

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Half Year Financial Statement Announcement for the period ended 30 June 2019

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		
	HY2019 HK\$'000	HY2018 HK\$'000	% + / (-)
Revenue ⁽¹⁾	1,916	3,517	(46)
Other income ⁽²⁾	635	152	318
Marketing and distribution costs	(59)	(32)	84
Administrative expenses	(3,740)	(3,498)	7
Other expenses ⁽³⁾	(416)	(5,261)	(92)
Loss before income tax	(1,664)	(5,122)	(68)
Income tax expenses	(81)	(414)	(80)
Loss for the year and attributable to the equity holders of the company	(1,745)	(5,536)	(68)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
- Reversal due to redemption of available-for-sale ("AFS") financial assets	-	(678)	NM
Other comprehensive loss for the period - net of tax	-	(678)	NM
Loss representing comprehensive income for the period and attributable to the equity holders of the company	(1,745)	(6,214)	(72)

NM: Not meaningful

Notes to the consolidated income statement

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

	Group		
	HY2019 HK\$'000	HY2018 HK\$'000	% + / (-)
<i>(1) Revenue consists of</i>			
Interest income			
Interest income from Financing Business	1,916	3,517	(46)
	1,916	3,517	(46)
<i>(2) Included in other income are:</i>			
Interest income from fixed deposit	140	132	6
Gain on disposal of financial assets at fair value through profit or loss	489	-	NM
Other income	6	20	(70)
	635	152	318
<i>(3) Included in other expenses are:</i>			
Foreign exchange losses	(416)	(5,261)	NM
	(416)	(5,261)	NM
Depreciation for plant and equipment	(5)	(7)	(29)

NM: Not meaningful

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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 30/06/19 HK\$'000	As at 31/12/18 HK\$'000	As at 30/06/19 HK\$'000	As at 31/12/18 HK\$'000
ASSETS				
<u>Non-current assets</u>				
Plant and equipment	21	26	21	26
Investments in subsidiaries	-	-	1,069	1,069
Total non-current assets	21	26	1,090	1,095
<u>Current assets</u>				
Loans and advances	72,472	76,466	-	-
Financial assets, at fair value through other comprehensive income ("FVOCI")	3,829	3,829	-	-
Financial assets, at fair value through profit or loss ("FVTPL")	7,333	11,000	-	-
Other receivables	4,224	4,573	71	74
Amounts due from subsidiaries	-	-	139,853	143,298
Cash and cash equivalents	31,375	27,752	1,673	1,129
Total current assets	119,233	123,620	141,597	144,501
Total assets	119,254	123,646	142,687	145,596
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	1,329	1,329	-	-
Accumulated losses	(29,923)	(28,178)	(4,496)	(2,968)
Total equity	116,851	118,596	140,949	142,477
<u>Current liabilities</u>				
Other payables and accrued liabilities	1,911	4,617	1,707	3,075
Current tax payable	492	433	31	44
Total current liabilities	2,403	5,050	1,738	3,119
Total liabilities	2,403	5,050	1,738	3,119
Total equity and liabilities	119,254	123,646	142,687	145,596

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

As at 30 June 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Amount repayable in one year or less, or on demand</u>			
-	-	-	-
<u>Amount repayable after one year</u>			
-	-	-	-

Details of any collateral -

Not applicable

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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	
	HY2019 HK\$'000	HY2018 HK\$'000
Cash flows from operating activities:		
Loss after tax	(1,745)	(5,536)
Adjustments for:		
Depreciation for plant and equipment	5	7
Gain on disposal of FVTPL financial assets	(489)	-
Income tax expenses	81	414
Interest income	(2,056)	(3,649)
Operating loss before changes in working capital	(4,204)	(8,764)
Changes in loans and advances	3,994	(603)
Changes in other receivables	(311)	1,529
Changes in other investments	4,156	4,000
Changes in other payables	(2,706)	(2,072)
Net cash generated from / (used in) operations	929	(5,910)
Interest income received	1,872	1,834
Dividend income received	844	200
Income tax paid	(22)	(17)
Net cash generated from / (used in) operating activities	3,623	(3,893)
Cash flows from financing activities:		
Payment of dividends	-	(2,011)
Net cash used in financing activities	-	(2,011)
Net increase / (decrease) in cash and cash equivalents	3,623	(5,904)
Cash and cash equivalents at beginning of the financial period	27,752	32,385
Cash and cash equivalents at end of the financial period	31,375	26,481

