

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Full Year Financial Statement Announcement for the period ended 30 June 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	HY2018 HK\$'000	HY2017 HK\$'000	% + / (-)
Revenue ⁽¹⁾	3,517	6,670	(47)
Other income ⁽²⁾	152	6,741	NM
Marketing and distribution costs	(32)	(27)	19
Administrative expenses	(3,498)	(2,689)	30
Other expenses ⁽³⁾	(5,261)	(5)	NM
(Loss) / profit before income tax	(5,122)	10,690	NM
Income tax expenses	(414)	(507)	(18)
(Loss) / profit for the period and attributable to the equity holders of the company	(5,536)	10,183	NM
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
- Reversal due to redemption of available-for-sale financial assets	(678)	(1,757)	(61)
Other comprehensive income for the period - net of tax	(678)	(1,757)	(61)
(Loss) / profit representing comprehensive income for the period and attributable to the equity holders of the company	(6,214)	8,426	NM

NM: Not meaningful

Notes to the consolidated income statement

(Loss) / profit after tax is arrived at after crediting / (charging) the following items:

	Group		
	HY2018 HK\$'000	HY2017 HK\$'000	% + / (-)
<i>(1) Revenue consists of</i>			
Interest income from Financing Business	3,517	4,754	(26)
Dividend income from Financing Business	-	1,916	(100)
	3,517	6,670	(47)
<i>(2) Included in other income are:</i>			
Foreign exchange gain	-	6,718	NM
Interest income from fixed deposit	132	11	NM
Other income	20	12	67
	152	6,741	NM
<i>(3) Included in other expenses are:</i>			
Change in fair value on financial assets at fair value through profit or loss	-	(5)	NM
Foreign exchange losses	(5,261)	-	NM
	(5,261)	(5)	NM
Depreciation for plant and equipment	(7)	(6)	17

NM: Not meaningful

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Full Year Financial Statement Announcement for the period ended 30 June 2018

1(b) (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	As at 30/6/18 HK\$'000	As at 31/12/17 HK\$'000	As at 30/6/18 HK\$'000	As at 31/12/17 HK\$'000
ASSETS				
<u>Non-current assets</u>				
Plant and equipment	-	7	-	7
Investments in subsidiaries	-	-	1,069	1,069
Total non-current assets	-	7	1,069	1,076
<u>Current assets</u>				
Loans and advances	87,034	86,431	-	-
Available-for-sale financial assets ("AFS")	18,678	23,355	-	-
Other receivables	36,234	36,148	76	73
Amounts due from subsidiaries	-	-	141,428	147,847
Cash and cash equivalents	26,481	32,385	3,015	1,415
Total current assets	168,427	178,319	144,519	149,335
Total assets	168,427	178,326	145,588	150,411
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	145,105	145,105	145,105	145,105
Share option reserve	340	340	340	340
Fair value reserves - AFS	4,678	5,356	-	-
Accumulated profits	11,483	19,030	(1,523)	2,274
Total equity	161,606	169,831	143,922	147,719
<u>Current liabilities</u>				
Other payables and accrued liabilities	6,529	8,434	1,630	2,647
Current tax payable	292	61	36	45
Total current liabilities	6,821	8,495	1,666	2,692
Total liabilities	6,821	8,495	1,666	2,692
Total equity and liabilities	168,427	178,326	145,588	150,411

1(b) (ii) Aggregate amount of group's borrowings and debt securities

As at 30 June 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount repayable in one year or less, or on demand			
-	-	-	-
Amount repayable after one year			
-	-	-	-

Details of any collateral -

Not applicable

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Full Year Financial Statement Announcement for the period ended 30 June 2018

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	HY2018 HK\$'000	HY2017 HK\$'000
<u>Cash flows from operating activities:</u>		
(Loss) / profit after tax	(5,536)	10,183
Adjustments for:		
Depreciation for plant and equipment	7	6
Change in fair value on financial assets at fair value through profit or loss	-	5
Income tax expenses	414	515
Interest income	(3,649)	(4,765)
Dividend income	-	(1,916)
Operating (loss) / profit before changes in working capital	(8,764)	4,028
Increase in loans and advances	(603)	(2,639)
Decrease / (increase) in other receivables	1,529	(2,080)
Decrease in available-for-sale financial assets	4,000	4,949
Decrease in other payables	(2,072)	(1,000)
Net cash (used in) / generated from operations	(5,910)	3,258
Interest income received	1,834	1,565
Dividend income received	200	2,919
Income tax paid	(17)	(335)
Net cash (used in) / generated from operating activities	(3,893)	7,407
<u>Cash flows from investing activities:</u>		
Proceeds from disposal of financial assets at fair value through profit or loss	-	1,339
Net cash generated from investing activities	-	1,339
<u>Cash flows from financing activities:</u>		
Payment of dividends	(2,011)	(1,995)
Net cash used in financing activities	(2,011)	(1,995)
Net (decrease) / increase in cash and cash equivalents	(5,904)	6,751
Cash and cash equivalents at beginning of the financial period	32,385	4,315
Cash and cash equivalents at end of the financial period	26,481	11,066

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Full Year Financial Statement Announcement for the period ended 30 June 2018

1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Attributable to equity holders of the Company				
	Share Capital	Share Option Reserve	Fair Value Reserve - AFS	Accumulated Profits	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
Balance as at 1/1/2017	145,105	340	7,635	13,586	166,666
Total profit for the period	-	-	-	10,183	10,183
Other comprehensive income					
- Change in fair value on available-for-sale financial assets	-	-	(1,757)	-	(1,757)
Dividend paid	-	-	-	(1,995)	(1,995)
Balance as at 30/6/2017	145,105	340	5,878	21,774	173,097
Balance as at 1/1/2018	145,105	340	5,356	19,030	169,831
Total profit for the period	-	-	-	(5,536)	(5,536)
Other comprehensive income					
- Reversal due to redemption of available-for-sale financial assets	-	-	(678)	-	(678)
Dividend paid	-	-	-	(2,011)	(2,011)
Balance as at 30/6/2018	145,105	340	4,678	11,483	161,606

	Share Capital	Share Option Reserve	Accumulated Profits	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company				
Balance as at 1/1/2017	145,105	340	3,167	148,612
Total profit and comprehensive income for the period *	-	-	(703)	(703)
Dividend paid	-	-	(1,995)	(1,995)
Balance as at 30/6/2017	145,105	340	469	145,914
Balance as at 1/1/2018	145,105	340	2,274	147,719
Total profit and comprehensive income for the period *	-	-	(1,786)	(1,786)
Dividend paid	-	-	(2,011)	(2,011)
Balance as at 30/6/2018	145,105	340	(1,523)	143,922

* There were no other comprehensive income items.

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Full Year Financial Statement Announcement for the period ended 30 June 2018

- 1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital

There were no changes in the Company's share capital between 31 December 2017 and 30 June 2018.

Share Options

As at 30 June 2018, the number of share options ("Options") that are outstanding under the Net Pacific Employee Share Option Scheme are as follows:

Date of grant	Number of Options outstanding as at 30 June 2017 and 30 June 2018	Number of Options lapsed / cancelled during HY2018	Maximum number of Shares to be issued upon exercise of the Options outstanding as at 30 June 2017 and 30 June 2018	Exercise price per share	Exercise period
9 May 2011	20,750,000	-	20,750,000	S\$0.035	9/5/2012 to 8/5/2021
Total	20,750,000	-	20,750,000		

Save as disclosed above, the Company did not have any other convertibles, or any treasury shares and subsidiary holdings as at 30 June 2018 and 30 June 2017.

- 1(d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 30/6/18	As at 31/12/17
Total number of issued shares excluding treasury shares	525,630,328	525,630,328

The Company did not have any treasury shares as at 30 June 2018 and 31 December 2017.

- 1(d) (iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares and there were no sales, transfers, cancellation or use of treasury shares as at 30 June 2018.

- 1(d) (v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any subsidiary holdings as at 30 June 2018.

