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

Every Effort Put In Will
Translate Into Gains

Annual Report 2018

This Annual Report 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 SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this Annual Report.

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

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CORPORATE PROFILE

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

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

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

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

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of Net Pacific Financial Holdings Limited ("**Net Pacific**"), and together with its subsidiaries (the "**Group**"), we are pleased to report the Group's business overview and key financial performance for the financial year ended 31 December 2018 ("**FY2018**").

During the year, the People's Republic of China (the "**PRC**") economic growth came in at 6.6% - the slowest pace since 1990. Despite the lower growth and trade tensions with the United States, the PRC's economy had shown a slowing but stabilising trend, which was largely driven by domestic demand as reported by CNBC[1]. Economists are of the view that the Chinese economy will continue to stabilize as the Chinese Government rolls out stimulus policies to help and drive domestic businesses and demand. This includes structural changes to the PRC's financing activities for small to medium sized companies as the Chinese Government deepens its domestic capital markets to support long-term institutional investors.

The property market in Perth, Western Australia, had weakened further through 2018, with values coming down by 17.8 per cent since its peak in 2014 according to the Smart Property Investment[2]. This was in line with weaker labour market and economic conditions, as well as tighter credit conditions.

In the markets that we operate in, namely in the PRC, Hong Kong Special Administrative Region of the PRC ("**HKSAR**") and Australia, we remained prudent in view of the challenging market conditions, as well as, the ever-changing geopolitical developments.

FY2018 Key Financial Review

Revenue from FY2018 was recorded at HK$3.7 million compared to HK$12.5 million in the financial year ended 31 December 2017 ("**FY2017**"). The decrease in revenue was mainly due to the absence of interest income from the loan portfolios in Australia. There was no dividend income from available-for-sale investment in FY2018 following the redemption arrangements with the customers in FY2017.

Other income in FY2018 was attributed to a gain of HK$4.0 million arising from the reclassification of the financial instruments from available-for-sale financial assets to financial assets at fair value through profit or loss. Other income in FY2017 refers mainly to foreign exchange gain of HK$8.6 million arising from the revaluation of the Group's loan portfolio denominated in Australian Dollars ("**AUD**") as a result of appreciation of AUD against HK$ in FY2017, as compared to foreign exchange loss of HK$10.1 million in FY2018 (classified under "Other Expenses").

Total operating expenses of the Group, which comprises marketing and distribution costs and administrative expenses was HK$1.2 million or 19% higher at HK$7.4 million in FY2018, as compared to the total operating expenses of HK$6.2 million in FY2017. This was mainly due to lower expenses in FY2017 due to the reversal of over accrual of certain expenses in prior years.

Other expenses of the Group comprised mainly of the following:

- Allowance for impairment loss of HK23.3 million in respect of the interest receivables of certain loan portfolio in Australia, which was the subject of the conditional agreement entered on 12 November 2017 between Jetwin Investments Pty Ltd ("**Jetwin**"), an intermediary for the Group's loan portfolio in Australia and three borrower companies in Australia ("**Conditional Agreement**"). The Company had on 14 November 2017 announced the Conditional Agreement, which is in relation to the conversion of loans of approximately AUD5,000,000 into shares of a partner company, subject to the satisfaction of various conditions including the successful listing of the shares of the partner company on the Australian Securities Exchange ("**ASX**"). Pursuant to the updates provided by the Group on 27 February 2018, 10 August 2018 and 28 February 2019 in its unaudited results announcements and 13 February 2019 on profit guidance, the proposed ASX listing of the partner company has been delayed. Subsequent to that, the Group learnt from the partner company that they had withdrawn the prospectus and would refresh its submission. However, to the best knowledge of the Company, there has been no further development to the proposed ASX listing since then up to the date of this annual report. No agreement has also been reached with the partner company on the next course of action. Therefore, for prudence, provision has been made on the interest receivable portion from the loans.
- Allowance for impairment loss of HK$11.9 million in respect of the outstanding loan principal and interest receivables of an Australian loan guaranteed by an underwriter. The Group had entered into a settlement agreement on 31 December 2016 with the underwriter to claim the remaining net carrying value of the loan in three instalments as the borrower in Australia had been placed under receivership in November 2016 (the "**Settlement**"). As disclosed in the Group's annual report for the financial year ended 31 December 2017, upon settlement of the first two instalments in 2017

1 https://www.cnbc.com/2019/01/21/china-2018-gdp-china-reports-economic-growth-for-fourth-quarter-year.html

2 https://www.smartpropertyinvestment.com.au/research/19319-what-s-the-full-impact-of-the-current-property-downturn

CHAIRMAN'S MESSAGE

pursuant to the Settlement, the Group has agreed with the underwriter that the final instalment shall be repaid in shares of the partner company upon the successful listing of the partner company on the ASX. As there has been no further development to the proposed ASX listing (as explained above), and no agreement has been reached with the underwriter on other settlement options, provision has been made on the final instalment due from the underwriter on a prudent basis.

- Foreign exchange loss of HK$10.1 million arising from the revaluation of the Group's loan portfolio denominated in AUD as a result of depreciation of AUD against HK$ in FY2018.
- Changes in fair value of HK$3.0 million relating to the financial assets at fair value through profit or loss.

The Group reported an income tax credit of HK$2.5 million in FY2018 mainly due to the write back of the withholding tax on the interest income which was explained above under "Other Expenses", as compared to the income tax expense of HK$1.0 million in FY2017.

As a result of the foregoing, the Group reported a loss of HK$45.2 million in FY2018 as compared to a net profit of HK$7.4 million in FY2017.

Navigating Through Challenges

Moving forward, the Chinese government will continue to initiate policies to further boost domestic demand and business activities. This includes measures to gradually ease credit lending for the private sector in order to build new industries through innovation and industrial upgrading to support the next phase of economic growth. Despite the current weak sentiment in the PRC and HKSAR markets, we believe these initiatives to support the private sector will eventually encourage small to medium sized companies to boost their business activities in the domestic market.

The outlook of the Australian property market will continue to slow-down and coupled with the uncertainty in the development for the existing loan portfolio, the Group will cease to increase its loan portfolio exposure to customers in Australia for now. The Group will focus on negotiations with the partner company on the recovery of the loan portfolio.

Key challenges such as geopolitics, cross-border trade tensions, and slowing economic growth will continue to be present in the global economy and the markets we operate in. As such, it is important for Net Pacific to remain prudent in order to navigate through challenges and continue to leverage on its established business network and management experience to identify and offer Net Pacific's financial services to companies mainly in the PRC and HKSAR.

In terms of investments and loans, the Group will remain mindful of the current market sentiment and will continue to ensure stringent due diligence process of probable investments before exercising investment decisions and in deploying capital disbursements in 2019.

The challenges in the major economies will continue to be mitigated by the various governments and policy makers, therefore, we expect the overall business outlook to remain weak. Nevertheless, the Group will remain steadfast in exercising prudence in reviewing its portfolio from time-to-time so as to assess credit risks in a timely manner to safeguard the Group's interests.

In relation to the Conditional Agreement, as there has been no development to the proposed ASX listing, the Group is still in discussion with the partner company to agree on the next course of action. The Group will provide further updates, as and when there are material developments arising from the negotiations with the partner company.

A Note of Appreciation

On behalf of the board, we would like to extend our thanks to our valued shareholders through the years. It is also our pleasure to extend our gratitude to our directors, management, staff, business partners and associates for their commitment and support albeit the tough business conditions. Together, we will navigate Net Pacific through the challenges and strive for greater growth.

Thank you.

Zhou Wen Jie / Non-Independent Non-Executive Chairman

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

BOARD OF DIRECTORS

ZHOU WEN JIE
Non-Independent Non-executive Chairman

Mr Zhou Wen Jie was first appointed to the Board on 25 February 2013. Mr Zhou was last re-elected as a Director on 25 April 2018.

Mr Zhou is currently the executive director of Zibao Metals Recycling Holdings Plc ("**Zibao**"), a company trading on the Alternative Investment Market, a market operated by the London Stock Exchange Plc. With over 17 years of experience in the industry of recycling of ferrous and non-ferrous metals, Mr Zhou also holds non-executive directorships in various companies involved in the metal recycling business. In addition, he also invests in property developments and investments in the People's Republic of China ("**PRC**") and Australia, private equity funds in the PRC, fund management and metal recycling related businesses.

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

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

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

Mr Ong Chor Wei was first appointed to the Board on 8 February 2010. Mr Ong was last re-elected as a Director on 27 April 2017.

Mr Ong is currently an executive director on a part-time basis of Zibao and a non-executive director of Joyas International Holdings Limited (a company listed on the SGX-ST). Mr. Ong is also an independent non-executive director of Nameson Holdings Limited, Man Wah Holdings Limited, O-Net Technologies (Group) Limited, Denox Environmental & Technology Holdings Limited and Smart Globe Holdings Limited respectively, all of which are listed on The Stock Exchange of Hong Kong Limited ("**SEHK**"). Mr. Ong is also a non-executive director of Prosperous Printing Company Limited, a company listed on SEHK. Previously, Mr Ong was a non-executive director of Hong Wei (Asia) Holdings Company Limited (a company listed on the Growth Enterprise Market of the SEHK) from 2013 to 2016 and Vico International Holdings Limited, a company listed on SEHK from 2017 to February 2019. Mr Ong was also the non-executive director of Jets Technics International Holdings Limited (a company listed on the SGX-ST) from 2004 to 2013.

Mr Ong has over 28 years of experience in finance and accounting. He holds a Bachelor of Laws degree from The London School of Economics and Political Science, University of London. He also holds a distance learning degree in Masters in Business Administration jointly awarded by The University of Wales and The University of Manchester. Mr Ong is an associate member of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

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

BEN LEE
Non-Independent Non-Executive Director

Mr Ben Lee was first appointed to the Board as the Non-executive Chairman on 8 February 2010 and was re-designated as a Non-executive Director in February 2013. He was last re-elected as a Director on 27 April 2017. Mr Lee is also appointed as a member of Nominating Committee on 13 June 2018.

Mr Lee is currently the executive chairman of Wang Kei Yip Development Limited. He has over 16 years of experience in the industry of recycling of ferrous and non-ferrous metals and has extensive relationship with major metal recycling companies in the world. He founded various companies involved in the metal recycling business in the PRC and Hong Kong and holds directorship in some of these companies.

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

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

CHIN FOOK LAI
Non-Independent Non-executive Director

Mr Chin Fook Lai was first appointed to the Board on 9 January 2003. Mr Chin was last re-elected as a Director on 28 April 2016.

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

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

CHEUNG KING KWOK
Lead Independent Non-Executive Director

Mr Cheung King Kwok was first appointed to the Board on 28 April 2015. Mr Cheung was last re-elected as a Director on 25 April 2018. Mr Cheung is also the chairman of the Audit Committee, Risk Management Committee and Nominating Committee and a member of the Remuneration Committee of the Company.

Mr Cheung is currently the managing director of DJS Financial Management Pte Ltd, a company which provides corporate training and financial consultancy services. Mr Cheung is also an independent non-executive chairman of Joyas International Holdings Limited (a company listed on the SGX-ST). From 2004 to 2013, Mr Cheung had served as an independent director of Jets Technics International Holdings Limited (a company listed on the SGX-ST). In 1991, Mr Cheung joined The Grande Holdings Limited ("Grande") (a company listed on the SEHK) as its chief financial officer of one of its division where he was in charge of financial and treasury management. From 1992 to 1997, Mr Cheung was the finance director of Grande, in charge of financial and treasury management, mergers and acquisitions. From 1997 to 2001, Mr Cheung was the executive director of Grande where he was responsible for management, strategic planning and corporate restructuring. He was also appointed directors of various listed subsidiaries of Grande, including Lafe International Holdings Limited (now known as Lafe Corporation Limited) (a company listed on the SGX-ST). From 1984 to 1990, Mr Cheung was an audit manager and senior audit manager of Coopers and Lybrand where he carried out audit, investigations and due diligence reviews.

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

FRANCIS LEE FOOK WAH
Independent Non-Executive Director

Mr Francis Lee Fook Wah was appointed to the Board on 17 May 2012. Mr Lee was last re-elected as a Director on 27 April 2017. Mr Lee is also the chairman of the Remuneration Committee and a member of the Audit Committee, the Risk Management Committee and the Nominating Committee of the Company.

Mr Lee is also currently an independent director of two other companies listed on the SGX-ST, namely Sheng Siong Group Ltd and Asiaphos Limited. Mr Lee is also a director of Wise Alliance Investments Ltd, a private equity investment company. Mr Lee has also been appointed the chief financial officer Vibrant Group Limited with effect on 1 April 2019. Mr Lee was the chief financial officer of OKH Global Ltd, a company listed on the SGX-ST, from 2014 to 2017. Mr Lee had also served as an independent director of Jes International Holdings Limited from 2012 to 2014 and Metech International Limited from 2012 to March 2019, all of which are listed on the SGX-ST.

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

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

WU HOUGUO
Independent Non-Executive Director

Mr Wu Houguo was first appointed to the Board on 25 February 2013. Mr Wu was last re-elected as a Director on 25 April 2018. Mr Wu is also a member of the Audit Committee, the Risk Management Committee, the Nominating Committee and the Remuneration Committee of the Company.

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

Prior to that, from 2005 to 2008, Mr Wu was the chief asset manager with Goal Achievers Limited (a subsidiary of Credit Suisse), principally engaged in non-performing assets, reorganization, financing and other related activities, and from

1997 to 2005, the vice president of the assets security branch of the Bank of China Limited, principally responsible for credit management.

CHUNG WAI MAN
Independent Non-Executive Director

Mr Chung Wai Man was first appointed to the Board on 13 June 2018. Mr Chung is also a member of the Nominating Committee of the Company.

Mr Chung is an independent non-executive director of E Lighting Group Holdings Limited, a company listed on SEHK. Previously. Mr Chung was an independent non-executive director (from 2015 to 2016) and non-executive director (2017) of Legend Strategy International Holdings Group Company Limited and executive director of Silver Base Group Holdings Limited from 2007 to 2010, all of which are listed on SEHK.

Mr Chung is currently the chief financial officer of China Taihe Group Limited, a private investment holding company in Hong Kong. He has over 29 years of experience in accounting, taxation and finance and previously took the position of chief financial officer of companies listed on SEHK, including, Legend Strategy International Holdings Group Company Limited (2016 to 2017), and Silver Base Group Holdings Limited (2004 to 2010).

Mr. Chung obtained a Bachelor's degree (honours) in social sciences from the University of Hong Kong in 1989 and a Master's degree in international business management from the City University of Hong Kong in 1998. Mr. Chung is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

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

WONG CHUN HUNG
Independent Non-Executive Director

Mr Wong Chun Hung was first appointed to the Board on 13 June 2018. Mr Chung is also a member of the Remuneration Committee of the Company.

Mr Wong has over 10 years' experience in accounting, auditing and consulting. He has been the director of B&C Finance and Corporate Advisory Limited since 2005 and executive director of China Environmental Energy Investment Limited. He is also an independent non-executive director of Asia Pacific Silk Road Investment Co. Ltd. (formerly known as Pacific Plywood Holdings Limited), China Healthcare Enterprise Group Limited and Landing International Development Limited, all of which are listed on SEHK.

Mr. Wong graduated from Hong Kong Baptist University with a Bachelor Degree in Accounting. He is a member of the Hong Kong Institute of Certified Public Accountants.

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

MANAGEMENT TEAM

KWOK CHIN PHANG
Chief Operating Officer

Mr Kwok Chin Phang is the Chief Operating Officer of the Company. Mr Kwok is primarily responsible for implementing the Group's strategies and business plans and exploring suitable opportunities in the financing business. Mr Kwok has on 13 June 2018 resigned as an Executive Director of the Company, which he was first appointed in 2010 and he is currently a member of the Credit Committee.

Mr Kwok is currently a non-executive director of Zibao, and a non-executive director of Joyas International Holdings Ltd (a company listed on the SGX-ST). Mr Kwok was under the employment of Nomura Singapore Limited from May 1994 to June 2009 and has more than 18 years of experience in the investment banking industry. He has extensive experience in the areas of capital market, corporate advisory and merger and acquisitions.

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

MANAGEMENT TEAM

CHEUNG TING CHOR
Head of Credit

Mr Cheung Ting Chor is the Head of Credit of the Company since 2010 on a part time basis. Mr Cheung is primarily responsible for establishing and developing its financing business and assessing credit proposals. Mr Cheung has on 13 June 2018 resigned as a Non-Executive Director, which he was first appointed in 2013 and he is currently a member of the Credit Committee.

Mr Cheung is currently the chief financial officer of Wan Kee Group Holdings Limited ("WK"), and is responsible for the overall financial and accounting affairs of WK and its subsidiaries ("WK Group") since 2017. Mr Cheung was the chief financial officer of Wang Kei Yip ("WKY"), responsible for the overall financial and accounting affairs of WKY and its subsidiaries from 2011 to 2017.

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

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

CHONG KIAN LEE
Financial Controller / Company Secretary

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

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

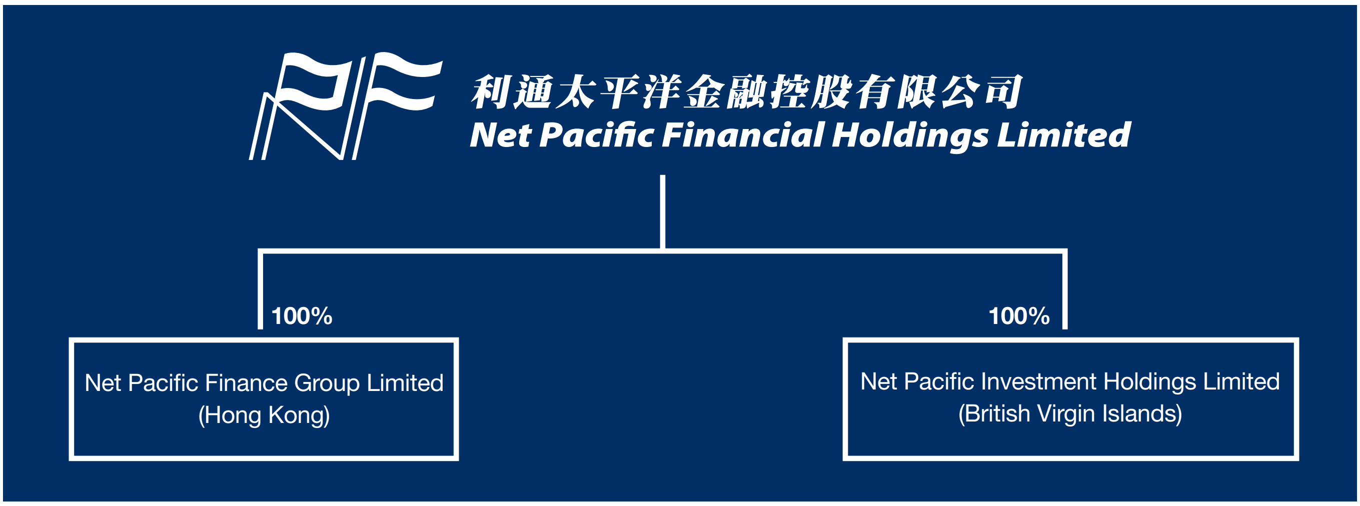
CHIN NYOK TOW
Administrative Manager

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

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

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

CORPORATE STRUCTURE



CORPORATE GOVERNANCE REPORT

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

The board of directors (the "**Board**") set out in this report the Company's corporate governance framework and practices in place in respect of the financial year ended 31 December 2018 ("**FY2018**") with specific references made to each of the principles of the Code, the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**") and the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"). The Company had complied with the principles, guidelines and rules as set out in the Code, the Guide and the Catalist Rules, where applicable. Appropriate explanations will be provided in the relevant sections below where there are deviations from the Code and/or the Catalist Rules.