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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	Accumulated (Losses) / Profits	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
Balance as at 1/1/2018	145,105	340	5,356	19,030	169,831
Total comprehensive loss for the period					
Total loss for the period	-	-	-	(5,536)	(5,536)
Other comprehensive loss					
- Reversal due to redemption of AFS financial	-	-	(678)	-	(678)
	-	-	(678)	(5,536)	(6,214)
Transaction with owners of the Company, recognised directly in equity					
- Dividend paid	-	-	-	(2,011)	(2,011)
	-	-	-	(2,011)	(2,011)
Balance as at 30/6/2018	145,105	340	4,678	11,483	161,606
Balance as at 1/1/2019	145,105	340	1,329	(28,178)	118,596
Total loss and comprehensive loss for the period *	-	-	-	(1,745)	(1,745)
	-	-	-	(1,745)	(1,745)
Balance as at 30/06/2019	145,105	340	1,329	(29,923)	116,851

	Share Capital	Share Option Reserve	Accumulated (Losses) / Profits	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Company			
Balance as at 1/1/2018	145,105	340	2,274	147,719
Total loss and comprehensive loss 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
Balance as at 1/1/2019	145,105	340	(2,968)	142,477
Total loss and comprehensive loss for the period *	-	-	(1,528)	(1,528)
Balance as at 30/06/2019	145,105	340	(4,496)	140,949

* There were no other comprehensive income items.

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- 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 2018 and 30 June 2019.

Share Options

The maximum number of shares to be issued upon exercise of outstanding options as at 30 June 2019 was 20,750,000 (30 June 2018 : 20,750,000).

Save as disclosed above, the Company did not have any other convertibles or any treasury shares or any subsidiary holdings as at 30 June 2019 and 30 June 2018.

- 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 30/06/19	As at 31/12/18
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 2019 and 31 December 2018.

- 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 2019.

- 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 2019.

- 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 2018, except as stated in Paragraph 5 below.

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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 has adopted the new Singapore Financial Reporting Framework (International) (SFRS(I)) 16 Leases that is effective for the financial period beginning 1 January 2019. Under SFRS(I) 16, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The accounting for lessors has not changed significantly. The Group's operating leases relate to rental of office unit. Management expects the effect of adoption of SFRS(I) 16 on the financial statements to be not material.

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

(Loss) / earnings per ordinary share	Group	
	HY2019	HY2018
- Basic (Hong Kong cents)	(0.33)	(1.05)
- Diluted (Hong Kong cents)	(0.33)	(1.05)

Basic (loss) / earnings per ordinary share in HY2019 was computed based on 525,630,328 shares (HY2018 : 525,630,328 shares) being the weighted average number of ordinary shares in issue during HY2019.

Diluted (loss) / earnings per ordinary share in HY2019 was computed based on 525,630,328 being the weighted average number of ordinary shares in issue during HY2019 (HY2018: 528,124,703 shares after including the dilutive effect of the outstanding Options as at 30 June 2018). The outstanding Options have no dilutive effect on the loss per ordinary share for HY2019 as they are anti-dilutive.

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 30/06/19	As at 31/12/18	As at 30/06/19	As at 31/12/18
Net asset value per ordinary share (Hong Kong cents)	22.23	22.56	26.82	27.11

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 2019 (31 December 2018: 525,630,328).

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\$1.9 million in the half year ended 30 June 2019 ("HY2019"), as compared to HK\$3.5 million in the half year ended 30 June 2018 ("HY2018"), due mainly to the absence of interest income from the Australian loans.

