

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Half Year Financial Statement Announcement for the period ended 30 June 2014

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

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

	Group		
	HY2014 HK\$'000	HY2013 HK\$'000	% + / (-)
Revenue	8,774	5,858 *	50
Other income	4,434	31	NM
Marketing and distribution costs	(68)	(119)	(43)
Administrative expenses	(3,197)	(2,586)	24
Other expenses	(1,007)	(1,617) *	(38)
Profit before income tax	8,936	1,567	470
Income tax expenses	(639)	(46)	NM
Profit for the period	8,297	1,521	445
and attributable to the equity holders of the company			
Profit representing comprehensive income for the period and	8,297	1,521	445
attributable to the equity holders of the company			

NM: Not meaningful

* "Other expenses" in HY2013 includes a reduction in fair value of financial assets of approximately HK\$293,000 in HY2013 which was previously classified in the Group's unaudited consolidated financial statements for HY2013 (announced on the SGXNET on 13 August 2013) as a charge under revenue. The aforementioned reclassification has no other impact on the Group's unaudited consolidated statement of comprehensive income for HY2013 and the Group's unaudited consolidated statement of financial position as at 30 June 2013 (which were announced on the SGXNET on 13 August 2013).

Notes to the consolidated income statement

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

	Group		
	HY2014 HK\$'000	HY2013 HK\$'000	% + / (-)
Depreciation for plant and equipment	(3)	(3)	-
Interest income	6,876	1,325	419
Dividend income	1,898	4,533	(58)
<i>Included in other income are:</i>			
Change in fair value on financial assets at fair value through profit or loss	9	-	NM
Foreign exchange gain	4,425	-	NM
Other income	-	31	NM
	4,434	31	NM
<i>Included in other expenses are:</i>			
Change in fair value on financial assets at fair value through profit or loss	-	(124)	NM
Underwriting expenses	(991)	(173)	473
Foreign exchange losses	-	(1,320)	NM
Loss on disposal of financial assets at fair value through profit or loss	(16)	-	NM
	(1,007)	(1,617)	(38)
Revenue consists of			
Interest income			
Interest income from Financing Business	6,803	1,245	446
Interest income from Investments	73	80	(9)
Total interest income	6,876	1,325	419
Dividend income from Financing Business	1,898	4,533	(58)
Total Revenue	8,774	5,858	50

NM: Not meaningful

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

	Group		Company	
	As at 30/06/14 HK\$'000	As at 31/12/13 HK\$'000	As at 30/06/14 HK\$'000	As at 31/12/13 HK\$'000
ASSETS				
Non-current assets				
Plant and equipment	6	9	6	9
Available-for-sale financial assets	24,484	24,484	-	-
Loans and advances	61,971	24,913	-	-
Investments in subsidiaries	-	-	1,069	1,069
Total non-current assets	86,461	49,406	1,075	1,078
Current assets				
Loans and advances	36,008	47,059	-	-
Other receivables	17,074	27,262	87	42
Financial assets at fair value through profit or loss	1,625	4,677	-	-
Amounts due from subsidiaries	-	-	141,940	150,668
Cash and cash equivalents	27,942	40,186	3,150	2,499
Total current assets	82,649	119,184	145,177	153,209
Total assets	169,110	168,590	146,252	154,287
EQUITY AND LIABILITIES				
Equity				
Share capital	145,101	145,101	145,101	145,101
Share option reserve	340	340	340	340
Fair value reserves - AFS	1,144	1,144	-	-
Accumulated profits	14,654	12,318	(1,062)	6,030
Total equity	161,239	158,903	144,379	151,471
Current liabilities				
Other payables	6,448	8,946	1,859	2,787
Current tax payable	1,423	741	14	29
Total current liabilities	7,871	9,687	1,873	2,816
Total liabilities	7,871	9,687	1,873	2,816
Total equity and liabilities	169,110	168,590	146,252	154,287

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

As at 30 June 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount repayable in one year or less, or on demand			
-	-	-	-
Amount repayable after one year			
-	-	-	-

Details of any collaterals -

Not applicable

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

	Group	
	HY2014 HK\$'000	HY2013 HK\$'000
Cash flows from operating activities:		
Profit after tax	8,297	1,521
Adjustments for:		
Depreciation for plant and equipment	3	3
Change in fair value on financial assets at fair value through profit or loss	(9)	124
Income tax expenses	639	46
Interest income ^(Note 1)	(6,876)	(1,325)
Dividend income ^(Note 1)	(1,898)	(4,533)
Loss on disposal of financial assets at fair value through profit or loss	16	-
Effect of exchange rate changes	(56)	755
Operating profit before changes in working capital	116	(3,409)
Loans and advances	(26,007)	(694)
Other receivables	8,939	(3)
Available-for-sale financial assets ^(Note 2)	-	(10,616)
Other payables	(2,498)	(495)
Cash used in operations	(19,450)	(15,217)
Interest income received ^(Note 1)	8,393	948
Dividend income received ^(Note 1)	1,630	3,327
Income tax paid	(15)	(148)
Net cash used in operating activities	(9,442)	(11,090)
Cash flows from investing activities:		
Disposal of financial assets at fair value through profit or loss	3,066	-
Net cash generated from investing activities	3,066	-
Cash flows from financing activities:		
Payment of dividends	(5,961)	(4,993)
Net cash used in financing activities	(5,961)	(4,993)
Net decrease in cash and cash equivalents	(12,337)	(16,083)
Cash and cash equivalents at beginning of the financial period	40,186	75,964
Effect of exchange rate changes on cash and cash equivalents	93	(584)
Cash and cash equivalents at end of the financial period	27,942	59,297

Note 1

Under "FRS 7 – Statement of Cash Flows", interest income and dividend income are required to be presented separately in the statement of cash flows. Accordingly, in the Group's unaudited consolidated statement of cash flows for HY2014 presented above, interest income and dividend income derived from the Group's Financing Business have been included and separately shown in the adjustments and the Group's unaudited consolidated statement of cash flows for HY2013 has been re-stated correspondingly for comparative purpose.

Note 2

The cash outflow of HK\$10.6 million arising from available-for-sale financial assets in HY2013 previously classified under cash flows from investing activities had been reclassified to cash flows from operating activities as it forms part of the operating activities of the Group, being the Financing Business. This reclassification has no impact on the other items of the Group's unaudited consolidated statement of cash flows for HY2013 and the Group's unaudited consolidated statement of financial position as at 30 June 2013 (which were announced on the SGXNET on 13 August 2013).

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

	Attributable to equity holders of the Company				
	Share Capital	Share Option Reserve	Fair Value Reserve - AFS	Accumulated Profits	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
Balance as at 1/1/2013	145,101	340	-	8,246	153,687
Total profit and comprehensive income for the period*	-	-	-	1,521	1,521
Dividend paid	-	-	-	(4,993)	(4,993)
Balance as at 30/06/2013	145,101	340	-	4,774	150,215
Balance as at 1/1/2014	145,101	340	1,144	12,318	158,903
Total profit and comprehensive income for the period*	-	-	-	8,297	8,297
Dividend paid	-	-	-	(5,961)	(5,961)
Balance as at 30/06/2014	145,101	340	1,144	14,654	161,239

	Share Capital	Share Option Reserve	Accumulated Profits	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company				
Balance as at 1/1/2013	145,101	340	5,589	151,030
Total profit and comprehensive income for the period*	-	-	(984)	(984)
Dividend paid	-	-	(4,993)	(4,993)
Balance as at 30/06/2013	145,101	340	(388)	145,053
Balance as at 1/1/2014	145,101	340	6,030	151,471
Total profit and comprehensive income for the period*	-	-	(1,131)	(1,131)
Dividend paid	-	-	(5,961)	(5,961)
Balance as at 30/06/2014	145,101	340	(1,062)	144,379

* There were no other comprehensive income items.

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

There were no changes in the Company's share capital during the six months ended 30 June 2014.

Share Options

As at 30 June 2014, the number of share options ("**Options**") that are outstanding under the Net Pacific Employee Share Option Scheme are as follows:

Date of grant	Number of Options outstanding as at 30 June 2014	Number of Options lapsed / cancelled during HY2014	Maximum number of Shares to be issued upon exercise of the Options outstanding as at 30 June 2014	Exercise price per share	Exercise period
9 May 2011	7,000,000	-	7,000,000	S\$0.035	9/5/2012 to 8/5/2016
9 May 2011	20,750,000	-	20,750,000	S\$0.035	9/5/2012 to 8/5/2021
Total	27,750,000	-	27,750,000		

The Options have a vesting period of one year and the share-based payment expenses were fully recognised in FY2011. No further share-based payment expenses were required to be recognised since then.

