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

Sustainable GROWTH

Annual Report 2013

Contents

Corporate Profile

Net Pacific Financial Holdings Limited is an investment company that specialises in providing financing services to small to medium-sized companies in the People's Republic of China, Hong Kong Special Administrative Region, Australia and beyond with 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 long-term growth for our financing business, our focus is to optimise 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 are usually made in the form of convertible loans or preferred shares with capital protection structure.

With long-term stability as our goal, we strive to persistently 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 give an update on the Group's performance for the financial year ended 31 December 2013 ("**FY2013**").

During the year, the world economies showed faint but favourable signs of stability and improvement albeit the ongoing effects of the economic slowdown in major economies. While the People's Republic of China (the "**PRC**") continued to grow at a slower pace, the economic outlook remains positive. Furthermore, reports had shown that the economic recovery in the PRC was largely determined by new policies and investment initiatives under the new leadership. This had boosted support for investment growth in areas that drive long term development plans, and in turn, created investment opportunities in the PRC for the long term.

As such, we stayed focused on our strategic direction but remained cautiously optimistic of the positive developments of the PRC and Hong Kong Special Administrative Region of the PRC ("**HKSAR**") economies. As updated in the annual report for 2012, the Group has also expanded its loan portfolio to include companies in the Australian market in FY2013. Our active engagement in these markets continues to provide a suite of financing services ("**Financing Business**") that offers small to medium - sized companies, which have operations in the PRC, HKSAR and Australia with access to capital.

FY2013 Financial Overview

Despite the ongoing challenges, we have witnessed encouraging signs of improvement in the global financial markets, which had helped to lift the financing activities of the Group in FY2013. The Group saw its revenue jumped 51% to HK$16.1 million in FY2013 as compared to HK$10.7 million in the financial year ended 31 December 2012 ("**FY2012**") due to higher loan disbursements to the Australian market.

Total operating expenses of the Group (comprising marketing and distribution costs and administrative expenses) increased 33% to HK$6.4 million in FY2013 as compared to HK$4.8 million in FY2012. This was due to the higher travelling expenses, professional fees and other related expenses following the Group's expansion into the Australian market as well as higher provisions for directors' fees, salaries and bonuses.

In FY2013, the Group also recorded a gain on the disposal of the Group's investment in preference shares in the capital of a customer under available-for-sale financial assets ("**AFS**"). As compared to the foreign exchange gain recorded in FY2012 arising from the revaluation of the Group's bank deposits and short-term investments, which was denominated in Singapore Dollars ("**S$**"), as S$ appreciated against the HK$ towards the end of FY2012, the Group recorded a foreign exchange loss in FY2013 arising from the revaluation of the Group's loan portfolio denominated in Australian Dollars ("**A$**") due mainly to the depreciation of the A$ against the HK$ at the end of FY2013, as well as expenses relating to the disposal of the AFS and loans extended to certain customers in Australia.

As a result of the foregoing, the Group reported a higher net profit of HK$9.1 million in FY2013 as compared to a net profit of HK$6.9 million in FY2012.

Enhancing Shareholders' Value

While the growth of the PRC economy remains hampered by the slower paced development, we believe that the PRC and HKSAR continue to present opportunities for the Group in the long term. Our established business networks will enable us to make further inroads into these markets and hence entrench our foothold.

Given our expertise in identifying potential business and investments in the financial industry, we remain upbeat in growing our Financing Business. This is however, carried out in a prudent manner due to our current size and scope. Furthermore, we are pleased to update that we have made headway into the Australian market, where the Group had extended new loans amounting to approximately HK$72.0 million in FY2013 and expect the extension of new loans to customers in this market to continue in the current financial year ending 31 December 2014.

The Directors recognise the challenges in the overall global economy and will continue to hold a tight rein in managing the Group's investment and credit risks as well as optimising the disbursements of capital. Going ahead, we believe that the future of the Group remains positive and although there will be challenges in the business and economic environment along the way, the Group is in a good stead to adapt and weather these challenges and to achieve and enhance shareholders' value.

On behalf of the Board, we would like to extend our deepest appreciation to our loyal shareholders who have given us their confidence by investing in the Group. In rewarding our shareholders, the Board has proposed a first and final one-tier tax exempt dividend of 1.14 Hong Kong cents per ordinary share for FY2013. To this end, we would like to express our thanks to all our stakeholders and shareholders, as well as our Directors, management, staff, business partners and associates for their strong support of the Group, as we continue to achieve success and attain greater heights.

Thank you.

Mr Zhou Wen Jie
Non-Executive Chairman

Mr Ong Chor Wei @ Alan Ong
Chief Executive Officer

Mr Kwok Chin Phang
Chief Operating Officer

Board of Directors

ZHOU WEN JIE *(Non-Executive Chairman)*

Mr Zhou Wen Jie, first appointed in February 2013 and last re-elected in April 2013, is the Non-Executive Chairman of the Company.

Mr Zhou is currently the chairman and executive director of Zibao Metals Recycling Holdings Plc. With over 15 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 Commence (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-Executive Director of the Company.

ONG CHOR WEI @ ALAN ONG *(Chief Executive Officer)*

Mr Ong Chor Wei, first appointed in February 2010 and last re-elected in April 2012, is the Chief Executive Officer of the Company.

Mr Ong is currently a non-executive director of Joyas International Holdings Limited, a company listed on the SGX-ST and a non-executive director of Hong Wei (Asia) Holdings Company Limited, a company listed on the GEM board of The Stock Exchange of Hong Kong Limited ("**SEHK**"). He is also an independent non-executive director of Man Wah Holdings Limited and O-Net Communications (Group) Limited, both which are listed on the main board of SEHK.

Mr Ong has over 20 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 Annual General Meeting of the Company ("**AGM**").

KWOK CHIN PHANG *(Chief Operating Officer)*

Mr Kwok Chin Phang, first appointed in February 2010 and last re-elected in April 2013, is the Chief Operating Officer of the Company.

Mr Kwok is currently 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 15 years of experience in the investment banking industry. He has extensive experience in the areas of capital market, corporate advisory and mergers 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.

BEN LEE *(Non-Executive Director)*

Mr Ben Lee, first appointed in February 2010 and last re-elected in April 2011, is a Non-Executive Director of the Company.

Mr Lee is currently the chairman of Wang Kei Yip Development Limited ("**WKY**"). He has over 15 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 Special Administrative Region and holds directorship in some of these companies. Mr Lee is the Vice President of Nanhai Resources Recycling Association and was also previously a committee member of the Bureau of International Recycling.

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

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

CHIN FOOK LAI *(Non-Executive Director)*

Mr Chin Fook Lai, first appointed in January 2003 and last re-elected in April 2013, is a Non-Executive Director of the Company.

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.

CHEUNG TING CHOR *(Non-Executive Director)*

Mr Cheung Ting Chor, first appointed in March 2013 and last re-elected in April 2013, is a Non-Executive Director of the Company.

Mr Cheung is currently the chief financial officer of WKY, responsible for the overall financial and accounting affairs of WKY and its subsidiaries ("**WKY Group**") since May 2011. The WKY Group is principally involved in the business of scrap recycling, processing, production and sale of aluminium ingot. Mr Cheung is also since August 2010, and on a part-time basis, the head of credit of Net Pacific Finance Group Limited, a wholly-owned subsidiary of the Company, primarily responsible for establishing and developing its financing business and assessing credit proposals.

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.

TEO YI-DAR (ZHANG YIDA) *(Independent Director)*

Mr Teo Yi-dar, first appointed in February 2010 and last re-elected in April 2011, is an Independent Director of the Company. Mr Teo is also the chairman of the Audit Committee, the Risk Management Committee and the Nominating Committee and a member of the Remuneration Committee of the Company.

Mr Teo is an investment director with SEAVI Advent Corporation Ltd ("**SEAVI Advent**"), the Asian affiliate of Boston-based Advent International private equity group. Mr Teo manages direct investments in Asia, and focuses on the electronics, chemical, engineering and technology segments. Prior to joining SEAVI Advent, he was with Keppel Corporation Ltd., conducting business development activities for Keppel's marine and offshore businesses. Mr Teo started his career as an engineer in SGS-Thomson Microelectronics.

Mr Teo also sits on the boards of several companies listed on the SGX-ST He is currently the lead independent director and both remuneration committee and nominating committee chairmen for Yangzijiang Shipbuilding (Holdings) Ltd, an independent director and nominating committee chairman for China YuanBang Property Holdings Ltd, and an independent director and both remuneration committee and nominating committee chairmen for Smartflex Holdings Ltd. Mr Teo was, in the preceding three years, a non-executive director of SGX-ST listed Sin Heng Heavy Machinery Ltd, SEHK listed Shengli Oil & Gas Pipe Holdings Limited and Shenzhen Stock Exchange listed Hainan Shuangcheng Pharmaceuticals Co Ltd.

Mr Teo holds a Master of Science Degree in Industrial and Systems Engineering (1998) and a Master of Science Degree in Applied Finance (2000) from the National University of Singapore. He graduated from the same university with a Bachelor of Electrical Engineering (Honours) in 1996. He was conferred the designation of Chartered Financial Analyst by the CFA Institute, formerly known as Association for Investment Management and Research, in 2001.

Mr Teo is due for re-election as a Director at the forthcoming AGM.

FRANCIS LEE FOOK WAH *(Independent Director)*

Mr Francis Lee Fook Wah, first appointed in May 2012 and last re-elected in April 2013, is an Independent Director of the Company. 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 four other companies listed on the SGX-ST namely Sheng Siong Group Ltd, JES International Holdlings Ltd, Metech International Ltd and Asiaphos Limited. Mr Lee is currently a director of Wise Alliance Investments Ltd, an equity investment company, where he manages and oversees investment portfolios.

Mr Lee was an executive director, finance director and chief financial officer of Man Wah Holdings Limited ("**Man Wah**"), a company listed on the main board of 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 1 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 with the Institute of Singapore Chartered Accountants (formerly known as the Institute of Certified Public Accountants of Singapore). Mr Lee is also a member of the Singapore Institute of Directors.

WU HOUGUO *(Independent Director)*

Mr Wu Houguo, first appointed in February 2013 and last re-elected in April 2013, is as an Independent Director of the Company. 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.

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.

Management Team

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.

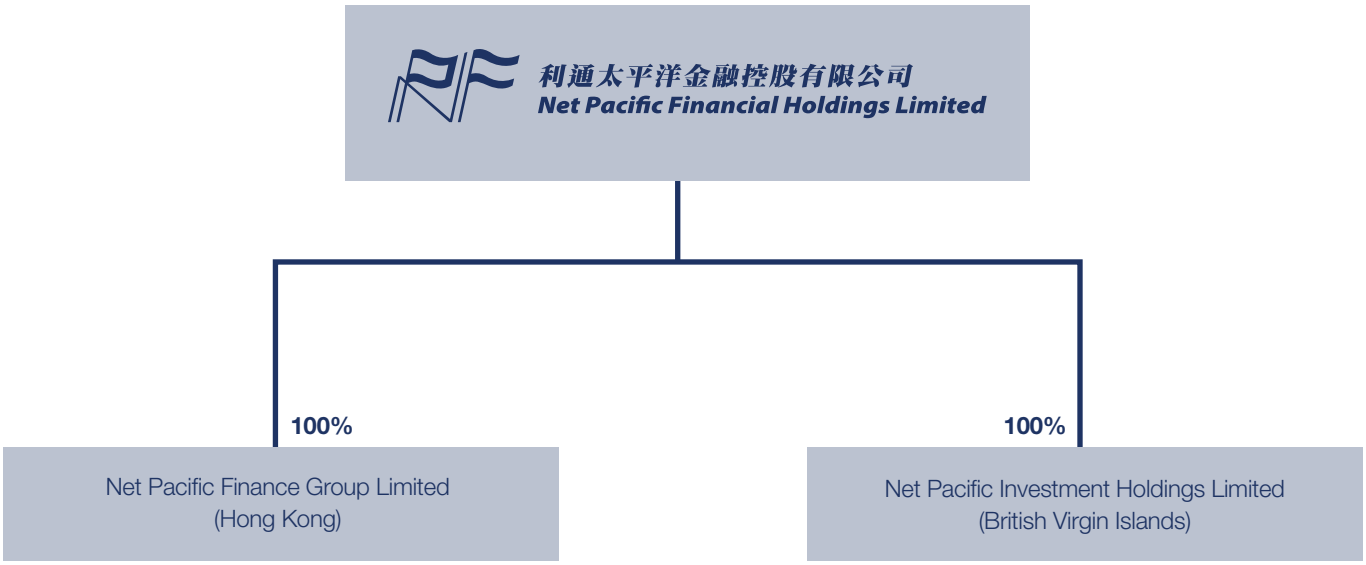
Ms Chong is a Chartered Accountant with the Institute of Singapore Chartered Accountants (formerly known as the Institute of Certified Public Accountants of Singapore) and holds a Bachelor of Accountancy degree from the National University of Singapore.