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Full Year Financial Statement Announcement for the period ended 30 June 2018

2 Whether the figures have been audited, or reviewed and in accordance with which auditing standards or practice

The figures have not been audited or reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the preparation of its financial statements for the current reporting period compared with those adopted in the preparation of its audited financial statements for the financial year ended 31 December 2017, except as stated in Paragraph 5 below.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group adopted the new or amended Financial Reporting Standards ("FRS") and Interpretations of the FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2017. The adoption of these new or amended FRS and INT FRS did not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	HY2018	HY2017
Earnings per ordinary share		
- Basic (Hong Kong cents)	-1.05	1.94
- Diluted (Hong Kong cents)	-1.05	1.91

Basic earnings per ordinary share was computed based on 525,630,328 shares (HY2017 : 525,630,328 shares) being the weighted average number of ordinary shares in issue during HY2018.

Diluted earnings per ordinary share was computed based on 528,124,703 (HY2017 : 532,324,608 shares) being the weighted average number of ordinary shares in issue during HY2018 and after including the dilutive effect of the outstanding Options as at 30 June 2018.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	As at 30/6/18	As at 31/12/17	As at 30/6/18	As at 31/12/17
Net asset value per ordinary share (Hong Kong cents)	30.75	32.31	27.38	28.10

Net asset value per ordinary share was computed based on the number of ordinary shares outstanding of 525,630,328 shares as at 30 June 2018 (31 December 2017: 525,630,328).

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Full Year Financial Statement Announcement for the period ended 30 June 2018

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal cyclical factors and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Background

The Company and its subsidiaries (the "**Group**") remain focused on its core business in the provision of financing services (the "**Financing Business**") in the People's Republic of China ("**PRC**"), the Hong Kong Special Administrative Region (the "**HKSAR**") and Australia. Under the Financing Business, the Group's business activities are principally the provision of mezzanine loans and investments in companies with good fundamentals and growth potential. The Group also invests in short term financial instruments using cash on hand pending loan disbursement under its Financing Business as and when opportunities arise (the "**Investments**").

Consolidated statement of comprehensive income

The Group recorded lower revenue of HK\$3.5 million in the six months period ended 30 June 2018 ("HY2018"), as compared to HK\$6.7 million in the six months period ended 30 June 2017 ("HY2017") due mainly to lower interest income from certain loan portfolio in Australia. There is no interest income from three borrowers, of which Jetwin Investments Pty Ltd, an intermediary for the Group's loan portfolio in Australia, has entered into a conditional agreement with certain borrower companies in Australia to convert the loans into shares of a partner company as announced on 14 November 2017. There is also no dividend income from AFS in HY2018 following redemption arrangement with the customers.

Total operating expenses of the Group (comprising marketing, distribution costs and administrative expenses) was HK\$0.8 million or 33% higher at HK\$3.5 million in HY2018, as compared to the total operating expenses of HK\$2.7 million in HY2017 mainly due to reversal of over accrual of certain expenses in HY2017.

Other expenses in HY2018 refer mainly to foreign exchange loss of HK\$5.3 million arising from the revaluation of the Group's loan portfolio denominated in Australian Dollars ("**A\$**") as a result of depreciation of A\$ against HK\$ in HY2018, as compared to a foreign exchange gain of HK\$6.7 million in HY2017.

As a result of the foregoing, the Group reported a loss of HK\$5.5 million in HY2018 as compared to a net profit of HK\$10.2 million in HY2017.

Consolidated statements of financial position

The Group's available-for-sale financial assets ("AFS") relate to the Group's investment of HK\$14.0 million by way of preference shares in the capital of customers, and were reflected at a fair value of HK\$18.7 million as at 30 June 2018, based on the valuation provided by an independent valuer. The lower amount as at 30 June 2018 as compared to 31 December 2017 was mainly due to partial redemption of capital by customers in HY2018.

