

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 2017, 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 (FRSs) 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 2017 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

Accuracy and recoverability of the principal and interest receivable of the loans

As at 31 December 2017, the carrying values of the loans and advances and other receivables stated on the consolidated financial statements are HK\$86,431,000 and HK\$36,148,000 respectively amounting to HK\$122,579,000 in aggregate. Included in this total amount is HK\$75,598,000 which comprises of 5 Australian loans. The total principal and interest receivable are HK\$49,822,000 and HK\$25,776,000 respectively. We received all the loan confirmations from the borrowers in prior years confirming both the principal and interest receivable. However, we are unable to obtain all the loan confirmations in the current year. 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 accuracy of the amount.

As at 31 December 2017, all the principal and interest receivable of 6 Australian loans of HK\$58,431,000 and HK\$30,351,000 respectively have passed their maturity dates (i.e. June and December 2017). In 2017, there have been no repayment of principal and interest receivable 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 and interest receivable of the said loans. Please refer to Note 12 for details.

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.