Chin Nyok Tow
Administrative Manager

Ms Chin Nyok Tow is our Administrative Manager. With more than 15 years of experience in the field of administration 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. She 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 all shareholders and to provide corporate transparency.

The board of directors (the "**Board**") set out in this report the corporate governance framework and practices in place in respect of the financial year ended 31 December 2013 ("**FY2013**").

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 supervising the management of the business and affairs of the Group and approving the corporate strategy, annual budgets, acquisitions and disposals.

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 Articles of Association (the "**Articles**") of the Company also provide for Board meetings to be conducted *via* telephone conferencing or other means of simultaneous communication. The Board has also adopted internal guidelines setting forth matters that require Board's approval and such approval is required in significant business plans including acquisitions and disposal 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.

Board members are provided with complete, adequate information in a timely manner, including quarterly management reports and all relevant information on material events and transactions, to enable them to be fully cognizant of the decisions and actions of the Group's management team. In order to safeguard the interests of the Group, all directors of the Company ("**Directors**") are required to take decisions in the interest of the Group objectively. Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from management on financial, business and corporate issues and are 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. These Board Committees operate within clearly defined terms of reference and operating procedures and these terms of reference and operating procedures are reviewed on a regular basis.

The number of Board and various Board committee meetings held in FY2013 and the attendance of each Board member at those meetings are as follows:

	Board	AC and RMC	RC	NC
No of meetings held in FY2013	2	2	1	1
Name of Directors				
Zhou Wen Jie	2	–	–	–
Ong Chor Wei @ Alan Ong	2	–	–	–
Kwok Chin Phang	2	–	–	–
Ben Lee	2	–	–	–
Chin Fook Lai	2	–	–	–
Cheung Ting Chor(1)	1	–	–	–
Teo Yi-dar (Zhang Yida)	2	2	1	1
Francis Lee Fook Wah	2	2	1	1
Wu Houguo	2	2	1	1

Note:

(1) Mr Cheung Ting Chor was appointed as a Non-Executive Director on 21 March 2013 and attended all the meetings during his term as a member of the Board.

Corporate Governance Report

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. 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.

The Directors are conscious 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. Accordingly, further training for Directors will extend to relevant new laws, regulations and changing commercial risks from time to time.

Principle 2 Board Composition and Guidance

As at the date of this report, the Board has nine (9) members, comprising two (2) executive Directors, four (4) non-executive and non-independent Directors and three (3) non-executive independent Directors:

Name	Position
Mr Zhou Wen Jie[1]	Non-Executive Chairman
Mr Ong Chor Wei @ Alan Ong	Executive Director (Chief Executive Officer)
Mr Kwok Chin Phang	Executive Director (Chief Operating Officer)
Mr Ben Lee[1]	Non-Executive Director
Mr Chin Fook Lai	Non-Executive Director
Mr Cheung Ting Chor[2]	Non-Executive Director
Mr Teo Yi-dar (Zhang Yida)	Independent Director, Chairman of AC, RMC and NC, and member of RC
Mr Francis Lee Fook Wah	Independent Director, Chairman of RC and member of AC, RMC and NC
Mr Wu Houguo[1]	Independent Director, Member of AC, RMC, NC and RC

Notes:

(1) Following the acquisition by Mr Zhou Wen Jie of a 40% shareholding interest in Full Join Holdings Limited ("**Full Join**") from Win Wealth Group Limited (20%), Quad Sky Limited (17.9%) and Net Pacific International Limited (2.1%), Mr Zhou is deemed interested in the 300,000,000 shares in the capital of the Company held by Full Join, representing 57.07% of the total issued share capital of the Company. In connection therewith, Mr Zhou was appointed as the Non-Executive Chairman of the Company in place of Mr Ben Lee, who has been re-designated as a Non-Executive Director on 25 February 2013. To maintain a satisfactory independent element on the Board, Mr Wu Houguo was appointed by the Company as its third Independent Director and a member of the AC, RMC, RC and NC on the same day.

(2) Mr Cheung Ting Chor was appointed as a Non-Executive Director of the Company on 21 March 2013.

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 profile of each Director is set out on pages 2 to 3 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 three (3) are Independent Directors is appropriate and effective. The NC is of the view that the current Board, with Independent Directors making up at least one third of the Board, has a strong and independent element to exercise objective judgment on corporate affairs independently from management. No individual or small group of individuals dominates the Board's decision making. Nevertheless, as the Chairman of the Board is a controlling shareholder of the Company and not an Independent Director, in accordance with Guideline 2.2 of the Code, the Board will seek to make changes to its composition such that Independent Directors make up at least half of the Board by the time of the Annual General Meeting ("**AGM**") following the financial year ending 31 December 2016.

The NC reviews and determines the independence of each Director annually. The NC adopts the Code's definition 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 Teo Yi-dar (Zhang Yida), Mr Francis Lee Fook Wah and Mr Wu Houguo, have confirmed that they do not have any relationship with the Company or 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 aforementioned Directors has served on the Board beyond nine (9) years from the date of their first appointment. The NC has reviewed and determined that the aforementioned Directors are independent.

The Independent Directors provide for a strong and independent element on the Board and are able to exercise objective judgment on corporate affairs independently from management, and together with the Non-Executive Directors, constructively challenge and help develop proposals on strategy and also review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. To facilitate a more effective check on management, Non-Executive Directors and Independent Directors are encouraged to meet regularly without the presence of the management.

Principle 3 Chairman and Chief Executive Officer

The role of the Non-Executive Chairman of the Board and the Chief Executive Officer 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-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:

- setting out the corporate directions of the Company;
- leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;
- ensuring accurate, timely and clear information flow to Directors;
- ensuring effective shareholder communication;
- encouraging constructive relations between the Board and management;
- facilitating effective contribution of Non-Executive Directors;
- encouraging constructive relations between Executive Directors and Non-Executive Directors; and
- promoting high standards of corporate governance.

Mr Ong Chor Wei @ Alan Ong, the Chief Executive Officer 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.

Principle 4 Board Membership
Principle 5 Board Performance

The NC at the beginning of FY2013 comprised the following members, majority of whom, including the Chairman of the NC, were Independent Directors:

Name	Position
Teo Yi-dar (Zhang Yida)	(Chairman, Independent Director)
Francis Lee Fook Wah	(Member, Independent Director)
Ben Lee	(Member, Non-Executive Chairman)

The NC was reconstituted following the appointment of Mr Zhou Wen Jie and Mr Wu Houguo to the Board on 25 February 2013, and as the date of the Report, the NC comprised the following members, all of whom are independent:

Name	Position
Teo Yi-dar (Zhang Yida)	(Chairman, Independent Director)
Francis Lee Fook Wah	(Member, Independent Director)
Wu Houguo	(Member, Independent Director)

Corporate Governance Report

According to the terms of reference of the NC, the NC is responsible for evaluating the effectiveness and performance of the Board and Board committees and the contribution by each Director to the effectiveness of the Board. 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 special contributions. The Chairman acts on the results of the performance evaluation, and where appropriate, proposes new members to be appointed to the Board or seeks the resignation of Directors, in consultation with the NC.

In addition, the NC is charged with the responsibility to review the Board structure, size and composition regularly, and to review and recommend to the Board on any new appointments or re-appointment of Directors, having regard to the Directors' contribution and performance including, if applicable, as an Independent Director. It also determines the independence of Directors on an annual basis in accordance with the guidelines set out in the Code.

The NC has recommended the re-election of three (3) Directors, namely Mr Ben Lee, Mr Teo Yi-dar (Zhang Yida) and Mr Ong Chor Wei @ Alan Ong, all of whom are retiring by rotation at the forthcoming AGM of the Company pursuant to Article 107 of the Articles.

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, commitment 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 or her duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual Director, and the respective Directors' actual conduct on the Board, in making the determination, and is satisfied that all the Directors have been able to and had adequately carried out their duties notwithstanding their multiple board representations and other principal commitments.

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

The Company has a process for selecting and appointing new Director 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 commending its choice to the Board. Upon appointment, arrangements will be made for the new Directors to attend various briefings with the management team. New Directors will also receive relevant training to familiarise themselves with the roles and responsibilities of a director of a listed company on the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

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 executives at all times to obtain additional information or explanations. Under the direction of the Chairman, the Company Secretary's 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 Secretary also facilitates orientation and assists with professional development as required. The Company Secretary attends all meetings of the Board and Board Committees and ensures that board procedures, applicable rules and regulations are followed. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

Principle 7 Remuneration Matters

The RC at the beginning of FY2013 comprised the following members, majority of whom, including the Chairman of the RC, were Independent Directors:

Name	Position
Francis Lee Fook Wah	(Chairman, Independent Director)
Teo Yi-dar (Zhang Yida)	(Member, Independent Director)
Ben Lee	(Member, Non-Executive Chairman)

The RC was reconstituted following the appointment of Mr Zhou Wen Jie and Mr Wu Houguo to the Board on 25 February 2013, and as at the date of this report, the RC comprised the following members, all of whom are independent:

Name	Position
Francis Lee Fook Wah	(Chairman, Independent Director)
Teo Yi-dar (Zhang Yida)	(Member, Independent Director)
Wu Houguo	(Member, Independent Director)

According to the terms of reference of the RC, the duties and responsibilities of the RC are to develop policy on executive remuneration and review remuneration package for Directors and key executives based on performance, experience and scope of responsibility, and to make recommendation on an appropriate framework of remuneration policies for the Board and key executives to ensure that the remuneration package is competitive within the industry and amongst comparable companies to attract, retain and motivate Directors and key executives of the required experience and expertise. The RC also reviews the remuneration package 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 has access to internal and external expert and/or professional advice on human resource and remuneration of all Directors, amongst other matters, whenever there is a need for such consultation.

No Director is 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

The level of remuneration is appropriate to attract, retain and motivate the Directors to run the Company successfully but 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 amongst 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 the Executive Directors, Mr Ong Chor Wei @ Alan Ong, the Company's Chief Executive Officer and Mr Kwok Chin Phang, the Company's Chief Operating Officer, are 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 on 18 June 2013. The annual incentive bonus is approved by the RC and is not subject to any specific performance conditions. 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 recommended Directors' fees of S$105,000 by the RC for FY2013 are determined on the same basis as those of the previous financial year. The amount of Directors' fees were higher in FY2013 as compared to S$60,000 in FY2012 due to the increase in numbers of Directors from six (6) in FY2012 to nine (9) in FY2013. The Board duly accepted the RC's recommendation and proposed the same for approval by shareholders at the forthcoming AGM. Save for Directors' fees which is 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 received an annual incentive bonus of S$10,000 in FY2013 as he is also the head of credit for the Group's financing business on a part-time basis.

Corporate Governance Report

The amount of remuneration (rounded to the nearest thousand Singapore dollars) for the Directors and mix of remuneration (in percentage terms)[1] for the Directors and top two (2) key executives of the Group in office during FY2013 are as follows:

Amount of remuneration	Remuneration (S$'000)
Directors	
Zhou Wen Jie	15
Ong Chor Wei @ Alan Ong	111
Kwok Chin Phang	126
Ben Lee	15
Chin Fook Lai	15
Teo Yi-dar (Zhang Yida)	15
Francis Lee Fook Wah	15
Wu Houguo	15
Cheung Ting Chor [3]	25

Breakdown of Remuneration	Salary %	Bonus %	Fees[2] %	Other benefits %	Total %
Directors					
Zhou Wen Jie	–	–	100	–	100
Ong Chor Wei @ Alan Ong	50	50	–	–	100
Kwok Chin Phang	56	44	–	–	100
Ben Lee	–	–	100	–	100
Chin Fook Lai	–	–	100	–	100
Teo Yi-dar (Zhang Yida)	–	–	100	–	100
Francis Lee Fook Wah	–	–	100	–	100
Wu Houguo	–	–	100	–	100
Cheung Ting Chor [3]	–	40	60	–	100
Key executives [4]					
Chong Kian Lee	89	11	–	–	100
Chin Nyok Tow [5]	93	7	–	–	100

Notes:

(1) The remuneration shown in the table above includes all forms of remuneration from the Company and its subsidiaries including contribution to the central provident fund in Singapore.

(2) Directors' fees for FY2013 are subject to shareholders' approval at the forthcoming AGM.

(3) As head of credit of the Group, Mr Cheung Ting Chor was paid an annual incentive bonus of S$10,000 in FY2013, in addition to the Directors' fees for FY2013.

(4) The Group has only two (2) key executives.

(5) 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 and S$100,000 in FY2013.

The amount of remuneration of each of the two (2) key executives of the Group in FY2013 were below S$250,000 and the aggregate total remuneration paid to these two (2) key executives of the Group in FY2013 was S$183,000. The key executives of the Group are paid an annual incentive bonus approved by the RC which is not subject to any specific performance conditions.

Except as disclosed above, there are no employees whose remuneration exceeded S$50,000 during the year under review who are related to any of the Directors or substantial shareholders of the Company.

The Company has adopted the Net Pacific Employee Share Option Scheme (the "**Scheme**") which was approved by the shareholders on 15 February 2011. The Scheme is administered by the RC, comprising Mr Francis Lee Fook Wah, Mr Teo Yi-Dar (Zhang Yida) and Mr Wu Houguo.

The Scheme 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 eligible 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 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 (10) years except in the case of Options granted to Non-Executive Directors and Independent Directors where the exercise period may not exceed five (5) 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' Report in this Annual Report.

During FY2013, there were no Options granted under 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 controls, on an annual basis. The internal control and risk management functions are performed by the Group's management.

Risk Management

The Board has established the RMC which is tasked 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 report comprises Mr Teo Yi-dar (Zhang Yida) (Chairman), Mr Francis Lee Fook Wah and Mr Wu Houguo, all of whom are Independent Directors and also members of the AC.

The RMC reviews the Group's loan portfolio with the credit team of the Group's Financing Business to understand the background of the borrowers and the risk exposure of the Group on a quarterly basis.

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.

The Board has also received assurance from the Chief Executive Officer 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

Corporate Governance Report

(b) regarding the effectiveness of the Group's risk management systems and internal control systems.

Based on the internal controls established and maintained by the Group, work performed by the external auditors and reviews performed by management, various Board Committees and the Board, the Board is of the opinion, with the concurrence of the AC, that the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems were adequate as at 31 December 2013.

Principle 12 Audit Committee

The AC at the beginning of FY2013 comprised the following members, majority of whom, including the Chairman of the AC, were Independent Directors:

Name	Position
Teo Yi-dar (Zhang Yida)	(Chairman, Independent Director)
Francis Lee Fook Wah	(Member, Independent Director)
Chin Fook Lai	(Member, Non-Executive Director)

The AC was reconstituted following the appointment of Mr Zhou Wen Jie and Mr Wu Houguo to the Board on 25 February 2013, and as at the date of this report, the AC comprised the following members all of whom are independent:

Name	Position
Teo Yi-dar (Zhang Yida)	(Chairman, Independent Director)
Francis Lee Fook Wah	(Member, Independent Director)
Wu Houguo	(Member, Independent Director)

The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge their responsibilities.

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

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

(b) Reviewing the audit plans, the scope and findings of the audit and its cost effectiveness, including the evaluation of the system 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 external auditors on an annual basis;

(d) Reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company;

(e) Reviewing the Company's internal audit function;

(f) 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;

(g) Undertaking such other reviews or projects as may be requested by the Board, by statute or the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"); and

(h) Recommending the appointment or re-appointment of the external auditors to the Board, and approving the compensation of the auditors.

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 and has full discretion to invite any Director or key executive to attend its meetings. The AC has reasonable resources to enable it to discharge its functions properly.

The AC met with the Company's external auditors without the presence of the management twice during FY2013 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 Grant Thornton LLP, amounts to S$3,000 during FY2013, and the amount payable to the external auditors relating to the provision of audit services for FY2013 amounts to approximately S$80,000.

Having reviewed the non-audit services rendered by the external auditors for FY2013 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 Grant Thornton 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 Foo Kon Tan Grant Thornton LLP as its external auditors.

The Directors of the AC sit on multiple boards and hence, 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.

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. Any reports are directed to the Chairman of the AC and the AC will be informed immediately of any whistle-blowing reports received. There was no complaint received up to the date of this report.

Principle 13 Internal Audit

The Company has outsourced its internal audit function to an 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 FY2013. 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 internal audit function. For FY2013, the AC has met with internal auditor without the presence of the management to review the findings and results of the internal audit work, and the effectiveness of actions taken by the management on the recommendations made by the internal auditors in this respect.

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 AC is satisfied that the independence of the external auditors is not compromised by any other material relationship with the Company. The Company will be working with the external auditors on their recommendations to improve the internal controls system in due course.

The Company will review the adequacy and effectiveness of its internal controls on an on-going basis and address any specific issues or risks whenever necessary.

Principle 10 Accountability and Audit
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 Company's and the Group's performance.

The Board 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.

Corporate Governance Report

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. Voting in absentia and electronic mail may only be possible following careful study to ensure the integrity of the information and authentication of the identity of members through the web is not compromised and is also subject to legislative amendment to recognise electronic voting. To solicit and understand the views of the shareholders, the Board welcomes questions from shareholders who wish to raise issues either informally or formally before or at the AGM. The Chairmans of the AC, 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.

The Articles allows a member of the Company to appoint one (1) or two (2) proxies to attend and vote instead of the member. In addition, there is no limit on the number of proxies for nominee companies to attend general meetings.

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

Dealing in Securities

The Company has adopted and implemented internal guidelines to the Directors, management and officers of the Group who have access to price-sensitive information with regards to dealings in the Company's securities during the period commencing one 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.

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 confirms that there was no IPT which exceeded S$100,000 in value during FY2013:

Name of interested person	Aggregate value of all IPTs during FY2013 (excluding transactions of less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (HK$'000)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions of less than S$100,000) (HK$'000)
–	–	–

The Company did not obtain any general mandate from shareholders for IPTs.

There were no other 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.

Continuing Sponsor

No fees relating to non-sponsorship activities or services were paid to the Company's continuing sponsor, CIMB Bank Berhad, Singapore Branch, during FY2013.

Financial Statements

Directors' Report

For the financial year ended 31 December 2013

The directors ("Directors") of Net Pacific Financial Holdings Limited (the "Company") submit this annual report to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") and statement of financial position of the Company for the financial year ended 31 December 2013.

Names of Directors

The Directors in office at the date of this report are:

Zhou Wen Jie	(Non-executive Chairman)
Ong Chor Wei @ Alan Ong	(Executive director)
Kwok Chin Phang	(Executive director)
Ben Lee	(Non-executive director)
Chin Fook Lai	(Non-executive director)
Cheung Ting Chor	(Non-executive director)
Teo Yi-dar (Zhang Yida)	(Independent director)
Francis Lee Fook Wah	(Independent director)
Wu Houguo	(Independent director)

Arrangements to enable Directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement the object of which was to enable the Directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body other than as disclosed in this report.

Directors' interest in shares or debentures

(a) According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of Directors who held office at the end of the financial year (including those of their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings registered in the name of Director		**Holdings in which Director is deemed to have an interest**	
	As at 1.1.2013 or date of appointment, if later	**As at 31.12.2013**	As at 1.1.2013 or date of appointment, if later	**As at 31.12.2013**
The Company		**Number of ordinary shares**		
Zhou Wen Jie [1]	–	**–**	300,000,000	**300,000,000**
Ben Lee [2]	–	**–**	300,000,000	**300,000,000**
Ong Chor Wei @ Alan Ong [3]	–	**–**	300,000,000	**300,000,000**
Chin Fook Lai [4]	10,022,400	**10,022,400**	59,000,000	**59,000,000**
Francis Lee Fook Wah	1,025,000	**1,025,000**	–	**–**
The Company		**Number of warrants**		
Zhou Wen Jie [1]	–	**–**	101,000,000	**101,000,000**
Ben Lee [2]	–	**–**	101,000,000	**101,000,000**
Ong Chor Wei @ Alan Ong [3]	–	**–**	101,000,000	**101,000,000**
Chin Fook Lai [4]	82,045,000	**82,045,000**	–	**–**

Notes:

(1) Mr Zhou Wen Jie, who was appointed as a Director on 25 February 2013, is deemed interested in the shares and warrants held by the company's major shareholder, Full Join Holdings Limited ("Full Join") by virtue of him owing 40% of the equity interest of Full Join.

(2) Mr Ben Lee is deemed interested in the shares and warrants held by Full Join by virtue of him owning 100.0% of the equity interest in Win Wealth Group Limited, which in turn owns 40.0% of the equity interest in Full Join.

(3) Ong Chor Wei @ Alan Ong ("Mr Ong") is deemed interested in the shares and warrants held by Full Join 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, which in turns owns 17.9% of the equity interest in Full Join. Mr Ong also owns 50.0% of the equity interest in Net Pacific International Limited, which in turn owns 2.1% of the equity interest in Full Join.

(4) Chin Fook Lai's deemed interest arises from shares held in the name of HL Bank Nominees (S) Pte Ltd.

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.

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

(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 report.

	Number of unissued ordinary shares under option	
The Company	As at 1.1.2013 or date of appointment, if later	**As at 31.12.2013**
Ben Lee	5,000,000	**5,000,000**
Ong Chor Wei @ Alan Ong	7,000,000	**7,000,000**
Kwok Chin Phang	8,000,000	**8,000,000**
Chin Fook Lai	1,000,000	**1,000,000**
Teo Yi-dar (Zhang Yida)	1,000,000	**1,000,000**
Cheung Ting Chor (1)	5,000,000	**5,000,000**

Note:

(1): Mr Cheung Ting Chor was appointed as a Director on 21 March 2013.

(c) The Directors' interests in the Shares and Options as at 21 January 2014 were the same as those as at 31 December 2013.

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract which is required to be disclosed under Section 201(8) of the Act, except as disclosed in the accompanying financial statements and in this report.

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 report, the Scheme is administered by the Remuneration Committee ("RC") comprising Messrs Francis Lee Fook Wah, Teo Yi-dar (Zhang Yida) and Wu Houguo, all of whom are 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.

Directors' Report

For the financial year ended 31 December 2013

Share option scheme (Cont'd)

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 is 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.

Options granted

On 9 May 2011, the Company granted 28,750,000 Options ("2011 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 the 2011 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 31.12.2013	Aggregate options granted since commencement of Scheme to 31.12.2013	Aggregate options exercised since commencement of Scheme to 31.12.2013	Aggregate options cancelled since commencement of Scheme to 31.12.2013	Aggregate options outstanding as at 31.12.2013
Directors					
Executive Directors:					
Ong Chor Wei @ Alan Ong [1]	–	7,000,000	–	–	**7,000,000**
Kwok Chin Phang	–	8,000,000	–	–	**8,000,000**
Non-Executive Directors:					
Ben Lee [1]	–	5,000,000	–	–	**5,000,000**
Teo Yi-dar (Zhang Yida)	–	1,000,000	–	–	**1,000,000**
Chan Kwong Chung, Bernard [2]	–	1,000,000	–	(1,000,000)	**–**
Chin Fook Lai	–	1,000,000	–	–	**1,000,000**
Cheung Ting Chor [3]	–	5,000,000	–	–	**5,000,000**
Sub-total	–	28,000,000	–	(1,000,000)	**27,000,000**
Participants who received less than 5% of the total available options other than directors					
Other employees	–	750,000	–	–	**750,000**
Total	–	28,750,000	–	(1,000,000)	**27,750,000**

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

(3) Mr Cheung Ting Chor was appointed as a Director on 21 March 2013.

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 employee has received 5% or more of the total number of Options available under the Scheme. No Options were granted at a discount since the commencement of the Scheme on 15 February 2011 to the end of the financial year.

Share option scheme (Cont'd)

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

No shares were issued during the financial year to which this report 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 report comprises the following members, all of whom are independent Directors:

Teo Yi-dar (Zhang Yida) (Chairman)
Francis Lee Fook Wah
Wu Houguo

The audit committee performs the functions set out in Section 201B(5) of the Act, the Catalist Rules and the Code of Corporate Governance. The duties and responsibilities of the audit committee include the following:

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

(b) reviewing the audit plans, the scope and findings of the audit and its cost effectiveness, including the evaluation of the system and adequacy of internal controls with internal and external auditors;

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

(d) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and the Group;

(e) reviewing the Company's internal audit function;

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

(g) undertaking such other reviews or projects as may be requested by the Board, by statute or the Catalist Rules; and

(h) recommending the appointment or re-appointment of the external auditors to the Board, and approving the compensation of the auditors.

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 has conducted a review of the fees paid or payable to the auditor for non-audit services for the financial year ended 31 December 2013. Pursuant to Section 206(1A) of the Act, and based on the review by the audit committee and its recommendation, the Board is also satisfied that the level of non-audit fees paid or payable to the auditor did not affect the independence of the auditor.

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 Grant Thornton LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Independent auditor

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

On behalf of the Directors

ZHOU WEN JIE **ONG CHOR WEI @ ALAN ONG**

31 March 2014

Statement by Directors

For the financial year ended 31 December 2013

In the opinion of the Directors, the accompanying statements of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and 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.

On behalf of the Directors

ZHOU WEN JIE

ONG CHOR WEI @ ALAN ONG

31 March 2014

Independent Auditor's Report

To the members of Net Pacific Financial Holdings Limited

Report on the financial statements

We have audited the accompanying financial statements of Net Pacific Financial Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 22 to 64 which comprise the statements of financial position of the Group and of the Company as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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.

Foo Kon Tan Grant Thornton LLP
Public Accountants and
Chartered Accountants

Singapore, 31 March 2014

Statements of Financial Position

As at 31 December 2013

	Note	The Group 2013 HK$'000	The Group 2012 HK$'000	The Company 2013 HK$'000	The Company 2012 HK$'000
ASSETS					
Non-Current Assets					
Plant and equipment	9	**9**	16	**9**	16
Available-for-sale financial assets	10	**24,484**	55,010	**–**	–
Loans and advances	12	**24,913**	–	**–**	–
Investment in subsidiaries	11	**–**	–	**1,069**	1,069
		49,406	55,026	**1,078**	1,085
Current Assets					
Loans and advances	12	**47,059**	16,969	**–**	–
Other receivables	13	**27,262**	2,676	**150,710**	142,237
Financial assets at fair value through profit or loss	14	**4,677**	4,949	**–**	–
Cash and cash equivalents	15	**40,186**	75,964	**2,499**	9,446
		119,184	100,558	**153,209**	151,683
Total assets		**168,590**	155,584	**154,287**	152,768
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	16	**145,101**	145,101	**145,101**	145,101
Share option reserve	17	**340**	340	**340**	340
Fair value reserve	17	**1,144**	–	**–**	–
Retained profits		**12,318**	8,246	**6,030**	5,589
Total equity		**158,903**	153,687	**151,471**	151,030
Current Liabilities					
Other payables	18	**8,946**	1,876	**2,787**	1,719
Income tax payable		**741**	21	**29**	19
Total liabilities		**9,687**	1,897	**2,816**	1,738
Total equity and liabilities		**168,590**	155,584	**154,287**	152,768

The accompanying notes from an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the Financial Year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	3	**16,074**	10,653
Other income	4	**9,043**	1,085
Marketing and distribution costs		**(221)**	(92)
Administrative expenses		**(6,190)**	(4,733)
Other expenses	5	**(8,912)**	–
Profit before taxation	6	**9,794**	6,913
Income tax (expense) /credit	7	**(729)**	9
Profit for the year		**9,065**	6,922
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
- Changes in fair value of available-for-sale financial assets		**1,144**	–
Total comprehensive income for the year		**10,209**	6,922
Profit for the year attributable to:			
Equity holders of the Company		**9,065**	6,922
Total comprehensive income attributable to:			
Equity holders of the Company		**10,209**	6,922
Earnings per share for profit attributable to:	8		
Equity holders of the Company (Hong Kong cents):			
- Basic		**1.72**	1.32
- Diluted		**1.72**	1.31

The accompanying notes from an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year ended 31 December 2013

	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 2012	191,574	340	–	(42,153)	149,761
Capital reduction	(46,473)	–	–	46,473	–
2011 final tax-exempt (one-tier) dividend of 0.57 Hong Kong cents per share	–	–	–	(2,996)	(2,996)
Total profit and comprehensive income for the year	–	–	–	6,922	6,922
At 31 December 2012	**145,101**	**340**	**–**	**8,246**	**153,687**
2012 final tax-exempt (one-tier) dividend of 0.95 Hong Kong cents per share	**–**	**–**	**–**	**(4,993)**	**(4,993)**
Total profit for the year	**–**	**–**	**–**	**9,065**	**9,065**
Other comprehensive income					
- Changes in fair value of available-for-sale financial assets	**–**	**–**	**1,144**	**–**	**1,144**
At 31 December 2013	**145,101**	**340**	**1,144**	**12,318**	**158,903**

The accompanying notes from an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Cash Flows from Operating Activities		
Profit after taxation	**9,065**	6,922
Adjustments for:		
Depreciation of plant and equipment	**7**	6
Change in fair value on financial assets at fair value through profit or loss	**115**	(320)
Income tax expense/(credit)	**729**	(9)
Gain on disposal of available-for-sale financial assets	**(9,012)**	–
Effect of exchange rate changes	**708**	(981)
Operating profit before working capital changes	**1,612**	5,618
(Increase)/decrease in loans and advances (Note A)	**(55,003)**	31,119
(Increase)/decrease in other receivables	**(6,876)**	6,239
Decrease in available-for-sale financial assets (Note B)	**22,913**	10,000
Increase in other payables	**7,070**	398
Cash (used in)/ generated from operations	**(30,284)**	53,374
Income tax refunded/(paid)	**46**	(1,236)
Net cash (used in)/generated from operating activities	**(30,238)**	52,138
Cash Flows from Investing Activities		
Acquisition of plant and equipment	**–**	(20)
Acquisition of financial assets at fair value through profit or loss	**–**	(1,517)
Net cash used in investing activities	**–**	(1,537)
Cash Flows from Financing Activity		
Payment of dividends	**(4,993)**	(2,996)
Net cash used in financing activity	**(4,993)**	(2,996)
Net (decrease)/increase in cash and cash equivalents	**(35,231)**	47,605
Cash and cash equivalents at beginning of year	**75,964**	27,378
Effect of exchange rate changes on cash and cash equivalents	**(547)**	981
Cash and cash equivalents at end of year (Note 15)	**40,186**	75,964

Note A:
During the financial year ended 31 December 2012, the Group converted HK$35,010,000 of loans and advances into available-for-sale financial assets.

Note B:
The cash flow of HK$10.0 million arising from the available-for-sale financial asset in FY2012 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 statement of cash flows for FY2012 and the Group's statement of financial position as at 31 December 2012.

The accompanying notes from an integral part of these financial statements.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on the date of 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 provision of management services to its subsidiaries. The principal activities of the subsidiaries are as stated in Note 11 to the financial statements.

The immediate and ultimate holding company is Full Join Holdings Limited, incorporated in the British Virgin Islands ("**BVI**").

2(a) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Critical assumptions used and accounting estimates in applying accounting policies

Critical assumptions used and accounting estimates in applying accounting policies are described below:

<u>Impairment of financial assets (available-for-sale financial assets and loans and receivables)</u>

The Group has invested in available-for-sale financial assets and loans and advances (the "Assets") with a carrying value of HK$24,484,000 and HK$71,972,000 respectively, as at 31 December 2013. Available-for-sale financial assets and loans and receivables are tested for impairment if indicators of impairment are identified. The recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. Such impairment loss is recognised in profit or loss.

2(a) Basis of preparation (Cont'd)

Critical assumptions used and accounting estimates in applying accounting policies (Cont'd)

Impairment of financial assets (available-for-sale financial assets and loans and receivables) (Cont'd)

Management judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections could materially affect the net present value used in the impairment test and as a result affect the Group's results.

Significant judgement is applied by management in determining the recoverability of the Assets. Judgements in identifying impairment losses include a review of the 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. Furthermore, 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. 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. If the net present values of estimated cash flows for the loans and advances had been lower by 10% from management's estimate, the allowance for impairment of the loans and advances of the Group would have been higher by HK$7,197,200. Should the fair value of the available-for-sale financial assets be lower by 10% from the reporting year end date, the allowance for impairment of the available-for-sale financial assets of the Group would have been higher by HK$2,448,400.

Fair value of unquoted available-for-sale financial assets

Unquoted available-for-sale financial assets ("AFS") 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 AFS, 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$24,484,000.

Impairment of investments in and amounts due from subsidiaries

Determining whether investment in and amounts due from subsidiaries with carrying values of HK$1,069,000 and HK$150,668,000 respectively at 31 December 2013 are impaired requires an estimation of the value-in-use of the investments. The value-in-use calculation requires the Group 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. Management has evaluated the recoverability of the investment based on such estimates.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

2(a) Basis of preparation (Cont'd)

Critical assumptions used and accounting estimates in applying accounting policies (Cont'd)

Allowance for bad and doubtful debts for other receivables

Allowances for bad and doubtful debts are based on an assessment of the recoverability of other receivables which mainly comprise dividend and interest receivable. Allowances are applied to other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of other receivables and doubtful debt expenses in the period in which such estimate has been changed. The carrying value of the Group's other receivables at the reporting date is HK$27,262,000.

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 income tax payable as at 31 December 2013 amounted to HK$741,000.

2(b) New and amended standards and interpretations

Adoption of new or revised FRS effective in 2013

On 1 January 2013, the Group adopted the amended FRSs that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs. This includes the following FRSs which are relevant to the Group:

Reference	Description
FRS 12	Deferred Tax - Recovery of Underlying Assets
FRS 107	Disclosures - Transfers of Financial Assets

The adoption of these new/revised FRSs and INT FRSs did not result in substantial changes to the Group's accounting policies or any significant impact on these financial statements.

2(b) New and amended standards and interpretations (Cont'd)

FRS not effective in 2013

At the date of authorisation of these financial statements, the following FRSs and INT FRSs were issued but not yet effective:

Reference	Description	Effective from
Amendments to FRS 1	Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19	Employee Benefits	1 January 2013
FRS 113	Fair Value Measurement	1 January 2013
Amendments to FRS 107	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Improvements to FRSs 2012		
- Amendments to FRS 1	Presentation of Financial Statements	1 January 2013
- Amendments to FRS 16	Property, Plant and Equipment	1 January 2013
- Amendments to FRS 32	Financial Instruments: Presentation	1 January 2013
Revised FRS 27	Separate Financial Statements	1 January 2014
Revised FRS 28	Investments in Associates and Joint Ventures	1 January 2014
FRS 110	Consolidated Financial Statements	1 January 2014
FRS 111	Joint Arrangements	1 January 2014
FRS 112	Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 19	Employee Benefits	1 July 2014
Improvements to FRSs 2014	Various	1 July 2014

Except for the amendments to FRS 1, the directors do not anticipate that the adoption of the above FRS in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

The nature of the impending changes in accounting policy on adoption of the amendments to FRS 1 is described below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 Presentation of Items of Other Comprehensive Income ("OCI") are effective for financial periods beginning on or after 1 July 2012.

The amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be classified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

2(c) Summary of significant accounting policies

Consolidation

Business combinations

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 11.

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

2(c) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Business combinations (Cont'd)

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance. The Group does not have any non-controlling interest at year end.

Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. 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 net identifiable assets.

The excess of 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 fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph "Goodwill" for the subsequent accounting policy on goodwill.

Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2(c) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

Goodwill

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of 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 fair value of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold. The Group does not have any goodwill at year end.

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 cost of these assets over their estimated useful lives as follows:

Leasehold improvements	3 years
Plant and equipment	3 - 10 years
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.

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

2(c) Summary of significant accounting policies (Cont'd)

Subsidiaries

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether there is control.

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

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group and the Company do not have held-to-maturity financial assets.

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. In addition, derivative financial instruments that do not qualify for hedge accounting are classified as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of the reporting period.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate.

2(c) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Loans and receivables (Cont'd)

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or writeback is recognised in the profit or loss.

Loans and receivables comprise cash and cash equivalents, loans and advances and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

All financial assets within this category are subsequently measured at fair value with changes in value recognised in equity, net of any effects arising from income taxes, until the financial assets is disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in equity is included in the profit or loss for the period.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from the equity and recognised in the profit or loss even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed in profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses recognised in a previous interim period in respect of available-for-sale equity investments are not reversed even if the impairment losses would have been reduced or avoided had the impairment assessment been made at a subsequent reporting period or end of reporting period.

Gains or losses from sales of available-for-sale investments are recognised upon conclusion of the contract for sale and the amount of sales proceed and the costs incurred or to be incurred in respect of the transaction can be measured reliably and there is certainty of gross inflow of benefits from the sale.

Determination of fair value

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active or is unquoted, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs. Where fair value of unquoted instruments cannot be measured reliably, fair value is determined by the transaction price.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

2(c) Summary of significant accounting policies (Cont'd)

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. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management.

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.

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 articles of association 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.

Financial liabilities

The Group's financial liabilities include other payables. Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within twelve months after the end of reporting period are included in current borrowings in the statement of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of reporting period are included in non-current borrowings in the statement of financial position.

Other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2(c) Summary of significant accounting policies (Cont'd)

Operating leases

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.

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 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.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, provided they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Employee benefits

Pension obligations

The Group contributes to post-employment benefits under defined contribution plans on a mandatory basis. Contributions to defined contribution plans are charged to profit or loss in the period to which the contributions relate.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

2(c) Summary of significant accounting policies (Cont'd)

Employee benefits (Cont'd)

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 reporting date.

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 managers are considered key management personnel.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of non-financial assets

The carrying amounts of the Company's and 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.

2(c) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

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 reporting period.

Revenue recognition

Revenue from services is recognised when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

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.

Functional currencies

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 Hong Kong dollars, which is also the functional currency of the Company.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

2(c) Summary of significant accounting policies (Cont'd)

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 recognized in profit or loss. However, in the consolidated financial statements, currency translation differences arising from net investment in foreign operations are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

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.

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from Hong Kong dollars are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of reporting period;

(ii) Income and expenses are translated at average exchange rates; and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

Finance income and finance costs

Finance income comprises interest income on fixed deposits.

Finance costs comprise interest expense on bank loan, hire-purchase creditors and bank overdraft.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Operating segments

For management purposes, operating segments are organised based on their products and services 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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

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:

The Group	2013 HK$'000	Restated* 2012 HK$'000
Interest income from loans and advances	**8,050**	4,475
Dividend income	**7,595**	5,885
Interest income from short-term financial instrument	**217**	212
Other income	**212**	81
	16,074	10,653

* The changes in fair value of financial assets through profit or loss of HK$0.32 million in FY2012 previously classified as revenue had been reclassified to other income. This reclassification had no impact on the other items of the Group's statement of comprehensive income for FY2012 and the Group's statement of financial position as at 31 December 2012.

4 Other income

The Group	2013 HK$'000	Restated* 2012 HK$'000
Gain on disposal of available-for-sale financial assets	**9,012**	–
Foreign exchange gain	**–**	765
Changes in fair value of financial assets at fair value through profit or loss	**–**	320
Other income	**31**	–
	9,043	1,085

* The changes in fair value of financial assets at fair value through profit or loss of HK$0.32 million in FY2012 previously classified as revenue had been reclassified to other income. This reclassification had no impact on the other items of the Group's statement of comprehensive income for FY2012 and the Group's statement of financial position as at 31 December 2012.

5 Other expenses

The Group	2013 HK$'000	2012 HK$'000
Foreign exchange losses	**2,907**	–
Underwriting expenses	**5,890**	–
Changes in fair value of financial assets at fair value through profit or loss	**115**	–
	8,912	–

Underwriting expenses relate to the expenses incurred as a result of certain loans and advances that were underwritten by third parties for a minimum return and/or for providing guarantees on these loans and advances.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

6 Profit before taxation

The Group	Note	2013 HK$'000	2012 HK$'000
Profit before taxation has been arrived at after charging/(crediting):			
Depreciation of plant and equipment	9	**7**	6
Sponsor fee		**437**	432
Operating lease expenses		**161**	177
Employee compensation	6.1	**3,872**	2,921

6.1 Employee compensation

The Group	2013 HK$'000	2012 HK$'000
Salaries, wages and bonuses	**3,002**	2,355
Directors' fee	**654**	372
Defined contribution benefits	**216**	194
Total employee compensation (Note 6)	**3,872**	2,921

7 Taxation

The Group	2013 HK$'000	2012 HK$'000
Current tax expense:		
Current year provision	**22**	208
Withholding tax on income of subsidiary	**707**	–
Overprovision/(underprovision) of current taxation in respect of prior years	**–**	(217)
	729	(9)

The current year provision includes HK$707,000 withholding tax payable on the interest income from the loans extended to the Australian companies.

Unrecognised tax loss

At the end of the financial year, the Hong Kong subsidiary Net Pacific Finance Group Limited has estimated tax loss of approximately HK$2,132,000 (2012 – Nil) that is available for offset against future profits, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The unrecognised tax loss is of indefinite life, and the use of the tax loss is subject to the agreement of the tax authorities.

7 Taxation (Cont'd)

Reconciliation of effective tax rate

The Group	2013 HK$'000	2012 HK$'000
Profit before taxation	**9,794**	6,913
	9,794	6,913
Tax at statutory rate of 17% (2013 - 17%)	**786**	1,175
Tax effect on non-deductible expenses	**967**	771
Tax effect on non-taxable income	**(1,876)**	(1,573)
Effect of different tax rates in other countries	**(48)**	(36)
Singapore statutory stepped income exemption	**(158)**	(129)
Overprovision/(underprovision) of current taxation in respect of prior years	**–**	(217)
Withholding tax on income of subsidiary	**707**	–
Effect of loss not recognised as deferred tax assets – the Subsidiary	**351**	–
	729	(9)

The non-deductible expenses were mainly underwriting expenses of HK$4,849,000. The non-taxable income was mainly a gain from disposal of an AFS amounting to HK$9,012,000 and dividend income of HK$7,579,000. The effect of different tax rate in other countries relate to Hong Kong statutory rate of 16.5% and BVI corporate rate of 0%.

8 Earnings per share

The Group

The earnings per share is calculated based on the Group's profits attributable to the equity holders of the Company divided by the weighted average number of shares in issue of 525,624,328 (2012 - 525,624,328) shares during the financial year.

Fully diluted earnings per shares were calculated on the Group's profits attributable to the equity holders of the Company divided by 527,228,083 (2012 – 527,301,880) 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 warrants of the Company have no dilutive impact on the earnings per ordinary share computation for the respective financial year as they are anti-dilutive.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

8 Earnings per share (Cont'd)

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

	2013	2012
Weighted average number of ordinary shares for the purpose of basic earnings per share	**525,624,328**	525,624,328
Effect of dilutive potential ordinary shares:		
Employee share options	**1,603,755**	1,677,552
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**527,228,083**	527,301,880

9 Plant and equipment

The Group and Company	**Office equipment HK$'000**
Cost	
At 1 January 2012	32
Additions	20
Disposals	(32)
At 31 December 2012	20
At 31 December 2013	**20**
Accumulated depreciation	
At 1 January 2012	30
Depreciation for the year	6
Disposals	(32)
At 31 December 2012	4
Depreciation for the year	**7**
At 31 December 2013	**11**
Net book value	
At 31 December 2013	**9**
At 31 December 2012	16

10 Available-for-sale financial assets

The Group	**2013 HK$'000**	2012 HK$'000
At 1 January	**55,010**	30,000
Additions	**32,097**	35,010
Redemption of capital	**(63,767)**	(10,000)
Change in fair value recognised in equity	**1,144**	–
At 31 December	**24,484**	55,010

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

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

The Group	2013 HK$'000	2012 HK$'000
Unquoted equity investments		
- Convertible preference shares in Le On Trading Limited ("Le On")	–	20,000
- Convertible preference shares in unquoted equity investment (Note 12)	24,484	35,010
	24,484	55,010

The subscription and redemption of the available-for-sale financial assets is denominated in United State dollars (2012 - HK$).

Information about major investee

The available-for-sale financial assets are with one (2012 - two) external investee.

During the financial year ended 31 December 2012, the Group converted HK$35,010,000 of loans granted to a borrower into convertible preference shares (refer to Note 12) and HK$10,000,000 of convertible preference shares were redeemed and returned to the Group (collectively referred to as "CPS").

The investees are principally engaged in the business of tea industry and scrap recycling, processing, production and sale of aluminium ingot in Hong Kong and the People's Republic of China.

Convertible preference shares in unquoted equity investment

The Group has the right to convert the CPS into the unquoted equity investment's shares at any time after the completion of the issuance of the CPS, provided that the converted shares shall in aggregate represent not more than 30% of the total issued and paid-up share capital of the investee. The shareholders of the investee are guarantors in favour of the Group's subsidiary, Net Pacific Finance Group Limited, whereby the Group shall have the right to sell to the guarantors the CPS based on the principal amount subscribed in the event of a default.

The key terms of the CPS of the unquoted equity investment are as follows:

(a) 9% (2012 - 12%) of dividend per annum, which is payable on a monthly/quarterly/semi-annual basis.

(b) The right to redeem all or some of the shares at any time after the occurrence of redemption event, i.e, the investee failed to go public listing or breach/termination of the subscription agreements, at the aggregate issue price plus cumulative and compounded dividend (2012: right to convert the principal amount of the CPS into shares of the investee based on the consolidated net asset value of the Group at the point of conversion, and the investee may at any time purchase the CPS for the redemption amount which is the aggregate issue price for the CPS plus cumulative and compounded dividend).

(c) The Group has a put option to require the guarantor to acquire the CPS of the investee based on the face value of the CPS together with any outstanding dividends declared on such CPS. As of 31 December 2013, the Group waived the put option.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

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

Redemption of preference shares

The Group subscribes to convertible redeemable preference or Class A shares of the investee companies, which carry equal voting rights and are entitled to dividends. 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 convertible redeemable preference shares are indicative of the values ultimately realised on redemption.

The Group did not withhold any redemption or implement any suspension during 2013 and 2012.

Determination of fair value

As the unquoted CPS are not publicly traded, the fair values presented (which approximate the costs of acquisition) are determined based on the discounted cash flow calculations of the underlying investees. These calculations use cash flow projections based on the yield to maturity of comparative unquoted equity investments (2012 - financial budgets approved by management covering a ten-year period) using the estimated discount rates stated below:

	2013	2012
The Group		
Unquoted equity investment	**1.88%**	13.31%

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, maturity date and expected changes to selling prices and direct costs during the period. The independent valuator and management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CPS. These assumptions have been used for the analysis of each CPS. 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 CPS.

The Group has the option to convert the above CPS into shares of the investees or the holding company of the investees. These options have been recorded at HK$Nil (2012 - HK$Nil) in the financial statements as the Group waived the option as of 31 December 2013, and in 2012, it was not probable that the investees would achieve the financial targets.

Impairment assessment

Significant judgement is applied by management in determining the recoverability of the CPS. Judgements in identifying impairment losses include a review of the 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. Furthermore, 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. The recoverable amounts may differ significantly from the carrying amounts at the reporting date had a readily available market for such loans and advances existed, or had such loans and advances been liquidated, and the differences could be material to the financial statements.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

11 Investments in subsidiaries

The Company	2013 HK$'000	2012 HK$'000
Unquoted equity shares, at cost	**1,069**	1,069
Less: impairment losses	**–**	–
	1,069	1,069

The subsidiaries are:

Name	Country of incorporation	Effective interest held by the Company 2013 %	2012 %	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	**100**	100	Provision of financing services
Net Pacific Investment Holdings Limited [(a) (c)]	British Virgin Islands	**100**	100	Provision of financing services and investment holding

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

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

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

12 Loans and advances

The Group	2013 HK$'000	2012 HK$'000
Third parties (secured):		
At 1 January	**16,969**	83,098
Additions	**71,972**	–
Converted into CPS	**–**	(35,010)
Repayment	**(16,969)**	(31,119)
At 31 December	**71,972**	16,969
Amount repayable on demand	**–**	16,969
Amount repayable within one year	**47,059**	–
Amount repayable after one year	**24,913**	–
Total loans and advances	**71,972**	16,969

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

12 Loans and advances (Cont'd)

Loans and advances are denominated in the following currencies:

The Group	2013 HK$'000	2012 HK$'000
Australian dollar	**71,972**	–
Hong Kong dollar	**–**	16,969
Total loans and advances	**71,972**	16,969

Please refer to Note 21 for details of foreign currency exposure.

During the financial year ended 31 December 2012, the Group converted HK$35,010,000 of loans and advances granted to a borrower into CPS (Refer to Note 10).

The loans in the current financial year were advanced to companies incorporated in Australia via intermediary companies incorporated in Australia which are subject to various interest rates ranging from at 12% to 72% per annum, payable on a regular basis, or at the end of loan tenure. The loans and advances bear interest as follows:

2.5% to 12% per annum - three (2012 - one) loans
13% to 24% per annum - one (2012 - Nil) loan
25% to 36% per annum - two (2012 - Nil) loans
72% per annum - one (2012 - Nil) loan

The loans and advances are repayable on demand, within one year or after one year. They are secured by floating charge over the assets of the borrowers and secured by personal guarantees by the shareholders of the borrowers or underwriters.

Impairment assessment

Significant judgement is applied by management in determining the recoverability of the loans. Judgements in identifying impairment losses include a review of the current performance of the borrower and whether market, economic or company-specific conditions have significantly improved or deteriorated since the time of the original investment. Furthermore, the review of the financial performance and position of the borrower are based on historical financial information which may not be indicative of the borrower's recoverable amounts as of the reporting date. The recoverable amounts may differ significantly from the carrying amounts at the reporting date had a readily available market for such loans and advances existed, or had such loans and advances been liquidated, and the differences could be material to the financial statements.

Intermediary

For five loans (2012: nil), the interests were paid by the borrowers to two intermediary companies, namely Jetwin Investment Pty Ltd and Jetwin Foods Pty Ltd at 100%, and then paid by the intermediary companies to the Group at 90% after deducting the Australian withholding tax. Both intermediary companies were newly incorporated in Australia in 2013 and owned by third parties. The Group engaged them from the point of view of the Australian Foreign Investment Review Board and for general deals and any right of action in the enforceability of a loan recovery.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

13 Other receivables

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest receivable	**6,560**	170	**–**	–
Dividend receivable	**2,669**	2,203	**–**	–
Income tax recoverable	**155**	214	**–**	–
Sale proceeds receivable from sale of available-for-sale financial assets	**17,769**	–	**–**	–
Deposits	**27**	6	**17**	–
Other receivables	**60**	67	**3**	8
Amounts due from subsidiaries	**–**	–	**150,668**	142,213
Prepayments	**22**	16	**22**	16
Total other receivables	**27,262**	2,676	**150,710**	142,237

The interests on the loans are repaid on various terms in accordance with loan agreements, that are monthly, annually or upon the maturity of the loan terms.

The sales proceed receivable from sale of available-for-sale financial asset at 31 December 2013 relate to the sale of an AFS investment of which an amount of HK$8,884,000 has been received subsequent to year end. The remaining balance is repayable in July 2014.

The amounts due from subsidiaries are trade in nature, unsecured, bear interest at rate of 1.5% (2012 - 1.5%) per annum and are repayable on demand. There is no allowance for doubtful debts for the outstanding balances.

Other receivables are denominated in the following currencies:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Singapore dollar	**99**	83	**42**	24
Hong Kong dollar	**166**	2,593	**150,668**	142,213
United States dollar	**2,131**	–	**–**	–
Renminbi	**18,306**	–	**–**	–
Australian dollar	**6,560**	–	**–**	–
Total other receivables	**27,262**	2,676	**150,710**	142,237

Please refer to Note 21 for details of foreign currency exposure.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

14 Financial assets at fair value through profit or loss

The Group	2013 HK$'000	2012 HK$'000
Financial assets at fair value through profit or loss are as follows:		
Quoted equity securities – Singapore	**3,081**	3,301
Quoted debt securities – Hong Kong	**1,596**	1,648
	4,677	4,949

The fair value of the quoted debt securities was based on current bid prices in an active market at the reporting date and was not materially different from its carrying value.

Quoted securities comprise the following:

(i) Quoted equity instruments with a carrying value of HK$3,081,000 (2012 - HK$3,301,000) represent Non-Cumulative Non-Convertible Non-Voting Preference Shares with a dividend rate of 4.7% per annum and are callable in 2020. Dividend payment will be received on a semi-annual basis.

(ii) Quoted debt instruments with a carrying value of HK$1,596,000 (2012 - HK$1,648,000) with an effective interest rate of 4.875% per annum and mature in 2022. Interest payment will be received on the bonds on a semi-annual basis.

These financial assets are subject to financial risk exposure in terms of price risk. The debt instruments are denominated in Singapore dollars. Please refer to Note 21 for details of equity price risk and foreign currency risks.

The maturity of the debt instruments is as follows:

The Group	2013 HK$'000	2012 HK$'000
Later than 5 years	**4,677**	4,949

15 Cash and cash equivalents

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Cash at bank and on hand	**40,186**	75,964	**2,499**	9,446

The effective interest rate of the deposits and certain balances with bank ranges from 0.01% to 0.05% (2012 - 0.01% to 0.05%) per annum.

15 Cash and cash equivalents (Cont'd)

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Singapore dollar	**4,524**	17,278	**2,147**	9,093
United States dollar	**17,297**	37,507	**–**	–
Hong Kong dollar	**17,721**	21,179	**352**	353
Australian dollar	**644**	–	**–**	–
	40,186	75,964	**2,499**	9,446

Please refer to Note 21 for details of foreign currency exposure.

16 Share capital

	No. of shares		Amount	
The Company			**2013**	2012
	2013	2012	**HK$'000**	HK$'000
Issued and fully paid with no par value:				
At 1 January	**525,624,328**	525,624,328	**145,101**	191,574
Capital reduction	**–**	–	**–**	(46,473)
At 31 December	**525,624,328**	525,624,328	**145,101**	145,101

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.

Capital Reduction

At the Extraordinary General Meeting of the Company held on 29 October 2012, the shareholders of the Company approved a capital reduction exercise (the "Capital Reduction") pursuant to Section 78A read with Section 78C of the Singapore Companies Act, Chapter 50, (the "Act") to write off the accumulated losses as at 30 June 2012 (the "Accumulated Losses") by cancelling the issued and fully paid-up share capital of the Company which has been lost or is unrepresented by available assets to the extent of HK$46,473,215, and an amount equal to HK$46,473,215, being the credit arising from the cancellation of the issued and paid-up share capital of the Company were applied to write off the Accumulated Losses. After the Capital Reduction, the Company has an issued and paid up share capital of HK$145,100,962.

The Capital Reduction took effect from 19 December 2012 pursuant to the Company's compliance with all the requirements of the Act and the lodgement of the relevant documents containing the reduction information with the Accounting and Corporate Regulatory Authority of Singapore.

There were no changes in the total number of issued shares in the capital of Company immediately after the Capital Reduction, nor did the Capital Reduction involve the payment to any shareholders of any paid-up share capital of the Company.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

16 Share capital (Cont'd)

Warrants

As at 31 December 2013, the Company had 255,674,598 outstanding warrants ("Warrants") (2012 - 255,674,598). Each Warrant carries the right to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of S$0.12, subject to the terms and upon the conditions of the deed poll dated 21 June 2010.

The fair value of the warrants is nil for both 2012 and 2013 as they are out-of-the-money at reporting date.

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 1.1.2012	Options granted	Options exercised	Options lapsed or cancelled	Balance at 31.12.2012	Exercise Price (S$)	Exercise period
2011 Options	8,000,000	–	–	(1,000,000)	7,000,000	0.035	9.5.2013 to 8.5.2016
2011 Options	20,750,000	–	–	–	20,750,000	0.035	9.5.2013 to 8.5.2021
Exercisable					27,750,000		

The Company	Balance at 1.1.2013	Options granted	Options exercised	Options lapsed or cancelled	Balance at 31.12.2013	Exercise Price (S$)	Exercise period
2011 Options	7,000,000	–	–	–	7,000,000	0.035	9.5.2013 to 8.5.2016
2011 Options	20,750,000	–	–	–	20,750,000	0.035	9.5.2013 to 8.5.2021
Exercisable					27,750,000		

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%.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

17 Reserves

The Group	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share option reserve	**340**	340	**340**	340
Fair value reserve	**1,144**	–	**–**	–
At 31 December	**1,484**	340	**340**	340

Share option reserve

Share option reserve represents the equity-settled share options granted to employees (Note 16). 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 available-for-sale financial assets held on at the end of the reporting period. The fair value reserve comprises the cumulative net changes in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

18 Other payables

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accrued operating expenses	**8,946**	1,876	**2,787**	1,719

Other payables are denominated in the following currencies:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Singapore dollar	**2,787**	1,719	**2,787**	1,719
Hong Kong dollar	**186**	157	**–**	–
Australian dollar	**1,124**	–	**–**	–
Renminbi	**4,849**	–	**–**	–
	8,946	1,876	**2,787**	1,719

Other payables include underwriting fees arising from the disposal of the AFS and underwriting arrangement for loans extended to certain customers in the Australian market amounting to HK$5,866,000 (2012: nil).

Please refer to Note 21 for details of foreign currency exposure and liquidity risk.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

19 Operating lease commitments

The Company and the Group

The leases have varying terms, escalation clauses and renewal rights. These operating leases expire between October 2014 and May 2015. 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 non-related parties:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than 1 year	**122**	100	**95**	73
Later than 1 year and not later than 5 years	**39**	–	**39**	–
	161	100	**134**	73

20 Related party transactions

Compensation of key management personnel

Directors' and key management personnel's remunerations are as follows:

The Group	**2013**	2012
	HK$'000	HK$'000
Directors of the Company		
- Salaries and bonuses	**1,384**	1,133
- Defined contribution benefits	**94**	87
- Fees	**654**	372
Key management personnel (non-directors)		
- Salaries and bonuses	**1,084**	1,076
- Defined contribution benefits	**122**	107
	3,338	2,775

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

21 Financial risk management

21.1 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, equity price risk, interest rate risk, liquidity risk and cash flow risk. The Group's overall risk management strategy seeks to minimise adverse effects from these financial risks on the Group's financial performance. The Group's overall risk management policy is to ensure adequate financial resources are available for the development of the Group's business whilst managing the risk. The Group's risk management is carried out by the board of directors. The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

21 Financial risk management (Cont'd)

21.1 Financial risk factors (Cont'd)

The table below analyses the Group's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2013 to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows and are based on the assumption that the Group has no repayment or recoverability issues.

The Group	Less than one year HK$'000	More than one year HK$'000	Total HK$'000
2013			
Financial assets			
Available-for-sale financial assets	**–**	**24,484**	**24,484**
Loans and advances	**52,303**	**26,001**	**78,304**
Other receivables	**20,753**	**–**	**20,753**
Financial assets at fair value through profit or loss	**–**	**4,677**	**4,677**
Cash and cash equivalents	**40,186**	**–**	**40,186**
	113,242	**55,162**	**168,404**
Financial liabilities			
Other payables	**8,946**	**–**	**8,946**
2012			
Financial assets			
Available-for-sale financial assets	55,010	–	55,010
Loans and advances	16,969	–	16,969
Other receivables	2,446	–	2,446
Financial assets at fair value through profit or loss	–	4,949	4,949
Cash and cash equivalents	75,964	–	75,964
	150,389	4,949	155,338
Financial liabilities			
Other payables	1,876	–	1,876

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

21 Financial risk management (Cont'd)

21.1 Financial risk factors (Cont'd)

The Company	Less than one year HK$'000	More than one year HK$'000	Total HK$'000
2013			
Financial assets			
Other receivables	**150,688**	**–**	**150,688**
Cash and cash equivalents	**2,499**	**–**	**2,499**
	153,187	**–**	**153,187**
Financial liabilities			
Other payables	**2,787**	**–**	**2,787**
2012			
Financial assets			
Other receivables	142,221	–	142,221
Cash and cash equivalents	9,446	–	9,446
	151,667	–	151,667
Financial liabilities			
Other payables	1,719	–	1,719

21.2 Market risk

21.2.1 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 debt and 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 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 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 and loans and advances strengthen/weaken by 10%, the total interest will be HK$1,563,900 higher/lower.

21 Financial risk management (Cont'd)

21.2 Market risk (Cont'd)

21.2.2 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 2013 are carried out in Australian dollar (AUD) as a result of the Group expanding its loan portfolio to include companies in Australia market in 2013.

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), Renminbi (RMB) 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 exposure to currency risks are as follows:

	Australian dollar		US dollar		Renminbi		Singapore dollar		Total	
The Group	**FY2013**	FY2012	**FY2013**	FY2012	**FY2013**	FY2012	**FY2013**	FY2012	**FY2013**	FY2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Financial Assets										
Available-for-sale financial assets	**–**	–	**24,484**	–	**–**	**–**	**–**	–	**24,484**	–
Loans and trade receivables	**71,972**	–	**–**	–	**–**	**–**	**–**	**–**	**71,972**	**–**
Other receivables	**6,560**	–	**2,131**	–	**18,306**	**–**	**99**	83	**27,096**	83
Financial assets at fair value through profit or loss	**–**	–	**–**	–	–	**–**	**4,677**	4,949	**4,677**	4,949
Cash and cash equivalents	**644**	–	**17,297**	37,507	–	–	**4,524**	17,278	**22,465**	54,785
	79,176	–	**43,912**	37,507	**18,306**	–	**9,300**	22,310	**150,694**	59,817
Financial Liabilities										
Other payables	**1,124**	–	–	–	**4,849**	–	**2,787**	1,719	**8,760**	1,719
	1,124	–	–	–	**4,849**	–	**2,787**	1,719	**8,760**	1,719
Net currency exposure on financial assets and (financial liabilities)	**78,052**	–	**43,912**	37,507	**13,457**	–	**6,513**	20,591	**141,934**	58,098

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

21 Financial risk management (Cont'd)

21.2 Market risk (Cont'd)

21.2.2 Currency risk (Cont'd)

The Company	Singapore dollar		Total	
	FY2013	FY2012	**FY2013**	FY2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial Assets				
Other receivables	**42**	24	**42**	24
Cash and cash equivalents	**2,147**	9,093	**2,147**	9,093
	2,189	9,117	**2,189**	9,117
Financial Liabilities				
Other payables	**2,787**	1,719	**2,787**	1,719
	2,787	1,719	**2,787**	1,719
Net currency exposure on financial assets and (financial liabilities)	**(598)**	7,398	**(598)**	7,398

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.

21 Financial risk management (Cont'd)

21.2 Market risk (Cont'd)

21.2.2 Currency risk (Cont'd)

Sensitivity analysis for foreign currency risk (Cont'd)

	2013		2012	
	Profit before tax HK$'000	**Equity HK$'000**	Profit before tax HK$'000	Equity HK$'000
The Group				
AUD				
- strengthened 5% (2012 - 5%) against HK$	**3,902**	**3,902**	–	–
- weakened 5% (2012 - 5%) against HK$	**(3,902)**	**(3,902)**	–	–
USD				
- strengthened 5% (2012 - 5%) against HK$	**2,196**	**2,196**	1,875	1,875
- weakened 5% (2012 - 5%) against HK$	**(2,196)**	**(2,196)**	(1,875)	(1,875)
RMB				
- strengthened 5% against HK$	**673**	**673**	–	–
- weakened 5% against HK$	**(673)**	**(673)**	–	–
SGD				
- strengthened 5% (2012 - 5%) against HK$	**326**	**326**	1,029	1,029
- weakened 5% (2012 - 5%) against HK$	**(326)**	**(326)**	(1,029)	(1,029)
The Company				
SGD				
- strengthened 5% (2012 - 5%) against HK$	**(30)**	**(30)**	369	369
- weakened 5% (2012 - 5%) against HK$	**30**	**30**	(369)	(369)

21.3 Credit risk

Credit risk refers to the risk that counterparties may default on their contractual obligations and loans and advances resulting in financial loss to the Group. The Group's exposure to credit risk arises primarily from loans and advances and other receivables. The credit risk relating to its available-for-sale financial assets and loans and advances and its impairment assessment by management is detailed in Notes 10 and 12.

The Group's objective is to seek continual growth while minimising losses arising from credit risk exposure. For loans 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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

21 Financial risk management (Cont'd)

21.3 Credit risk (Cont'd)

All credit facilities, which must be fully secured, 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 available-for-sale financial assets and 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 seven borrowers (2012 - one borrower) that represented 100% (2012 - 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 generally secured on the borrower's assets and guaranteed by the shareholders of the borrowers.

The Group establishes an allowance for impairment losses that represents its estimates of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance. No loan loss impairment was necessary at year end based on management's estimate.

The Group and the Company do not hold any collateral. The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets in the statement of financial position.

Loans and advances are neither past due or impaired. There are no loans and advances graded as doubtful as at 31 December 2013 or 2012.

Cash and cash equivalents are placed with reputable financial institutions.

21.4 Market price risk

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

The Group is exposed to market price risks arising from the following exposures from the financial assets classified as financial assets at fair value through profit or loss:

(a) investment in equity investments quoted on the SGX-ST in Singapore with carrying value of HK$3,081,000 (2012 - HK$3,301,000).

(b) investment in debt securities quoted on the Hong Kong Stock Exchange with a carrying value of HK$1,596,000 (2012 - HK$1,648,000).

21 Financial risk management (Cont'd)

21.4 Market price risk (Cont'd)

Market price sensitivity

(a) At the end of the reporting period, if the market value had been 2% (2012 - 2%) higher/lower with all other variables held constant, the Group's profit net of tax and equity would have been HK$62,000 (2012 - HK$66,000) higher/lower, arising as a result of higher/lower fair value gains on the financial assets classified as fair value through profit or loss.

(b) At the end of the reporting period, if the market value had been 2% (2012 - 2%) higher/lower with all other variables held constant, the Group's profit net of tax and equity would have been HK$32,000 (2012 - HK$33,000) higher/lower, arising as a result of higher/lower fair value gains on the financial assets classified as fair value through profit or loss.

21.5 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 cash equivalent deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The table in Note 21.1 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 its 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. Management had collected full amount of the first tranche of the sales proceeds of an available-for-sale financial asset in a Hong Kong investee company and a loan to an Australian borrower amounting to HK$8,884,000 and HK$20,761,000 respectively. 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.

21.6 Fair values of financial instruments

Fair values

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 to maturity except for loans and advances of HK$24,913,000 which matures on 31 December 2015. Management has determined the fair value of this loan to closely approximate the carrying amount as the interest rate is higher than market rates.

The Company and the Group do not anticipate that the carrying amounts recorded at end of reporting period would be significantly different from the values that would eventually be received or settled.

The fair value of publicly traded securities and debt securities are based on quoted market prices at the end of the reporting period.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at end of reporting period. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

21 Financial risk management (Cont'd)

21.6 Fair values of financial instruments (Cont'd)

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.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
31 December 2013				
Available-for-sale financial assets	**–**	**–**	**24,484**	**24,484**
Financial assets at fair value through profit or loss	**4,677**	**–**	**–**	**4,677**
31 December 2012				
Available-for-sale financial assets	–	–	55,010	55,010
Financial assets at fair value through profit or loss	4,949	–	–	4,949

The fair value of financial instruments traded in active markets (such as quoted equity and debt instruments) is 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.

The fair value of financial instruments that are not traded in an active market (for example, unlisted available-for-sale financial assets) 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.

21 Financial risk management (Cont'd)

21.6 Fair values of financial instruments (Cont'd)

Fair value hierarchy (Cont'd)

The following table presents the changes in Level 3 instruments:

The Group	**Available-for-sale financial assets HK$'000**
At 1 January 2012	30,000
Transfers into Level 3	–
Purchases of Level 3 securities	35,010
Redemption of capital	(10,000)
At 31 December 2012	**55,010**
Transfers into Level 3	**–**
Purchases of Level 3 securities	**32,097**
Redemption of capital	**(63,767)**
Gains and losses recognised in other comprehensive income in equity	**1,144**
At 31 December 2013	**24,484**
Total gains or losses for the period included in profit or loss for assets held	
- for the year ended 31 December 2012	–
- for the year ended 31 December 2013	–

22 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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

22 Capital management (Cont'd)

The Company and its subsidiaries are not subject to externally imposed capital requirements.

	2013	2012
	HK$'000	HK$'000
Net cash (A)	**31,240**	74,088
Total equity (B)	**158,903**	153,687
Gearing ratio (A)/(B) (%)	**NA#**	NA#

Not applicable as the Group had a net cash position as at 31 December 2012 and 2013.

23 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 People's Republic of China, the Hong Kong Special Administrative Region ("**Hong Kong**") 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.

The chief executive officer monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as set out below, is measured differently from operating profit or loss in the consolidated financial statements.

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

23 Operating segments (Cont'd)

Segment information provided to management for reportable segments is as follows:

	Financing Business		Investment		Consolidated	
	FY2013	FY2012	**FY2013**	FY2012	**FY2013**	FY2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue by segments						
Total revenue by segments	**15,857**	10,441	**217**	212	**16,074**	10,653
External revenue	**15,857**	10,441	**217**	212	**16,074**	10,653
Segment profit	**15,425**	10,369	**217**	212	**15,642**	10,581
Unallocated expenses					**(5,848)**	(3,668)
Profit before tax					**9,794**	6,913
Income tax (expense)/ credit					**(729)**	9
Profit for the year					**9,065**	6,922
Segment assets	**161,363**	139,253	**4,677**	6,845	**166,040**	146,098
Unallocated assets					**2,550**	9,486
Consolidated total assets					**168,590**	155,584
Segment liabilities	**6,870**	157	**–**	–	**6,870**	157
Unallocated liabilities					**2,817**	1,740
Consolidated total liabilities					**9,687**	1,897

Geographical segments

Revenue and non-current assets information based on the geographical locations of customers and assets respectively are as follows:

	Singapore		Hong Kong		British Virgin Islands		Australia		Total	
	FY2013	FY2012	**FY2013**	FY2012	**FY2013**	FY2012	**FY2013**	FY2012	**FY2013**	FY2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue										
External sales	**141**	144	**82**	2,406	**8,568**	8,103	**7,283**	–	**16,074**	10,653
Non-current assets	**9**	16	**24,484**	55,010	**–**	–	**24,913**	–	**49,406**	55,026

Notes to the Financial Statements

For the Financial Year ended 31 December 2013

23 Operating segments (Cont'd)

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. Interest income and finance expenses are not allocated to segments as financing is managed on a group basis.

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 customers

Revenue of approximately HK$7,134,000 (2012 - HK$6,635,000) are derived from two (2012 - two) external customers and are attributable to the Financing Business.

24 Dividend

The Company and The Group	**2013** **HK$'000**	2012 HK$'000
Ordinary dividends paid or payable		
- final tax-exempt (one-tier) dividend in respect of the current financial year of 1.14 Hong Kong cents (2012 - 0.95 Hong Kong cents) per share	**6,000**	4,993

At the forthcoming Annual General Meeting, a first and final one-tier tax-exempt (one-tier) dividend of 1.14 Hong Kong cents per share amounting to approximately HK$6,000,000 in respect of the financial year ended 31 December 2013 will be proposed. These financial statements do not reflect these dividends payable, which will be accounted for as a reduction in equity as a distribution of retained profits in the financial year ending 31 December 2014 and will be payable to all shareholders on the Register of Members as at books closure date.

Statistics of Shareholdings

As at 21 March 2014

Number of shares	525,624,328
Class of shares	Ordinary shares
Voting rights of ordinary shareholders	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	142	23.01	35,142	0.01
1,000 – 10,000	186	30.15	1,046,259	0.20
10,001 – 1,000,000	263	42.63	33,113,415	6.30
1,000,001 and above	26	4.21	491,429,512	93.49
TOTAL	**617**	**100.00**	**525,624,328**	**100.00**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the register of shareholders and to the best of knowledge of the Company, approximately 22.39% of the total issued ordinary shares of the Company is held by the public as at 21 March 2014 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 as at 21 March 2014.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	FULL JOIN HOLDINGS LIMITED	300,000,000	57.07
2	HL BANK NOMINEES (SINGAPORE) PTE LTD	59,060,000	11.24
3	BEH KIM LING	31,325,000	5.96
4	RAMESH S/O PRITAMDAS CHANDIRAMANI	15,230,000	2.90
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	10,943,500	2.08
6	CHIN FOOK LAI	10,022,400	1.91
7	STONE CANYON CAPITAL PTE LTD	9,300,000	1.77
8	CHIN FAH	9,064,350	1.72
9	FORTE CAPITAL MANAGEMENT PTE LTD	8,050,000	1.53
10	TAN ENG CHUA EDWIN	6,099,500	1.16
11	RAFFLES NOMINEES (PTE) LIMITED	5,459,000	1.04
12	LOW SIEW YAM	4,000,000	0.76
13	CHIN FOOK CHOY	3,994,500	0.76
14	CHIN NYOK TOW	2,589,300	0.49
15	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	2,500,000	0.48
16	LIM TENG SAY	1,686,000	0.32
17	SAMUEL NG CHEE YONG (SAMUEL WU ZHIYONG)	1,500,022	0.29
18	FIONA SOH SIOK LAN	1,400,000	0.27
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,394,510	0.27
20	CHIA SER SIN	1,233,900	0.23
	TOTAL	**484,851,982**	**92.25**

Statistics of Shareholdings

As at 21 March 2014

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

	Number of ordinary shares			
Name of Substantial Shareholders	**Direct Interest**	**Deemed Interest**	**Total**	**%**
Full Join Holdings Limited	300,000,000	–	300,000,000	57.07
Zhou Wen Jie (1)	–	300,000,000	300,000,000	57.07
Ben Lee (2)	–	300,000,000	300,000,000	57.07
Ong Chor Wei@Alan Ong (3)	–	300,000,000	300,000,000	57.07
Win Wealth Group Limited (4)	–	300,000,000	300,000,000	57.07
Quad Sky Limited (5)	–	300,000,000	300,000,000	57.07
Wingate Investment Corporation (6)	–	300,000,000	300,000,000	57.07
Head Quator Limited (7)	–	300,000,000	300,000,000	57.07
Yung Fung Ping (8)	–	300,000,000	300,000,000	57.07
Chan Mei Sau (9)	–	300,000,000	300,000,000	57.07
Chin Fook Lai (10)	10,022,400	59,000,000	69,022,400	13.13
Beh Kim Ling	31,325,000	–	31,325,000	5.96

Notes:

(1) Zhou Wen Jie is deemed interested in the shares held by Full Join Holdings Limited ("**Full Join**") by virtue of him owning 40.0% shareholding interest of Full Join. Zhou Wen Jie is the brother-in-law of Ben Lee.

(2) Ben Lee is deemed interested in the shares held by Full Join by virtue of him owning 100.0% shareholding interest of Win Wealth Group Limited, which in turn owns 40.0% shareholding interest of Full Join. Ben Lee is the brother-in-law of Zhou Wen Jie.

(3) Ong Chor Wei @ Alan Ong is deemed interested in the shares held by Full Join by virtue of him owning 100.0% of the shareholding interest of Head Quator Limited which in turn owns 50.0% of the shareholding interest of Quad Sky Limited, which in turns owns 17.9% of the shareholding interest of Full Join. Ong Chor Wei @ Alan Ong also owns 50.0% of the shareholding interest in Net Pacific International Limited, which in turn owns 2.1% of the shareholding in Full Join.

(4) Win Wealth Group Limited is deemed interested in the shares held by Full Join by virtue of it owning 40.0% shareholding interest of Full Join.

(5) Quad Sky Limited is deemed interested in the shares held by Full Join by virtue of it owning 17.9% shareholding interest of Full Join.

(6) Wingate Investment Corporation is deemed interested in the shares held by Full Join by virtue of it owning 50.0% of the shareholding interest of Quad Sky Limited, which in turn owns 17.9% shareholding interest of Full Join.

(7) Head Quator Limited is deemed interested in the shares held by Full Join by virtue of it owning 50.0% of the shareholding interest of Quad Sky Limited, which in turn owns 17.9% shareholding interest of Full Join.

(8) Yung Fung Ping is deemed interested in the shares held by Full Join by virtue of her owning 50.0% of the shareholding interest of Wingate Investment Corporation which in turn owns 50.0% of the shareholding interest of Quad Sky Limited, which in turns owns 17.9% of the shareholding interest of Full Join.

(9) Chan Mei Sau is deemed interested in the shares held by Full Join by virtue of her owning 50.0% of the shareholding interest of Wingate Investment Corporation which in turn owns 50.0% of the shareholding interest of Quad Sky Limited, which in turns owns 17.9% of the shareholding interest of Full Join.

(10) Chin Fook Lai's deemed interest arises from shares held in the name of HL Bank Nominees (S) Pte Ltd.

Statistics of Warrant Holdings

As at 21 March 2014

DISTRIBUTION OF WARRANT HOLDINGS

SIZE OF WARRANT HOLDINGS	NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
1 – 999	50	15.92	23,145	0.01
1,000 – 10,000	52	16.56	248,696	0.10
10,001 – 1,000,000	200	63.70	20,083,822	7.85
1,000,001 and above	12	3.82	235,318,935	92.04
TOTAL	**314**	**100.00**	**255,674,598**	**100.00**

TWENTY LARGEST WARRANT HOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	FULL JOIN HOLDINGS LIMITED	101,000,000	39.50
2	CHIN FOOK LAI	82,045,000	32.09
3	LEONG HONG KAH	25,807,500	10.09
4	TAN ENG CHUA EDWIN	5,962,300	2.33
5	STONE CANYON CAPITAL PTE LTD	4,742,100	1.85
6	PERIANNAN S/O RAMAKRISHNAN	4,634,000	1.81
7	CHIN FAH	3,000,000	1.17
8	BEH KIM LING	2,389,000	0.93
9	TAY BUAN CHUAN MICHAEL	2,305,000	0.90
10	CHIN NYOK TOW	1,200,000	0.47
11	SAMUEL NG CHEE YONG (SAMUEL WU ZHIYONG)	1,132,200	0.44
12	TAN CHAY LONG	1,101,835	0.43
13	TONG CHEE KEONG	690,300	0.27
14	TAN LIM HUI	600,000	0.23
15	TAN MING CHING	600,000	0.23
16	OCBC SECURITIES PRIVATE LIMITED	512,334	0.20
17	TAN JUI YAK	498,000	0.19
18	LIO KIM LAI	480,000	0.19
19	ONG POH PIEOW	479,400	0.19
20	PEH HOCK CHOON	403,000	0.16
	TOTAL	**239,581,969**	**93.67**

Notice of Annual General Meeting

(Incorporated in the Republic of Singapore - Company Registration No. 200300326D)

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Net Pacific Financial Holdings Limited (the "**Company**") will be held at 1 Robinson Road, #18-00 AIA Tower, Singapore 048542 on Friday, 25 April 2014 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final one-tier tax exempt dividend of 1.14 Hong Kong cents per ordinary share for the financial year ended 31 December 2013 (2012: 0.95 Hong Kong cents). **(Resolution 2)**

3 To re-elect the following directors of the Company ("**Directors**") retiring pursuant to Articles 107 and 117 of the Company's Articles of Association:

Mr Ben Lee	(Retiring under Article 107)	**(Resolution 3)**
Mr Teo Yi-dar (Zhang Yida)	(Retiring under Article 107)	**(Resolution 4)**
Mr Ong Chor Wei @ Alan Ong	(Retiring under Article 107)	**(Resolution 5)**

*Mr Teo Yi-dar (Zhang Yida) will, upon re-election as a Director, remain as the Chairman of the Audit Committee, Risk Management Committee and Nominating Committee and a member of the Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the Singapore Exchange Securities Trading Limited. ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").*

Please refer to the section entitled "Board of Directors" of the Company's Annual Report 2013 for information on Mr Ben Lee, Mr Teo Yi-dar (Zhang Yida) and Mr Ong Chor Wei @ Alan Ong.

4. To approve the payment of Directors' fees of S$105,000 for the financial year ended 31 December 2013 (2012: S$60,000). **(Resolution 6)**

5. To re-appoint Foo Kon Tan Grant Thornton LLP, as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may be properly transacted at an AGM.

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 shares in the capital of the Company - Share Issue Mandate**

"That, pursuant to Section 161 of the Companies Act, Chapter 50. and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors to:-

(a) (i) allot and issue 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 Shares to be 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 that the authority conferred by this Resolution may have ceased to be in force, issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force,

Notice of Annual General Meeting

(Incorporated in the Republic of Singapore - Company Registration No. 200300326D)

provided that:-

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution), to be issued pursuant to this Resolution does not exceed one hundred per cent (100%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to existing shareholders of the Company (including Shares to be 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 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 issued under sub- paragraph (1) above, the percentage of the total number of issued Shares excluding treasury shares shall be based on the total number of issued Shares excluding treasury shares of the Company at the time this Resolution is passed after adjusting for:-

(i) new Shares arising from the conversion or exercise of any Instruments or any convertible securities;

(ii) 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

(iii) any subsequent bonus issue, consolidation or sub-division 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 Articles of Association for the time being of the Company; and

(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 8)**

8. **Authority to allot and issue shares under the Net Pacific Employee Share Option Scheme**

"That the Directors be and are hereby authorised to offer and grant options in accordance with the Net Pacific Employee Share Option Scheme (the "**Scheme**") and to issue such shares as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the issued share capital of the Company (excluding treasury shares) from time to time."
[See Explanatory Note (ii)] **(Resolution 9)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Chong Kian Lee
Joint Company Secretaries
Singapore, 10 April 2014

Notice of Annual General Meeting

(Incorporated in the Republic of Singapore - Company Registration No. 200300326D)

Explanatory Notes:

(i) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors from the date of the above AGM until the date of the next AGM, to allot and issue shares and convertible securities in the Company. The aggregate number of Shares and convertible securities, which the Directors may allot and issue under this Resolution shall not exceed 100% of the total number of issued Shares excluding treasury shares of the Company at the time of passing this Resolution. For allotment and issue of Shares and convertible securities other than on a *pro-rata* basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be allotted and issued shall not exceed 50% of the total number of issued Shares excluding treasury shares of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM.

(ii) The Ordinary Resolution 9 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. A Member entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the registered office of the Company at **35 Selegie Road #10-25, Singapore188307** not less than **forty-eight (48)** hours before the time appointed for holding the AGM.

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. For investors who have used their CPF monies to buy Net Pacific Financial Holdings Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

*I/We, _____ (Name)

of _____ (Address)

being *a member/members of NET PACIFIC FINANCIAL HOLDINGS LIMITED (the "**Company**"), hereby appoint:

Name	*** NRIC/Passport No.**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address			

and/or (delete as appropriate)

Name	*** NRIC/Passport No.**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 1 Robinson Road, #18-00 AIA Tower, Singapore 048542 on Friday, 25 April 2014 at 9.30 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2013		
2	Declaration of a first and final one-tier tax exempt dividend of 1.14 Hong Kong cents per ordinary share for the financial year ended 31 December 2013		
3	Re-election of Mr Ben Lee as a Director of the Company (Article 107)		
4	Re-election of Mr Mr Teo Yi-dar (Zhang Yida) as a Director of the Company (Article 107)		
5	Re-election of Mr Ong Chor Wei @ Alan Ong as a Director of the Company (Article 107)		
6	Approval of Directors' fees amounting to S$105,000 for the financial year ended 31 December 2013		
7	Re-appointment of Foo Kon Tan Grant Thornton LLP as Auditors of the Company		
8	Authority to allot and issue new shares		
9	Authority to grant options and issue shares under the Net Pacific Employee Share Option Scheme		

Dated this _____ day of _____ 2014

Total number of Shares in:	**Number of Shares**
(a) CDP Register	
(b) Register of Members	

_____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete accordingly.

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), 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 instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at **35 Selegie Road #10-25, Singapore188307** not less than **forty-eight (48)** hours before the time appointed for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. 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 Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Corporate Information

BOARD OF DIRECTORS

Zhou Wen Jie *(Non-Executive Chairman)*
Ong Chor Wei@Alan Ong *(Chief Executive Officer)*
Kwok Chin Phang *(Chief Operating Officer)*
Ben Lee *(Non-Executive Director)*
Chin Fook Lai *(Non-Executive Director)*
Cheung Ting Chor *(Non-Executive Director)*
Teo Yi-dar (Zhang Yida) *(Independent Director)*
Francis Lee Fook Wah *(Independent Director)*
Wu Houguo *(Independent Director)*

AUDIT COMMITTEE / RISK MANAGEMENT COMMITTEE

Teo Yi-dar (Zhang Yida) *(Chairman)*
Francis Lee Fook Wah
Wu Houguo

REMUNERATION COMMITTEE

Francis Lee Fook Wah *(Chairman)*
Teo Yi-dar (Zhang Yida)
Wu Houguo

NOMINATING COMMITTEE

Teo Yi-dar (Zhang Yida) *(Chairman)*
Francis Lee Fook Wah
Wu Houguo

COMPANY SECRETARIES

Gn Jong Yuh Gwendolyn, LLB (Hons)
Chong Kian Lee, Chartered Accountant

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 Grant Thornton LLP
Public Accountant & Certified Public Accountants, Singapore
47 Hill Street #05-01
Chinese Chamber of Commerce & Industry Building,
Singapore 179365

Partner-in-charge: Mr Chang Fook Kay
Date of appointment: 29 October 2012
(effective from financial year ended 31 December 2012)

SPONSOR

CIMB Bank Berhad, Singapore Branch
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623
Contact person: Ms Tan Cher Ting, Director, Corporate Finance
Tel: +65 6337 5115

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

35 Selegie Road #10-25
Singapore 188307
Tel : (65) 6542 3488
Fax : (65) 6542 1933

Room 1415, 14/F, Leighton Centre,
77 Leighton Road, Causeway Bay,
Hong Kong
Tel : (852) 2620 5298
Fax : (852) 2865 0122