The increase in other income for HY2019 is mainly attributable to a gain of HK\$0.5 million arising from the partial disposal of financial assets at fair value through profit or loss ("FVTPL").

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Total operating expenses of the Group (comprising marketing and distribution costs and administrative expenses) was HK\$0.3 million or 7.6% higher at HK\$3.8 million in HY2019, as compared to the total operating expenses of HK\$3.5 million in HY2018 mainly due to higher professional fees incurred in the negotiation in relation to the settlement of certain Australian loans with the borrowers.

Other expenses comprised mainly of foreign exchange loss of HK\$0.4 million (HY2018 : HK\$5.3 million) arising from the revaluation of the Group's loan portfolio denominated in AUD as a result of depreciation of AUD against HK\$ in HY2019.

The Group's income tax expense of HK\$81,000 in HY2019 was lower as compared to the income tax expense of HK\$0.4 million in HY2019 due to write back of over provision of income tax expenses for the last financial year.

As a result of the foregoing, the Group reported a lower loss of HK\$1.7 million in HY2019 as compared to a loss of HK\$5.5 million in HY2018.

Consolidated statements of financial position

The Group's other investments relate to the Group's investment in FVTPL and financial assets at fair value through other comprehensive income. The investments were reflected at a fair value of HK\$11.2 million as at 30 June 2019, based on the valuation provided by an independent valuer. The lower amount as at 30 June 2019 was mainly due to partial disposal of FVTPL financial assets in HY2019.

The Group's total loans and advances, mainly to customers in Australia and the PRC, amounted to HK\$72.5 million as at 30 June 2019, all of which are current. The Group's loan portfolio at HK\$72.5 million, mainly denominated in AUD, was lower as at 30 June 2019 compared to HK\$76.5 million as at 31 December 2018, mainly due to repayment by certain borrowers.

The Group's other receivables as at 30 June 2019 consisted mainly of interest and dividend income receivables. The lower other receivables at HK\$4.2 million as at 30 June 2019 as compared to HK\$4.6 million as at 31 December 2018 was in line with the lower interest income in HY2019.

Other payables and accrued liabilities of the Group were lower at HK\$1.9 million as at 30 June 2019 as compared to HK\$4.6 million as at 31 December 2018 due to lower accrual of expenses following payment of most of the accrued expenses for FY2018 in HY2019.

The Group has a positive working capital of HK\$116.8 million as at 30 June 2019.

Consolidated statements of cash flow

The Group's cash and cash equivalents stood at HK\$31.4 million as at 30 June 2019.

Net cash generated from the operating activities was HK\$3.6 million in HY2019 due mainly to proceeds from repayment by certain borrowers in HY2019 and disposal of FVTPL offset partially by the changes in other payables.

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 there are signs that the credit market in the PRC is starting to loosen, the HKSAR and the PRC market continues to remain weak. While the general credit market continues to present uncertainties, it also presents opportunities to the Group's financing business which is targeted at small and medium-sized companies.

In light of the slow-down in the property market in Australia and no material development on the settlement negotiation with the borrowers on the existing remaining outstanding loan portfolio, the Group will not increase its loan portfolio exposure to customers in Australia and will focus on negotiations with the partner company on recovery for the existing outstanding loans. The Company has on 4 July 2019 made an announcement on the settlement of loans granted by the Group through Jetwin to two of the borrowers located in the Australia. The Company will make subsequent announcements when there are material updates in relation to the remaining three (3) outstanding loans to borrowers.

The Directors are mindful of the current market sentiment and have been making effort to ensure that the Group's investment and credit risks are 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 borrowers in 2019.

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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 and the reason(s) for the decision

No dividend has been declared or recommended by the board of directors of the Company because the Group is not profitable in the current financial period.

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 S\$100,000 and more entered into during the financial year.

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 2019 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
13 August 2019

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") in accordance with Rules 226(2) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assume no responsibility for the contents of this announcement, including the 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, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg)