

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Half Year Financial Statement Announcement for the period ended 30 June 2020

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		
	HY2020 HK\$'000	HY2019 HK\$'000	% + / (-)
Revenue ⁽¹⁾	1,754	1,916	(8)
Other income ⁽²⁾	43	635	(93)
Marketing and distribution costs	(4)	(59)	(93)
Administrative expenses	(3,149)	(3,740)	(16)
Other expenses ⁽³⁾	(1,447)	(416)	NM
Loss before taxation	(2,803)	(1,664)	68
Income tax expense	(227)	(81)	NM
Loss for the period and attributable to the equity holders of the company	(3,030)	(1,745)	74
Loss representing comprehensive income for the period and attributable to the equity holders of the company	(3,030)	(1,745)	74

NM: Not meaningful

Notes to the consolidated income statement

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

	Group		
	HY2020 HK\$'000	HY2019 HK\$'000	% + / (-)
<i>(1) Revenue consists of</i>			
Interest income from Financing Business	1,754	1,916	(8)
<i>(2) Included in other income are:</i>			
Gain on disposal of financial assets at fair value through profit or loss ("FVTPL")	-	489	NM
Interest income from fixed deposit	23	140	(84)
Other income	20	6	233
	43	635	(93)
<i>(3) Included in other expenses are:</i>			
Foreign exchange losses	(1,441)	(416)	NM
Interest expense on lease liabilities	(6)	-	NM
	(1,447)	(416)	NM
Depreciation of plant and equipment	(5)	(5)	-
Depreciation of right-of-use assets	(38)	-	NM

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 30/06/20 HK\$'000	As at 31/12/19 HK\$'000	As at 30/06/20 HK\$'000	As at 31/12/19 HK\$'000
ASSETS				
<u>Non-Current Assets</u>				
Plant and equipment	10	15	10	15
Other receivables	3,673	6,501	-	-
Right-of-use assets	217	255	217	255
Investment in subsidiaries	-	-	1,069	1,069
Total Non-Current Assets	3,900	6,771	1,296	1,339
<u>Current Assets</u>				
Loans and advances	53,252	55,056	-	-
Financial assets, at fair value through other comprehensive income ("FVOCI")	445	1,645	-	-
Other receivables	14,133	12,256	130	61
Amounts due from subsidiaries	-	-	91,088	95,125
Cash and cash equivalents	35,273	34,470	2,467	2,557
Total Current Assets	103,103	103,427	93,685	97,743
Total Assets	107,003	110,198	94,981	99,082
EQUITY AND LIABILITIES				
<u>Capital and Reserves</u>				
Share capital	145,105	145,105	145,105	145,105
Share option reserve	340	340	340	340
Fair value reserves	(54)	(54)	-	-
Accumulated losses	(41,615)	(38,585)	(53,305)	(49,161)
Total Equity	103,776	106,806	92,140	96,284
<u>Non-Current Liabilities</u>				
Lease liabilities	151	189	151	189
Total Non-Current Liabilities	151	189	151	189
<u>Current Liabilities</u>				
Other payables	2,744	2,721	2,586	2,499
Lease liabilities	73	71	73	71
Current tax payable	259	411	31	39
Total Current Liabilities	3,076	3,203	2,690	2,609
Total Liabilities	3,227	3,392	2,841	2,798
Total Equity and Liabilities	107,003	110,198	94,981	99,082

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

As at 30 June 2020		As at 31 December 2019	
Secured HK\$'000	Unsecured HK\$'000	Secured HK\$'000	Unsecured 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	
	HY2020 HK\$'000	HY2019 HK\$'000
<u>Cash flows from operating activities:</u>		
Loss before taxation	(2,803)	(1,664)
Adjustments for:		
Depreciation of plant and equipment	5	5
Depreciation of right-of-use assets	38	-
Gain on disposal of financial assets, at FVTPL	-	(489)
Interest income	(1,777)	(2,056)
Interest expense on lease liabilities	6	-
Operating loss before changes in working capital changes	(4,531)	(4,204)
Changes in loans and advances	1,804	3,994
Changes in other receivables	2,057	(311)
Changes in other investments	-	4,156
Changes in other payables	24	(2,706)
Cash (used in) / generated from operating activities	(646)	929
Interest income received	670	1,872
Dividend income received	-	844
Income tax paid	(379)	(22)
Net cash (used in) / generated from operating activities	(355)	3,623
<u>Cash flows from investing activities:</u>		
Proceeds from redemption of financial assets, at FVOCI	1,200	-
Net cash generated from investing activities	1,200	-
<u>Cash flows from financing activities:</u>		
Payment of principal portion of lease liabilities	(36)	-
Interest paid	(6)	-
Net cash used in financing activities	(42)	-
Increase in cash and cash equivalents	803	3,623
Cash and cash equivalents at beginning of the financial period	34,470	27,752
Cash and cash equivalents at end of the financial period	35,273	31,375

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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	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
As at 1 January 2019	145,105	340	1,329	(28,178)	118,596
Total loss and comprehensive income for the period *	-	-	-	(1,745)	(1,745)
As at 30 June 2019	145,105	340	1,329	(29,923)	116,851
As at 1 January 2020	145,105	340	(54)	(38,585)	106,806
Total loss and comprehensive income for the period *	-	-	-	(3,030)	(3,030)
As at 30 June 2020	145,105	340	(54)	(41,615)	103,776

	Share Capital	Share Option Reserve	Accumulated Losses	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Company			
As at 1 January 2019	145,105	340	(2,968)	142,477
Total loss and comprehensive income for the period *	-	-	(1,528)	(1,528)
As at 30 June 2019	145,105	340	(4,496)	140,949
As at 1 January 2020	145,105	340	(49,161)	96,284
Total loss and comprehensive income for the period *	-	-	(4,144)	(4,144)
As at 30 June 2020	145,105	340	(53,305)	92,140

* 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, subdivision, consolidation, 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 2019 and 30 June 2020.

Share Options

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 / Maximum number of Shares to be issued upon exercise of the Options as at 30 June 2019	Number of Options lapsed / cancelled during HY2020	Maximum number of Shares to be issued upon exercise of the Options outstanding as at 30 June 2020	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 2020 and 30 June 2019.

- 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 30/06/20	As at 31/12/19
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 2020 and 31 December 2019.

- 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 2020.

- 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 2020.

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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 auditor.

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

Not applicable.

3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: - (a) Updates on the efforts taken to resolve each outstanding audit issue; and (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

The basis for the qualified opinion in the annual report for the financial year ended 31 December 2019 was as follows. For details, please refer to Independent Auditors Report for the year ended 31 December 2019 (announced on 15 April 2020).

(1) Accuracy and recoverability of the principal loans to Australian borrowers

Efforts taken to resolve:

The Company is in negotiation with the remaining three (3) borrowers located in Australia and will make subsequent announcements to update its shareholders when there are material developments. The aggregate outstanding principal amounts of these three loans is HK\$24.55 million as at 30 June 2020.

(2) Recoverability of amounts due from a subsidiary - Company level

The Company has recomputed the recoverable amount and noted the impairment has no impact on the Group's results for HY2020.

The Board is of the view that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. The Company will work diligently with the auditors to appropriately account for these issues during the upcoming audit for the financial year ending 31 December 2020.

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 2019, 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 and the Company have adopted the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") and Interpretations of Singapore Financial Reporting Standards (International) ("INT SFRS(I)") that are mandatory for the financial period beginning on 1 January 2020 as follows:

- Amendments to SFRS(I) 3 Definition of a Business
- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 Definition of Material
- Revised Conceptual Framework for Financial Reporting
- Amendments to SFRS(I) / IFRS 7, SFRS(I) / IFRS 9 and SFRS(I) 1-9 / IAS 39 Interest Rate Benchmark Reform

The adoption of these new/revised SFRS(I), INT SFRS(I) and amendments to SFRS(I) has no material impact on the financial performance or position of the Group and the Company.

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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	
	HY2020	HY2019
- Basic (Hong Kong cents)	(0.58)	(0.33)
- Diluted (Hong Kong cents)	(0.58)	(0.33)

Basic (loss) / earnings per ordinary share in HY2020 was computed based on 525,630,328 shares (HY2019 : 525,630,328 shares) being the weighted average number of ordinary shares in issue during HY2020.