Warrants

As at 30 June 2014, the Company had 255,674,598 outstanding warrants ("**Warrants**") (30 June 2014: 255,674,598), each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of S\$0.12 and expiring on the fifth (5th) anniversary of the date of issue (being 27 July 2010), subject to the terms and upon the conditions of the deed poll dated 21 June 2010.

Save as disclosed above, the Company did not have any other convertibles or any treasury shares as at 30 June 2014 and 30 June 2013.

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

	As at 30/06/14	As at 31/12/13
Total number of issued shares excluding treasury shares	525,624,328	525,624,328

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

The Company did not have any treasury shares and there were no sales, transfers, disposal, cancellation or use of treasury shares as at 30 June 2014.

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the preparation of its financial statements for the current reporting period compared with those adopted in the preparation of its audited financial statements for the financial year ended 31 December 2013, except as stated in Paragraph 5 below.

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

Except for the adoption of FRS27 (Separate Financial Statements), FRS28 (Investments in Associates and Joint Ventures), FRS 32 (Offsetting of Financial Assets and Financial Liabilities), FRS 110 (Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance - Amendments to FRS 110, FRS 111 and FRS 112), FRS 111 (Joint Arrangements), FRS 112 (Disclosure of Interests in Other Entities) and INT FRS 121 (Levies), there are no changes in the accounting policies and methods of computation used in the preparation of the financial information in this announcement except for the adoption of the respective new or revised Financial Reporting Standards, which are effective for the period beginning on or after 1 January 2014. The adoption of the FRSs has no significant impact on the financial position or performance of the Group.

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

	Group	
	HY2014	HY2013
Earnings per ordinary share		
- Basic (Hong Kong cents)	1.58	0.29
- Diluted (Hong Kong cents)	1.58	0.29

Basic earnings per ordinary share has been computed based on the weighted average number of ordinary shares in issue during HY2014 of 525,624,328 shares (HY2013 : 525,624,328 shares).

Diluted earnings per ordinary share has been computed based on the weighted average number of ordinary shares in issue during HY2014 of 525,624,328 shares (HY2013 : 529,907,885 shares after including the dilutive effect of the outstanding Options as at 30 June 2013). The outstanding Options have no dilutive impact on the earnings per ordinary share for HY2014 as they are anti-dilutive.

The outstanding Warrants have no dilutive impact on the earnings per ordinary share for both HY2014 and HY2013 as they are anti-dilutive.

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

	Group		Company	
	As at 30/06/14	As at 31/12/13	As at 30/06/14	As at 31/12/13
Net asset value per ordinary share (Hong Kong cents)	30.68	30.23	27.47	28.82

Net asset value per ordinary share has been computed based on the number of ordinary shares outstanding of 525,624,328 shares as at 30 June 2014 and 31 December 2013.

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

Background

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

Consolidated statement of comprehensive income

The Group recorded higher revenue of HK\$8.8 million in the six months ended 30 June 2014 ("**HY2014**"), as compared to HK\$5.9 million in the six months ended 30 June 2013 ("**HY2013**").

Revenue from the Financing Business comprises interest income from loans extended by the Group to customers and dividend income from the Group's investments. The increase in revenue from Financing Business of HK\$2.9 million in HY2014 was mainly due to the Group's bigger loan portfolio as at 30 June 2014 compared to as at 30 June 2013.

Other income increased by HK\$4.4 million in HY2014 mainly due to foreign exchange gains arising from the revaluation of the Group's loan portfolio denominated in Australian Dollars ("**A\$**") as A\$ appreciated against HK\$ in HY2014.

Total operating expenses of the Group (comprising marketing and distribution costs and administrative expenses) was HK\$3.3 million in HY2014, which was HK\$0.6 million or 21% higher as compared to the total operating expenses of HK\$2.7 million in HY2013, due mainly to higher professional fees and other related expenses following the Group's expansion into the Australian market and higher provisions for salaries and bonus.

Other expenses in HY2014 refer mainly to the underwriting expenses relating to loans extended to certain customers in Australia. Other expenses decreased from HK\$1.6 million in HY2013 to HK\$1.0 million in HY2014 as there was a foreign exchange losses in HY2013 arising from the revaluation of the Group's loan portfolio denominated in A\$ as a result of the depreciation of A\$ against HK\$ in HY2013.

The Group's income tax expense of HK\$0.6 million in HY2014 relates mainly to the withholding tax payable on the interest income from the loans extended to the Australian companies.

As a result of the foregoing, the Group reported a higher net profit of HK\$8.3 million in HY2014 as compared to a net profit of HK\$1.5 million in HY2013.

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Consolidated statements of financial position

The Group's available-for-sale financial assets ("AFS") relate to the Group's investment of HK\$23.3 million made in HY2013 by way of preference shares in the capital of a customer, and were reflected at a fair value of HK\$24.5 million as at 30 June 2014 and as at 31 December 2013, based on the valuation provided by an independent valuer.

The Group's total loans and advances, mainly to customers in Australia and the PRC, amounted to HK\$98.0 million as at 30 June 2014, of which an amount of HK\$62.0 million was non-current and an amount of HK\$36.0 million was current. The Group's loan portfolio at HK\$98.0 million was bigger as at 30 June 2014 compared to HK\$72.0 million as at 31 December 2013, as a result of further loan disbursements made in HY2014.

The Group's other receivables as at 30 June 2014 consisted mainly of interest and dividend income receivables and sales proceeds owing by the purchaser of certain AFS disposed by the Group in December 2013. The Group's other receivables were lower at HK\$17.1 million as at 30 June 2014 compared to HK\$27.3 million as at 31 December 2013 mainly because the Group received sales proceeds of HK\$8.8 million in HY2014 from the purchaser of the AFS.

The financial assets at fair value through profit or loss of the Group relate to the Group's investments in short term financial instruments using cash on hand pending further financing and investment opportunities. These investments were marked to market value as at the end of the respective financial period. The Group's financial assets at fair value through profit or loss had decreased from HK\$4.7 million as at 31 December 2013 to HK\$1.6 million as at 30 June 2014 following an early recall in HY2014 by the issuer of one of the Group's investments.

Other payables of the Group were lower at HK\$6.4 million as at 30 June 2014 as compared to HK\$8.9 million as at 31 December 2013 due to partial payment of underwriting fees arising from the disposal of certain AFS of the Group in accordance with the underwriting arrangement in HY2014.

Consolidated statements of cash flow

The Group's cash and cash equivalents stood at HK\$27.9 million as at 30 June 2014.

The Group had net cash used in operating activities of HK\$9.4 million in HY2014 due mainly to loan disbursements to new customers in Australia and the PRC in HY2014.

The Group's net cash generated from investing activities in HY2014 relates mainly to the disposal of the Group's investment in short term financial instruments.

The Group's net cash used in financing activities in HY2014 relates to the payment of the first and final dividend in respect of FY2013.

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

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

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

Although the PRC economy may be showing signs of slowing down, the Directors believe that the PRC and HKSAR continue to present opportunities for the Group's Financing Business which is targeted at small and mid-sized companies. In light of the weakening PRC economic outlook, the Group is cautious and remains vigilant in monitoring its existing loans and investments. The Group has expanded into the Australian market in FY2013 and expects the extension of new loans to customers in the Australian market to continue in the current financial year.

The Directors are mindful of managing and balancing the Group's investment and credit risks and will deploy capital prudently. The Directors are cautiously optimistic of the Group's prospects in the second half of the current financial year as the Group seeks to make more investments and disbursements under the Financing Business.

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11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

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

Not applicable

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

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

14 Negative confirmation pursuant to Rule 705(5)

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

We, Ong Chor Wei @ Alan Ong and Kwok Chin Phang, hereby confirm on behalf of the board of directors of Net Pacific Financial Holdings Limited that, to the best of their knowledge, nothing has come to their attention which may render the unaudited consolidated financial statements of the Group for the half year ended 30 June 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Ong Chor Wei @ Alan Ong
Chief Executive Officer

Kwok Chin Phang
Chief Operating Officer

BY ORDER OF THE BOARD

Ong Chor Wei @ Alan Ong
Chief Executive Officer

13 August 2014

This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Ms Tan Cher Ting, Director, Corporate Finance, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.