The Group's total loans and advances, mainly to customers in Australia and the HKSAR, amounted to HK\$87.0 million as at 30 June 2018, all of which are current. The Group's loan portfolio at HK\$87.0 million, mainly denominated in A\$, was lower as at 30 June 2018 compared to HK\$86.4 million as at 31 December 2017, mainly due to the result of depreciation of A\$ against HK\$ and partial repayment by one of the Australian borrowers in HY2018, offset by a new loan disbursed in HY2018.

The Group's other receivables as at 30 June 2018 consisted mainly of interest and dividend income receivables. The Group's other receivables were higher at HK\$36.2 million as at 30 June 2018 as compared to HK\$36.1 million as at 31 December 2017 mainly because the interest receivables of certain loans are accumulated over the loan tenure and are due for payment only upon maturity of loan. The increase was partially offset by the lower interest receivables in HK\$ from loan portfolio denominated in A\$ as a result of the depreciation of A\$ against HK\$

Other payables and accrued liabilities of the Group were lower at HK\$6.5 million as at 30 June 2018 as compared to HK\$8.4 million as at 31 December 2017 due to lower accrual of expenses following payment of most of the accrued expenses for FY2017 in HY2018.

The Group has a positive working capital of HK\$162.3 million as at 30 June 2018.

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Full Year Financial Statement Announcement for the period ended 30 June 2018

Consolidated statements of cash flow

The Group's cash and cash equivalents stood at HK\$26.5 million as at 30 June 2018.

The Group's loss after tax for HY2018 was HK\$5.5 million and resulted in a net cash outflow from the operating activities of HK\$3.9 million for HY2018.

The Group's cash flow from investing activities in HY2018 was nil.

The Group's net cash used in financing activities of HK\$2.0 million in HY2018 relates to the payment of the first and final dividend in respect of FY2017.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable as there was no forecast or prospect statement previously disclosed to the Company's shareholders.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Although the PRC economy may be showing signs of slowing down, the Directors believe that the PRC and HKSAR continue to present opportunities for the Group's Financing Business which is targeted at small and mid-sized companies. In light of the slow-down in the property market in Australia, the Group is cautious and remains vigilant in monitoring its existing loans and investments in Australia and will limit its loan portfolio exposure to customers in Australia to no more than 60% of the Group's total loan portfolio (in HK\$ terms) for risk management purposes.

The Directors are mindful of the current market sentiment and has been making effort to ensure that the Group's investment and credit risks is well managed. As the overall global economy continues to be challenging, the Directors will continue to be prudent in deploying capital as well as executing stringent due diligence for new investments in 2018.

In relation to the conversion of loans into shares of a partner company announced on 14 November 2017 and as updated by the Company in its FY2017 results announcement on 27 February 2018, the Company was informed that the partner company's expected listing on the Australian Securities Exchange ("ASX") by first half of 2018 has been delayed due to additional information requested from ASX. The Company is currently in discussion with the partner company on the next course of action. Provision may be required depending on the outcome of the discussion. The Company will provide further updates on the conversion and/or investment in the partner company, as and when there is material development.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared (recommended) for the current financial period reported on? **No**

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? **No**

(c) Date payable / (d) Books closure date Not applicable

12 If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for the six months period ended 30 June 2018.

13 If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such

The Company did not obtain any general mandate from its shareholders for interested person transactions ("IPT").

There was no IPT with value of more than S\$100,000 entered into during the financial year.

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Full Year Financial Statement Announcement for the period ended 30 June 2018

14 Negative confirmation pursuant to Rule 705(5)

We, Zhou Wen Jie and Ong Chor Wei @ Alan Ong, hereby confirm on behalf of the board of directors of Net Pacific Financial Holdings Limited that, to the best knowledge, nothing has come to their attention which may render the unaudited financial statements of the Group for the half year ended 30 June 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Zhou Wen Jie
Non-executive Chairman

Ong Chor Wei @ Alan Ong
Executive Director and Chief Executive Officer

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company has procured signed undertakings from all its directors and executive officers based on Appendix 7H of the SGX-ST Catalist Listing Manual.

BY ORDER OF THE BOARD

Ong Chor Wei @ Alan Ong
Chief Executive Officer
10 August 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Tan Pei Woon, Senior Manager, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg)