



**Securities Investors Association (Singapore)**

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: [admin@sias.org.sg](mailto:admin@sias.org.sg) [www.sias.org.sg](http://www.sias.org.sg)

UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Net Pacific Financial Holdings Limited

**Security:** Net Pacific Financial Holdings Limited

**Meeting details:**

Date: 26 April 2019

Time: 9.00 a.m.

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

**Company Description**

Net Pacific Financial Holdings Limited is a Singapore-based investment holding company. The Company has business operations through its foreign subsidiaries in the area of the provision of financial services. The Company specializes in providing financing services to small medium-sized companies. The Company's segments include Financing Business and Investment. The Company's Financing Business segment is engaged in the provision of financing services in the People's Republic of China (PRC), the Hong Kong Special Administrative Region (HKSAR) and Australia, which include the provision of working capital financing, asset-backed loans, mezzanine loans and investments in companies. The Company's Investment segment is engaged in the business of investing in short term financial instruments using cash on hand pending further loan disbursement or investment opportunities under the Financing Business.

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

1. As disclosed in the chairman's message, the group suffered an impairment loss of HK23.3 million in respect of the interest receivables of certain loan portfolio in Australia and an impairment loss of HK\$11.9 million in respect of the outstanding loan principal and interest receivables of an Australian loan guaranteed by an underwriter. More details could be found in the full chairman's message and the company's announcement relating to the conditional agreement dated 12 November 2017 between Jetwin Investments Pty Ltd and the borrowers.

Both impairments relate to the failed listing of the partner company on the Australian Securities Exchange ("ASX").

The group has said that it is still in discussion with the partner company on the next course of action and will update shareholders accordingly.

As a result of the above, and due to the group's performance in the year, (loss) for the year attributable to equity holders of the company was HK\$(45.2) million. Total equity attributable to equity dropped from HK\$165.8 million to HK\$118.6 million.

- (i) With the benefit of hindsight, has the board, especially the audit committee/risk management committee, evaluated the group's risk management policies and identified areas where it could have been strengthened?**
- (ii) In particular, does the group have limits on single counter/party/event exposure that would mitigate some of the concentration risks?**
- (iii) How did the risk management committee monitor the group's compliance with its risk management framework and internal controls?**

2. The independent auditors have issued a qualified opinion on the financial statements with the following basis:

**Accuracy and recoverability of the principal of the loans**

*As at 31 December 2018, the carrying values of the loans and advances stated on the consolidated financial statements are HK\$76,466,000 (2017 - HK\$86,431,000). Included in this amount is HK\$41,166,000 (2017 - HK\$58,431,000 for 6 Australian loans) which comprises of 5 Australian loans. Similar to prior year, we are unable to obtain all the loan confirmations in the current year for the 5 Australian loans. Based on the legal advice provided to the Ultimate Borrowers, we did not receive any confirmations in the current year and we are unable to ascertain the existence and accuracy of the amount.*

*As at 31 December 2018, all the principal of the Australian loans of HK\$41,166,000 (2017 - HK\$58,431,000) have passed their maturity dates. In 2018, there have been no repayment of principal for all the loans except for two loans with minimal repayments. We are unable to ascertain the repayment as of the date of this report. In the absence of other satisfactory evidence, we are unable to satisfy ourselves as to the recoverability of the principal sum of the said loans. Please refer to Note 12 for details.*

*The auditor's report for the financial year ended 31 December 2017 included a similar qualification on the accuracy and recoverability of the principal of HK\$58,431,000 and interest receivable of HK\$30,351,000 of the 6 loans.*

To summarise, the auditors have not been able to ascertain the existence and accuracy of the loan amount of HK\$76,466,000 and, having passed the maturity dates of the loans, the auditors are unable to satisfy ourselves as to the recoverability of the principal sum of the said loans.

The audit committee consists of Cheung King Kwok (as chairman), Francis Lee Fook Wah and Wu Houguo.

- (i) Can the audit committee (AC) disclose their collective effort in overseeing the cooperation given by the group's officers to the external auditors?**
- (ii) What was the involvement of the AC members in the audit, especially relating to the basis for qualified opinion, i.e. the accuracy and recoverability of the principal of the loans?**
- (iii) Given that the company's independent auditor has issued a qualified opinion (as detailed above), can the directors of the company justify how, in their opinion, the accompanying financial statements of the Group and the Company are drawn up so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards (International)?**

3. The attendance of directors at board meetings and board committee meetings is shown in the table below:

The number of Board and various Board Committee meetings held in FY2018 and the attendance are as follows:

	<b>Board</b>	<b>AC</b>	<b>RMC</b>	<b>RC</b>	<b>NC</b>
Number of meetings held in FY2018	2	2	2	1	3
<b>Name of Directors</b>					
Zhou Wen Jie	2	^2	^2	^1	^1
Ong Chor Wei @ Alan Ong	2	^2	^2	^1	^3
Ben Lee	2	^2	^2	^1	^1
Chin Fook Lai	2	^2	^2	^1	^1
Cheung King Kwok	2	2	2	1	3
Francis Lee Fook Wah	2	2	2	1	3
Wu Houguo	2	2	2	1	3
Chung Wai Man <sup>(1)</sup>	1	^1	^1	–	–
Wong Chun Hung <sup>(1)</sup>	1	^1	^1	–	–
Kwok Chin Phang <sup>(2)</sup>	1	^2	^2	^1	^1
Cheung Ting Chor <sup>(2)</sup>	1	^2	^2	^1	^1

^ By invitation

Notes:-

(1) Mr Chung Wai Man and Mr Wong Chun Hung were appointed as Directors on 13 June 2018, and they had attended all meetings of the Board in FY2018 since their appointment.

(2) Mr Kwok Chin Phang and Mr Cheung Ting Chor resigned as Directors on 13 June 2018, and they had attended all meetings of the Board in FY2018 before resignation.

(Source: Company annual report)

As seen from the table above, the executive directors attend the board committee meetings are invitees. Chua Chwee Choo and Lee Chong Hoe are the co-founders and the ultimate controlling shareholders of the company. Chua Chwee Choo is the spouse of Lee Chong Hoe.

- (i) **Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the non-independent directors, including the executive director) to attend board committee meetings?**
- (ii) **Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings?**
- (iii) **What is the dynamics of the board committee meetings when the board committee members may be reviewing and discussing matters that are related to or affect the executive directors?** Such board committee meetings would have included agenda items on performance assessment and remuneration of the executive directors and on the audit/financial reporting/internal controls of the group.
- (iv) **Do the invited directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from the board meeting?**



**Securities Investors Association (Singapore)**

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: [admin@sias.org.sg](mailto:admin@sias.org.sg) [www.sias.org.sg](http://www.sias.org.sg)

UEN No: S99SS0111B

GST Reg No: M90367530Y

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Net%20Pacific%20Financial%20Holdings%20Ltd&cid=6568,4237>

The company's response could be found here: -----