

Issuer: Net Pacific Financial Holdings Limited

Security: Net Pacific Financial Holdings Limited

Meeting details:

Date: 27 April 2017

Time: 10:30H

Venue: 1 Robinson Road, #18-00 AIA Tower, Singapore 048542

Company Description

Net Pacific Financial Holdings Limited, an investment holding company, provides various financial services in Singapore, the People's Republic of China, the British Virgin Islands, and Australia. It operates in two segments, Financing Business and Investment. The Financing Business segment provides financing services, such as working capital financing to companies; asset-backed loans in the form of bridging loans, overdrafts, and term loans with maturities; and expansion and acquisition financing in the form of mezzanine loans, as well as invests in companies. The Investment segment invests in short-term financial instruments. The company was formerly known as K Plas Holdings Limited. Net Pacific Financial Holdings Limited was incorporated in 2003 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5QY)

Q1. In the Chairman’s Message (page 1 of the annual report), it is noted that the company is well-positioned to offer small to medium sized companies capital funding in the key markets that Net Pacific operates in, namely the People’s Republic of China (the “PRC”), Hong Kong Special Administrative Region of the PRC (“HKSAR”) and Australia.

In Note 12 (page 59 – Loans and advances), it is disclosed that the group has made loans through Jetwin Investment Pty Ltd (for loans to customers in Australia) and through a registered money lender in Hong Kong (for loans to customers in Hong Kong).

- a) **Given the current arrangement, can shareholders understand how the group intends to provide its financing services direct to companies in the PRC?**
- b) **How different is the credit risk for loans made to a customer in the PRC versus the risks in HKSAR and Australia, especially in protecting the group’s interests and the right of action in the enforceability of a loan recovery?**

The group currently has a cap of 60% limit of total loan portfolio to Australia.

- c) **Given that the Australia portfolio is at 65%, would it mean that any growth in the group’s loan portfolio would have to be driven by HKSAR and/or the PRC?**

Q2. The group’s available-for-sale financial assets are its unquoted equity investment amounting to HK\$32.6 million or 18.7% of the total assets of the group. The three investees deal with tea cultivation and selling, printing and financing. The valuation of available-for-sale financial assets is also a key audit matter in the Independent Auditor’s Report (page 27).

- a) **Could the company disclose the countries where these investees are based?**

Based on the company’s past annual reports, the investment into the tea cultivation and selling, printing and financing businesses were made in FY2013, FY2014 and FY2015 respectively.

- b) **Can management include more details (including the year the investment was made) in the next Annual Report?**
- c) **What is the group’s typical investment period for its investments?**
- d) **Can shareholders understand the progress made by its investees towards a public listing?**

Q3. The group has provided allowance for impairment of HK\$7.3 million in 2015 and a further HK\$4.9 million in 2016.

- a) **Can shareholders confirm that these impairment charges relate to the same borrower who is in the mining sector in Australia?**
- b) **As the “Ultimate Borrower” has been placed under receivership, the group initiated the process by entering into settlement agreement with the underwriter. Can management help shareholders understand what the overall net impact from this loan is?**
- c) **Looking at the loan book (page 59), would it be fair to say that the group, as at 31 December 2016, no longer has exposure to the mining sector in Australia?**