Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Net Pacific Financial Holdings Limited

Stock code: 5QY

Meeting details:
Date: 28 April 2021
Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the chairman's message, the group has made a strategic decision to cease new business in Australia and will focus on the recovery of its outstanding loans from its existing borrowers.

Details of the group's loans can be found on page 75 (Note 12 - Loans and advances).

Nature of business of borrowers	Carrying amount of loans 2020 HK$'000	Carrying amount of loans 2019 HK$'000	Country	Maturity date	Interest rate 2020 %	Interest rate 2019 %
Scrap metals trading	**18,000**	18,000	PRC and Hong Kong	Revolving	**12**	12
Property	**18,585**	25,156	Australia	30 June 2017	**12-48**	12 - 48
Personal use	**–**	2,300	Hong Kong	Revolving	**13**	13
Trading	**4,600**	4,600	Hong Kong	Revolving	**12**	12
Investment	**5,000**	5,000	British Virgin Islands	Revolving	**12**	12
	46,185	55,056				

(Source: company annual report)

As disclosed in Note 12, one of the group's borrowers from prior financial year has been deregistered in the financial year ended 31 December 2020. Management had written off the loans amounting to HK$8.4 million which had been fully impaired in previous years. In FY2020, the group has further impaired an amount of HK$8.946 million relating to the property loans in Australia. The loans to the Australian borrowers matured in June 2017 and are past due for repayment. There was no repayment made for all three Australian loans in 2020.

(i) **Can the company disclose the identities of the three Australian borrowers? Please include the shareholders and directors of the borrowers and provide an update on the financial status of the three Australian borrowers.**

(ii) **Is the further impairment of the property loans in FY2020 a sign that the creditworthiness of the borrowers has deteriorated and that the chances of collection are lower?**

(iii) **Who is leading the group's discussion with the borrowers in Australia? What are the group's options in enforcing its rights? What are the efforts by management to collect on these outstanding debts?**

(iv) **Given the negative outcomes in Australia, will the board be reviewing the group's approval systems and processes, including credit assessment, loan documentation, risk grading and due diligence?**

(v) **How robust is the group's monitoring system in identifying early symptoms of problematic loan accounts?**

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Q2. The independent auditor of the company has issued a qualified opinion on the financial statements of the company and its subsidiaries (page 49). The bases for the qualified opinion are:

Accuracy and recoverability of the loans to Australian borrowers	FY2020: HK$18,585,000 FY2019: HK$25,156,000
Recoverability of amounts due from a subsidiary - Company level	FY2020: HK$65,215,000 FY2019: HK$72,027,000 (non-trade amounts due from subsidiary)

The independent auditor has stated that it was unable to obtain sufficient appropriate audit evidence on the recoverability of opening balance of the said loans and of the non-trade amounts due from the subsidiary.

(i) **What was the audit evidence required by the independent auditor?**

(ii) **What assistance did the audit committee provide to the independent auditor, especially in communicating and coordinating with the subsidiary?**

(iii) **Can the audit committee (AC) chairman, Mr Tso Sze Wai, help shareholders understand his personal involvement in the audit as the newly appointed audit committee chairman?** Mr Tso Sze Wai was appointed to the board on 31 July 2020. Mr Tso is also the chairman of the audit committee and risk management committee, a member of the remuneration committee and a member of the nominating committee of the company. Mr Tso has over 15 years of experience in accounting and finance.

(iv) **Can the AC chairman provide shareholders with greater clarity on its plans to resolve the outstanding audit issues?**

(v) **Given the qualified opinion and the significant matters highlighted in the independent auditor's report, has the board considered if it would be necessary to suspend the trading of the securities of the company on SGX-ST in the interest of maintaining a fair, orderly and transparent market?**

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Q3. The board comprises one executive director and seven non-executive directors. The directors and the composition of the board committees are shown in the table below:

Name	Designation	Position	Composition of Board Committees			
			AC[1]	NC[2]	RC[3]	RMC[1]
Chung Wai Man	Independent Chairman	Non-Executive	–	Chairman	–	–
Zhou Wen Jie	Non-Independent Director	Non-Executive	–	–	–	–
Ong Chor Wei @ Alan Ong	Executive Director and Chief Executive Officer	Executive	–	–	–	–
Ben Lee	Non-Independent Director	Non-Executive	–	Member	–	–
Chin Fook Lai	Non-Independent Director	Non-Executive	–	–	–	–
Tso Sze Wai	Lead Independent Director	Non-Executive	Chairman	Member[4]	Member	Chairman
Francis Lee Fook Wah	Independent Director	Non-Executive	Member	Member	Chairman	Member
Wu Houguo	Independent Director	Non-Executive	Member	Member	Member	Member

(Source: company annual report)

The biographies of the directors can be found on pages 2 and 3 of the annual report. As part of the board's renewal process, Mr. Tso Sze Wai was recently appointed as an independent director on 31 July 2020, in addition to the retirement of two former independent directors in July 2020.

The nominating committee (NC) has disclosed that the current board of eight directors, four of which are independent directors, is appropriate and effective after taking into consideration the nature and scope of business as well as the current and future plans of the group.

(i) **Can the NC justify its view that the current board is an "appropriate and effective" one? What guidance has the board provided to management over time to demonstrate the board's entrepreneurial leadership?**

Provision 2.4 of the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore requires the company to disclose its board diversity policy (including its objectives) and the progress made towards implementing the board diversity policy in the company's annual report.

(ii) **Can the board elaborate further on its board diversity policy and its objectives as required by Provision 2.4?**

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In addition, at the annual general meeting scheduled to be held on 28 April 2021, the company is proposing to re-elect the following directors:

Mr Chin Fook Lai
Mr Ong Chor Wei @ Alan Ong
Mr Chung Wai Man
Mr Tso Sze Wai
Mr Francis Lee Fook Wah
Mr Wu Houguo

The additional information on directors seeking re-election is shown on pages 24 to 38 of the annual report.

The company is proposing to re-elect Mr Francis Lee Fook Wah and Mr Wu Houguo as independent directors under a two-tier vote. If any of the above non-executive directors pass the two-tier vote, he will, upon re-election, remain as an independent director of the company.

The company has stated that should any of the above non-executive directors fail the two-tier vote, he will be deemed to be independent up to 31 December 2021 and be re-designated as a non-independent director from 1 January 2022 onwards, as required by the listing rules.

(iii) **Can the board help shareholders understand if the board/nominating committee has deliberated on redesignating directors who fail the two-tier vote immediately (after the results are known) instead of delaying until 1 January 2022?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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