the guaranteed amount to the subsidiary. Both parties have arrangements to settle the balances due to or due from each other on a net basis. The amounts of due to and due from one underwriter that are off-set are as follows:

	Gross carrying amounts HK$'000	Gross amounts offset in the statement of financial position HK$'000	Net amounts in the statement of financial position HK$'000
The Group			
31 December 2017			
Amounts due from the Underwriters	**1,814**	**(884)**	**930**
Amounts due to the Underwriters	**(884)**	**884**	**–**
Net amount due from the Underwriters	**930**	**–**	**930**
The Group			
31 December 2016			
Amounts due from the Underwriters	1,661	(809)	852
Amounts due to the Underwriters	(809)	809	–
Net amount due from the Underwriters	852	–	852

24 Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's risk management capability; and

(d) To provide an adequate return to shareholders.

The Group defines capital as shareholders' equity. The Group regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group monitors capital using Gearing Ratio, which is net debt divided by total equity. Net debt represents the aggregate of other payables, less cash and cash equivalents.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

24 Capital management (Cont'd)

	2017	2016
	HK$'000	HK$'000
Net cash (A)	**32,385**	4,315
Total equity (B)	**169,831**	166,666
Gearing ratio (A)/(B) (%)	**NA#**	NA#

Not applicable as the Group had a net cash position as at 31 December 2016 and 2017.

25 Operating segments

For management purposes, the Group is organised into the following reportable operating segments as follows:

(1) Financing Business

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

(2) Investment

The investment segment is the business of investing in short term financial instruments using cash on hand pending further loan disbursement or investment opportunities under the Financing Business.

There are no operating segments that have been aggregated to form the above reportable operating segments.

Group financing and income taxes are managed on a group basis and are not allocated to operating segments.

Sales between operating segments are carried out at arm's length.

25 Operating segments (Cont'd)

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

	Financing Business		Investment		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue by segments						
Total revenue by segments	**12,487**	21,593	**7**	66	**12,494**	21,659
External revenue	**12,487**	21,593	**7**	66	**12,494**	21,659
Foreign exchange gain/(loss)	**8,649**	(1,257)	**–**	–	**8,649**	(1,257)
Segment profit	**13,687**	14,684	**7**	40	**13,694**	14,724
Unallocated expenses					**(5,255)**	(5,861)
Profit before tax					**8,439**	8,863
Income tax expense					**(1,000)**	(994)
Profit for the year					**7,439**	7,869
Segment assets	**176,831**	171,613	**–**	1,344	**176,831**	172,957
Unallocated assets					**1,495**	1,277
Consolidated total assets					**178,326**	174,234
Segment liabilities	**5,802**	4,615	**–**	–	**5,802**	4,615
Unallocated liabilities					**2,693**	2,953
Consolidated total liabilities					**8,495**	7,568

	Financing Business		Investment		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other material items:						
Allowance for impairment of other receivables	**6,537**	4,899	**–**	–	**6,537**	4,899
Depreciation of plant and equipment	**–**	–	**–**	–	**13**	14
Loss on disposal of financial assets at fair value through profit or loss	**–**	–	**5**	–	**5**	–
Loss on redemption of available-for-sales financial assets	**57**	–	**–**	–	**57**	–

Unallocated assets and liabilities represent other segment including corporate functions in Singapore. These are not included within the reportable operating segments as they are not separately reported to the Group's chief operating decision-maker and does not meet the quantitative thresholds required by FRS 108 for reportable segments.

25 Operating segments (Cont'd)

Reconciliations:

(1) Segment profits

A reconciliation of segment profit to profit before tax is as follows:

	2017 HK$'000	2016 HK$'000
Profit for reportable segments	**13,694**	14,724
Other income	**134**	35
Depreciation expenses	**(13)**	(14)
Marketing and distribution costs	**(3)**	(10)
Administrative expenses	**(5,373)**	(5,776)
Other expenses	**–**	(96)
Profit before tax	**8,439**	8,863

(2) Segment assets

Reportable segments' assets are reconciled to total assets as follows:

	2017 HK$'000	2016 HK$'000
Segment assets	**176,831**	172,957
Plant and equipment	**7**	20
Other receivables	**72**	92
Cash and cash equivalents	**1,416**	1,165
Total assets	**178,326**	174,234

(3) Segment liabilities

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2017 HK$'000	2016 HK$'000
Segment liabilities	**5,802**	4,615
Other payables	**2,647**	2,912
Current tax payable	**46**	41
Total liabilities	**8,495**	7,568

25 Operating segments (Cont'd)

Geographical segments

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

	Singapore		PRC and Hong Kong		British Virgin Islands		Australia		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue										
External sales	**–**	–	**2,818**	3,925	**3,701**	4,747	**5,975**	12,987	**12,494**	21,659
Non-current assets	**7**	20	**–**	–	**–**	–	**–**	–	**7**	20

Segment results
Performance of each segment is evaluated based on segment profit or loss which is measured differently from the net profit or loss before tax in the consolidated financial statements.

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

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

Information about major customer
Revenue of approximately HK$2,588,000 (2016 – HK$6,695,000) are derived from one (2016 - one) external customer and are attributable to the Financing Business.

26 Dividend

The Company and The Group	**2017** **HK$'000**	2016 HK$'000
Ordinary dividends paid during the financial year		
- final tax-exempt (one-tier) dividend in respect of the previous financial year of 0.38 Hong Kong cents (2015 - 0.38 Hong Kong cents) per share	**1,995**	1,991

At the forthcoming Annual General Meeting, a first and final one-tier tax-exempt (one-tier) dividend of 0.38 Hong Kong cents per share amounting to approximately HK$2,000,000 in respect of the financial year ended 31 December 2017 will be proposed. These financial statements do not reflect these dividends payable, which will be accounted for as a reduction in equity as a distribution of retained profits in the financial year ending 31 December 2018 and will be payable to all shareholders on the Register of Members as at books closure date.

STATISTICS OF SHAREHOLDINGS

As at 19 March 2018

Number of shares	525,630,328
Class of shares	Ordinary shares
Voting rights of ordinary shareholders	One vote per share
Number of treasury shares	Nil
Number of suibsidiary holdings	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	69	8.21	581	0.00
100 - 1,000	99	11.79	58,656	0.01
1,001 - 10,000	156	18.57	1,009,952	0.19
10,001 - 1,000,000	488	58.10	70,733,560	13.46
1,000,001 AND ABOVE	28	3.33	453,827,579	86.34
TOTAL	**840**	**100.00**	**525,630,328**	**100.00**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the register of shareholders and to the best of knowledge of the Company, approximately 29.33% of the total issued ordinary shares of the Company is held by the public as at 19 March 2018 and accordingly, the Company is in compliance with Rule 723 of the SGX-ST Listing Manual Section B: Rules of Catalist.

The Company has no treasury shares and subsidiary holdings as at 19 March 2018.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	ZHOU DAN	120,000,000	22.83
2	HSBC (SINGAPORE) NOMINEES PTE LTD	119,750,600	22.78
3	HL BANK NOMINEES (SINGAPORE) PTE LTD	59,000,000	11.22
4	QUAD SKY LIMITED	53,700,000	10.22
5	BEH KIM LING	17,025,000	3.24
6	CHIN FOOK LAI	10,022,400	1.91
7	OCBC SECURITIES PRIVATE LIMITED	9,297,394	1.77
8	CHIN FAH	8,464,350	1.61
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	8,166,100	1.55
10	HONG THYE HOLDINGS PTE LTD	4,650,000	0.88
11	STONE FOREST PTE LTD	4,650,000	0.88
12	RAFFLES NOMINEES (PTE) LIMITED	4,524,300	0.86
13	CHAN MENG SOON	4,400,000	0.84
14	CHIN FOOK CHOY	3,994,500	0.76
15	LOW SIEW YAM	2,983,100	0.57
16	TAN ENG CHUA EDWIN	2,836,000	0.54
17	TAN SU LAN @ TAN SOO LUNG	2,457,900	0.47
18	DBS NOMINEES (PRIVATE) LIMITED	2,405,015	0.46
19	PHILLIP SECURITIES PTE LTD	2,390,153	0.45
20	LIM TENG SAY	1,986,000	0.38
	TOTAL	**442,702,812**	**84.22**

STATISTICS OF SHAREHOLDINGS

As at 19 March 2018

SUBSTANTIAL SHAREHOLDERS
(as recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	Deemed Interest	Total	%
Zhou Wen Jie [(1)]	119,750,600	–	119,750,600	22.78%
Zhou Dan [(1) (2)]	120,000,000	–	120,000,000	22.83%
Ben Lee [(1) (2)]	–	120,000,000	120,000,000	22.83%
Quad Sky Limited [(3) (4)]	53,700,000	–	53,700,000	10.22%
Head Quator Limited [(3)]	–	53,700,000	53,700,000	10.22%
Ong Chor Wei [(3)]	3,150,000	53,700,000	56,850,000	10.82%
Wingate Investment Corporation [(4)]	–	53,700,000	53,700,000	10.22%
Yung Fung 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.

