

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Half Year Financial Statement Announcement for the period ended 30 June 2017

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		
	HY2017 HK\$'000	HY2016 HK\$'000	% + / (-)
Revenue ⁽¹⁾	6,681	10,559	(37)
Other income ⁽²⁾	6,730	2,027	232
Marketing and distribution costs	(27)	(127)	(79)
Administrative expenses	(2,689)	(3,149)	(15)
Other expenses ⁽³⁾	(5)	(2,433)	(100)
Profit before income tax	10,690	6,877	55
Income tax expenses	(507)	(494)	3
Profit for the period and attributable to the equity holders of the company	10,183	6,383	60
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
- Reversal due to redemption of available-for-sale financial assets	(1,757)	-	NM
Other comprehensive income for the year - net of tax	(1,757)	-	NM
Profit representing comprehensive income for the period and attributable to the equity holders of the company	8,426	6,383	32

NM: Not meaningful

Notes to the consolidated income statement

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

	Group		
	HY2017 HK\$'000	HY2016 HK\$'000	% + / (-)
<i>(1) Revenue consists of</i>			
Interest income			
Interest income from Financing Business	4,765	8,166	(42)
Interest income from Investments	-	22	(100)
Dividend income from Financing Business	1,916	2,371	(19)
	6,681	10,559	(37)
<i>(2) Included in other income are:</i>			
Foreign exchange gain	6,718	2,006	235
Other income	12	21	(43)
	6,730	2,027	232
<i>(3) Included in other expenses are:</i>			
Change in fair value on financial assets at fair value through profit or loss	(5)	(13)	(62)
Provision for impairment on other receivables	-	(2,420)	(100)
	(5)	(2,433)	(100)
Depreciation for plant and equipment	(6)	(7)	(14)

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 30/06/17 HK\$'000	As at 31/12/16 HK\$'000	As at 30/06/17 HK\$'000	As at 31/12/16 HK\$'000
ASSETS				
Non-current assets				
Plant and equipment	14	20	14	20
Investments in subsidiaries	-	-	1,069	1,069
Total non-current assets	14	20	1,083	1,089
Current assets				
Loans and advances	103,171	100,532	-	-
Available-for-sale financial assets ("AFS")	25,878	32,593	-	-
Other receivables	39,717	35,430	76	91
Financial assets at fair value through profit or loss	-	1,344	-	-
Amounts due from subsidiaries	-	-	145,213	149,220
Cash and cash equivalents	11,066	4,315	1,016	1,165
Total current assets	179,832	174,214	146,305	150,476
Total assets	179,846	174,234	147,388	151,565
EQUITY AND LIABILITIES				
Equity				
Share capital	145,105	145,105	145,105	145,105
Share option reserve	340	340	340	340
Fair value reserves - AFS	5,878	7,635	-	-
Accumulated profits	21,774	13,586	469	3,167
Total equity	173,097	166,666	145,914	148,612
Current liabilities				
Other payables and accrued liabilities	6,265	7,264	1,439	2,912
Current tax payable	484	304	35	41
Total current liabilities	6,749	7,568	1,474	2,953
Total liabilities	6,749	7,568	1,474	2,953
Total equity and liabilities	179,846	174,234	147,388	151,565

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

As at 30 June 2017		As at 31 December 2016	
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

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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	
	HY2017 HK\$'000	HY2016 HK\$'000
<u>Cash flows from operating activities:</u>		
Profit after tax	10,183	6,383
Adjustments for:		
Depreciation for plant and equipment	6	7
Change in fair value on financial assets at fair value through profit or loss	5	13
Income tax expenses	515	693
Interest income	(4,765)	(8,188)
Dividend income	(1,916)	(2,371)
Operating profit / (loss) before changes in working capital	4,028	(3,463)
Increase in loans and advances	(2,639)	(18,373)
(Increase) / decrease in other receivables	(2,080)	1,993
Decrease in available-for-sale financial assets	4,949	-
Decrease in other payables	(1,000)	(1,289)
Net cash generated from / (used in) operations	3,258	(21,132)
Interest income received	1,565	1,200
Dividend income received	2,919	3,061
Income tax paid	(335)	(12)
Net cash generated from / (used in) operating activities	7,407	(16,883)
<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	(1,995)	(1,991)
Net cash used in financing activities	(1,995)	(1,991)
Net increase / (decrease) in cash and cash equivalents	6,751	(18,874)
Cash and cash equivalents at beginning of the financial period	4,315	24,529
Cash and cash equivalents at end of the financial period	11,066	5,655

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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 - AFS	Accumulated Profits	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
Balance as at 1/1/2016	145,105	340	5,160	7,708	158,313
Total profit and comprehensive income for the period *	-	-	-	6,383	6,383
Dividend paid	-	-	-	(1,991)	(1,991)
Balance as at 30/06/2016	145,105	340	5,160	12,100	162,705
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					
- Reversal due to redemption of available-for-sale financial assets	-	-	(1,757)	-	(1,757)
Dividend paid	-	-	-	(1,995)	(1,995)
Balance as at 30/06/2017	145,105	340	5,878	21,774	173,097

	Share Capital	Share Option Reserve	Accumulated Profits	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Company			
Balance as at 1/1/2016	145,105	340	2,180	147,625
Total profit and comprehensive income for the period *	-	-	(1,558)	(1,558)
Dividend paid	-	-	(1,991)	(1,991)
Balance as at 30/06/2016	145,105	340	(1,369)	144,076
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 30/06/2017	145,105	340	469	145,914

* 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 2016 and 30 June 2017.

Share Options

As at 30 June 2017, 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 31 December 2016	Number of Options lapsed / cancelled during HY2017	Maximum number of Shares to be issued upon exercise of the Options outstanding as at 30 June 2017	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 or any subsidiary holdings as at 30 June 2017 and 31 December 2016.

- 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 30/06/17	As at 31/12/16
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 2017 and 31 December 2016.

- 1(d) (iv) A statement showing all sales, transfers, disposal, 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, disposal, cancellation or use of treasury shares as at 30 June 2017.

- 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 2017.

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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 2016, 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	
	HY2017	HY2016
Earnings per ordinary share		
- Basic (Hong Kong cents)	1.94	1.21
- Diluted (Hong Kong cents)	1.91	1.21

Basic earnings per ordinary share was computed based on 525,630,328 shares (HY2016 : 525,630,328 shares) being the weighted average number of ordinary shares in issue during HY2017.

Diluted earnings per ordinary share was computed based on 532,324,608 shares (HY2016 : 525,630,328 shares) being the weighted average number of ordinary shares in issue during HY2017 and after including the dilutive effect of the outstanding Options as at 30 June 2016.

In respect of HY2016, the outstanding Options were anti-dilutive and hence had no dilutive effect on the earnings per ordinary share for HY2016.

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 30/06/17	As at 31/12/16	As at 30/06/17	As at 31/12/16
Net asset value per ordinary share (Hong Kong cents)	32.93	31.71	27.76	28.27

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 2017 (31 December 2016: 525,630,328).

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- 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 Peoples' 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\$6.7 million in the six months ended 30 June 2017 ("**HY2017**"), as compared to HK\$10.6 million in the six months ended 30 June 2016 ("**HY2016**") due mainly to lower interest income from the Group's loan portfolio in Australia. There is 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.

Other income refers mainly to foreign exchange fluctuations from the revaluation of the Group's loan portfolio dominated in Australian Dollars ("**A\$**"). Foreign exchange gain increased by HK\$4.7 million to HK\$6.7 million in HY2017 due to the appreciation of A\$ against HK\$.

Total operating expenses of the Group (comprising marketing and distribution costs and administrative expenses) was HK\$0.6 million or 17% lower at HK\$2.7 million in HY2017, as compared to the total operating expenses of HK\$3.3 million in HY2016 mainly due to reversal of over accrual of certain expenses in prior years.

Other expenses of HK\$2.4 million in HY2016 refer mainly to the provision of impairment on other receivables. The provision was made in respect of the portion of the interest which was not guaranteed by the underwriter in view of the global weakness in commodities prices which resulted in massive slowdown in the mining activities in Northern part of Western Australia. There was no such provision for HY2017.

The Group's income tax expense of HK\$0.5 million in HY2017 relates mainly to the withholding tax payable on the interest income from the loans extended to the Australian companies. Despite lower interest income in HY2017, the income tax expense in HY2017 was comparable to that in HY2016 due to the write back of withholding tax provision in the preceding period.

As a result of the foregoing, the Group reported a higher net profit of HK\$10.2 million in HY2017 as compared to a net profit of HK\$6.4 million in HY2016.

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Consolidated statements of financial position

The Group's available-for-sale financial assets ("AFS") relate to the Group's investment of HK\$20.0 million by way of preference shares in the capital of customers, and were reflected at a fair value of HK\$25.9 million as at 30 June 2017, based on the valuation provided by an independent valuer.

The Group's total loans and advances, mainly to customers in Australia and the PRC, amounted to HK\$103.2 million as at 30 June 2017, all of which are current. The Group's loan portfolio at HK\$103.2 million, mainly denominated in A\$, was higher as at 30 June 2017 compared to HK\$100.5 million as at 31 December 2016, mainly due to higher loan amount in HK\$ as a result of the appreciation of A\$ against HK\$, partially offset by loan repayment by borrower / underwriter.

The Group's other receivables as at 30 June 2017 consisted mainly of interest and dividend income receivables. The Group's other receivables were higher at HK\$39.7 million as at 30 June 2017 (including a provision for impairment of HK\$12.9 million) as compared to HK\$35.4 million as at 31 December 2016 (including a provision for impairment of 12.0 million) 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 financial assets at fair value through profit or loss of the Group relate to the Group's investments in short term financial instruments using cash on hand pending further financing and investment opportunities. The Group has disposed the investment in short term financial instruments in early 2017.

Other payables and accrued liabilities of the Group were lower at HK\$6.3 million as at 30 June 2017 as compared to HK\$7.3 million as at 31 December 2016 due to lower accrual of expenses following payment of most of the accrued expenses for FY2016 in HY2017.

Consolidated statements of cash flow

The Group's cash and cash equivalents stood at HK\$11.1 million as at 30 June 2017.

The Group had net cash generated from the operating activities of HK\$7.4 million in HY2017 due mainly to redemption of capital in AFS by one of the customers in HY2017.

The Group's net cash generated from investing activities in HY2017 relates mainly to the disposal of the Group's investment in short term financial instruments.

The Group's net cash used in financing activities of HK\$2.0 million in HY2017 relates to the payment of the first and final dividend in respect of FY2016.

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 2017.

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11 Dividend

(a) Current Financial Period Reported On

Any dividend declared 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 Not applicable

(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 2017.

13 If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

The Company did not obtain any general mandate from its shareholders for interested person transactions. The Group did not enter into any IPT of more than S\$100,000 during HY2017.

14 Negative confirmation pursuant to Rule 705(5)

Confirmation by the board of directors pursuant to Rule 705(5) of the SGX-ST Listing Manual Section B: Rules of Catalist

We, Ong Chor Wei @ Alan Ong and Kwok Chin Phang, hereby confirm on behalf of the board of directors of Net Pacific Financial Holdings Limited that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Group for the half year ended 30 June 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directorss

Ong Chor Wei @ Alan Ong
Chief Executive Officer

Kwok Chin Phang
Chief Operating 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

11 August 2017

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 Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg)