Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Net Pacific Financial Holdings Limited

Stock code: 5QY

Meeting details:
Date: 28 June 2023
Time: 2.30 p.m.
Venue: <<live webcast>>

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Q1. As noted in the chairman's statement, Despite the challenging economic landscape, management envisages pockets of opportunities to be present [in Hong Kong and PRC] and the group will continue to explore and review such opportunities to diversify its business so as to boost growth and enhance shareholder value.

12 Loans and advances

The Group

In prior years, the Group had offered and granted loans to external parties via its Hong Kong subsidiary (registered money lender in Hong Kong). The Group continues to grant three loans (2021 - three loans) to the existing borrowers via its Hong Kong subsidiary.

In prior years, the Group had offered and granted loans to external borrowers in Australia via Jetwin which was incorporated in Australia in 2013. In the last financial year ended 31 December 2021, all the principal loans to the Australian borrowers were settled.

	Carrying amount of loans				Interest rate	
Nature of business of borrowers	**2022 HK$'000**	2021 HK$'000	**Country**	**Maturity date**	**2022 %**	2021 %
Scrap metals trading	**18,000**	18,000	PRC and Hong Kong	Revolving	**12**	12
Trading	**4,600**	4,600	Hong Kong	Revolving	**12**	12
Investment	**5,000**	5,000	British Virgin Islands	Revolving	**12**	12
	27,600	27,600				

(Source: company annual report)

(i) **With regard to the three loans granted to borrowers via Net Pacific Finance Group Limited (Hong Kong), under what conditions would the group consider recalling the loans given that they have revolving maturity?**

(ii) **Has the creditworthiness of the customers changed since the disbursement of the loans? How frequently does management review the borrowers' creditworthiness and how robust is the group's credit framework?**

(iii) **Given that interest rates have increased, has the group considered repricing the three loans to reflect the current high interest rate environment?**

(iv) **How is the group sourcing for new investments/loans?**

(v) **With accumulated losses of over HK$(65.1) million at the company level as at 31 December 2022, did the board, especially the independent directors, consider an orderly winding up of the group instead of making new investments/loans to safeguard shareholders' interest?**

With regard to the group's loans and assets in Australia:

(vi) **When will the group receive the amount of HKD11.3 million from the trust account[1]?**

[1] https://links.sgx.com/FileOpen/Net_Pacific-Ann_on_Disclaimer_FY2022.ashx?App=Announcement&FileID=762322

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(vii) **How will management be working with Jetwin Investment Pty Ltd ("Jetwin") to collect the remaining HKD20 million assuming the remittance of HKD11.3 million is successful?**

(viii) **What are the eight underlying assets held by Jetwin in trust for the group? For the benefit of shareholders, please provide relevant details of the assets. Has the group carried out any valuation of the properties?**

(ix) **How many/what percentage of the properties was leased out? Would management provide shareholders with an update of the ground sentiment in Perth, Australia where the properties are? What were the efforts to sell the properties in FY2022?**

(x) **Given that management considers that there is no effective control over Jetwin, has the group ceased all new transactions/commitments with Jetwin to safeguard the group's interests?**

Q2. As disclosed in the corporate governance report, the internal audit function of the group is outsourced David Ho & Company, an independent external professional accounting firm which has met the Hong Kong Financial Reporting Standards set by the Hong Kong Institute of Certified Public Accountants.

(i) **Can the audit committee (AC) confirm that the internal auditor complies with the standards set by nationally or internationally recognised professional bodies, such as the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors?**

As disclosed by the company, during FY2022, the group conducted annual internal audit review on the financing business activities focusing on Anti-Money Laundering and Counter-Terrorist Financing internal control procedures and documentation.

(ii) **What were the scope and the findings of the internal audit in FY2021 and FY2020?**

(iii) **How long is the internal audit cycle and how does the AC determine the scope of work each year? Additionally, what is the scope of work for FY2023?**

(iv) **What were the findings from the internal audit relating to Anti-Money Laundering and Counter-Terrorist Financing in 2022 and what were the recommendations?**

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Q3. At the annual general meeting scheduled to be held on 28 June 2023, Mr Wu Houguo, Mr Chung Wai Man and Mr Tso Sze Wai will retire as directors of the company pursuant to Regulation 89 of the company's constitution and will be seeking their re-elections.

The biographies of the directors can be found on pages 2 and 3 of the annual report. Furthermore, additional information about the directors seeking re-election can be located on pages 25 to 31.

In particular, Mr Wu Houguo was first appointed to the board on 25 February 2013. On 11 January 2023, Singapore Exchange Regulation (SGX RegCo) announced that it will limit the tenure of independent directors (IDs) serving on the boards of listed issuers to nine years[2].

Mr Wu Houguo is also a member of the AC and risk management committee (RMC) while Mr Tso Sze Wai is the chairman of the AC and RMC.

(i) **Would the proposed re-election of Mr Wu Houguo delay the board renewal process?**

(ii) **Would Mr Tso Sze Wai and Mr Wu Houguo help shareholders better understand their contributions, as chairman and a member of the AC respectively, in the audit of the group considering that the independent auditor has not given a clean audit opinion since FY2017?**

(iii) **Would Mr Chung Wai Man elaborate further on his contributions as the chairman of the board, especially in terms of his leadership of the board and his stewardship for the long-term success of the group?**

In the directors' statement (page 39 of the annual report), the directors have stated that, in their opinion, the consolidated financial statements of the group and statement of financial position of 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 2022 in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International).

(iv) **Can the retiring directors provide their justification(s) for their opinion that the financial statements present a true and fair view of the group, as stated in the directors' statement, considering that the independent auditor has included five items as the basis for disclaimer of opinion (as mentioned on pages 42 and 43)?** The bases for disclaimer of opinion are (1) Completeness of related party disclosures; (2) Control of specified assets and liabilities in Jetwin; (3) Classification and measurement of amounts owing from Jetwin; (4) Accuracy of the expected credit losses, gain on settlement and foreign exchange differences

[2] https://www.sgxgroup.com/media-centre/20230111-sgx-regco-caps-independent-directors-tenure-enhances-remuneration

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of the loans to Australian borrowers in respect of the financial year ended 31 December 2021 and (5) Accuracy of the expected credit loss of the amounts due from a subsidiary – Company level.

(v) **Separately, what was the role of the sponsor in helping the company and the AC in the audit of the financial statements and in resolving the issues highlighted by the independent auditor in the basis for disclaimer of opinion?**

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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