BOARD MATTERS

Principle 1 The Board's Conduct of its Affairs

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

Name	Position	Composition of Board Committees • C - Chairman • M - Member			
		AC	RMC	RC	NC
Zhou Wen Jie	Non-Independent Non-Executive Chairman	–	–	–	–
Ong Chor Wei @ Alan Ong	Executive Director and Chief Executive Officer	–	–	–	–
Ben Lee	Non-Independent Non-Executive Director	–	–	–	M
Chin Fook Lai	Non-Independent Non-Executive Director	–	–	–	–
Cheung King Kwok	Lead Independent Non-Executive Director	C	C	M	C
Francis Lee Fook Wah	Independent Non-Executive Director	M	M	C	M
Wu Houguo	Independent Non-Executive Director	M	M	M	M
Chung Wai Man (1)	Independent Non-Executive Director	–	–	–	M
Wong Chun Hung (1)	Independent Non-Executive Director	–	–	M	–

Notes:-

(1) Mr Chung Wai Man and Mr Wong Chun Hung were appointed as Directors on 13 June 2018.

(2) The AC and RMC comprises 3 members, all of whom, including the Chairman, are independent non-executive Directors.

(3) The NC comprises 5 members, all of whom including the Chairman but excluding Mr Ben Lee, are independent non-executive Directors. The Lead Independent Director is the Chairman of the NC.

(4) The RC comprises 4 members, all of whom, including the Chairman, are independent non-executive Directors.

The number of Board and various Board Committee meetings held in FY2018 and the attendance are as follows:

	Board	AC	RMC	RC	NC
Number of meetings held in FY2018	2	2	2	1	3
Name of Directors					
Zhou Wen Jie	2	^2	^2	^1	^1
Ong Chor Wei @ Alan Ong	2	^2	^2	^1	^3
Ben Lee	2	^2	^2	^1	^1
Chin Fook Lai	2	^2	^2	^1	^1
Cheung King Kwok	2	2	2	1	3
Francis Lee Fook Wah	2	2	2	1	3
Wu Houguo	2	2	2	1	3
Chung Wai Man (1)	1	^1	^1	–	–
Wong Chun Hung (1)	1	^1	^1	–	–
Kwok Chin Phang (2)	1	^2	^2	^1	^1
Cheung Ting Chor(2)	1	^2	^2	^1	^1

^ By invitation

Notes:-

(1) Mr Chung Wai Man and Mr Wong Chun Hung were appointed as Directors on 13 June 2018, and they had attended all meetings of the Board in FY2018 since their appointment.

(2) Mr Kwok Chin Phang and Mr Cheung Ting Chor resigned as Directors on 13 June 2018, and they had attended all meetings of the Board in FY2018 before resignation.

CORPORATE GOVERNANCE REPORT

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

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

Updates on corporate governance and/or new regulations and changing commercial risks which are relevant to the Group are circulated to all Board members by the Company Secretaries on a regular basis. Directors are constantly kept abreast of development on the accounting standards and regulatory updates that are of relevance to the Group through articles, reports and updates from the auditors and Company Secretaries, and participation in seminars and workshops. During FY2018, briefings were provided by the external auditors to the Audit Committee members and the Board on the new developments and changes in accounting standards. The Chief Executive Officer and Chief Operating Officer routinely updates the Board at Board meetings on business and strategic development relating to the Company's business operations and the industry that the Company is operating in. Mr Chung Wai Man and Mr Wong Chun Hung who were appointed during FY2018 had attended the training course, (LED1 - Listed Entity Director Essentials) organised by the Singapore Institute of Directors.

Principle 2 Board Composition and Guidance

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

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

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

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

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

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

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

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

The Board reviews the size of the board regularly, taking into consideration the nature and scope of business as well as the current and future plans of the Group, and is of the view that the current Board size of nine (9) Directors, of which five (5) are Independent Directors, is appropriate and effective. The NC is of the view that the current Board, with Independent Directors making up majority of the Board, has a strong and independent element to exercise objective judgment on corporate affairs independently from management.

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

The Independent Directors, namely Mr Cheung King Kwok, Mr Francis Lee Fook Wah, Mr Wu Houguo, Mr Wong Chun Hung and Mr Chung Wai Man have confirmed that they do not have any relationship with the other Directors, the Company, its related companies or its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company. None of the existing Independent Directors has served on the Board beyond nine (9) years from the date of their first appointment. For FY2018, the NC has reviewed and determined that the existing Independent Directors, namely Mr Cheung King Kwok, Mr Francis Lee Fook Wah, Mr Wu Houguo, Mr Wong Chun Hung and Mr Chung Wai Man are all independent.

To facilitate more effective check on the management, Non-Executive Directors and Independent Directors are encouraged to meet regularly without the presence of the management. The Non-Executive Directors have met without the presence of the Management in FY2018. They also review the performance of the Group's management team in meeting agreed goals and objects and monitor the reporting of performance.

Principle 3 Chairman and Chief Executive Officer

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

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

In particular, the Chairman's duties include:

(i) setting out the corporate directions of the Company;

(ii) leading the Board to ensure its effectiveness on all aspects of its role;

(iii) setting the agenda for Board meetings and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

(iv) promote a culture of openness and debate at the Board;

(v) ensuring accurate, timely and clear information flow to Directors;

(vi) ensuring effective Shareholders' communication;

(vii) encouraging constructive relations between the Board and Management;

(viii) facilitating effective contribution of Non-Executive Directors;

(ix) encouraging constructive relations between the Executive Director and Non-Executive Directors; and

(x) promoting high standards of corporate governance.

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

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

In view that the Chairman of the Board, Mr Zhou Wen Jie is not independent, the Board has appointed Mr Cheung King Kwok as the Lead Independent Director to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the Independent Directors and the Chairman. He is available to the Shareholders where they have concerns which contact through the normal channels of the Chairman and CEO or Financial Controller has failed to resolve or is inappropriate.

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

Principle 4 Board Membership
Principle 5 Board Performance

The NC comprises the following members, all of whom, including the Chairman of the NC but excluding Mr Ben Lee, are Independent Directors:

Name	Position
Cheung King Kwok	Chairman, Lead Independent Non-Executive Director
Francis Lee Fook Wah	Member, Independent Non-Executive Director
Wu Houguo	Member, Independent Non-Executive Director
Chung Wai Man	Member, Independent Non-Executive Director
Ben Lee	Member, Non-Independent Non-Executive Director

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

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

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

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The NC takes into account the results of the assessment of the effectiveness of the individual Director, and their actual conduct on the Board, in making the determination, and is satisfied that for FY2018, all Directors who had multiple board representations and other principal commitments had adequately discharged their duties. The NC evaluates the Board's performance as a whole, which takes into consideration the Board's conduct of meetings, maintenance of independence, board accountability, communication with management, etc. The NC also assesses the performance of individual Directors based on their attendance record at the meetings of the Board and Board Committees, their quality of participation at meetings as well as any outstanding contributions.

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

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

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

During FY2018, the Board has not engaged any external facilitator to advise on assessment processes or related matters.

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

The NC has recommended to the Board the re-election of Mr Ong Chor Wei @ Alan Ong, Mr Ben Lee and Mr Chin Fook Lai who are retiring by rotation at the forthcoming AGM pursuant to Regulation 89 of the Constitution as well as Mr Wong Chun Hung and Mr Chung Wai Man who will cease to hold office pursuant to Regulation 88 of the Constitution at the forthcoming AGM. The Board, to the best of their knowledge, is not aware of any relationships (including immediate family relationships) between Directors who are recommended to the Board to stand for re-election at the forthcoming AGM and the rest of the Directors save for Mr Ben Lee, who is the brother-in-law of Mr Zhou Wen Jie, a Non-Independent Non-Executive Chairman and controlling Shareholder of the Company.

Other key information in relation to the retiring Directors and the Directors who will cease to hold office at the forthcoming AGM of the Company pursuant to Rule 720(5) of the Catalist Rules and Guideline 4.7 of the Code can be found in pages 3 to 5 and 22 to 30 of this Annual Report.

Principle 6 Access to Information

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

All Directors have separate and independent access to the Company Secretaries and key management personnel at all times to obtain additional information or explanations. Under the direction of the Chairman, the Company Secretaries' responsibilities include ensuring good information flows within the Board and Board Committees and between the senior management and Non-Executive Directors and advising the Board on all governance matters. The Company Secretaries also facilitate orientation and assist with professional development as and when required. The Company Secretaries attend all meetings of the Board and

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ensure that board procedures, applicable rules and regulations are followed. The Company Secretaries also attend all meetings of the Board and the Board Committees. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

Principle 7 Remuneration Matters

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

Name	Position
Francis Lee Fook Wah	Chairman, Independent Non-Executive Director
Cheung King Kwok	Member, Lead Independent Non-Executive Director
Wu Houguo	Member, Independent Non-Executive Director
Wong Chun Hung	Member, Independent Non-Executive Director

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

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

The RC has access to internal and external expert and/or professional advice on human resource and remuneration of all Directors, among other matters, whenever there is a need for such consultation. During FY2018, the RC has not engaged any external remuneration consultant to advise on remuneration matters.

There were no Directors involved in voting and discussions on any resolutions in respect of his own remuneration package.

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

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

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

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The key management personnel of the Group were paid a fixed salary and an annual incentive bonus. The employment contracts of the key management personnel are not excessively long or with onerous removal clauses. The employment contracts of the key management personnel may be terminated by the Company or the key management personnel by giving not less than one (1) months' written notice of such termination.

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

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

The recommended Directors' fees of S$165,500 by the RC for FY2018 was determined on the same basis as those of FY2017. The Directors' fees include a base fee of S$17,500 for each Director and additional fees of S$4,000 to the Chairmen of AC, RMC, NC and RC for assuming additional responsibilities.

The Board has duly accepted the RC's recommendations on the Directors' fees and is proposing the same for approval by Shareholders at the forthcoming AGM. Save for Directors' fees which are subject to the approval of the Shareholders at every AGM, the Independent Directors and Non-Executive Directors do not receive any remuneration from the Company, except for Mr Cheung Ting Chor, who will receive an annual performance bonus of S$49,500 in respect of his performance in FY2018 as he is also the Head of Credit for the Group's financing business on a part-time basis.

The amount of remuneration (rounded to the nearest half-thousand dollars) for the Directors and mix of remuneration (in percentage terms) for the Directors, the CEO and the four (4) key management personnel (who are not also Directors or the CEO) of the Group in office during FY2018 are as follows:

Directors	**Amount of Remuneration (S$'000)**
Zhou Wen Jie (1)	17.5
Ong Chor Wei @ Alan Ong (1) (2)	187.5
Ben Lee (1)	17.5
Chin Fook Lai (1)	17.5
Cheung King Kwok (1)	21.5
Francis Lee Fook Wah (1)	21.5
Wu Houguo (1)	17.5
Wong Chun Hung (1) (3)	9.5
Chung Wai Man (1) (3)	9.5
Kwok Chin Phang (1) (4)	195.3
Cheung Ting Chor (1) (4)	57.5

Notes:

(1) The Directors' fees in respect of FY2018 are subject to Shareholders' approval at the forthcoming AGM.

(2) Ong Chor Wei @ Alan Ong is both an Executive Director and the CEO of the Company.

(3) Mr Chung Wai Man and Mr Wong Chun Hung were appointed to the Board on 13 June 2018. The amount set out in the table above represent the proposed remuneration payable to Mr Chung and Mr Wong for the period each of them had served as a Director for FY2018.

(4) Mr Kwok Chin Phang and Mr Cheung Ting Chor resigned as a Director on 13 June 2018. The amount set out in the table above includes the proposed remuneration payable to Mr Kwok and Mr Cheung for the period each of them had served as a Director for FY2018.

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Breakdown of remuneration[1]	Salary %	Bonus %	Fees[2] %	Other benefits %	Total %
Directors					
Zhou Wen Jie	–	–	100	–	100
Ong Chor Wei @ Alan Ong	64	27	9	–	100
Ben Lee	–	–	100	–	100
Chin Fook Lai	–	–	100	–	100
Cheung King Kwok	–	–	100	–	100
Francis Lee Fook Wah	–	–	100	–	100
Wu Houguo	–	–	100	–	100
Wong Chun Hung	–	–	100	–	100
Chung Wai Man	–	–	100	–	100
Key management personnel [3]					
Below S$250,000					
Kwok Chin Phang [4]	70	26	4	–	100
Cheung Ting Chor [5]	–	86	14	–	100
Chong Kian Lee	87	13	–	–	100
Chin Nyok Tow [6]	88	12	–	–	100

Notes:

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

(2) The Directors' fees in respect of FY2018 are subject to Shareholders' approval at the forthcoming AGM.

(3) The Company only has four (4) key management personnel.

(4) The annual remuneration package of Mr Kwok Chin Phang, who is the Chief Operating Officer of the Group, includes Directors' fees for the period he had served as a Director in FY2018 before his resignation as a Director on 13 June 2018.

(5) The annual remuneration package of Mr Cheung Ting Chor, who is the Head of Credit, includes Directors' fees for the period he had served as a Director in FY2018 before his resignation as a Director on 13 June 2018.

(6) Ms Chin Nyok Tow is the sister of Mr Chin Fook Lai, the Company's Non-Executive Director. Her remuneration was between S$50,000 to S$100,000 in FY2018.

The aggregate total remuneration paid to the four (4) key management personnel of the Group in FY2018 were S$462,000.

Save as disclosed above, there are no other employees who are immediate family members of a Director or the CEO, and whose remuneration exceeded S$50,000 during FY2018.

There were no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the key management personnel in FY2018, other than in compliance with the standard contractual notice period termination payment.

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

The Scheme also provides an opportunity for employees of the Group who have contributed to the growth and performance of the Group (including Executive and Non-Executive Directors) and who satisfy the eligibility criteria as set out under the rules of the Scheme, to participate in the equity of the Company. Controlling shareholders of the Company and their associates are also

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

During FY2018, there were no Options granted under the Scheme. Please refer to the Directors' Statement for more details on the Scheme.

Principle 11 Risk Management and Internal Controls

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

Risk Management

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

The RMC reviews and updates the Group's loan portfolio with the Credit Committee to understand the background of the borrowers and the risk exposure of the Group on a quarterly basis and whenever there are new loans submitted for review and approval. As at the date hereof, the Group's Credit Committee is headed by Mr Cheung Ting Chor and comprises four (4) other members, namely Mr Zhou Wen Jie, Mr Ong Chor Wei @ Alan Ong, Mr Kwok Chin Phang and Mr Ben Lee.

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

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

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The Board has also received assurance from the CEO and the Financial Controller:

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

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

Based on the internal controls established and maintained by the Group, works performed by the external auditors and the internal auditors, and reviews performed by management, various Board Committees and the Board, the Board is of the opinion, with the concurrence of the AC and RMC, that the Group's internal controls including financial, operational, compliance and information technology controls and risk management systems were adequate and effective as at 31 December 2018.

Principle 12 Audit Committee ("AC")

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The AC has met with the Company's external auditors without the presence of the management once (1) during FY2018 to review the scope and results of the audit, as well as the independence and objectivity of the external auditors. The fees relating to the provision of non-audit services payable to the corporate finance arm of the external auditors, Foo Kon Tan LLP, amounts to S$4,000 during FY2018, and the amount payable to the external auditors relating to the provision of audit services for FY2018 amounts to approximately S$95,000. The aggregate amount of fees paid to the external auditors, Foo Kon Tan LLP, for FY2018 amounted to S$99,000.

Having reviewed the non-audit services rendered by the external auditors for FY2018 as well as the fees paid, the AC is satisfied that the external auditors are independent and has recommended to the Board the re-appointment of Foo Kon Tan LLP as the Company's external auditors at the forthcoming AGM.

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

The members of the AC have the necessary accounting and financial expertise to deal with the matters that come before them. They attend courses and seminars to keep abreast of changes to accounting standards and other issues which may have a direct impact on financial statements, as and when necessary. During FY2018, the external auditors briefed the AC on new and changes in accounting standards.

Whistle blowing policy

The Company has incorporated a whistle-blowing policy by which employees may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters such as suspected fraud, corruption, and dishonest practices via mail to the registered office of the Company Secretary or email whistleblowing@netpac.com.sg. External parties may also raise their concerns, if any, to whistleblowing@netpac.com.sg. These reports are directed to the Chairman of the AC and the AC will be informed immediately of any whistle-blowing reports received. To ensure independent investigation into such matters and for appropriate follow-up action, all whistle-blowing reports are reviewed by the AC and the Board. In the event that the whistleblowing report is about a Director, that Director will not be involved in the review and any decisions with respect to that whistle-blowing report. The whistle-blowing policy aims to encourage the reporting of such matters in good faith, with the confidence that any employees making such reports will be treated fairly and be protected from reprisals. There was no whistle-blowing report received by the AC during FY2018.

Principle 13 Internal Audit

The Company has outsourced its internal audit function to an independent external professional accounting firm, David Ho & Company (with a primary line of reporting to the Chairman of the AC), which has met the Hong Kong Financial Reporting Standards set by the Hong Kong Institute of Certified Public Accountants for the review of internal controls of the Group in FY2018. The internal auditor has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC. The AC reviews at least annually the adequacy and effectiveness of the Group's risk management and internal control systems as well as internal audit function. During FY2018, the AC has reviewed and approved the internal audit plan to ensure the adequacy of the scope of the audit, met with the internal auditor to discuss on the findings and results of the internal audit work, and reviewed the effectiveness of actions taken by the management on the recommendations made by the internal auditor in this respect. The AC has also met with the Company's internal auditor once (1) without the presence of the management in FY2018.

CORPORATE GOVERNANCE REPORT

In view of the above, the AC has noted that the internal audits were conducted in an effective manner and the necessary co-operation had been provided by the Management to enable the independent auditor to perform its function. Accordingly, the AC is satisfied that the internal auditor is independent, effective, adequately resourced and has appropriate standing within the Company.

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Dealing in Securities

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

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

Material Contracts and Interested Person Transactions ("IPTs")

The Company has established procedures to ensure that all transactions with interested persons are reviewed by the AC on a timely basis and are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders. All IPTs will be subject to periodic reviews by the AC. The Company does not have general mandate for IPTs. The Company confirms that there was no IPT with S$100,000 and more in value during FY2018.

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

Conflicts of Interest

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

 (b) in respect of the Existing Loans to the same borrowers as the loans of the Group, Mr Zhou shall and will procure that his Associates shall place the interest of the Group above their own personal interest and shall not without the prior consent of the Company, directly or indirectly, take any action which will adversely affect or prejudice the interest of the Group; and

 (c) in respect of any proposed financing transaction in the Territories in the future which falls within the business scope of the Group, Mr Zhou shall and will procure that his Associates shall grant the Company a right of first refusal.

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

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

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

Dividends

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

No dividend has been declared or recommended for FY2018 because the Group was not profitable in FY2018.

Continuing Sponsor

No fees relating to non-sponsorship activities or services were paid to the Company's continuing sponsor, PrimePartners Corporate Finance Pte. Ltd., during FY2018.

CORPORATE GOVERNANCE REPORT

Key information of Director to be re-elected

Key Information					
Name of Director	Mr Ong Chor Wei @ Alan Ong	Mr Ben Lee	Mr Chin Fook Lai	Mr Wong Chun Hung	Mr Chung Wai Man
Date of appointment	8 February 2010	8 February 2010	9 January 2003	13 June 2018	13 June 2018
Date of last re-appointment	27 April 2017	27 April 2017	28 April 2016	N/A	N/A
Age	49	54	62	45	55
Country of principal residence	Hong Kong	Hong Kong	Singapore	Hong Kong	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the qualifications and experience of Mr Ong Chor Wei, is of the view that he has the requisite experience and capabilities to assume the responsibilities as the Executive Director and Chief Executive Officer of the Company. Accordingly, the Board of Directors has approved the re-appointment of Mr Ong, as the Executive Director and Chief Executive Officer of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the qualifications and experience of Mr Ben Lee, is of the view that he has the requisite experience and capabilities to assume the responsibilities as the Non-Independent Non-Executive Director of the Company. Accordingly, the Board of Directors has approved the re-appointment of Mr Lee, as the Non-Independent Non-Executive Director of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the qualifications and experience of Mr Chin Fook Lai, is of the view that he has the requisite experience and capabilities to assume the responsibilities as the Non-Independent Non-Executive Director of the Company. Accordingly, the Board of Directors has approved the re-appointment of Mr Chin, as the Non-Independent Non-Executive Director of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee and assessed the qualifications and working experience of Mr Wong Chun Hung, is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Independent Non-Executive Director of the Company. Accordingly, the Board has approved the appointment of Mr Wong as an Independent Non-Executive Director of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee and assessed the qualifications and working experience of Mr Chung Wai Man, is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Independent Non-Executive Director of the Company. Accordingly, the Board has approved the appointment of Mr Chung as an Independent Non-Executive Director of the Company.
Whether the appointment is executive and if so, please state the area of responsibility	Yes. Mr Ong shall continue to be responsible for formulating and implementing strategies to improve the overall corporate performance of the Group.	No	No	No	No

CORPORATE GOVERNANCE REPORT

Job title (e.g. Lead ID, AC Chairman, AC member, etc)	Executive Director and Chief Executive Officer	Non-Independent Non-Executive Director Member of Nominating Committee	Non-Independent Non-Executive Director	Independent Non-Executive Director Member of Remuneration Committee	Independent Non-Executive Director Member of the Nominating Committee
Professional memberships/ qualifications	Associate member of The Institute of Chartered Accountants in England and Wales Member of The Hong Kong Institute of Certified Public Accountants Bachelor of Laws degree from The London School of Economics and Political Science, University of London Master in Business Administration jointly awarded by The University of Wales and The University of Manchester	Bachelor of Biology degree and Master in Biology from South China Agricultural University	–	Member of The Hong Kong Institute of Certified Public Accountants Bachelor degree in Accounting from Hong Kong Baptist University	Member of The Hong Kong Institute of Certified Public Accountants Fellow member of Association of Chartered Certified Accountants in the United Kingdom Bachelor's degree (honours) in social sciences from the University of Hong Kong Master's degree in international business management from the City University of Hong Kong

CORPORATE GOVERNANCE REPORT

Working experience and occupation(s) during the past 10 years	**Zibao Metals Recycling Holdings Plc** (2014 to present) - Executive Director **UPB International Capital Limited** (2000 to 2010) – Executive Director	**Wang Kei Yip Development Limited** (2007 to present) – Executive Chairman	**Cheso Machinery Pte Ltd** (1993 to present) – Managing Director	**B&C Finance and Corporate Advisory Limited** (2005 – Present) - Director **China Environment Energy Investment Limited** (Apr 2018 – May 2018) - Executive Director **Evershine Group Holdings Limited** (Oct 2013 – Dec 2013) - Executive Director	**China Taihe Group Limited** (Feb 2017 – Present) - Chief Financial Officer **Legend Strategy International Holdings Group Company Limited** (Nov 2016 – Feb 2017) - Chief Financial Officer and Company Secretary **Sunny Arts International Holdings Limited** (Feb 2013 – Aug 2015) - Chief Financial officer **Yongkai International Group Limited** (Dec 2010 – Jan 2012) - Chief Financial Officer **Silver Base Group Holdings Limited** (Sept 2007 – Sept 2010) – Executive Director, Chief Financial Officer and Company Secretary

CORPORATE GOVERNANCE REPORT

Shareholding interest in the Company and its subsidiaries	Mr Ong Chor Wei @ Alan Ong directly holds 3,150,000 shares in the Company and is deemed interested in the 53,700,000 shares held by Quad Sky Limited by virtue of him owning 100.0% of the equity interest in Head Quator Limited which in turn owns 50.0% of the equity interest in Quad Sky Limited. Mr Ong's direct and deemed interest represents approximately 10.82% of the total issued shares of the Company.	Mr Ben Lee is deemed interested in 120,000,000 shares, representing 22.83% of the total issued shares of the Company, arising out of the shares held by Mr Ben Lee's wife, Mdm Zhou Dan.	Mr Chin Fook Lai directly holds 69,022,400 shares in the Company, representing approximately 13.13% of the total issued shares of the Company.	No	No
Any relationship (including immediate family member relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	No	Mr Ben Lee is the brother-in-law of Mr Zhou Wen Jie, the Non-Independent Non-Executive Chairman of the Company.	No	No	No
Conflict of Interest (including any competing business)	No	No	No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) submitted to the Company?	Yes	Yes	Yes	Yes	Yes

CORPORATE GOVERNANCE REPORT

Other Principal Commitments Including Directorships					
Present	**Joyas International Holdings Limited** (2007 to present) – Non-Executive Director **Smart Globe Holdings Limited** (2017 to present) - Independent Non-Executive Director **Nameson Holdings Limited** (2016 to present) - Independent Non-Executive Director **Prosperous Printing Company Limited** (2016 to present) - Non-Executive Director **Denox Environmental & Technology Holdings Limited** (2015 to present) - Independent Non-Executive Director **Zibao Metals Recycling Holdings Plc** (2014 to present) - Executive Director **Man Wah Holdings Limited** (2010 to present) - Independent Non-Executive Director **O-Net Technologies (Group) Limited** (2010 to present) - Independent Non-Executive Director	–	–	**B&C Finance and Corporate Advisory Limited** (2005 – Present) - Director **Landing International Development Limited** (September 2017 – Present) - Independent Non-Executive Director **China Healthcare Enterprise Group Limited** (Nov 2015 – Present) - Independent Non-Executive Director **Asia Pacific Silk Road Investment Co. Ltd. (Formerly known as Pacific Plywood Holdings Limited)** (Apr 2010 – Present) - Independent Non-Executive Director	**E Lighting Group Holdings Limited** (Sept 2014 – Present) – Independent Non-Executive Director

CORPORATE GOVERNANCE REPORT

Past directorships (in the last 5 years)	**Vico International Holdings Limited** (2017 to February 2019) - Non-Executive Director **Hong Wei (Asia) Holdings Company Limited** (2013 to 2016) - Non-Executive Director	–	–	**China Environment Energy Investment Limited** (Apr 2018 – May 2018) - Executive Director	**Legend Strategy International Holdings Group Company Limited** (Feb 2017 – Nov 2017) - Non-Executive Director (2015 – 2016) - Independent Non-Executive Director
General Statutory Declaration of Directors					
(A) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No	No
(B) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No	No
(C) Whether there is any unsatisfied judgment against him?	No	No	No	No	No

CORPORATE GOVERNANCE REPORT

(D) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No	No
(E) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No	No
(F) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No	No
(G) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No	No

CORPORATE GOVERNANCE REPORT

(H) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No	No
(I) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No	No
(J) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-					
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No	No

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iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No	No	No
(K) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No	No
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.
Attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.

SUSTAINABILITY REPORT

for the financial year ended 31 December 2018

This Sustainability Report by Net Pacific Financial Holdings Limited ("**Net Pacific**" or the "**Company**") for the financial year ended 31 December 2018 ("**FY2018**") focuses on the material environmental, social and governance ("**ESG**") factors. The Sustainability Report has been prepared in accordance with Rule 711B and reference has been drawn from Practice Note 7F: Sustainability Reporting Guide of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited and the internationally-recognised Global Reporting Initiative ("**GRI**") Standards which represent the global best practice for reporting on a range of economic, environmental and social impacts. We endeavor to progressively improve our sustainability reporting in terms of both quality and depth in the years to come.

The following sections discuss the material ESG factors we have identified through discussions and workshops conducted with key management personnel. The material ESG factors identified have also been reviewed and validated by the Board. As our Company is principally engaged in the provision of financial services in a typical office setup, this Sustainability Report shall discuss the material ESG factors relating to our financing business.

1. Environmental

a. Energy Consumption

Electricity Consumption

As we are principally engaged in the financing business which is primarily conducted in the typical office environment, we do not consume a significant amount of energy compared to other industries such as manufacturing. Further, since our business only involves essential equipment such as desktop computers and LED lighting, we do not consume a significant amount of electricity. As a result, associated CO^2 equivalent emissions is minimal. Being a responsible enterprise, we are committed to minimizing impacts on our environment by implementing measures to raise the awareness of energy-saving amongst our employees.

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

Electricity consumption serves as a main source of energy usage in the building where our office is located. In FY2018, electricity intensity accounted for 17 KWh/m^2 of our total occupied area. Moving forward, we target to maintain the current energy intensity in the financial year ending 31 December 2019 ("FY2019").

Emissions

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

Water Consumption

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

Waste Generation

Due to our business nature, we do not produce any hazardous waste during the course of our business. We mainly generate non-hazardous waste such as paper, food scraps, plastics and other general waste similar to a typical household or office setting. Due to our efforts to create a paperless office in 2018, our consumption of office paper was minimal and we produced an insignificant amount of CO^2 equivalent per employee considering the amount of paper waste disposed at landfills. In order to minimize the waste produced, we strive to reduce unnecessary office waste by encouraging procurement of office supply only when necessary and to create a paper-less office.

SUSTAINABILITY REPORT

for the financial year ended 31 December 2018

b. Creating an Eco-friendly Office

Go Green in the Office

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

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

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

Environmentally Friendly Policy

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

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

2. Social

a. Employees' Welfare

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

We have recorded zero turnover in FY2018. Moving forward, we target to maintain the current employee turnover in FY2019.

SUSTAINABILITY REPORT

for the financial year ended 31 December 2018

b. Training and Development

Good training and development programs allow our employees to develop skills and knowledge that will improve job performance and enhance career development. Our employees are encouraged to participate in continuing professional development ("CPD") programs conducted by external parties and each employee has achieved more than 8 CPD hours in 2018 through participating in various training courses on finance and administration. As CPD programs are important for our business and our employees, we strive to provide similar or more CPD programs for our employees in 2019.

In FY2018, each employee received an average of 10 training hours. In FY2019, we target to maintain the same average training hours as in FY2018.

c. Labour Standards

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

There were no incidences of non-compliance with labour standards in FY2018. We target to maintain the record of zero incidence of non-compliance within labour standards in FY2019.

d. Corporate Citizenship

We have not participated in any community activity in the reporting period. However, we will actively consider organizing or participating in community activities in the future, with active participation by our management and employees as well as monetary contributions. In the FY2019, we target to grant leave to our management and employees to participate in volunteering activities.

3. Governance

a. Anti-corruption and Integrity

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

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

There was no whistle-blowing report received in FY2018 and he Company targets the same record for FY2019.

SUSTAINABILITY REPORT

for the financial year ended 31 December 2018

b. Service Responsibility

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

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

c. Privacy and Data Protection

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

Board Statement

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

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

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

We are pleased to submit this statement to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the accompanying financial statements of the Group and the Company are drawn up so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards (International); and

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

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

Names of directors

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

Zhou Wen Jie	(Non-executive Chairman)
Ong Chor Wei @ Alan Ong	(Executive director)
Ben Lee	(Non-executive director)
Chin Fook Lai	(Non-executive director)
Cheung King Kwok	(Lead Independent director)
Francis Lee Fook Wah	(Independent director)
Wu Houguo	(Independent director)
Chung Wai Man	(Independent director) (Appointed on 13 June 2018)
Wong Chun Hung	(Independent director) (Appointed on 13 June 2018)

Directors' interest in shares or debentures

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

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
	As at 1.1.2018	**As at 31.12.2018 and 21.1.2019**	As at 1.1.2018	**As at 31.12.2018 and 21.1.2019**
The Company		**Number of ordinary shares**		
Zhou Wen Jie	119,750,600	**119,750,600**	–	–
Ben Lee [(1)]	–	–	120,000,000	**120,000,000**
Ong Chor Wei @ Alan Ong [(2)]	3,150,000	**3,150,000**	53,700,000	**53,700,000**
Kwok Chin Phang [(3)]	5,000	–	–	–
Cheung Ting Chor [(3)]	195,000	–	–	–
Chin Fook Lai	69,022,400	**69,022,400**	–	–
Francis Lee Fook Wah	1,025,000	**1,025,000**	–	–

Notes:

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

(2) Mr Ong Chor Wei @ Alan Ong is deemed interested in the shares held by Quad Sky Limited, by virtue of him owning 100.0% of the equity interest in Head Quator Limited which in turn owns 50.0% of the equity interest in Quad Sky Limited. Quad Sky Limited owns 53,700,000 shares representing approximately 10.2% of the issued share capital of the Company.

(3) Mr Kwok Chin Phang and Mr Cheung Ting Chor resigned as a director on 13 June 2018.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

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

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

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

	Number of unissued ordinary shares under option	
The Company	As at 1.1.2018	**As at 31.12.2018**
Ong Chor Wei @ Alan Ong	7,000,000	**7,000,000**
Kwok Chin Phang [(1)]	8,000,000	**8,000,000**
Cheung Ting Chor [(1)]	5,000,000	**5,000,000**

Note:

(1) Mr Kwok Chin Phang and Mr Cheung Ting Chor resigned as a director on 13 June 2018. They are entitled to exercise in full all unexercised Options from the date they cease to be a Director until the end of the Option Period on 8 May 2021.

(c) The Directors' interests in the Shares and Options as at 21 January 2019 were the same as those as at 31 December 2018.

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

Share option scheme

Net Pacific Employee Share Option Scheme

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

The objectives of the Scheme are as follows:

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

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

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

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

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

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

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

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

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

Share option scheme (Cont'd)

Share Options granted

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

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

Name	Options granted during the financial year ended 31.12.2018	Aggregate options granted since commencement of Scheme to 31.12.2018	Aggregate options exercised since commencement of Scheme to 31.12.2018	Aggregate options cancelled since commencement of Scheme to 31.12.2018	Aggregate Options Outstanding as at 31.12.2018
Directors					
Executive Directors:					
Ong Chor Wei @ Alan Ong [1]	–	7,000,000	–	–	7,000,000
Kwok Chin Phang [5]	–	8,000,000	–	–	8,000,000
Non-Executive Directors:					
Ben Lee [1] [2]	–	5,000,000	–	(5,000,000)	–
Teo Yi-dar (Zhang Yida) [3]	–	1,000,000	–	(1,000,000)	–
Chan Kwong Chung, Bernard [4]	–	1,000,000	–	(1,000,000)	–
Chin Fook Lai [2]	–	1,000,000	–	(1,000,000)	–
Cheung Ting Chor [5]	–	5,000,000	–	–	5,000,000
Sub-total	–	28,000,000	–	(8,000,000)	20,000,000
Participants who received less than 5% of the total available options other than Directors					
Other employees	–	750,000	–	–	750,000
Total	–	28,750,000	–	(8,000,000)	20,750,000

Notes:

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

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

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

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

(5) Mr Kwok Chin Phang and Mr Cheung Ting Chor resigned as a Director on 13 June 2018. They are entitled to exercise in full all unexercised Options from the date they cease to be a Director until the end of the Option Period on 8 May 2021.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

Share option scheme (Cont'd)

Share Options granted (Cont'd)

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

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

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

There were no unissued shares of subsidiaries under option as at 31 December 2018.

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

Audit Committee

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

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

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

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

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

(iii) the half-yearly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 as well as the auditor's report thereon;

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

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

Audit Committee (Cont'd)

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

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

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

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

Independent auditor

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

On behalf of the Directors

ZHOU WEN JIE

ONG CHOR WEI @ ALAN ONG

Dated: 3 April 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Net Pacific Financial Holdings Limited

Report on the financial statements

Qualified Opinion

We have audited the financial statements of Net Pacific Financial Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

<u>Accuracy and recoverability of the principal of the loans</u>

As at 31 December 2018, the carrying values of the loans and advances stated on the consolidated financial statements are HK$76,466,000 (2017 - HK$86,431,000). Included in this amount is HK$41,166,000 (2017 - HK$58,431,000 for 6 Australian loans) which comprises of 5 Australian loans. Similar to prior year, we are unable to obtain all the loan confirmations in the current year for the 5 Australian loans. Based on the legal advice provided to the Ultimate Borrowers, we did not receive any confirmations in the current year and we are unable to ascertain the existence and accuracy of the amount.

As at 31 December 2018, all the principal of the Australian loans of HK$41,166,000 (2017 - HK$58,431,000) have passed their maturity dates. In 2018, there have been no repayment of principal for all the loans except for two loans with minimal repayments. We are unable to ascertain the repayment as of the date of this report. In the absence of other satisfactory evidence, we are unable to satisfy ourselves as to the recoverability of the principal sum of the said loans. Please refer to Note 12 for details.

The auditor's report for the financial year ended 31 December 2017 included a similar qualification on the accuracy and recoverability of the principal of HK$58,431,000 and interest receivable of HK$30,351,000 of the 6 loans.

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amount and existence of the principal receivable as at 31 December 2018. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

INDEPENDENT AUDITOR'S REPORT

To the members of Net Pacific Financial Holdings Limited

Key Audit Matters

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

Key Audit Matter	Risk	Our responses and work performed
Valuation of financial assets at fair value through other comprehensive income ("FVOCI")	We focused on this area due to the size of the balance and the inherent judgement involved in determining the valuation of FVOCI financial assets. As at 31 December 2018, the Group's FVOCI financial assets were valued at HK$3.8 million (31 December 2017 - HK$23.4 million and 1 January 2017 - HK$32.6 million). The Group's FVOCI financial assets are investments in unquoted equity investments, and are classified as "level 3" financial instruments in accordance with the classification under SFRS(I)s where fair values are derived from valuation techniques which involve assumptions based on market conditions existing at the end of the reporting period. The valuation of these level 3 financial assets therefore requires a higher degree of judgement and assumption. Any possible changes to the underlying key assumptions and estimations used in the fair value assessment, in particular, the discount rate, may result in a significant change to the fair values. This is a significant risk of misstatement due to error.	Our audit focused on assessing the appropriateness of the fair values of the FVOCI financial assets and included the following key procedures: • Obtained the FVOCI financial asset valuation report prepared by the management's expert and evaluated the expertise, objectivity, and experience and obtained an understanding of the nature of the work performed by the management's expert. • Engaged our valuation specialist as auditor's expert to review and assess the management's expert's computation of fair value, understanding of valuation models used and appropriateness of the underlying key assumptions used by the management's expert in their report on the fair value of the FVOCI financial assets. • Evaluated that the auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes. In the case of an auditor's external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert's objectivity. • Performed a review on the reasonableness of management's impairment review on the FVOCI financial assets. Based on the procedures we performed, we found that the FVOCI financial assets were carried at values within the range of acceptable valuations that were independently computed by the auditor's expert. **Our responses and work performed** We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements. The Group's disclosures about financial instruments are included in Note 13 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Net Pacific Financial Holdings Limited

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Net Pacific Financial Holdings Limited

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

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

Report on other legal and regulatory requirements

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

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

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 3 April 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		The Group			The Company		
		31 December 2018	31 December 2017	1 January 2017	**31 December 2018**	31 December 2017	1 January 2017
	Note	**HK$'000**	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
ASSETS							
Non-Current Assets							
Plant and equipment	9	**26**	7	20	**26**	7	20
Investment in subsidiaries	11	**–**	–	–	**1,069**	1,069	1,069
		26	7	20	**1,095**	1,076	1,089
Current Assets							
Loans and advances	12	**76,466**	86,431	100,532	**–**	–	–
Available-for-sale ("AFS") financial assets	10	**–**	23,355	32,593	**–**	–	–
Financial assets, at fair value through other comprehensive income ("FVOCI")	13	**3,829**	–	–	**–**	–	–
Financial assets, at fair value through profit or loss ("FVTPL")	14	**11,000**	–	1,344	**–**	–	–
Other receivables	15	**4,573**	36,148	35,430	**143,372**	147,920	149,311
Cash and cash equivalents	16	**27,752**	32,385	4,315	**1,129**	1,416	1,165
		123,620	178,319	174,214	**144,501**	149,336	150,476
Total Assets		**123,646**	178,326	174,234	**145,596**	150,412	151,565
EQUITY AND LIABILITIES							
Capital and Reserves							
Share capital	17	**145,105**	145,105	145,105	**145,105**	145,105	145,105
Reserves	18	**1,670**	5,696	7,975	**340**	340	340
(Accumulated losses)/Retained profits		**(28,178)**	19,030	13,586	**(2,968)**	2,274	3,167
Total Equity		**118,597**	169,831	166,666	**142,477**	147,719	148,612
Current Liabilities							
Other payables	19	**4,616**	8,434	7,264	**3,075**	2,647	2,912
Current tax payable		**433**	61	304	**44**	46	41
		5,049	8,495	7,568	**3,119**	2,693	2,953
Total Liabilities		**5,049**	8,495	7,568	**3,119**	2,693	2,953
Total Equity and Liabilities		**123,646**	178,326	174,234	**145,596**	150,412	151,565

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	3	**3,724**	12,494
Other income	4	**4,303**	8,783
Marketing and distribution costs		**(56)**	(190)
Administrative expenses		**(7,338)**	(6,049)
Other expenses			
- Impairment loss of loans and advances	5,12	**(7,796)**	–
- Impairment loss of other receivables	5,15	**(27,484)**	(6,537)
- Others	5	**(13,069)**	(62)
(Loss)/ Profit before taxation	6	**(47,716)**	8,439
Income tax expense	7	**2,519**	(1,000)
(Loss)/ Profit for the year		**(45,197)**	7,439
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
- Changes in fair value of financial assets, at FVOCI, at nil tax	13	**1,267**	–
Items that may be reclassified subsequently to profit or loss:			
- Changes in fair value of AFS financial assets, at nil tax	10	**–**	(157)
- Reversal due to redemption of AFS financial assets, at nil tax	10	**–**	(2,122)
Total comprehensive (loss)/income for the year, net of tax		**(43,930)**	5,160
(Loss)/ Profit for the year attributable to:			
Equity holders of the Company		**(45,197)**	7,439
Total comprehensive (loss)/ income attributable to:			
Equity holders of the Company		**(43,930)**	5,160
(Loss)/ Earnings per share for profit attributable to equity holders of the Company (Hong Kong cents):	8		
- Basic		**(8.60)**	1.42
- Diluted		**(8.60)**	1.40

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Share capital HK$'000	Share option reserve HK$'000	Fair value reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total attributable to equity holders of the Company HK$'000
At 1 January 2017	145,105	340	7,635	13,586	166,666
Total comprehensive income for the year					
Profit for the year	–	–	–	7,439	7,439
Other comprehensive income					
- Reversal due to redemption of AFS financial assets	–	–	(2,122)	–	(2,122)
- Changes in fair value of AFS financial assets	–	–	(157)	–	(157)
	–	–	(2,279)	7,439	5,160
Transaction with owners of the Company, recognised directly in equity					
Contribution by and distributions to owners of the Company					
2016 final tax-exempt (one-tier) dividend of 0.38 Hong Kong cents per share (Note 27)	–	–	–	(1,995)	(1,995)
	–	–	–	(1,995)	(1,995)
At 31 December 2017	145,105	340	5,356	19,030	169,831
At 1 January 2018	145,105	340	5,356	19,030	169,831
Adoption of SFRS (I) 9	–	–	(4,000)	–	(4,000)
At 1 January 2018	**145,105**	**340**	**1,356**	**19,030**	**165,831**
Total comprehensive loss for the year					
Loss for the year	**–**	**–**	**–**	**(45,197)**	**(45,197)**
Other comprehensive income					
- Change in fair value of financial assets, at FVOCI	**–**	**–**	**1,267**	**–**	**1,267**
	–	**–**	**1,267**	**(45,197)**	**(43,930)**
Transaction with owners of the Company, recognised directly in equity					
Contribution by and distributions to owners of the Company					
Redemption of financial assets, at FVOCI	**–**	**–**	**(1,293)**	**–**	**(1,293)**
2017 final tax-exempt (one-tier) dividend of 0.38 Hong Kong cents per share (Note 27)	**–**	**–**	**–**	**(2,011)**	**(2,011)**
	–	**–**	**(1,293)**	**(2,011)**	**(3,304)**
At 31 December 2018	**145,105**	**340**	**1,330**	**(28,178)**	**118,597**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	**Year ended 31 December 2018 HK$'000**	Year ended 31 December 2017 HK$'000
Cash Flows from Operating Activities			
(Loss) / Profit before taxation		**(47,716)**	8,439
Adjustments for:			
Depreciation of plant and equipment	9	**12**	13
Gain on reclassification from AFS financial assets to financial assets, at FVTPL	4	**(4,000)**	–
Changes in fair value on financial assets, at FVTPL	5,14	**3,000**	–
Loss on disposal of AFS financial assets	5	**–**	5
Loss on redemption of AFS financial assets	5	**–**	57
Interest income	3,4	**(4,007)**	(9,412)
Dividend income	3	**–**	(3,199)
Operating loss before working capital changes		**(52,711)**	(4,097)
Changes in loans and advances		**9,965**	14,101
Changes in other receivables		**31,221**	3,869
Changes in financial assets, at FVOCI / AFS		**5,500**	6,902
Changes in other payables		**(808)**	573
Cash (used in) / generated from operations		**(6,833)**	21,348
Interest income received		**4,161**	3,414
Dividend income received		**200**	4,610
Income tax paid		**(119)**	(646)
Net cash (used in) / generated from operating activities		**(2,591)**	28,726
Cash Flows from Investing Activities			
Acquisition of plant and equipment		**(31)**	–
Proceed on disposal of financial assets, at FVTPL		**–**	1,339
Net cash (used in) / generated from investing activities		**(31)**	1,339
Cash Flows from Financing Activities			
Payment of dividends	27	**(2,011)**	(1,995)
Net cash used in financing activities		**(2,011)**	(1,995)
(Decrease) / Increase in cash and cash equivalents		**(4,633)**	28,070
Cash and cash equivalents at beginning of year		**32,385**	4,315
Cash and cash equivalents at end of year	16	**27,752**	32,385

Notes:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on the Statement by Directors.

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

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

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

2(a) Basis of preparation

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding that the Group incurred a net loss of HK$45,197,000 (2017 – net profit of HK$7,439,000) during the year ended 31 December 2018 and has net operating cash outflows of HK$2,591,000 (2017 – net operating cash inflows of HK$28,726,000). The Group's accumulated losses amounted to HK$28,178,000 (2017 – retained profits of HK$19,030,000) as at 31 December 2018.

However, the loss incurred by the Group is mainly due to impairment losses of loans and advances and receivables of HK$35,280,000 (2017 – HK$6,537,000). The Group has cash and cash equivalents of HK$27,752,000 (2017 – HK$32,385,000). The ability of the Group to continue as a going concern is dependent on the generation of sufficient revenue. The directors believe that the Group will have sufficient cash resources to satisfy its working capital requirements within the next financial year to enable it to continue operations and meet its liabilities as and when they fall due.

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) 1, First-time Adoption of International Financial Reporting Standard, has been applied in preparing these financial statements promulgated by the Accounting Standards Council ("ASC"). These consolidated financial statements are the first set of financial statements prepared in accordance with SFRS(I).

The Group's consolidated financial statements until 31 December 2017 had been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). FRS differs in certain respects from SFRS(I). The Group's financial statements for the financial year ended 31 December 2018 are prepared in accordance with SFRS(I) and IFRS issued by the International Accounting Standard Board. As a result, this is the first set of financial statements prepared under SFRS(I).

These consolidated financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

The preparation of financial statements in conformity with SFRS(I) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2(c).

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

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (31 December 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017). Additional disclosures are made for specific transition adjustments if applicable.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of International Financial Reporting Standards. In addition to the adoption of the new framework, the following new SFRS(I)s, amendments to and interpretations of SFRS(I) are effective from the same date and relevant to the Group:

- SFRS(I) 15 Revenue from Contracts with Customers and Amendments to SFRS(I) 15;
- Clarifications to SFRS(I) 15;
- SFRS(I) 9 Financial Instruments;
- Classification and Measurement of Share-based Payment Transactions (Amendments to SFRS(I) 2);
- Deletion of short-term exemptions for first-time adopters (Amendments to SFRS(I) 1);
- SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Cont'd)

The application of the above standards and interpretations do not have a material effect on Group's and the Company's financial statements.

The Group has not elected to apply the optional exemptions available under SFRS(I) 1 on 1 January 2018.

The accounting policies set out in Note 2(d) have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions under SFRS(I) 1.

The effects of transition to SFRS(I) and initial application of SFRS(I) 9 are presented and explained below.

(I) Reconciliation of the Group's equity

Impact on the consolidated statements of financial position as at 1 January 2017 (date of transition to SFRS(I))

	Note	FRS Framework HK$'000	SFRS(I) 1 HK$'000	SFRS(I) 15 HK$'000	SFRS(I) 9 HK$'000	SFRS(I) Framework HK$'000
ASSETS						
Non-Current Assets						
Plant and equipment	9	20	–	–	–	20
Current Assets						
Loans and advances	12	100,532	–	–	–	100,532
AFS financial assets	10	32,593	–	–	–	32,593
Financial assets, at FVTPL	14	1,344	–	–	–	1,344
Other receivables	15	35,430	–	–	–	35,430
Cash and cash equivalents	16	4,315	–	–	–	4,315
		174,214	–	–	–	174,214
Total Assets		174,234	–	–	–	174,234
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	17	145,105	–	–	–	145,105
Reserves	18	7,975	–	–	–	7,975
Retained profits		13,586	–	–	–	13,586
Total Equity		166,666	–	–	–	166,666
Current Liabilities						
Other payables	19	7,264	–	–	–	7,264
Current tax payable		304	–	–	–	304
		7,568	–	–	–	7,568
Total Liabilities		7,568	–	–	–	7,568
Total Equity and Liabilities		174,234	–	–	–	174,234

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Cont'd)

(I) Reconciliation of the Group's equity (Cont'd)

Impact on the consolidated statements of financial position as at 31 December 2017 (end of last period reported under FRS)

	Note	FRS Framework HK$'000	SFRS(I) 1 HK$'000	SFRS(I) 15 HK$'000	SFRS(I) 9 HK$'000	SFRS(I) Framework HK$'000
ASSETS						
Non-Current Assets						
Plant and equipment	9	7	–	–	–	7
Current Assets						
Loans and advances	12	86,431	–	–	–	86,431
AFS financial assets	10	23,355	–	–	(23,355)	–
Financial assets, at FVOCI	13	–	–	–	9,355	9,355
Financial assets, at FVTPL	14	–	–	–	14,000	14,000
Other receivables	15	36,148	–	–	–	36,148
Cash and cash equivalents	16	32,385	–	–	–	32,385
		178,319	–	–	–	178,319
Total Assets		178,326	–	–	–	178,326
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	17	145,105	–	–	–	145,105
Reserves	18	5,696	–	–	–	5,696
Retained profits		19,030	–	–	–	19,030
Total Equity		169,831	–	–	–	169,831
Current Liabilities						
Other payables	19	8,434	–	–	–	8,434
Current tax payable		61	–	–	–	61
		8,495	–	–	–	8,495
Total Liabilities		8,495	–	–	–	8,495
Total Equity and Liabilities		178,326	–	–	–	178,326

(a) SFRS(I) 1

The Group adopted SFRS(I) in 2018 and applied SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The application of the mandatory exceptions in SFRS(I) 1 does not have quantitative impact on the Group's and the Company's financial statements. The Group has elected to apply the exemption to not restate comparative information in the 2018 SFRS(I) financial statements upon transition to SFRS(I) 1.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Cont'd)

(b) SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group has adopted SFRS(I) 15 in its financial statements for the year ended 31 December 2018. There is no expected impact upon the adoption of SFRS(I) 15.

(c) SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below.

The following assessments have been made on the basis of facts and circumstances that existed at 1 January 2018.

- The determination of the business model within which a financial asset is held.
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income ("FVOCI").
- The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss (FVTPL).

SFRS(I) 9 replaces the provision of FRS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition, of financial instruments, and impairment of financial assets. The adoption of SFRS(I) 9 Financial Instruments from 1 January 2018 resulted in changes of accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2(d) below. In accordance with the transition in SFRS(I) 9, comparative figures have not been restated.

The Group has assessed the impact to the consolidated financial statements. Loans and receivables accounted for at amortised cost under FRS 39 will continue to be accounted for using amortised cost model under SFRS(I) 9. For financial assets currently held at fair value, the Group continue to perform fair value measurement of these assets at the end of each reporting period under SFRS(I) 9.

There is no significant change to the measurement basis arising from adopting the new classification and measurement model or a significant increase in the impairment loss allowance.

The following table below explains the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for the Group's financial assets related to equity investment as at 1 January 2018.

				31 December 2017		1 January 2017	
	Note	**Original classification under FRS 39**	**New classification under SFRS(I) 9**	**Original carrying amount under FRS 39 HK$'000**	**New carrying amount under SFRS(I) 9 HK$'000**	**Original carrying amount under FRS 39 HK$'000**	**New carrying amount under SFRS(I) 9 HK$'000**
The Group and the Company							
Equity investment	(i)	Available-for-sale	FVOCI	9,355	9,355	19,361	19,361
Equity investment	(ii)	Available-for-sale	FVTPL	14,000	14,000	13,232	13,232
Debt instrument	(iii)	FVTPL	FVTPL	–	–	1,344	1,344
				23,355	23,355	33,937	33,937

(i) The Group elected to present in other comprehensive income changes in the fair value of its equity investment previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium-term. As a result, assets with a fair value of HK$9,355,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI on 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(b) Full convergence with SFRS(I) and adoption of new standards effective and not yet effective (Cont'd)

(c) SFRS(I) 9 (Cont'd)

(ii) Investment in quoted shares with a fair value of HK$14,000,000 were reclassified from available-for-sale financial assets to financial assets at FVTPL on 1 January 2018. They do not meet the SFRS (I) 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

(iii) There is no change in the classification of quoted debt securities. The quoted debt securities with a fair value of HK$Nil were reclassified on 1 January 2018.

(II) Issued but not yet effective

The following are the new or amended SFRS(I) and SFRS(I) INT issued in 2018 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on)
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 3	Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8	Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020

SFRS(I) 16 Leases

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

The Group has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group has operating leases for office space. The Group expects these operating leases to be recognised as right-of-use assets with corresponding lease liabilities under the new standard. Management does not plan to early adopt the above new SFRS(I) 16.

