

NET PACIFIC FINANCIAL HOLDINGS LIMITED

Half Year Financial Statement Announcement for the period ended 30 June 2016

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		
	HY2016 HK\$'000	HY2015 HK\$'000	% + / (-)
Revenue ⁽¹⁾	10,559	12,789	(17)
Other income ⁽²⁾	2,027	-	NM
Marketing and distribution costs	(127)	(116)	9
Administrative expenses	(3,149)	(3,393)	(7)
Other expenses ⁽³⁾	(2,433)	(6,893)	(65)
Profit before income tax	6,877	2,387	188
Income tax expenses	(494)	(891)	(45)
Profit for the period and attributable to the equity holders of the company	6,383	1,496	327
Profit representing comprehensive income for the period and attributable to the equity holders of the company	6,383	1,496	327

NM: Not meaningful

Notes to the consolidated income statement

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

	Group		
	HY2016 HK\$'000	HY2015 HK\$'000	% + / (-)
<i>(1) Revenue consists of</i>			
Interest income			
Interest income from Financing Business	8,166	9,582	(15)
Interest income from Investments	22	70	(68)
Dividend income from Financing Business	2,371	3,137	(24)
	10,559	12,789	(17)
<i>(2) Included in other income are:</i>			
Foreign exchange gain	2,006	-	NM
Other income	21	-	NM
	2,027	-	NM
<i>(3) Included in other expenses are:</i>			
Underwriting expenses	-	(1,581)	NM
Foreign exchange losses	-	(5,302)	NM
Change in fair value on financial assets at fair value through profit or loss	(13)	(10)	30
Allowance for impairment loss on other receivables	(2,420)	-	NM
	(2,433)	(6,893)	(65)
Depreciation for plant and equipment	(7)	(3)	133

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 30/06/16 HK\$'000	As at 31/12/15 HK\$'000	As at 30/06/16 HK\$'000	As at 31/12/15 HK\$'000
ASSETS				
<u>Non-current assets</u>				
Plant and equipment	27	34	27	34
Available-for-sale financial assets ("AFS")	-	11,997	-	-
Investments in subsidiaries	-	-	1,069	1,069
Total non-current assets	27	12,031	1,096	1,103
<u>Current assets</u>				
Loans and advances	99,603	81,230	-	-
Available-for-sale financial assets ("AFS")	30,118	18,121	-	-
Other receivables	32,058	27,823	130	122
Financial assets at fair value through profit or loss	1,459	1,402	-	-
Amounts due from subsidiaries	-	-	143,704	148,152
Cash and cash equivalents	5,655	24,529	1,029	1,335
Total current assets	168,893	153,105	144,863	149,609
Total assets	168,920	165,136	145,959	150,712
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	145,105	145,105	145,105	145,105
Share option reserve	340	340	340	340
Fair value reserves - AFS	5,160	5,160	-	-
Accumulated profits / (loss)	12,100	7,708	(1,369)	2,180
Total equity	162,705	158,313	144,076	147,625
<u>Current liabilities</u>				
Other payables and accrued liabilities	5,689	6,532	1,850	3,049
Current tax payable	526	291	33	38
Total current liabilities	6,215	6,823	1,883	3,087
Total liabilities	6,215	6,823	1,883	3,087
Total equity and liabilities	168,920	165,136	145,959	150,712

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

As at 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Amount repayable in one year or less, or on demand</u>			
-	-	-	-
<u>Amount repayable after one year</u>			
-	-	-	-

Details of any 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	
	HY2016 HK\$'000	HY2015 HK\$'000
Cash flows from operating activities:		
Profit after tax	6,383	1,496
Adjustments for:		
Depreciation for plant and equipment	7	3
Change in fair value on financial assets at fair value through profit or loss	13	10
Income tax expenses	693	891
Interest income	(8,188)	(9,652)
Dividend income	(2,371)	(3,137)
Effect of exchange rate changes	-	536
Operating loss before changes in working capital	(3,463)	(9,853)
(Increase) / decrease in loans and advances	(18,373)	2,936
Decrease in other receivables	1,993	2,791
Increase in available-for-sale financial assets	-	(897)
Decrease in other payables	(1,289)	(2,238)
Cash used in operations	(21,132)	(7,261)
Interest income received	1,200	2,241
Dividend income received	3,061	1,898
Income tax paid	(12)	(13)
Net cash used in operating activities	(16,883)	(3,135)
Cash flows from financing activities:		
Payment of dividends	(1,991)	(5,961)
Net cash used in financing activities	(1,991)	(5,961)
Net decrease in cash and cash equivalents	(18,874)	(9,096)
Cash and cash equivalents at beginning of the financial period	24,529	20,700
Effect of exchange rate changes on cash and cash equivalents	-	(665)
Cash and cash equivalents at end of the financial period	5,655	10,939

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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 1/1/2015	145,101	340	3,173	12,437	161,051
Total profit and comprehensive income for the period *	-	-	-	1,496	1,496
Dividend paid	-	-	-	(5,961)	(5,961)
Balance as at 30/06/2015	145,101	340	3,173	7,972	156,586
Balance as at 1/1/2016	145,105	340	5,160	7,708	158,313
Total profit and comprehensive income for the period *	-	-	-	6,383	6,383
Dividend paid	-	-	-	(1,991)	(1,991)
Balance as at 30/06/2016	145,105	340	5,160	12,100	162,705

	Share Capital	Share Option Reserve	Accumulated Profits/ (Loss)	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Company			
Balance as at 1/1/2015	145,101	340	6,217	151,658
Total loss and comprehensive income for the period *	-	-	(1,869)	(1,869)
Dividend paid	-	-	(5,961)	(5,961)
Balance as at 30/06/2015	145,101	340	(1,613)	143,828
Balance as at 1/1/2016	145,105	340	2,180	147,625
Total loss and comprehensive income for the period *	-	-	(1,558)	(1,558)
Dividend paid	-	-	(1,991)	(1,991)
Balance as at 30/06/2016	145,105	340	(1,369)	144,076

* 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**

The total number of shares and share capital of the Company is 525,630,328 (31 December 2015 : 525,630,328) and S\$24,584,341 (31 December 2015 : S\$24,584,341) respectively.

Share Options

As at 30 June 2016, there were 20,750,000 outstanding options ("**Options**") issued under the Net Pacific Employee Share Option Scheme (30 June 2015 : 27,750,000), which are convertible into 20,750,000 (30 June 2015 : 27,750,000) shares.

Warrants

As at 30 June 2016, the Company does not have any outstanding warrants.

As at 30 June 2015, the Company had 255,674,598 outstanding warrants ("**Warrants**"), each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company. The Warrants had since expired on 21 July 2015.

Save as disclosed above, the Company did not have any other convertibles or treasury shares as at 30 June 2016 and 30 June 2015.

- 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 30/06/16	As at 31/12/15
Total number of issued shares excluding treasury shares	525,630,328	525,630,328

The Company did not have any treasury shares as at 30 June 2016 and 31 December 2015.

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

Not applicable. The Company did not have any treasury shares and there were no sales, transfers, disposal, cancellation or use of treasury shares as at 30 June 2016.

- 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 2015, except as stated in Paragraph 5 below.

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

The Group adopted the new or amended Financial Reporting Standards ("**FRS**") and Interpretations of the FRS ("**INT FRS**") that are effective for annual periods beginning on or after 1 January 2016. The adoption of these new or amended FRS and INT FRS did not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

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

	Group	
	As at 30/06/16	As at 30/06/15
Earnings per ordinary share		
- Basic (Hong Kong cents)	1.21	0.28
- Diluted (Hong Kong cents)	1.21	0.28

Basic earnings per ordinary share was computed based on 525,630,328 shares (HY2015 : 525,624,328 shares) being the weighted average number of ordinary shares in issue during HY2016.

Diluted earnings per ordinary share was computed based on 525,630,328 shares (HY2015 : 525,624,328 shares) being the weighted average number of ordinary shares in issue during HY2016 and the outstanding Options has no dilutive effect on the earnings per ordinary share for HY2016 and HY2015 as they are anti-dilutive.

The Warrants, which have expired on 21 July 2015, had no dilutive impact on the earnings per ordinary share for HY2015 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 30/06/16	As at 31/12/15	As at 30/06/16	As at 31/12/15
Net asset value per ordinary share (Hong Kong cents)	30.95	30.12	27.41	28.09

Net asset value per ordinary share has been computed based on the number of ordinary shares outstanding of 525,630,328 shares as at 30 June 2016 (31 December 2015: 525,630,328).

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

Background

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

Consolidated statement of comprehensive income

The Group recorded a revenue of HK\$10.6 million in the six months ended 30 June 2016 ("HY2016"), which is HK\$2.2 million or 17% lower than the revenue of HK\$12.8 million in the six months ended 30 June 2015 ("HY2015"), due mainly to lower interest income from certain loan portfolio in Australia in view of the slow property market.

Total operating expenses of the Group (comprising marketing and distribution costs and administrative expenses) was HK\$3.3 million in HY2016, which is comparable to the total operating expenses of HK\$3.5 million in HY2015.

Other income in HY2016 refers mainly to the foreign exchange gain of HK\$2.0 million arising from the revaluation of the Group's loan portfolio denominated in Australian Dollars ("A\$") as a result of appreciation of A\$ against HK\$ in HY2016, as compared to foreign exchange losses of HK\$5.3 million in HY2015.

Other expenses of HK\$2.4 million in HY2016 refer mainly to the provision for impairment on other receivables. The provision was made in respect of the portion of the interest receivable which was not guaranteed by the underwriter in view of the weakness in global commodities prices which resulted in massive slowdown in the mining activities in the Northern part of Western Australia for a particular property development of one of the Group's borrowers.

The Group's income tax expense of HK\$0.5 million in HY2016 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\$6.4 million in HY2016 as compared to a net profit of HK\$1.5 million in HY2015.

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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\$24.9 million by way of preference shares in the capital of customers, and were reflected at a fair value of HK\$30.1 million as at 30 June 2016, based on the valuation provided by an independent valuer as at 31 December 2015.

The Group's total loans and advances, mainly to customers in Australia and the PRC, amounted to HK\$99.6 million as at 30 June 2016, all of which are current. The Group's loan portfolio at HK\$99.6 million, mainly denominated in A\$, was higher as at 30 June 2016 compared to HK\$81.2 million as at 31 December 2015, mainly due to higher loan amount in HK\$ as a result of the appreciation of A\$ against HK\$ and loan disbursements in second quarter of HY2016. The Group had in aggregate 12 clients as at 30 June 2016 as compared to 10 clients as at 31 December 2015.

The Group's other receivables as at 30 June 2016 consisted mainly of interest and dividend income receivables. The Group's other receivables were higher at HK\$32.1 million as at 30 June 2016 as compared to HK\$27.8 million as at 31 December 2015 mainly because the interest receivables of certain loans are accumulative over the loan tenure and are due for payment only upon maturity of loan.

The financial assets at fair value through profit or loss of the Group of HK\$1.5 million as at 30 June 2016 relates 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 periods.

Other payables and accrued liabilities of the Group were lower at HK\$5.7 million as at 30 June 2016 as compared to HK\$6.5 million as at 31 December 2015 due to lower accrual of expenses following payment of most of the accrued expenses for FY2015.

Consolidated statements of cash flow

The Group's cash and cash equivalents stood at HK\$5.7 million as at 30 June 2016.

The Group had net cash used in operating activities of HK\$16.9 million in HY2016 due mainly to loan disbursements in HY2016.

The Group's net cash used in financing activities in HY2016 relates to the payment of the first and final dividend in respect of the financial year ended 31 December 2015.

There were no cash used in or generated from investing activities.

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 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. Despite recent foreign exchange fluctuation, the Group has identified Australia as one of its core markets to enhance returns and drive growth. For the current financial year ending 31 December 2016 ("FY2016"), subject to business considerations and other factors deemed relevant by the Directors, the Group will seek to limit its loan portfolio exposure to customers in Australia to no more than 60% of the Group's total loan portfolio (in terms of HK\$) for risk management purposes. The Group will also closely monitor the impact of fluctuation in foreign currencies on its loan portfolio, in particular, loans extended by the Group which are denominated in A\$.

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 FY2016 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

(c) Date payable Not applicable

(d) Books closure date Not applicable

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

No dividend has been declared or recommended for the six months ended 30 June 2016.

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

The Company did not obtain any general mandate from its shareholders for interested person transactions. The Group did not enter into any IPT of more than S\$100,000 during HY2016.

14 Negative confirmation pursuant to Rule 705(5)

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

We, Ong Chor Wei @ Alan Ong and Kwok Chin Phang, hereby confirm on behalf of the board of directors of Net Pacific Financial Holdings Limited that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Group for the half year ended 30 June 2016 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

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company has procured signed undertakings from all its directors and executive officers based on Appendix 7H of the SGX-ST Catalist Listing Manual.

BY ORDER OF THE BOARD

Ong Chor Wei @ Alan Ong
Chief Executive Officer

12 August 2016

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

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

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.