Diluted (loss) / earnings per ordinary share in HY2020 was computed based on 525,630,328 being the weighted average number of ordinary shares in issue during HY2020 (HY2019: 525,630,328 shares). The outstanding Options have no dilutive effect on the loss per ordinary share for HY2010 and 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 30/06/20	As at 31/12/19	As at 30/06/20	As at 31/12/19
Net asset value per ordinary share (Hong Kong cents)	19.74	20.32	17.53	18.32

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 2020 (31 December 2019: 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 in the half year ended 30 June 2020 ("**HY2020**"), as compared to the half year ended 30 June 2019 ("**HY2019**") due mainly to lower interest income from lower loan portfolio following repayment by certain borrowers.

Other income was lower in HY2020 due to (a) lower interest income from fixed deposit as interest rates for fixed deposits decreased, and (b) a gain of HK\$0.49 million in HY2019 arising from the disposal of financial assets at fair value through profit or loss ("**FVTPL**"). There was no such gain in HY2020 as the Group had disposed its investment in the financial assets at FVTPL to an external party in 2019.

Total operating expenses of the Group (comprising marketing and distribution costs and administrative expenses) was lower in HY2020 mainly due to lower payroll related expenses as a result of paycut measure with effect from 1 January 2020. This was partially offset by higher professional fees incurred in relation to the negotiation of the remaining three Australian loans with the borrowers.

Other expenses in HY2020 relates mainly to the foreign exchange loss of HK\$1.44 million arising from the revaluation of the Group's loan portfolio denominated in Australian Dollars ("**AUD**") as a result of depreciation of AUD against HK\$ in HY2020.

The Group's income tax expense was lower in HY2019 due to a write-back of over provision of income tax expenses in prior years.

As a result of the foregoing, the Group reported a loss of HK\$3.03 million in HY2020 as compared to a net loss of HK\$1.75 million in HY2019.

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Consolidated statements of financial position

The Group's total loans and advances, mainly to customers in Australia and the PRC, amounted to HK\$53.25 million as at 30 June 2020, all of which are current. The Group's loan portfolio as at 30 June 2020 was lower mainly due to repayment by certain borrowers.

The Group's investment in financial assets at fair value through other comprehensive income ("FVOCI") were reflected at a fair value of HK\$0.45 million as at 30 June 2020 based on the valuation provided by an independent valuer. The lower amount as at 30 June 2020 was mainly due to partial redemption of capital in HY2020.

The Group's other receivables, both current and non-current, were lower mainly due to progressive repayment by the purchaser of the Group's FVTPL. The non-current portion makes up a lower portion of total other receivables as at 30 June 2020 following the repayment.

Consolidated statements of cash flow

Net cash used in the operating activities was HK\$0.35 million in HY2020 due mainly to the operating loss of HK\$4.53 million being partially offset with repayment by certain borrowers and purchaser of the Group's FVTPL.

Net cash generated from investing activities of HK\$1.20 million in HY2020 relates to the partial redemption of capital in the Group's investment in FVOCI in HY2020.

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

The economic uncertainty brought about by the COVID-19 pandemic affects the financials of potential and existing customers. The Company is monitoring the development closely with no exceptional issues noted at the moment.

The prospects of the Australian property market continue to weaken in light of the global economic uncertainties and the Group had ceased to increase its exposure in Australia to focus on the negotiations with the remaining borrowers to recover its loans.

As the world continues its fight against the COVID-19 outbreak, the Directors are mindful of the challenging market sentiment and have been making effort to ensure that the Group's investment and credit risks are well managed. The Directors will continue to be prudent in deploying capital as well as executing stringent due diligence for new borrowers in 2020.

The Group will continue to monitor the current COVID-19 situation while ensuring adequate liquidity and financial strength to sustain its operations and business growth.

11 Dividend

If a decision regarding dividend has been made:

(a) whether an interim (final) dividend has been declared (recommended); and

No dividend has been declared or recommended for HY2020

(b) Amount per share (cents) and previous corresponding period (cents)

Not applicable. No dividend was declared or recommended for previous corresponding period ended 30 June 2019.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable

(d) The date the dividend is payable

Not applicable

(e) The date on which Registrable Transfer received by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable

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

No dividend has been declared or recommended by the board of directors of the Company as the Group is loss-making in HY2020.

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 the financial period.

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

The board of directors confirms 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 2020 to be false or misleading in any material aspect.

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.

16 Additional information required pursuant to Rule 706A

Not applicable. The Company did not acquire and/or dispose shares in any companies during HY2020.

BY ORDER OF THE BOARD

Ong Chor Wei @ Alan Ong
Chief Executive Officer

13 August 2020

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)(b) 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 assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms. Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).