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in fact and circumstances. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

SFRS(I) 3 Amendments to SFRS(I) 3: Definition of a Business

On 11 March 2019, ASC issued the narrow-scope amendments to SFRS(I) 3 Business Combinations to improve the definition of a business. The amendments narrowed and clarified the definition of a business.

They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets.

The amendments to SFRS(I) 3 should apply for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 January 2020, with earlier application permitted.

SFRS(I) 1-1, SFRS(I) 1-8 Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material

The amendments clarify that the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in SFRS(I) Standards. Materiality will depend on the nature or magnitude of information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary user.

The amendments to SFRS(I) 1-1 and SFRS(I) 1-8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(c) Significant accounting estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

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

Significant judgements in applying accounting policies

(a) Determination of functional currency

These financial statements are presented in HK$, which is the functional currency of the Group. The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Income tax

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's and the Company's current tax payable as at 31 December 2018 amounted to HK$433,000 (31 December 2017 - HK$61,000; 1 January 2017 – HK$304,000) and HK$44,000 (31 December 2017 - HK$46,000; 1 January 2017 – HK$41,000) respectively.

(c) Impairment of loans and advances

The impairment provisions for loans and advances are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. The Group considers factors such as current credit standing, payment history, probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

The Group has invested in loans and advances with a carrying value of HK$76,466,000 (31 December 2017 - HK$86,431,000; 1 January 2017 - HK$100,532,000) as at 31 December 2018. The Group assesses whether or not there is an impairment of loans and advances by conducting the credit assessment on a loan-by-loan basis at the Credit Committee Meetings, which are held twice a year. In making their judgements, the manner in which the management considers the financial capabilities of the Ultimate Borrowers (the ultimate borrowers of the loan granted), including:

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

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

The impairment of the loans and advances is based on the expected loss model using general approach. The expected loss model used past, present and future information to estimate the expected credit loss. There is no allowance for impairment loss arising from these outstanding balances as the expected credit loss is not material.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(c) Significant accounting estimates and judgements (Cont'd)

Significant judgements in applying accounting policies (Cont'd)

(d) Impairment of FVOCI financial assets

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

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

Significant judgement is applied by management in determining the recoverability of the FVOCI financial assets:

(a) recent prices of similar investments in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(b) current performance of the investee company and whether market, economic or company-specific conditions have significantly improved or deteriorated since the time of the original investment.

(c) the review of the financial performance and position of the investee company are based on historical financial information (and in certain cases, based on unaudited financial information of the investee company's principal subsidiary) which may not be indicative of the investee company's recoverable amounts as of the reporting date.

(d) recent developments and changes in laws and regulations that might affect the probability of successful listing of the ultimate borrowers and therefore fully realise the estimated values of the FVOCI financial assets.

(e) discounted cash flow projections based on estimates of future cash flows, derived from the terms of external evidence such as current market performance for similar industries, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. As at 31 December 2018, discount rates ranged from 3.04% to 3.06% (31 December 2017 - 1.33% to 1.58%; 1 January 2017 - 1.13% to 6.05%).

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

The Group has invested in FVOCI financial assets with a carrying value of HK$3,829,000 (31 December 2017 - (AFS) HK$23,355,000; 1 January 2017 - (AFS) HK$32,593,000) as at 31 December 2018.

(e) Determination of operating segments

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(c) Significant accounting estimates and judgements (Cont'd)

Critical accounting estimates and assumptions used in applying accounting policies

Fair value of unquoted FVOCI financial assets

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

When valuing unquoted equity investment classified as FVOCI, the cost or latest financing price of the investments will be taken into consideration, but that will not be the sole determinant of fair value. Cost or latest financing price may be a good indication of fair value upon purchase or the latest financing round. However, after some period of time, the cost or the latest financing price becomes less reliable as an approximation of fair value. Therefore, the management will assess whether the fair value has changed, taking into account changes in circumstances such as the current performance of the investee company, whether market, economic or company-specific conditions have significantly improved or deteriorated since the time of the original investment. These estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and the differences could be material to the financial statements. The carrying amounts of the specific assets at the end of the reporting period affected by this assumption are HK$3,829,000 (31 December 2017 - (AFS) HK$23,355,000; 1 January 2017 – (AFS) HK$32,593,000).

If the fair value of the unquoted FVOCI financial assets decreased by 10% (31 December and 1 January 2017 – 10%) from management's estimates, the Group's fair value reserve will decrease by HK$382,900 (31 December 2017 - decrease by HK$2,335,500; 1 January 2017 - decrease by HK$3,259,300).

Impairment of investments in subsidiaries

Determining whether investment in subsidiaries are impaired requires an estimation of the value-in-use of the investments. The value-in-use calculation requires the Company to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows.

At the reporting date, the carrying amounts of investment in subsidiaries are HK$1,069,000 (31 December and 1 January 2017 – HK$1,069,000). Management has evaluated the recoverability of the investment based on such estimates. If the present value of estimated future cash flows decrease by 10% (31 December and 1 January 2017 – 10%) from management's estimates, the Company's allowance for impairment of investments in subsidiaries will increase by HK$106,900 (31 December and 1 January 2017 - increase by HK$106,900).

Impairment of other receivables

Impairment of other receivables are based on an assessment of the recoverability of other receivables which mainly comprise of dividend and interest receivable and amounts due from subsidiaries. The impairment provisions for other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. The Group assesses at the end of each reporting period whether there is any expected credit loss. To determine whether there is expected credit loss, the Group considers factors such as current credit standing, payment history, probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is expected credit loss, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group's and the Company's carrying amount of other receivables at the reporting date amounted to HK$4,523,000 (31 December 2017 - HK$36,101,000, 1 January 2017 - HK$35,383,000) and HK$143,322,000 (31 December 2017 - HK$147,873,000, 1 January 2017 - HK$149,264,000) respectively.

The impairment of the other receivables is based on the expected loss model using general approach. The expected loss model used past, present and future information to estimate the expected credit loss. There is no allowance for impairment loss arising from these outstanding balances as the expected credit loss is not material.

If the recoverable values of the other receivables decrease by 10% (31 December and 1 January 2017 – 10%) from management's estimates, the Group's profit will decrease by HK$452,300 (31 December 2017 - HK$3,610,100, 1 January 2017 - HK$3,538,300).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2(d) Significant accounting policies

Consolidation

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

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

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

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

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

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

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

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

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

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

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

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

<u>Acquisitions</u>

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Consolidation (Cont'd)

Disposal

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS (I)). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Plant and equipment and depreciation

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

Office equipment	3 years

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

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

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

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

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

Investment in subsidiaries

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) **Financial assets**

Measurement

Initial recognition and measurement

Financial assets are recognised when, only when the entity becomes party to the contractual provisions of the instruments.

The classification of financial assets, at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of financial assets that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Financial assets are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the financial assets do not contain a significant financing component at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Financial instruments (Cont'd)

(a) **Financial assets (Cont'd)**

Measurement (Cont'd)

Initial recognition and measurement (Cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchase or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Subsequent measurement of debt instruments depends on the Group's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal and interest on the principal amount outstanding on the asset.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

The Group's financial assets at amortised cost include loans and advances and other receivables, excluding prepayments.

Fair value through other comprehensive income (debt instruments)

Financial assets that are held for collection of contractual of cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de- recognised.

The Group and the Company do not have any investments in fair value through other comprehensive income (debt instruments).

Financial assets designated at fair value through OCI (equity instruments)

The Group subsequently measures all equity instruments at fair value. On initial recognition of an equity instruments that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The classification is determined on an instrument-by-instrument basis. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Changes in fair value of financial assets at FVOCI are recognised in OCI are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit and loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-quoted equity investments under this category.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Financial instruments (Cont'd)

(a) **Financial assets (Cont'd)**

Financial assets at fair value through profit and loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in the finance income.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investment which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity instruments are also recognised as other income in the statement of comprehensive income when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

– The rights to receive cash flows from the asset have expired or
– The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For loans and advances and other receivables, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses as at the reporting date, the credit risk has not increased significantly since initial recognition. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The internal credit ratings have been mapped to external credit ratings determined by credit rating agencies such as Moody's and Fitch, so as to determine the appropriate expected credit loss rates.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Financial instruments (Cont'd)

(b) **Financial liabilities**

Initial recognition and measurement

Financial liabilities are recognised initially at fair value less directly attributable transaction costs. The financial liabilities comprise other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SFRS(I) 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SFRS (I) 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

The Group and the Company do not have financial liabilities at fair value through profit or loss.

Financial liabilities not carried at fair value through profit or loss

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) **Offsetting of financial instruments**

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with financial institutions which are subject to an insignificant risk of changes in value.

Share capital

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Dividends

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

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

Operating leases

Where the Group and the Company are lessee

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

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

Income taxes

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

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

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

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

Deferred income tax is measured:

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

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

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

Financial guarantees

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Employee benefits

Short-term employee benefits

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

Pension obligations

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

Employee leave entitlements

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

Employee Share Option Scheme

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

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

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

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

Key management personnel

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

Related parties

A related party is defined as follows:

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

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

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

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Related parties (Cont'd)

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Impairment of non-financial assets

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

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

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

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

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

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

With the exception of goodwill,

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

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

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

Revenue recognition

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

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

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

Earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Functional currency

Functional and presentation currency

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

Conversion of foreign currencies

Transactions and balances

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

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

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

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

Operating segments

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

3 Revenue

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

Disaggregation of revenue from contracts with customers

The Group derives revenue from the interest income from loans and advances, dividend income and interest income from short term financial instrument over time and at a point in time in the following geographical regions. Revenue is attributed to countries by location of customers.

	2018			2017		
The Group	**At a point in time HK$'000**	**Over time HK$'000**	**Total HK$'000**	At a point in time HK$'000	Over time HK$'000	Total HK$'000
PRC and Hong Kong						
Interest income from loans and advances	**–**	**2,793**	**2,793**	–	2,810	2,810
Interest income from short-term financial instrument	**–**	**–**	**–**	–	7	7
British Virgin Islands						
Interest income from loans and advances	**–**	**931**	**931**	–	503	503
Dividend income	**–**	**–**	**–**	–	3,199	3,199
Australia						
Interest income from loans and advances	**–**	**–**	**–**	–	5,975	5,975
	–	**3,724**	**3,724**	–	12,494	12,494

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4 Other income

The Group	**2018 HK$'000**	2017 HK$'000
Gain on reclassification from AFS financial assets to financial assets, at FVTPL	**4,000**	–
Foreign exchange gain	**–**	8,649
Interest income from fixed deposit	**283**	117
Other income	**20**	17
	4,303	8,783

The foreign exchange gain of HK$8,649,000 were mainly derived from the foreign exchange revaluation effects of principal and interest receivable of loans granted to Australian borrowers as the Australian dollar appreciated against Hong Kong dollar during the previous financial year.

5 Other expenses

The Group	**2018 HK$'000**	2017 HK$'000
Foreign exchange losses	**10,069**	–
Allowance for impairment loss of loans and advances (Note 12)	**7,796**	–
Allowance for impairment loss of other receivables (Note 15)	**27,484**	6,537
Changes in fair value on financial assets, at FVTPL (Note 14)	**3,000**	–
Loss on disposal of financial assets, at FVTPL	**–**	5
Loss on redemption of AFS financial assets (Note 10)	**–**	57
	48,349	6,599

The foreign exchange losses recognised in the current year of HK$10,069,000 are mainly derived from the foreign exchange revaluation effects of principal and interest receivable of loans granted to Australian borrowers as the Australian dollar continued to depreciate against Hong Kong dollar during the current year.

6 (Loss)/Profit before taxation

The Group	Note	**2018 HK$'000**	2017 HK$'000
(Loss)/Profit before taxation has been arrived at after charging:			
Depreciation of plant and equipment	9	**12**	13
Audit fees paid to:			
Auditors of the Company		**707**	619
Other auditors		**42**	62
Non-audit fees paid to auditors of the Company		**23**	50
Sponsor fee		**389**	368
Operating lease expenses		**128**	127
Directors of the Company (*)			
- Salaries and bonuses		**2,277**	1,813
- Central Provident Fund		**103**	100
- Fees		**975**	923
Key management personnel (non-directors) (*)			
- Salaries and bonuses		**1,144**	902
- Central Provident Fund		**144**	136
		4,643	3,874

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7 Taxation

The Group	2018 HK$'000	2017 HK$'000
Current tax expense:		
Current year provision	**491**	403
Over-provision of withholding tax in respect of prior years	**(3,010)**	–
Withholding tax on income of subsidiary	**–**	597
	(2,519)	1,000

Reconciliation of effective tax rate

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

The Group	2018 HK$'000	2017 HK$'000
(Loss) / Profit before taxation	**(47,716)**	8,439
Income tax using applicable tax rates	**(72)**	580
Tax effect on non-deductible expenses	**1,143**	960
Tax effect on non-taxable income	**(513)**	(1,089)
Singapore statutory stepped income exemption	**(32)**	(24)
Corporate income tax rebate	**(35)**	(24)
Over-provision of withholding tax in respect of prior years	**(3,010)**	–
Withholding tax on income from subsidiary	–	597
	(2,519)	1,000

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

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

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

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

Unrecognised deferred tax liabilities

As at 31 December 2018, the aggregate amount of undistributed earnings of subsidiaries amounted to HK$Nil (2017 - HK$11,661,000) which is equivalent to the deferred tax liabilities of HK$Nil (2017 - HK$1,982,000) that have not been recognised. No liability has been recognised because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Unrecognised deferred tax assets

As at 31 December 2018, the aggregate amount of undistributed losses of the Company amounted to HK$2,967,000 (2017 – HK$Nil) which is equivalent to the deferred tax assets of HK$504,000 (2017 - HK$Nil) that have not been recognised. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8 (Loss) / Earnings per share

The Group

The basic (loss) / earnings per share is calculated based on the Group's (losses) /profits attributable to the equity holders of the Company divided by the weighted average number of shares in issue of 525,630,328 (2017 - 525,630,328) shares during the financial year.

Fully diluted (loss) / earnings per shares in 2018 were calculated on the Group's (losses) /profits attributable to the equity holders of the Company divided by 525,630,328 (2017 - 531,644,649) ordinary shares. The number of ordinary shares is calculated based on the weighted average number of shares in issue during financial year adjusted for the potential effects arising from the exercise of employee share options into ordinary shares as at 31 December of the respective financial years. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares. The outstanding options were anti-dilutive during the financial year ended 31 December 2018. The basic and diluted loss per share for financial year ended 31 December 2018 are the same as the Group incurred a loss for the current year.

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

	2018	2017
The Group		
Weighted average number of ordinary shares for the purpose of		
- basic earnings per share	**525,630,328**	525,630,328
- diluted earnings per share	**525,630,328**	531,644,649

9 Plant and equipment

The Group and The Company	**Office equipment HK$'000**
Cost	
At 1 January 2017	40
At 31 December 2017	40
Write-off	(40)
Additions	31
At 31 December 2018	**31**
Accumulated depreciation	
At 1 January 2017	20
Depreciation for the year	13
At 31 December 2017	**33**
Write-off	**(40)**
Depreciation for the year	**12**
At 31 December 2018	**5**
Carrying value	
At 31 December 2018	**26**
At 31 December 2017	7
At 1 January 2017	20

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10 Available-for-sale financial assets

The amounts recognised in the statement of financial position comprise the following category of financial asset:

The Group	**2018 HK$'000**	2017 HK$'000
Available-for-sale financial assets		
At 1 January	**23,355**	32,593
Reclassification to financial assets, at FVOCI, at 1 January 2018 (Note 13)	**(9,355)**	–
Reclassification to financial assets, at FVTPL, at 1 January 2018 (Note 14)	**(14,000)**	–
Redemption of available-for-sale financial assets	**–**	(6,902)
Changes in fair value of available-for-sale financial assets	**–**	(157)
Loss on redemption of available-for-sale financial assets	**–**	(57)
Reversal due to redemption of available-for-sale financial assets	**–**	(2,122)
At 31 December	**–**	23,355
Amount redeemable within one year	**–**	23,355
Amount redeemable after one year	**–**	–
Total available-for-sale financial assets	**–**	23,355

Presented as:

	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000
Current Assets			
Available-for-sale financial assets	**–**	23,355	32,593

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

The Group	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Unquoted equity investments			
- Class A shares in unquoted equity investment	**–**	23,355	32,593
Available-for-sale financial assets	**–**	23,355	32,593

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

Available-for-sale investments in companies	**Nature of business of the investees**	**% of investment to net asset of the investees**		**Fair value of the investment**	
		2018 %	2017 %	**2018 HK$'000**	2017 HK$'000
A	Printing	–	6	**–**	14,000
B	Financing business	–	6	**–**	9,355
				–	23,355

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Assessment of potential control

The available-for-sale financial assets are funds held by nil external investees (31 December 2017 – two; 1 January 2017 - three) in which the Group only has interests at nil (31 December 2017 - 6%; 1 January 2017 – 2% to 10%) and the Group has no significant influence or control as to voting right or decision making in terms of the following criteria:

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

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

Summary of available-for-sale financial assets

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

(a) Nil (31 December and 1 January 2017 – 12%) of dividend per annum, which is payable on a quarterly basis.

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

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

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

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

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

The Group	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
United States dollar	**–**	–	6,715
Hong Kong dollar	**–**	23,355	25,878
	–	23,355	32,593

Determination of fair value

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

The Group	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Unquoted equity investments	**–**	1.33% - 1.58%	1.13% - 6.05%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Determination of fair value (Cont'd)

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

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

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

Impairment assessment

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

Refer to Note 22 for details of foreign currency risk and credit risk exposure.

11 Investments in subsidiaries

The Company	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Unquoted equity shares, at cost	**1,069**	1,069	1,069

The subsidiaries are:

Name	**Country of incorporation**	**Effective interest held by the Company** **31 December 2018 %**	31 December 2017 %	1 January 2017 %	**Principal activities**
Held by the Company					
Net Pacific Finance Group Limited [(a)] [(b)]	Hong Kong Special Administrative Region of the People's Republic of China ("PRC")	**100**	100	100	Provision of financing services
Net Pacific Investment Holdings Limited [(a)] [(c)]	British Virgin Islands	**100**	100	100	Provision of financing services and investment holding

(a) Audited by Foo Kon Tan LLP for consolidation purposes

(b) Audited by H. C. Wong & Co

(c) Not required to be audited in the country of jurisdiction

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12 Loans and advances

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

The Group has (a) offered and granted six loans to external parties (31 December and 1 January 2017 – six) via an independent and non-controlling vehicle which is Jetwin Investment Pty Ltd (the "Intermediary") to borrowers located in Australia (b) offered and granted five loans (31 December 2017 – four; 1 January 2017 - three) to external parties via its Hong Kong subsidiary (registered money lender in Hong Kong). The Intermediary was incorporated in Australia in 2013 by third parties.