NOTICE OF ANNUAL GENERAL MEETING

(Incorporated in the Republic of Singapore – Company Registration No. 200300326D)

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Net Pacific Financial Holdings Limited (the "**Company**") will be held at 1 Robinson Road, #18-00 AIA Tower, Singapore 048542 on Wednesday, 25 April 2018 at 3.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final one-tier tax exempt dividend of 0.38 Hong Kong cents per ordinary share of the Company for the financial year ended 31 December 2017 (2016: 0.38 Hong Kong cents). **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Regulation 89 of the Company's Constitution.

   Mr Zhou Wen Jie (Retiring pursuant to Regulation 89) **(Resolution 3)**

   Mr Zhou Wen Jie will, upon re-election as a Director, remain as a Non-executive Chairman of the Company.

   Mr Cheung King Kwok (Retiring pursuant to Regulation 89) **(Resolution 4)**

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

   Mr Wu Houguo (Retiring pursuant to Regulation 89) **(Resolution 5)**

   Mr Wu Houguo will, upon re-election as a Director, remain as a member of the Audit Committee, the Risk Management Committee, Nominating Committee and Remuneration Committee of the Company and will be considered independent for the purposes of Rule 704(7) of the SGX-ST Catalist Rules.

4. To approve the payment of Directors' fees of S$165,500 for the financial year ended 31 December 2017 (2016: S$165,500). **(Resolution 6)**

5. To re-appoint Foo Kon Tan LLP, Chartered Accountants, as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

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

AS SPECIAL BUSINESS

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

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

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

   (a) (i) allot and issue new shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require new Shares to be allotted and issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) notwithstanding the authority conferred by this Resolution may have ceased to be in force, allot and issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of new Shares (including shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of new Shares to be allotted and issued other than on a *pro rata* basis to Shareholders of the Company (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company (as calculated in accordance with subparagraph (2) below);

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

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

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

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

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

(4) (unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.”
[See Explanatory Note (i)] **(Resolution 8)**

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

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provision of the Net Pacific Employee Share Option Scheme (the "Scheme") and to allot and issue such Shares as may be required to be allotted and issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of Shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued Shares excluding treasury shares and subsidiary holdings on the date preceding the grant of the option from time to time."

[See Explanatory Note (ii)] **(Resolution 9)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Chong Kian Lee
Joint Company Secretaries
Singapore, 10 April 2018

Explanatory Notes:

(i) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors from the date of the passing of Ordinary Resolution 8 until the date of the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to allot and issue new Shares and Instruments in the Company. The aggregate number of new Shares (including Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to Ordinary Resolution 8), to be allotted and issued pursuant to Ordinary Resolution 8 shall not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of Ordinary Resolution 8. For the allotment and issue of new Shares other than on a *pro rata* basis to shareholders of the Company, the aggregate number of new Shares (including Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to Ordinary Resolution 8), to be allotted and issued pursuant to Ordinary Resolution 8 shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of Ordinary Resolution 8. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

(ii) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors, to grant options and to allot and issue Shares upon the exercise of such options in accordance with the Scheme.

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Act, a member is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. A proxy need not be a member of the Company.

4. The proxy form must be deposited at registered office of the Company at **35 Selegie Road #10-25, Singapore 188307**, not less than **72 hours** before the time appointed for holding the AGM.

5. Where the proxy form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

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

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "**Act**"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

*I/We, ____ (Name)

of ____ (Address)

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

Name	**NRIC/Passport No.**	**Proportion of Shareholding**	
		No. of Shares	**%**
Address			

and/or*

Name	**NRIC/Passport No.**	**Proportion of Shareholding**	
		No. of Shares	**%**
Address			

or failing the him/her, the Chairman of the Annual General Meeting of the Company (the "**AGM**") as my/our* proxy/proxies* to attend and vote for me/us* on my/our behalf* at the AGM to be held at 1 Robinson Road, #18-00 AIA Tower, Singapore 048542 on Wednesday, 25 April 2018 at 3.30 p.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion. The Resolutions proposed at the AGM as indicated hereunder will be put to vote at the AGM by way of poll

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

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2017		
2	Declaration of a first and final one-tier tax exempt dividend of 0.38 Hong Kong cents per ordinary share of the Company for the financial year ended 31 December 2017		
3	Re-election of Mr Zhou Wen Jie as a Director of the Company (Retiring pursuant to Regulation 89)		
4	Re-election of Mr Cheung King Kwok as a Director of the Company (Retiring pursuant to Regulation 89)		
5	Re-election of Mr Wu Houguo as a Director of the Company (Retiring pursuant to Regulation 89)		
6	Approve the payment of Directors' fees of S$165,500 for the financial year ended 31 December 2017		
7	Re-appointment of Foo Kon Tan LLP, Chartered Accountants, as the Company's auditors and to authorise the Directors to fix their remuneration		
8	Authority to allot and issue shares in the capital of the Company and/or instruments pursuant to Section 161 of the Act and Rule 806 of Catalist Rules		
9	Authority to grant options and issue shares under the Net Pacific Employee Share Option Scheme		

Dated this __________ day of ________________ 2018

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares in the capital of the Company ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the proxy form shall be deemed to relate to all the Shares held by you.

2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the Annual General Meeting of the Company ("**AGM**"). Where a member appoints more than one (1) proxy, the proportion of his/her concerned shareholding to be represented by each proxy shall be specified in the proxy form.

3. Pursuant to Section 181(C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two (2) proxies, the number and class of Shares in relation to each proxy who has been appointed shall be specified in the proxy form.

4. A proxy need not be a member of the Company.

5. The proxy form must be deposited at the registered office of the Company at **35 Selegie Road, #10-25 Singapore 188307**, not less than 72 hours before the time appointed for holding the AGM.

6. Where the proxy form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

7. Where the proxy form is executed under the hand of an attorney duly authorised, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the proxy form, failing which the proxy form may be treated as invalid.

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

GENERAL:

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of Shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for holding the AGM.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any AGM laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Zhou Wen Jie (Non-executive Chairman)
Ong Chor Wei@Alan Ong (Chief Executive Officer)
Kwok Chin Phang (Chief Operating Officer)
Ben Lee (Non-executive Director)
Chin Fook Lai (Non-executive Director)
Cheung Ting Chor (Non-executive Director)
Cheung King Kwok (Lead Independent Director)
Francis Lee Fook Wah (Independent Director)
Wu Houguo (Independent Director)

AUDIT COMMITTEE / RISK MANAGEMENT COMMITTEE

Cheung King Kwok (Chairman)
Francis Lee Fook Wah
Wu Houguo

REMUNERATION COMMITTEE

Francis Lee Fook Wah (Chairman)
Cheung King Kwok
Wu Houguo

NOMINATING COMMITTEE

Cheung King Kwok (Chairman)
Francis Lee Fook Wah
Wu Houguo

COMPANY SECRETARIES

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

REGISTERED OFFICE

35 Selegie Road #10-25
Singapore 188307
Tel: (65) 6542 3488
Fax: (65) 6542 1933

SHARE REGISTRAR

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

AUDITORS

Foo Kon Tan LLP
Public Accountant & Chartered Accountants, Singapore
24 Raffles Place, #07-03
Clifford Centre,
Singapore 048621

Partner-in-charge: Ang Soh Mui
(appointed from financial year ended 31 December 2014)

SPONSOR

PrimePartners Corporate Finance Pte. Ltd
16 Collyer Quay, #10-00
Income at Raffles
Singapore 049318

Contact person: Ms Tan Pei Woon,
Senior Manager, Continuing Sponsorship
E-mail: sponsorship@ppcf.com.sg

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

35 Selegie Road #10-25
Singapore 188307
Tel : (65) 6542 3488
Fax : (65) 6542 1933

Room 1415, 14/F, Leighton Centre,
77 Leighton Road, Causeway Bay,
Hong Kong
Tel : (852) 2620 5298
Fax : (852) 2865 0122