

SECOND UPDATE ON THE AUSTRALIAN LOANS

The Board of Directors (the “**Board**”) of Net Pacific Financial Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements dated:

- (a) 14 November 2017 in relation to the proposed conversion of loans into shares of a Partner Company, of which subsequent updates were provided in (i) the unaudited full year results announcement for the financial year ended 31 December 2017, (ii) the unaudited half-year results announcement for the financial period ended 30 June 2018, and (iii) the unaudited full year results announcement for the financial year ended 31 December 2018;
- (b) 3 April 2018 in relation to the “except for” qualified opinion by auditors on the consolidated financial statements for the financial year ended 31 December 2017;
- (c) 13 February 2019 in relation to the profit guidance for the financial year ended 31 December 2018 and “*Update on the Conversion of Loans into Shares of a Partner Company*”;
- (d) 3 April 2019 in relation to the “except for” qualified opinion by auditors on the consolidated financial statements for the financial year ended 31 December 2018;
- (e) 4 July 2019 titled “*Update on the Australian Loans*”;
- (f) 13 August 2019 in relation to the unaudited half-year results announcement for the financial period ended 30 June 2019;
- (g) 28 February 2020 in relation to the unaudited full-year results announcement for the financial year ended 31 December 2019;
- (h) 15 April 2020 in relation to the “except for” qualified opinion by auditors on the consolidated financial statements for the financial year ended 31 December 2019;
- (i) 13 August 2020 in relation to the unaudited half-year results announcement for the financial period ended 30 June 2020;
- (j) 25 February 2021 in relation to the unaudited full-year results announcement for the financial year ended 31 December 2020;
- (k) 7 April 2021 in relation to the “except for” qualified opinion by auditors on the consolidated financial statements for the financial year ended 31 December 2020; and
- (l) 23 July 2021 titled “*Holding Announcement involving a Possible Update on the remaining Australian Loans*”.

(collectively, the “**Previous Announcements**”).

Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as ascribed to them in the Previous Announcements.

The Board wishes to update that further to the Previous Announcements, Jetwin Investment Pty Limited (“**Jetwin**”), the intermediary which facilitated the Group in granting loans to borrowers located in Australia, had, on 6 August 2021, entered into a deed of settlement and release (the “**Deed of Settlement and Release**”) with, *inter alia*, the remaining three (3) borrowers located in Australia (the “**Borrowers**”) pursuant to which it was agreed, among other things, that the parties to the Deed of Settlement and Release shall resolve all their disputes on the terms and conditions set out in the Deed of Settlement and Release and absolutely, unconditionally and irrevocably release and forever discharge and hold each other free from and against any and all claims including their obligations under the loan agreements entered into between Jetwin and the Borrowers (collectively, the “**Borrowers Loan Agreements**”) without any admission of any liability of any kind whatever (the “**Settlement**”).

The parties to the Deed of Settlement and Release also agreed to resolve their disputes over the amount and timing of repayment of the Australian Loans (as defined below) under the Borrowers Loan

Agreements on the terms and conditions set out in the Deed of Settlement and Release without any admission of any liability of any kind whatever.

The Settlement was reached, and the Deed of Settlement and Release was entered into, as the Australian Loans (as defined below) under the Borrowers Loan Agreements have been overdue for an extended period of time and there were no material developments.

Pursuant to the Deed of Settlement and Release, Jetwin will recover an agreed outstanding amount of the three (3) loans (the "**Australian Loans**") which comprise certain loans granted by the Group to the Borrowers, through Jetwin, being approximately AUD 3,060,000, AUD 1,600,000 and AUD 1,500,000, respectively ("**Outstanding Jetwin Loans**"). Jetwin will recover in total the agreed outstanding amount of the Australian Loans partially in cash of AUD 4,196,750, and partially by transferring three (3) Properties (as defined below) to Jetwin which have a total prescribed value of AUD 3,835,000 ("**Prescribed Value**") based on discussions with the Borrowers, taking into account prevailing property market conditions of the respective Properties' surrounding areas at the time of discussion. There were no valuations conducted on the Properties (as defined below) as the Properties were not completely built as at the date of the Deed of Settlement and Release. Accordingly, the Deed of Settlement and Release provides that a valuation will be conducted on each of the Property as and when the Properties have been completely built. The valuation will be undertaken by a licensed valuer in Australia, to be jointly appointed by the parties to the Deed of Settlement and Release. In the event the parties are unable to come to an agreement on the appointment of the valuer, they will jointly seek a recommendation from the Real Estate Institute of Western Australia on the appointment of the valuer. As a safeguard, in the event that the value of any of the Property arising from the valuation is more than 10% lower than the Prescribed Value for that Property (the "**Lower Value**"), the Borrowers shall pay Jetwin the difference between the Lower Value and the amount that is 10% lower than the Prescribed Value. For the avoidance of doubt, Jetwin will not be required to pay the Borrowers any amount in the event the value of any of the Properties arising from the valuation is more than the Prescribed Value. The aforementioned total sum consisting of the agreed outstanding amount of the Australian Loans recovered by Jetwin will thereafter be correspondingly allocated to the Company's wholly-owned subsidiary, Net Pacific Investment Holdings Limited ("**Net Pacific Investment**") based on the percentage of its contribution to the Australian Loans.

The maturity dates of the Outstanding Jetwin Loans have passed and the aggregate outstanding principal amount of the Outstanding Jetwin Loans (excluding the interest component) as at the date of this announcement is approximately AUD 6,160,000 (equivalent to approximately HKD 37,000,000). For the avoidance of doubt, given that the likelihood of the recoverability of the principal amount of the Australian Loans by Jetwin were low, the Board was of the view that the interest component of the Australian Loans was not recoverable due to the slow property market in Australia and has treated the interest component of the Australian Loans under the Deed of Settlement and Release to have ceased since 2017. Accordingly, the Group had made full impairment of the interest component of the Outstanding Jetwin Loans which amounted to approximately HKD 24,170,000 in the financial year ended 31 December 2017 and the financial year ended 31 December 2018 as the Board was of the view then that the likelihood of recoverability of the interest component of the Outstanding Jetwin Loans were low as well.

On 6 August 2021, the Company, through Net Pacific Investment, agreed with Jetwin, among other things, that the monies received by Jetwin under the provisions of the Deed of Settlement and Release and part of the proceeds from the sale of Properties (as defined below) proposed to be transferred to Jetwin under the provisions of the Deed of Settlement and Release (the "**Relevant Sums**") shall be paid to Net Pacific Investment towards repayment of two of the Outstanding Jetwin Loans under the relevant loan agreements entered into between Net Pacific Investment and Jetwin on 19 August 2013 and 28 February 2015, respectively (the "**Jetwin Loan Agreements**"). It was also agreed that, Jetwin shall not be entitled to the Relevant Sums unless and until all monies (regardless of whether such monies are due and/or owing) owed to Net Pacific Investment have been fully repaid.

Unless and until the Relevant Sums in relation to the Outstanding Jetwin Loans are fully repaid to Net Pacific Investment, Net Pacific Investment and Jetwin also agreed that:

- (a) Jetwin shall, subject to the requirements of any Australian regulatory body and any requirements or restrictions under Australian law, grant security, whether by way of caveat or

registered mortgage, over three (3) of the residential property units located in Western Australia (collectively, the “**Properties**” or each a “**Property**”) to Net Pacific Investment (if required by Net Pacific Investment at any time prior to the Relevant Sums under the Jetwin Loan Agreements being fully repaid to Net Pacific Investment) and not otherwise encumber the Properties, as security for repayment of the Relevant Sums under the Jetwin Loan Agreements;

- (b) Jetwin shall endeavour to ensure that the Properties be transferred to Jetwin by no later than 5 Business Days after the assessment of duty¹ applicable to the transfer of each Property to Jetwin under the Deed of Settlement and Release;
- (c) the sale, transfer or disposal of any or all the Properties (“**Disposal**”) by Jetwin shall only be made with the prior written consent of Net Pacific Investment, with such consent being at Net Pacific Investment’s absolute discretion;
- (d) given that the Relevant Sums under the Jetwin Loan Agreements are now due and payable, Net Pacific Investment may request the Disposal of any or all of the Properties by Jetwin at market rates, and Jetwin shall expeditiously comply with such requests; and
- (e) the terms and conditions of every Disposal by Jetwin shall be as reasonably agreed by Net Pacific Investment.

Upon recovering the outstanding amount of the Australian Loans under the Deed of Settlement and Release, Jetwin has agreed to pay AUD 2,850,000 in cash to Net Pacific Investment, which comprise (a) AUD 900,000 to be repaid under the Jetwin Loan Agreements; (b) AUD 1,500,000 being full repayment of the third loan owed to Net Pacific Investment by Jetwin under a loan agreement entered into between Net Pacific Investment and Jetwin on 1 April 2014 (the “**Third Jetwin Loan**”); and (c) AUD 450,000 being an additional payment of 30% of the Third Jetwin Loan which shall be paid in 12-monthly instalments with the first payment to be paid 1 month after the date of the agreement between Jetwin and Net Pacific Investment.

For the avoidance of doubt, as at the date of this announcement, other than the Outstanding Jetwin Loans disclosed in this announcement, there are no further loans due and owing by Jetwin to the Group.

As the Group had made partial impairment of the principal component of the Outstanding Jetwin Loans of approximately HKD18,235,000 based on the progress of the negotiation with the Borrowers up to the financial year ended 31 December 2020, the Settlement is expected to result in a write back of impairment of approximately HKD4,700,000 which will have a positive impact on the consolidated net tangible assets per share and the consolidated earnings per share of the Group for the current financial year ending 31 December 2021.

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Mr Ong Chor Wei @ Alan Ong
Executive Director and Chief Executive Officer

6 August 2021

¹ “duty” refers to any transaction or registration duty or any similar charge or impost imposed by any government agency and includes any interest, fine, penalty, charge or other amount imposed in respect of the same.

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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