Nature of business of borrowers	Principal amount of loans 2018 HK$'000	2017 HK$'000	Country	Maturity date	Interest rate 2018 %	2017 %
Scrap metals trading	**18,000**	18,000	PRC and Hong Kong	Revolving	**12**	12
Property	**41,166**	58,431	Australia	30 June 2017	**12 - 48**	12 - 48
Personal use	**5,000**	5,000	Hong Kong	Revolving in 6 months	**13**	13
Trading	**2,300**	–	Hong Kong	Revolving	**12**	–
Investment	**10,000**	5,000	British Virgin Islands	Revolving	**12**	12
	76,466	86,431				

The Group	31 December 2018 HK$'000	31 December 2017 HK$'000
Loans and advances repayable within one year	**84,262**	86,431
Impairment losses:		
At beginning	**–**	–
Allowance for impairment	**(7,796)**	–
At end	**(7,796)**	–
Net loans and advances	**76,466**	86,431

Loans and advances are denominated in the following currencies:

The Group	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000
Australian dollar	**41,166**	58,431	65,564
Hong Kong dollar	**35,300**	28,000	34,968
Total loans and advances	**76,466**	86,431	100,532

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12 Loans and advances (Cont'd)

Financial guarantee of the loans and advances

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

(i) where the return per annum on the loans due to the Group including annual interest (after tax, if any) ("Returns on Borrowing") for the applicable year is equal to or more than 48% per annum of the loans, the Group shall pay the Underwriters such commission which is equal to 50% of the Returns on Borrowing for such year; or

(ii) where the Returns on Borrowing for the applicable year is equal to or more than 24% per annum of the loans, but less than 48% of the loans per annum, the Group shall pay the Underwriters such commission equal to such amount of Returns on Borrowing for such year in excess of 24% per annum of the investment; or

(iii) where the Returns on Borrowing is less than 24% per annum of the loans, the Underwriters shall not be entitled to a commission for such year and the Returns on Borrowing for such year shall be retained solely for the benefit of the Group.

There is no commission incurred or paid to the Underwriters during the current financial year (31 December and 1 January 2017 - HK$Nil).

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

The Group entered into underwriting agreements for all FVOCI and FVTPL financial assets (Note 13 and 14) with similar terms and conditions. In aggregate, the Group has entered into underwriting agreements with three (31 December and 1 January 2017 - three) Underwriters for loans and advances, FVOCI financial assets and FVTPL financial assets.

Impairment assessment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For loans and advances and other receivables, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses as at the reporting date, the credit risk has not increased significantly since initial recognition. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The internal credit ratings have been mapped to external credit ratings determined by credit rating agencies such as Moody's and Fitch, so as to determine the appropriate expected credit loss rates.

The Group has performed internal assessment via its Credit Committee on the financial ability of the Ultimate Borrowers' financial abilities.

No impairment is required except for six (31 December 2017 – six; 1 January 2017 - one) Ultimate Borrowers described below:

The Group has recognised an impairment loss for the loan principal and interest receivable of HK$7,796,000 (31 December and 1 January 2017 – HK$Nil) and HK$27,484,000 (31 December 2017 – HK$6,537,000 and 1 January 2017 – HK$4,899,000) (Refer to Note 15) respectively in the profit or loss for the current year ended 31 December 2018 for the loan principal and interest receivable deemed not recoverable. The details of items are as follows:

– One of the Ultimate Borrower has been placed under receivership in November 2016. The Group initiated the process by entering into settlement agreement to claim the remaining net carrying value of the related principal amount and guaranteed 12% interest receivable totalling HK$20,348,000 from the Underwriter in 2016. The Group had received HK$7,164,000 from the Underwriter in 2017. The balance of HK$13,184,000 is due on 31 December 2017 pursuant to the settlement agreement. The Group has agreed with the Underwriter on 28 January 2018 and further extended on 8 March 2018 to settle the balance via additional shares of a partner company upon its successful listing on the Australian Securities Exchange ("ASX") latest by 30 April 2018. As at 31 December 2018, as there are no further developments to the planned ASX listing, the Group made full provision for impairment of the loan principal of HK$7,796,000 (31 December 2017 – HK$Nil and 1 January 2017 – HK$Nil) and interest receivable of HK$4,143,000 (31 December 2017 – HK$Nil and 1 January 2017 – HK$4,899,000) in 2018.

– The Intermediary has on 12 November 2017 entered into a conditional agreement with three (3) of the Ultimate Borrowers in Australia to convert loans into shares of a partner company, which is the holding company of the development manager for the property development projects. The partner company plans to list on the ASX. As at 31 December 2018, as there are no agreements reached with the partner company on the next course of action, the Group made full provision for impairment of the interest receivable of HK$8,126,000 (31 December 2017 – HK$737,000 and 1 January 2017 – HK$Nil).

– The remaining interest receivable of HK$15,215,000 was fully impaired as at 31 December 2018 (31 December 2017 – HK$5,800,000 and 1 January 2017 – HK$Nil).

Please refer to Note 22 for details of foreign currency exposure and credit risk exposure.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13 Financial assets, at FVOCI

The Group	2018 HK$'000	2017 HK$'000
Equity instrument designated at fair value through OCI		
At 1 January	**–**	–
Reclassification from available-for-sale financial assets at 1 January 2018 (Note 10)	**9,355**	–
Redemption of financial assets, at FVOCI	**(5,500)**	–
Changes in fair value of financial assets, at FVOCI	**1,267**	–
Reversal due to partial redemption of financial assets, at FVOCI	**(1,293)**	–
At 31 December	**3,829**	–
Fair value of FVOCI	**3,829**	–

Presented as:	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000
Current Assets			
Financial assets, at FVOCI	**3,829**	–	–

Equity instrument designated at fair value through OCI

On 1 January 2018, investment in unquoted equity investments was reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income on adoption of SFRS(I) 9. The Group elected to present in other comprehensive income changes in the fair value of its equity investment previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium-term.

The fair values are within Level 3 of the fair value hierarchy.

Determination of fair value

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

The Group	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000
Unquoted equity investments	**3.04% - 3.06%**	–	–

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

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

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

Please refer to Note 22.3 for credit risk exposure.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13 Financial assets, at FVOCI (Cont'd)

Assessment of potential control

The financial assets, at FVOCI are funds held by one external investee (31 December and 1 January 2017 - Nil) in which the Group only has interests at 6% (31 December and 1 January 2017 - Nil%) and the Group has no significant influence or control as to voting right or decision making in terms of the following criteria:

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

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

Summary of financial assets, at FVOCI

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

(a) 12% (31 December and 1 January 2017 – Nil%) of dividend per annum, which is payable on a quarterly basis.

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

The basis as mentioned above indicates that the equity investment will not be held to maturity. After initial recognition, FVOCI financial assets are subsequently measured at fair value.

Impairment assessment

The Group has obtained external assessment of the work performed by a professional independent valuer, on the basis that the fair value of the investments are higher than the carrying value of the investments and believe that there is no impairment required.

Based on the impairment assessment, no impairment is required to be recognised in the current year.

14 Financial assets, at FVTPL

The Group	**2018** **HK$'000**	2017 HK$'000
Equity instrument designated at fair value through profit or loss		
At 1 January	**–**	–
Reclassification from available-for-sale financial assets at 1 January 2018 (Note 10)	**14,000**	–
Changes in fair value of financial assets, at FVTPL	**(3,000)**	–
At 31 December	**11,000**	–
Fair value of FVTPL	**11,000**	–

Presented as:	**31 December 2018** **HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Current Assets			
Financial assets, at FVTPL	**11,000**	–	1,344

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14 Financial assets, at FVTPL (Cont'd)

Financial assets at fair value through profit or loss

On 1 January 2018, investment in quoted equity investments was reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss on adoption of SFRS(I) 9. Equity instruments at fair value through profit or loss include investments in listed equity shares. Fair values of these equity shares are determined by reference to published price quotations in an active market.

The fair values are within Level 1 of the fair value hierarchy.

On 20 February 2019, the Group entered into a sale and purchase agreement with a buyer to sell their shareholdings in the FVTPL investment for a sale consideration of HK$15,000,000. Subsequent to 31 December 2018, the Group has received HK$5,000,000 from the buyer.

15 Other receivables

	The Group			The Company		
	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Interest receivable	**45,760**	50,636	40,797	**–**	–	–
Dividend receivable	**3,914**	4,114	5,574	**–**	–	–
	49,674	54,750	46,371	**–**	–	–
Impairment losses:						
At beginning	**(19,636)**	(11,994)	(7,338)	**–**	–	–
Allowance for impairment	**(27,484)**	(6,537)	(4,899)	**–**	–	–
Foreign exchange difference	**1,855**	(1,105)	243	**–**	–	–
At end	**(45,265)**	(19,636)	(11,994)	**–**	–	–
Net interest and dividend receivables	**4,409**	35,114	34,377	**–**	–	–
Deposits	**24**	24	26	**17**	17	18
Other receivables (*)	**90**	963	980	**7**	9	26
Amounts due from subsidiaries (non-trade)	**–**	–	–	**143,298**	147,847	149,220
Total loans and receivables	**4,523**	36,101	35,383	**143,322**	147,873	149,264
Prepayments	**50**	47	47	**50**	47	47
Total other receivables	**4,573**	36,148	35,430	**143,372**	147,920	149,311

The interests on the loans and advances are accrued based on the loan agreements which are payable monthly, quarterly, annually or upon maturity of the loans. The impairment loss of HK$27,484,000 (31 December 2017 – HK$6,537,000 and 1 January 2017 – HK$4,899,000) has been provided for the interest receivable to the extent of unguaranteed sum by the Underwriters and the amount deemed not recoverable based on projected cash flow from the respective development projects. The impairment loss has been provided for certain loan portfolios of the Group in Australia in view of the slow property market.

(*) Included in other receivables is an amount of HK$82,000 (2017 - HK$25,000) due from Intermediary, representing the net amount of funds held on behalf of the Group. The Group and the Intermediary have an arrangement to settle the balances due to or due from each other on a net basis. Please refer to Note 22 for details of foreign currency exposure and credit risk exposure and Note 24 for the off-setting disclosure.

The amounts due from subsidiaries are non-trade in nature, unsecured, bear interest at rate of 1.5% (2017 - 1.5%) per annum and are repayable on demand.

	The Group			The Company		
	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Singapore dollar	**74**	73	117	**74**	73	91
Hong Kong dollar	**4,417**	4,769	3,936	**143,298**	147,847	149,220
United States dollar	**–**	–	2,244	**–**	–	–
Australian dollar	**82**	31,306	29,133	**–**	–	–
Total other receivables	**4,573**	36,148	35,430	**143,372**	147,920	149,311

Please refer to Note 22 for details of foreign currency exposure and credit risk exposure.

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16 Cash and cash equivalents

	The Group			The Company		
	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Cash at bank	**5,785**	10,420	4,315	**1,129**	1,416	1,165
Fixed deposit	**21,967**	21,965	–	**–**	–	–
	27,752	32,385	4,315	**1,129**	1,416	1,165

The fixed deposit matures in 3 days (31 December 2017 - 3 days; 1 January 2017 - Nil) after the end of the reporting date, with an effective interest rate of 1.41% (31 December 2017 - 1.04%; 1 January 2017 – Nil%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	The Group			The Company		
	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Singapore dollar	**1,910**	1,069	947	**776**	1,063	813
Hong Kong dollar	**2,942**	8,541	2,584	**353**	353	352
United States dollar	**802**	798	784	**–**	–	–
Australian dollar	**22,098**	21,977	–	**–**	–	–
	27,752	32,385	4,315	**1,129**	1,416	1,165

Please refer to Note 22 for details of foreign currency exposure.

17 Share capital

The Company	**31 December 2018 No. of shares**	31 December 2017 No. of shares	**31 December 2018 HK$'000**	31 December 2017 HK$'000
Issued and fully paid, with no par value				
At 1 January and 31 December	**525,630,328**	525,630,328	**145,105**	145,105

The Company	**31 December 2018 S$**	31 December 2017 S$
Issued and fully paid share capital denominated in original currency:		
At 1 January and 31 December	**24,584,340**	24,584,340

S$: Singapore dollars

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

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For the financial year ended 31 December 2018

17 Share capital (Cont'd)

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

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

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

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

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

The Company	**Balance at 1.1.2018**	**Options granted**	**Options exercised**	**Options lapsed or cancelled**	**Balance at 31.12.2018**	**Exercise price (S$)**	**Exercise period**
2011 Options	20,750,000	–	–	–	20,750,000	0.035	9.5.2012 to 8.5.2021
Exercisable	20,750,000	–	–	–	20,750,000		

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

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

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

18 Reserves

	The Group			**The Company**		
	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Share option reserve	**340**	340	340	340	340	340
Fair value reserve	**1,330**	5,356	7,635	–	–	–
	1,670	5,696	7,975	340	340	340

Share option reserve

Share option reserve represents the equity-settled share options granted to employees (Note 17). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

Fair value reserve

Fair value reserve arises from surplus on valuation of FVOCI financial assets (2017 - available-for-sale financial assets) held at the end of the reporting period (Note 10 and 13). The fair value reserve comprises the cumulative net changes in the fair value of FVOCI financial assets (2017 - available-for-sale financial assets) until the investments are derecognised or impaired.

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For the financial year ended 31 December 2018

19 Other payables

	The Group			The Company		
	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Accrued operating expense	**3,358**	3,144	3,234	**3,075**	2,647	2,912
Other creditors (*)	**1,258**	1,037	62	**–**	–	–
Withholding tax payable	**–**	4,253	3,968	**–**	–	–
	4,616	8,434	7,264	**3,075**	2,647	2,912

(*) Included in other creditors is an amount of HK$1,258,000 (2017 - HK$1,037,000) due to Intermediary, representing the net amount of funds held on behalf of the Group. The Group and the Intermediary have an arrangement to settle the balances due to or due from each other on a net basis. Please refer to Note 22 for details of foreign currency exposure and credit risk exposure and Note 24 for the off-setting disclosure.

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

Oher payables are denominated in the following currencies:

	The Group			The Company		
	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Singapore dollar	**3,075**	2,647	2,912	**3,075**	2,647	2,912
Hong Kong dollar	**283**	496	206	**–**	–	–
Australian dollar	**1,258**	5,291	4,146	**–**	–	–
	4,616	8,434	7,264	**3,075**	2,647	2,912

Please refer to Note 22 for details of foreign currency risks and liquidity risk exposure.

20 Operating lease commitments

The Company and the Group as lessee

The leases have varying terms, escalation clauses and renewal rights. These operating leases expire between May 2019 and December 2019. At the end of the reporting period, the Company and the Group were committed to making the following payments in respect of non-cancellable operating leases for office space from both related and non-related parties:

	The Group			The Company		
	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Not later than 1 year	**81**	121	70	**36**	88	37
Later than 1 year and not later than 5 years	**–**	36	–	**–**	37	–
	81	157	70	**36**	125	37

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For the financial year ended 31 December 2018

21 Related party transactions

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

The Group	**2018** **HK$'000**	2017 HK$'000
Interest income from the borrowers [(a)]	**–**	1,260
Dividend income from the investment [(a)]	**–**	1,849
Rental and utility expense to other related party [(b)]	**90**	89
Fund transferred to a borrower through a related party [(c)]	**18,000**	–
Fund transferred on behalf of an underwriter through a related party[(d)]	**–**	3,575
Fund transferred from a borrower through a related party [(e)]	**18,172**	–

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

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

(c) During the financial year ended 31 December 2018, the Group transferred an amount of HK$18,000,000 to one of its Ultimate Borrowers through an entity in which the Company's director cum shareholder is also a shareholder cum director to facilitate the funds transfer process. As at 31 December 2018, the amount due from the Ultimate Borrower is HK$18,000,000 (2017 - HK$Nil).

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

(e) During the financial year ended 31 December 2018, the Group received an amount of HK$18,172,000 (2017- HK$Nil) from a Borrower through a director to facilitate the funds transfer process.

22 Financial risk management

22.1 Financial risk factors

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22 Financial risk management (Cont'd)

22.2 Market risk

22.2.1 Interest rate risk

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

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

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

The fluctuations of the rates of interest rates on available-for-sale financial assets, FVOCI financial assets, FVTPL financial assets and loans and advances will be of significant effect on profit or loss, since the bulk of assets are loans and advances. If the interest rates on the available-for-sale financial assets, FVOCI financial assets, FVTPL financial assets and loans and advances strengthen/weaken by 10%, the total interest will be HK$372,400 (2017 - HK$1,248,700) higher/lower.

Cash flow sensitivity analysis for variable rate instruments

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

	Profit before tax		**Equity**	
	10 bp increase	**10 bp decrease**	**10 bp increase**	**10 bp decrease**
The Group	**HK$**	**HK$**	**HK$**	**HK$**
At 31 December 2018				
Financial assets, at FVTPL	**11,000**	**(11,000)**	**11,000**	**(11,000)**
Financial assets, at FVOCI	**3,829**	**(3,829)**	**3,829**	**(3,829)**
Loans and advances	**76,466**	**(76,466)**	**76,466**	**(76,466)**
At 31 December 2017				
Available-for-sale financial assets	23,355	(23,355)	23,355	(23,355)
Loans and advances	86,431	(86,431)	86,431	(86,431)
At 1 January 2017				
Available-for-sale financial assets	32,593	(32,593)	32,593	(32,593)
Loans and advances	100,532	(100,532)	100,532	(100,532)

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For the financial year ended 31 December 2018

22 Financial risk management (Cont'd)

22.2 Market risk (Cont'd)

22.2.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Most of the Group's transactions in 2018 are carried out in Australian dollar (AUD) as a result of the Group expanding its loan portfolio to include companies in Australia market from 2014.

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the AUD, United States dollar (USD) and Singapore dollar (SGD).

The Group does not use forward contracts to hedge its exposure to foreign currency risk in the local functional currency.

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

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

	Australian dollar		
	31 December	31 December	1 January
	2018	2017	2017
The Group	**HK$'000**	HK$'000	HK$'000
Financial Assets			
Loans and advances	**41,166**	58,431	65,564
Other receivables	**82**	31,306	29,133
Cash and cash equivalents	**22,098**	21,977	–
	63,346	111,714	94,697
Financial Liabilities			
Other payables	**1,258**	5,291	4,146
	1,258	5,291	4,146
Net currency exposure on financial assets and (financial liabilities)	**62,088**	106,423	90,551

	United States dollar		
	31 December	31 December	1 January
	2018	2017	2017
The Group	**HK$'000**	HK$'000	HK$'000
Financial Assets			
AFS financial assets	**–**	–	6,715
Other receivables	**–**	–	2,244
Cash and cash equivalents	**802**	798	784
Net currency exposure on financial assets and (financial liabilities)	**802**	798	9,743

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22 Financial risk management (Cont'd)

22.2 Market risk (Cont'd)

22.2.2 Currency risk (Cont'd)

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

The Group	Singapore dollar		
	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000
Financial Assets			
Other receivables	**74**	73	117
Financial assets, at FVTPL	**–**	–	1,344
Cash and cash equivalents	**1,910**	1,069	947
	1,984	1,142	2,408
Financial Liabilities			
Other payables	**3,075**	2,647	2,912
	3,075	2,647	2,912
Net currency exposure on financial assets and (financial liabilities)	**(1,091)**	(1,505)	(504)

The Company	Singapore dollar		
	31 December 2018 HK$'000	31 December 2017 HK$'000	1 January 2017 HK$'000
Financial Assets			
Other receivables	**74**	73	91
Cash and cash equivalents	**776**	1,063	813
	850	1,136	904
Financial Liabilities			
Other payables	**3,075**	2,647	2,912
	3,075	2,647	2,912
Net currency exposure on financial assets and (financial liabilities)	**(2,225)**	(1,511)	(2,008)

Sensitivity analysis for foreign currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22 Financial risk management (Cont'd)

22.2 Market risk (Cont'd)

22.2.2 Currency risk (Cont'd)

Sensitivity analysis for foreign currency risk (Cont'd)

The Group	**31 December 2018** Profit before tax HK$'000	**31 December 2018** Equity HK$'000	31 December 2017 Profit before tax HK$'000	31 December 2017 Equity HK$'000	1 January 2017 Profit before tax HK$'000	1 January 2017 Equity HK$'000
AUD						
- strengthened 5% against HKD	**3,104**	**3,104**	5,321	5,321	4,528	4,528
- weakened 5% against HKD	**(3,104)**	**(3,104)**	(5,321)	(5,321)	(4,528)	(4,528)
USD						
- strengthened 5% against HKD	**40**	**40**	40	40	487	487
- weakened 5% against HKD	**(40)**	**(40)**	(40)	(40)	(487)	(487)
SGD						
- strengthened 5% against HKD	**(55)**	**(55)**	(75)	(75)	(25)	(25)
- weakened 5% against HKD	**55**	**55**	75	75	25	25

The Company	**31 December 2018** Profit before tax HK$'000	**31 December 2018** Equity HK$'000	31 December 2017 Profit before tax HK$'000	31 December 2017 Equity HK$'000	1 January 2017 Profit before tax HK$'000	1 January 2017 Equity HK$'000
SGD						
- strengthened 5% against HKD	**(111)**	**(111)**	(76)	(76)	(100)	(100)
- weakened 5% against HKD	**111**	**111**	76	76	100	100

22.3 Credit risk

Credit risk refers to the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group or the Company to incur a financial loss. The Group's exposure to credit risk arises primarily from loans and advances and other receivables.

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

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

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

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

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

The Group's significant exposure to credit risk arises from loans and advances and other receivables. Credit exposure to an individual counterparty is restricted by credit limits that are approved by the credit committee based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored by the respective management and the credit committee. The Group's loans and advances comprise of ten borrowers (2017 – nine borrowers) that represented 100% (2017 - 100%) of the total loans and advances. There is significant credit concentration in a few borrowers.

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

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

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

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For the financial year ended 31 December 2018

22 Financial risk management (Cont'd)

22.3 Credit risk (Cont'd)

Exposure to credit risk

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

The Group	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Financial assets			
Loans and advances	**76,466**	86,431	100,532
Other receivables[(1)]	**4,523**	36,101	35,383
Cash and cash equivalents	**27,752**	32,385	4,315
	108,741	154,917	140,230

(1) Excluded prepayment

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

The Company	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Financial assets			
Other receivables[(1)]	**143,322**	147,873	149,264
Cash and cash equivalents	**1,129**	1,416	1,165
	144,451	149,289	150,429

(1) Excluded prepayment

The Group's major classes of financial assets are loans and advances, other receivables (excluding prepayments), and cash and cash equivalents.

The Company's major classes of financial assets are other receivables (excluding prepayments), and cash and cash equivalents.

The tables below detail the credit quality of the Group's and the Company's financial statements and other items, as well as maximum exposure to credit risk by credit risk rating grades:

The Group	**Internal credit rating**	**12-month/ Lifetime ECL**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**	**Net carrying amount HK$'000**
At 31 December 2018					
Loans and advances	**(1)**	**Lifetime ECL**	**84,262**	**(7,796)**	**76,466**
Other receivables[(1)]	**(1)**	**Lifetime ECL**	**49,788**	**(45,265)**	**4,523**
			134,050	**(53,061)**	**80,989**

	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
At 31 December 2017					
Loans and advances	(1)	Lifetime ECL	86,431	–	86,431
Other receivables[(1)]	(1)	Lifetime ECL	55,737	(19,636)	36,101
			142,168	(19,636)	122,532

	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
At 1 January 2017					
Loans and advances	(1)	Lifetime ECL	100,532	–	100,532
Other receivables[(1)]	(1)	Lifetime ECL	47,377	(11,994)	35,383
			147,909	(11,994)	135,915

(1) Excluded prepayment

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22 Financial risk management (Cont'd)

22.3 Credit risk (Cont'd)

Exposure to credit risk (Cont'd)

The Company	**Internal credit rating**	**12-month/ Lifetime ECL**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**	**Net carrying amount HK$'000**
At 31 December 2018					
Other receivables[(1)]	**(1)**	**Lifetime ECL**	**24**	**–**	**24**
Amounts due from subsidiaries (non-trade)	**(2)**	**Lifetime ECL**	**143,298**	**–**	**143,298**
			143,322	**–**	**143,322**

	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
At 31 December 2017					
Other receivables[(1)]	(1)	Lifetime ECL	26	–	26
Amounts due from subsidiaries (non-trade)	(2)	Lifetime ECL	147,847	–	147,847
			147,873	–	147,873

	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
At 1 January 2017					
Other receivables[(1)]	(1)	Lifetime ECL	44	–	44
Amounts due from subsidiaries (non-trade)	(2)	Lifetime ECL	149,220	–	149,220
			149,264	–	149,264

[(1)] Excluded prepayment

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account of the value of any collateral obtained.

(1) Loans and advances and other receivables

Loss allowance for loans and advances and other receivables is measured at an amount equal to lifetime expected credit losses. The ECL on loans and advances and other receivables are estimated by reference to payment history, current financial situation of the debtor, debtor-specific information obtained directly from the debtor and public domain, where available, and an assessment of the current and future wider economic conditions and outlook for the industry in which the debtor operates at the reporting date.

Loans and advances relate to the loan principal to be paid by the borrowers. Other receivables relate mainly to the collection of loan interest and dividends from borrowers. The credit risks relating to balances pending receipt of payment from borrowers are deemed to be significant based on the external credit ratings of the counterparties.

Loans and advances and other receivables are written off when there is no reasonable expectation of recovery. Impairment losses are presented as net impairment losses within other operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item. The closing loss allowances as at the reporting date reconcile to the opening loss allowances are disclosed in Note 12 and Note 15.

(2) Amounts due from subsidiaries

Amounts due from subsidiaries are considered to have low credit risk as the Company has control or significant influence over the operating, investing and financing activities of these entities. The use of loans and advances to assist with the subsidiaries' cash flow management is in line with the Group capital management. There has been an increase in the credit risk of the amounts due from subsidiaries since initial recognition. In determining the ECL, management has taken into account the finances and business performance of the subsidiaries, and a forward-looking analysis of the financial performance of investments and projects undertaken by the subsidiaries.

Other than as disclosed, management has assessed that, the Company is not exposed to significant credit loss in respect of the amounts due from subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22 Financial risk management (Cont'd)

22.3 Credit risk (Cont'd)

(3) Cash and cash equivalents

Cash is placed with financial institutions which are regulated and have good credit ratings. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Impairment of loan and advances and other receivables as at 31 December and 1 January 2017

In the prior years, the impairment of loans and advances and other receivables were assessed based on the incurred loss model. Loans and advances and other receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The loans and advances and other receivables were assessed collectively to determine whether there is expected credit loss. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The Company and the Group considered that there was evidence of impairment if any of the following indicators were present:

– Significant financial difficulties of the debtor;
– Probability that the debtor will enter bankruptcy or financial reorganisation; and
– Default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Financial assets that are neither past due nor impaired

Loans and advances and other receivables that are neither past due nor impaired are creditworthy companies or individuals with a good payment record with the Group and the Company. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings and no history of default.

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired.

An ageing analysis of loans and advances at the reporting date is as follows:

The Group	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Not past due	**35,300**	28,000	34,968
Past due less than 1 month	**–**	–	–
Past due more than 1 month but less than 2 months	**–**	–	–
Past due more than 2 months	**41,166**	58,431	65,564
	76,466	86,431	100,532

An ageing analysis of amounts due from subsidiaries at the reporting date is as follows:

The Company	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Not past due	**143,298**	147,847	149,220
Past due less than 1 month	**–**	–	–
Past due more than 1 month but less than 2 months	**–**	–	–
Past due more than 2 months	**–**	–	–
	143,298	147,847	149,220

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22 Financial risk management (Cont'd)

22.4 Market price risk

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

As at 31 December 2018, the Group is exposed to market price risks arising from the financial assets classified as financial assets at fair value through profit or loss for an investment in equity shares quoted on the Hong Kong Stock Exchange with a carrying value of HK$11,000,000 (2017 – HK$Nil).

Market price sensitivity

As at 31 December 2018, if the market value had been 2% higher/lower with all other variables held constant, the Group's profit net of tax and equity would have been HK$220,000 (2017 – HK$Nil) higher/lower, arising as a result of higher/lower fair value gains on the financial assets classified as fair value through profit or loss.

22.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or other financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

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

The Group and the Company ensure that there are adequate funds to meet all their obligations in a timely and cost effective manner. The management aims at maintaining flexibility in funding by monitoring the recoverability of the investments, loans and advances with the investee companies. As at financial year ended 31 December 2018, management had received payment for loans to Hong Kong, China and Australian borrowers amounting to HK$27,193,000 (2017 – HK$24,840,000). Management believes that it will have the necessary liquidity by scaling its business activities, collections from investments, loans and advances and /or raising funds as it deemed appropriate.

The Group had net negative operating cash flows of HK$2,591,000 and cash balances of HK$27,752,000 for the year ended 31 December 2018.

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

		← Contractual undiscounted cash flows →			
The Group	**Carrying amount HK$'000**	**Total HK$'000**	**Less than 1 year HK$'000**	**Between 2 and 5 years HK$'000**	**Over 5 years HK$'000**
31 December 2018					
Other payables	**4,616**	**4,616**	**4,616**	–	–
31 December 2017					
Other payables [(1)]	4,181	4,181	4,181	–	–
1 January 2017					
Other payables [(1)]	3,296	3,296	3,296	–	–

[(1)] *Excluded withholding tax payable*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22 Financial risk management (Cont'd)

22.5 Liquidity risk (Cont'd)

The Company	Carrying amount HK$'000	← Contractual undiscounted cash flows → Total HK$'000	Less than 1 year HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
31 December 2018					
Other payables	**3,075**	**3,075**	**3,075**	–	–
31 December 2017					
Other payables	2,647	2,647	2,647	–	–
1 January 2017					
Other payables	2,912	2,912	2,912	–	–

23 Financial instruments

23.1 Accounting classifications of financial assets and financial liabilities

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

The Group	Available-for-sale	FVTPL	FVOCI	Loans and receivables (Carried at amortised cost)	Total
	← (Carried at fair value) →				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2018					
Financial assets					
FVTPL	–	11,000	–	–	11,000
FVOCI	–	–	3,829	–	3,829
Loans and advances	–	–	–	76,466	76,466
Other receivables [(1)]	–	–	–	4,523	4,523
Cash and cash equivalents	–	–	–	27,752	27,752
	–	11,000	3,829	108,741	123,570

	Other liabilities (Carried at amortised cost) HK$'000	Total HK$'000
Financial liabilities		
Other payables	4,616	4,616

[(1)] *Excluded prepayment*

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For the financial year ended 31 December 2018

23 Financial instruments (Cont'd)

23.1 Accounting classifications of financial assets and financial liabilities (Cont'd)

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

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

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

[1] *Excluded prepayment*

[2] *Excluded withholding tax payable*

The Group	Available-for-sale	FVTPL	FVOCI	Loans and receivables (Carried at amortised cost)	Total
	←	(Carried at fair value)	→		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
1 January 2017					
Financial assets					
Available-for-sale	32,593	–	–	–	32,593
FVTPL	–	1,344	–	–	1,344
FVOCI	–	–	–	–	–
Loans and advances	–	–	–	100,532	100,532
Other receivables [1]	–	–	–	35,383	35,383
Cash and cash equivalents	–	–	–	4,315	4,315
	32,593	1,344	–	140,230	174,167

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

[1] *Excluded prepayment*

[2] *Excluded withholding tax payable*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23 Financial instruments (Cont'd)

23.1 Accounting classifications of financial assets and financial liabilities (Cont'd)

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

The Company **31 December 2018**	**Loans and receivables (Carried at amortised cost)** **HK$'000**	**Total** **HK$'000**
Financial assets		
Other receivables [(1)]	**143,322**	**143,322**
Cash and cash equivalents	**1,129**	**1,129**
	144,451	**144,451**

	Other liabilities (Carried at amortised cost) **HK$'000**	**Total** **HK$'000**
Financial liabilities		
Other payables	**3,075**	**3,075**

[(1)] *Excluded prepayment*

The Company 31 December 2017	Loans and receivables (Carried at amortised cost) HK$'000	Total HK$'000
Financial assets		
Other receivables [(1)]	147,873	147,873
Cash and cash equivalents	1,416	1,416
	149,289	149,289

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

[(1)] *Excluded prepayment*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23 Financial instruments (Cont'd)

23.1 Accounting classifications of financial assets and financial liabilities (Cont'd)

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

The Company	Loans and receivables (Carried at amortised cost)	Total
1 January 2017	HK$'000	HK$'000
Financial assets		
Other receivables [(1)]	149,264	149,264
Cash and cash equivalents	1,165	1,165
	150,429	150,429

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

(1) *Excluded prepayment*

24 Fair value measurement

Definition of fair value

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

24.1 Fair value measurement of financial instruments

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

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

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

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

The following table shows the levels within the hierarchy of financial assets measured at fair value on a recurring basis as at 31 December 2018 and 2017:

The Group	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2018				
Financial assets, at FVOCI	**–**	**–**	**3,829**	**3,829**
Financial assets, at FVTPL	**11,000**	**–**	**–**	**11,000**
Net fair value	**11,000**	**–**	**3,829**	**14,829**
At 31 December 2017				
Available-for-sale financial assets	–	–	23,355	23,355
Net fair value	–	–	23,355	23,355
At 1 January 2017				
Available-for-sale financial assets	–	–	32,593	32,593
Financial assets, at FVTPL	–	–	1,344	1,344
Net fair value	–	–	33,937	33,937

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24 Fair value measurement (Cont'd)

24.2 Determination of fair values

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

Financial instruments whose carrying amounts approximate fair value

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

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

Fair value measurement of financial instruments

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

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

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

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

Unquoted equity security – financial assets, at FVOCI / available-for-sale (Level 3)

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

There was a transfer from Level 3 to Level 1 in 2018 as the financial instrument is traded in the active market. There were no transfers between Level 1 and Level 3 in 2017.

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

Significant unobservable input	**Sensitivity of the fair value measurement to input**
Increase/(decrease) of 1% discount rate	There would be a (decrease)/increase in fair value by (HK$18,562)/HK$18,838

The following table presents the changes in Level 3 instruments:

The Group	**Level 3 HK$'000**
At 1 January 2017	32,593
Reclass to Level 3	–
Redemption of available-for-sale financial assets	(6,902)
Reversal due to redemption of available-for-sale financial assets	(2,122)
Loss on redemption of available-for-sale financial assets	(57)
Changes in fair value of available-for-sale financial assets	(157)
At 31 December 2017	**23,355**
Reclass into Level 3	**–**
Reclass into Level 1	**(14,000)**
Redemption of financial assets, at FVOCI	**(5,500)**
Changes in fair value of financial assets, at FVOCI	**1,267**
Reversal due to partial redemption of financial assets, at FVOCI	**(1,293)**
At 31 December 2018	**3,829**

Total unrealised foreign currency exchange gains or losses for the period included in profit or loss for assets held	
- for the year ended 31 December 2017	–
- for the year ended 31 December 2018	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24 Fair value measurement (Cont'd)

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

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

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

The Company	Gross carrying amounts HK$'000	Gross amounts offset in the statement of financial position HK$'000	Net amounts in the statement of financial position HK$'000
31 December 2018			
Amounts due from subsidiaries	**153,060**	**(9,762)**	**143,298**
Amounts due to subsidiaries (non-trade)	**(9,762)**	**9,762**	**–**
	143,298	**–**	**143,298**
31 December 2017			
Amounts due from subsidiaries	156,949	(9,102)	147,847
Amounts due to subsidiaries (non-trade)	(9,102)	9,102	–
	147,847	–	147,847
1 January 2017			
Amounts due from subsidiaries	157,194	(7,974)	149,220
Amounts due to subsidiaries (non-trade)	(7,974)	7,974	–
	149,220	–	149,220

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

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

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

The Group	Gross carrying amounts HK$'000	Gross amounts offset in the statement of financial position HK$'000	Net amounts in the statement of financial position HK$'000
31 December 2018			
Amounts due from one Intermediary	**2,017**	**(2,017)**	**–**
Amounts due to one Intermediary	**(3,193)**	**2,017**	**(1,176)**
Net amount due to one Intermediary	**(1,176)**	**–**	**(1,176)**
31 December 2017			
Amounts due from one Intermediary	22,933	(23,945)	(1,012)
Amounts due to one Intermediary	(23,945)	23,945	–
Net amount due to one Intermediary	(1,012)	–	(1,012)
1 January 2017			
Amounts due from one Intermediary	1,118	(1,103)	15
Amounts due to one Intermediary	(1,103)	1,103	–
Net amount due to one Intermediary	15	–	15

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24 Fair value measurement (Cont'd)

24.3 Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements (Cont'd)

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

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

The Group	Gross carrying amounts HK$'000	Gross amounts offset in the statement of financial position HK$'000	Net amounts in the statement of financial position HK$'000
31 December 2018			
Amounts due from the Underwriters	–	–	–
Amounts due to the Underwriters	–	–	–
Net amount due from the Underwriters	–	–	–
31 December 2017			
Amounts due from the Underwriters	1,814	(884)	930
Amounts due to the Underwriters	(884)	884	–
Net amount due from the Underwriters	930	–	930
1 January 2017			
Amounts due from the Underwriters	1,661	(809)	852
Amounts due to the Underwriters	(809)	809	–
Net amount due from the Underwriters	852	–	852

25 Capital management

The Group's objectives when managing capital are:

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

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

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

(d) To provide an adequate return to shareholders.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25 Capital management (Cont'd)

The Group	**31 December 2018 HK$'000**	31 December 2017 HK$'000	1 January 2017 HK$'000
Net cash (A)	**27,752**	32,385	4,315
Total equity (B)	**118,597**	169,831	166,166
Gearing ratio (A)/(B) (%)	**NA%**	NA%	NA%

Not applicable as the Group had a net cash position as at 31 December 2018, 31 December 2017 and 1 January 2017.

26 Operating segments

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

(1) Financing Business

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

(2) Investment

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

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

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

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

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For the financial year ended 31 December 2018

26 Operating segments (Cont'd)

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

	Financing Business		Investment		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue by segments						
Total revenue by segments	**3,724**	12,487	**–**	7	**3,724**	12,494
External revenue	**3,724**	12,487	**–**	7	**3,724**	12,494
Segment (loss) / profit	**(41,153)**	13,687	**–**	7	**(41,153)**	13,694
Unallocated expenses					**(6,563)**	(5,255)
(Loss) / Profit before tax					**(47,716)**	8,439
Income tax expense					**2,519**	(1,000)
(Loss) / Profit for the year					**(45,197)**	7,439
Segment assets	**122,417**	176,831	**–**	–	**122,417**	176,831
Unallocated assets					**1,229**	1,495
Consolidated total assets					**123,646**	178,326
Segment liabilities	**1,930**	5,802	**–**	–	**1,930**	5,802
Unallocated liabilities					**3,119**	2,693
Consolidated total liabilities					**5,049**	8,495

	Financing Business		Investment		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other material items:						
Allowance for impairment of other receivables	**27,484**	6,537	**–**	–	**27,484**	6,537
Allowance for impairment of loans and advances	**7,796**	–	**–**	–	**7,796**	–
Depreciation of plant and equipment	**–**	–	**–**	–	**12**	13
Foreign exchange loss/(gain)	**10,069**	(8,649)	**–**	–	**10,069**	(8,649)
Gain on reclassification from AFS financial assets to financial assets, at FVTPL	**(4,000)**	–	**–**	–	**(4,000)**	–
Changes in fair value on financial assets, at FVTPL	**3,000**	–	**–**	–	**3,000**	–
Loss on disposal of financial assets at FVTPL	**–**	–	**–**	5	**–**	5
Loss on redemption of AFS financial assets	**–**	57	**–**	–	**–**	57

Unallocated assets and liabilities represent other segment including corporate functions in Singapore. These are not included within the reportable operating segments as they are not separately reported to the Group's chief operating decision-maker and does not meet the quantitative thresholds required by SFRS(I) 8 for reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26 Operating segments (Cont'd)

Reconciliations:

(1) Segment profits

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

The Group	**2018 HK$'000**	2017 HK$'000
(Loss) / Profit for reportable segments	**(41,153)**	13,694
Other income	**20**	134
Depreciation expenses	**(12)**	(13)
Marketing and distribution costs	**(7)**	(3)
Administrative expenses	**(6,440)**	(5,373)
Other expenses	**(124)**	–
(Loss) / Profit before tax	**(47,716)**	8,439

(2) Segment assets

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

The Group	**2018 HK$'000**	2017 HK$'000
Segment assets	**122,417**	176,831
Plant and equipment	**26**	7
Other receivables	**74**	72
Cash and cash equivalents	**1,129**	1,416
Total assets	**123,646**	178,326

(3) Segment liabilities

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

The Group	**2018 HK$'000**	2017 HK$'000
Segment liabilities	**1,930**	5,802
Other payables	**3,075**	2,647
Current tax payable	**44**	46
Total liabilities	**5,049**	8,495

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26 Operating segments (Cont'd)

Geographical segments

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

	Singapore		PRC and Hong Kong		British Virgin Islands		Australia		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue										
External sales	**–**	–	**2,793**	2,817	**931**	3,702	–	5,975	**3,724**	12,494
Non-current assets	**26**	7	**–**	–	**–**	–	–	–	**26**	7

Segment results

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

Segment assets

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

Segment liabilities

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

Information about major customer

Revenue of approximately HK$1,788,000 (2017 - HK$2,588,000) are derived from one (2017 - one) external customer and are attributable to the Financing Business.

27 Dividend

The Company and The Group	**2018** **HK$'000**	2017 HK$'000
Ordinary dividends paid during the financial year		
- final tax-exempt (one-tier) dividend in respect of the previous financial year of 0.38 Hong Kong cents (2017 - 0.38 Hong Kong cents) per share	**2,011**	1,995

STATISTICS OF SHAREHOLDINGS

As at 19 March 2019

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	63	7.98	432	0.00
100 - 1,000	103	13.05	59,905	0.01
1,001 - 10,000	152	19.27	967,352	0.18
10,001 - 1,000,000	443	56.15	65,162,860	12.40
1,000,001 AND ABOVE	28	3.55	459,439,779	87.41
TOTAL	**789**	**100.00**	**525,630,328**	**100.00**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the register of shareholders and to the best of knowledge of the Company, approximately 29.33% of the total issued ordinary shares of the Company is held by the public as at 19 March 2019 and accordingly, the Company is in compliance with Rule 723 of the SGX-ST Listing Manual Section B: Rules of Catalist.

The Company has no treasury shares and subsidiary shareholdings as at 19 March 2019.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	ZHOU DAN	120,000,000	22.83
2	HSBC (SINGAPORE) NOMINEES PTE LTD	119,750,600	22.78
3	CHIN FOOK LAI	69,022,400	13.13
4	QUAD SKY LIMITED	53,700,000	10.22
5	BEH KIM LING	17,025,000	3.24
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	16,507,700	3.14
7	CHIN FAH	8,464,350	1.61
8	CHAN MENG SOON	6,106,000	1.16
9	OCBC SECURITIES PRIVATE LIMITED	5,317,294	1.01
10	HONG THYE HOLDINGS PTE LTD	4,650,000	0.88
11	STONE FOREST PTE LTD	4,650,000	0.88
12	RAFFLES NOMINEES (PTE.) LIMITED	4,459,800	0.85
13	CHIN FOOK CHOY	3,994,500	0.76
14	TAN ENG CHUA EDWIN	3,136,200	0.60
15	LIM TENG SAY	2,398,000	0.46
16	DBS NOMINEES (PRIVATE) LIMITED	2,304,315	0.44
17	PHILLIP SECURITIES PTE LTD	2,233,352	0.42
18	TAN SU LAN @ TAN SOO LUNG	2,207,900	0.42
19	CHUA KOK HIN	1,905,900	0.36
20	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,817,400	0.35
	TOTAL	**449,650,711**	**85.54**

STATISTICS OF SHAREHOLDINGS

As at 19 March 2019

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	Deemed Interest	Total	%
Zhou Wen Jie (1)	119,750,600	–	119,750,600	22.78%
Zhou Dan (1) (2)	120,000,000	–	120,000,000	22.83%
Ben Lee (1) (2)	–	120,000,000	120,000,000	22.83%
Quad Sky Limited (3)(4)	53,700,000	–	53,700,000	10.22%
Head Quator Limited (3)	–	53,700,000	53,700,000	10.22%
Ong Chor Wei (3)	3,150,000	53,700,000	56,850,000	10.82%
Wingate Investment Corporation (4)	–	53,700,000	53,700,000	10.22%
Yung Fung Ping (4)	–	53,700,000	53,700,000	10.22%
Chan Mei Sau (4)	–	53,700,000	53,700,000	10.22%
Chin Fook Lai	69,022,400	–	69,022,400	13.13%

Notes:

(1) Zhou Wen Jie is the brother of Zhou Dan and the brother-in-law of Ben Lee. Mr Zhou's interest arises from shares held in the name of HSBC (S) Nominees Pte Ltd.

(2) Zhou Dan is the wife of Ben Lee. Ben Lee is deemed interested in the shares held by Zhou Dan.

(3) Ong Chor Wei @ Alan Ong is deemed interested in the shares held by Quad Sky Limited by virtue of him owning 100.0% of the equity interest in Head Quator Limited which in turn owns 50.0% of the equity interest in Quad Sky Limited.

Head Quator Limited is deemed interested in the shares held by Quad Sky Limited by virtue of it owning 50% of the equity interest in Quad Sky Limited.

(4) Wingate Investment Corporation is deemed interested in the shares held by Quad Sky Limited by virtue of it owning 50% of the equity interest in Quad Sky Limited.

Yung Fung Ping and Chan Mei Sau are deemed interested in the shares held by Quad Sky Limited by virtue of them each owning 50% of the equity interest in Wingate Investment Corporation which in turn owns 50% of the equity interest in Quad Sky Limited.

NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Net Pacific Financial Holdings Limited (the "**Company**") will be held at 1 Robinson Road #18-00 AIA Tower, Singapore 048542 on Friday, 26 April 2019 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**

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

   Mr Ong Chor Wei @ Alan Ong (Retiring pursuant to Regulation 89) **(Resolution 2)**

   Mr Ong Chor Wei @ Alan Ong will, upon re-election as a Director, remain as Executive Director and Chief Executive Officer of the Company. [Information on Mr Ong can be found on page 22 to 30 of the annual report.]

   Mr Ben Lee (Retiring pursuant to Regulation 89) **(Resolution 3)**

   Mr Ben Lee will, upon re-election as a Director, remain as Non-Independent Non-Executive Director and a member of Nominating Committee of the Company. [Information on Mr Lee can be found on page 22 to 30 of the annual report.]

   Mr Chin Fook Lai (Retiring pursuant to Regulation 89) **(Resolution 4)**

   Mr Chin Fook Lai will, upon re-election as a Director, remain as Non-Independent Non-Executive Director of the Company. [Information on Mr Chin can be found on page 22 to 30 of the annual report.]

3. To re-elect the following Directors who cease to hold office pursuant to Regulation 88 of the Company's Constitution:

   Mr Wong Chun Hung (Cease to hold office pursuant to Regulation 88) **(Resolution 5)**

   Mr Wong Chun Hung will, upon re-election as a Director, remain as Independent Non-Executive Director *and a member of Remuneration Committee of the Company. [Information on Mr Wong can be found on page 22 to 30 of the annual report.]*

   Mr Wong Chun Hung is considered independent for the purposes of Rule 704(7) of the Catalist Rules.

   Mr Chung Wai Man (Cease to hold office pursuant to Regulation 88) **(Resolution 6)**

   Mr Chung Wai Man will, upon re-election as a Director, remain as Independent Non-Executive Director *and a member of Nominating Committee of the Company. [Information on Mr Chung can be found on page 22 to 30 of the annual report.]*

   Mr Chung Wai Man is considered independent for the purposes of Rule 704(7) of the Catalist Rules.

4. To approve the payment of Directors' fees of S$165,500 for the financial year ended 31 December 2018 (2017: S$165,500). **(Resolution 7)**

5. To re-appoint Foo Kon Tan LLP, Chartered Accountants of Singapore, as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

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

NOTICE OF ANNUAL GENERAL MEETING

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

AS SPECIAL BUSINESS

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

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

"That pursuant to Section 161 of the Companies Act (Cap. 50) of Singapore (the "**Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

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

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require new Shares to be allotted and issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

provided that:

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

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

(4) (unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."
[See Explanatory Note (i)] **(Resolution 9)**

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

"That pursuant to Section 161 of the Companies Act (Cap. 50) of Singapore (the "**Act**"), the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provision of the Net Pacific Employee Share Option Scheme (the "**Scheme**") and to allot and issue such Shares as may be required to be allotted and issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of Shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued Shares excluding treasury shares and subsidiary holdings on the date preceding the grant of the option from time to time."
[See Explanatory Note (ii)] **(Resolution 10)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Chong Kian Lee
Joint Company Secretaries
Singapore, 10 April 2019

Explanatory Notes:

(i) The Ordinary Resolution 9 proposed in item 7 above, if passed, will empower the Directors from the date of the passing of Ordinary Resolution 9 until the date of the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to allot and issue new Shares and Instruments in the Company. The aggregate number of new Shares (including Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to Ordinary Resolution 9), to be allotted and issued pursuant to Ordinary Resolution 9 shall not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of Ordinary Resolution 9. For the allotment and issue of new Shares other than on a pro rata basis to shareholders of the Company, the aggregate number of new Shares (including Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to Ordinary Resolution 9), to be allotted and issued pursuant to Ordinary Resolution 9 shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company as at the date of the passing of Ordinary Resolution 9. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

(ii) The Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors, to grant options and to allot and issue Shares upon the exercise of such options in accordance with the Scheme.

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Act, a member is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. A proxy need not be a member of the Company.

4. The proxy form must be deposited at registered office of the Company at **35 Selegie Road #10-25, Singapore 188307**, not less than **72 hours** before the time appointed for holding the AGM.

5. Where the proxy form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

NET PACIFIC FINANCIAL HOLDINGS LIMITED
(Company Registration Number: 200300326D)
(Incorporated in Singapore with limited liability)

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT:
1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "**Act**"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

I/We, ______________________ (Name) ______________ (NRIC/Passport/Company Registration Number)

of ____ (Address)

being member/members* of **NET PACIFIC FINANCIAL HOLDINGS LIMITED** (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholding**	
		No. of Shares	**%**
Address			

and/or*

Name	**NRIC/Passport No.**	**Proportion of Shareholding**	
		No. of Shares	**%**
Address			

or failing him/her*, the Chairman of the Annual General Meeting of the Company ("**AGM**") as my/our* proxy/proxies* to attend, speak and vote for me/us* on my/our* behalf at the AGM to be held at 1 Robinson Road #18-00 AIA Tower Singapore 048542 on Friday, 26 April 2019 at 9.00 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the Ordinary Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* may vote or abstain from voting at his/her* discretion. The Ordinary Resolutions will be put to vote at the AGM by way of poll.

No.	**Resolutions relating to:**	**Number of Votes For #**	**Number of Votes Against #**
1.	Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2018		
2.	Re-election of Mr Ong Chor Wei @ Alan Ong as a Director of the Company (Retiring pursuant to Regulation 89)		
3.	Re-election of Mr Ben Lee as a Director of the Company (Retiring pursuant to Regulation 89)		
4.	Re-election of Mr Chin Fook Lai as a Director of the Company (Retiring pursuant to Regulation 89)		
5.	Re-election of Mr Wong Chun Hung as a Director of the Company (Cease to hold office pursuant to Regulation 88)		
6.	Re-election of Mr Chung Wai Man as a Director of the Company (Cease to hold office pursuant to Regulation 88)		
7.	Approval of Directors' fees amounting to S$165,500 for the financial year ended 31 December 2018		
8.	Re-appointment of Foo Kon Tan LLP, Chartered Accountants of Singapore, as the Company's auditors and to authorise the Directors to fix their remuneration		
9.	Authority to allot and issue new Shares in the capital of the Company and/or Instruments		
10.	Authority to grant options and issue shares under the Net Pacific Employee Share Option Scheme		

* Delete as appropriate.
\# If you wish to exercise all your votes "For" or "Against", please indicate so with a [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of ________________ 2019

Total Number of Shares	**Number of Shares**
CDP Register	
Register of Members	

____
Signature(s) of Shareholder(s)
or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THIS PROXY FORM

NOTES:

1. Please insert the total number of shares in the capital of the Company ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the proxy form shall be deemed to relate to all the Shares held by you.

2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

3. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the proxy form.

4. A proxy need not be a member of the Company.

5. The proxy form must be deposited at registered office of the Company at **35 Selegie Road #10-25, Singapore 188307**, not less than **72 hours** before the time appointed for holding the AGM.

6. Where the proxy form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

7. Where the proxy form is executed under the hand of an attorney duly authorised, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the proxy form, failing which the proxy form may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Act.

GENERAL:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of Shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any AGM laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Zhou Wen Jie *(Non-Independent Non-executive Chairman)*
Ong Chor Wei@Alan Ong *(Executive Director and Chief Executive Officer)*
Ben Lee *(Non-Independent Non-executive Director)*
Chin Fook Lai *(Non-Independent Non-executive Director)*
Cheung King Kwok *(Lead Independent Non-Executive Director)*
Francis Lee Fook Wah *(Independent Non-Executive Director)*
Wu Houguo *(Independent Non-Executive Director)*
Chung Wai Man *(Independent Non-Executive Director)*
Wong Chun Hung *(Independent Non-Executive Director)*

AUDIT COMMITTEE / RISK MANAGEMENT COMMITTEE:

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

REMUNERATION COMMITTEE:

Francis Lee Fook Wah (Chairman)
Cheung King Kwok
Wu Houguo
Wong Chun Hung

NOMINATING COMMITTEE:

Cheung King Kwok (Chairman)
Francis Lee Fook Wah
Wu Houguo
Chung Wai Man
Ben Lee

COMPANY SECRETARIES:

Gn Jong Yuh Gwendolyn, LLB (Hons)
Chong Kian Lee, CA

REGISTERED OFFICE:

35 Selegie Road #10-25 Singapore 188307
Tel: (65) 6542 3488
Fax: (65) 6542 1933

SHARE REGISTRAR:

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355

AUDITORS:

Foo Kon Tan LLP
Public Accountant & Chartered Accountants, Singapore
24 Raffles Place, #07-03 Clifford Centre
Singapore 048621

Partner-in-charge: Ang Soh Mui
(appointed from financial year ended 31 December 2014)

SPONSOR:

PrimePartners Corporate Finance Pte. Ltd
16 Collyer Quay, #10-00 Income at Raffles
Singapore 049318

Contact person: Ms Tan Pei Woon,
Associate Director, Continuing Sponsorship

利通太平洋金融控股有限公司
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