Issuer: New Wave Holdings Ltd.
Security: New Wave Holdings Ltd.

Meeting details:
Date: 27 July 2017
Time: 11.00 a.m
Venue: 8 First Lok Yang Road, Singapore 629731

Company Description

New Wave Holdings Ltd., an investment holding company, engages in the distribution of aluminum products and components primarily in Singapore, Malaysia, the People's Republic of China, and internationally. It operates through two segments, Components Distribution and Aluminium Products Distribution. The company is involved in the cutting, refining, and wholesale of aluminum plates, wedges, rods, and bars; and trade and distribution of metal precision components. It also trades in electrical and electronic equipment and components, as well as hardware and software engineering in microcomputer and communication systems; trades in and distributes cables; and provides IT and software consultancy services. In addition, New Wave Holdings Ltd. engages in the import and export of aluminum alloy products; sale and distribution of aluminum alloy, steel, stainless steel, and other ferrous and non-ferrous semi-finished products; and fabrication and trading of aluminum products. The company was formerly known as New Wave Technologies Ltd. and changed its name to New Wave Holdings Ltd. in January 2006. New Wave Holdings Ltd. was incorporated in 1999 and is based in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5FX)

Q1. The group's carrying amount of intangible assets (consisting of goodwill and customer relationship) was $967,120. The Impairment of intangible assets is a key audit matter in the Independent Auditor's Report (page 31 of the annual report). It was disclosed that:

> *"Management's determination of the recoverable amount is based on the estimation of the value-in-use by forecasting the present value of the expected future cash flows to be derived from the CGU. No impairment loss during the financial year was recognised following management's assessment".*

The independent auditors have assessed that the impairment of the intangible assets is a matter of most significance in the audit of the financial statements of the current period as the "value-in-use determination involves significant judgements and estimation by management on the key assumptions such as projected revenue growth rate, gross profit margin and discount rate applied to future cash flows forecasts which may be affected by future market and economic conditions".

In the past 6 years, the following assumptions were applied to the cash generative unit (or CGU) to estimate its value-in-use:

	Average gross profit margin	Discount rate
2017	15%	5.56%
2016	14%	7.81%
2015	17% to 19%	3.60%
2014	16% to 20%	5.3%
2013	13% to 20%	8.0%
2012	13% to 17%	8.4%

(Source: Company annual report)

The CGU in question is MSC Aluminium Holdings Pte. Ltd. and its subsidiaries, which are in the business of fabricating and trading of aluminium alloy products.

a) **Can management help shareholders understand why they had used such different discount rate for the same business over the 6-year period shown above?**

b) **What was the gross profit margin for 2017? What was the average gross profit margin in the past 3 years?**

c) **Can the audit committee and the independent auditor comment further on the assumptions and the reasonableness of the estimates?**

Q2. On 21 December 2015, the Company issued 150 million shares by way of a private placement and the net proceeds amounted to approximately S$1.34 million (page 24). Since the placement, the company has not utilised the sum of $1.34 million which was intended to be used for (i) business development and to provide liquidity for business expansion through acquisitions, joint ventures and collaborations; and (ii) general working capital purposes.

As noted in the circular dated 3 December 2015, the issue price of S$0.0092 per Placement Share was a discount of 9.8% to the volume weighted average price of the shares. Furthermore, the consolidated NAV per share attributable to shareholders was $0.0142, thus the placement share was priced at a discount of 35% to the consolidated NAV per share.

a) **Can the board explain why it had carried out the private placement at such a deep discount, especially to the consolidated NAV of $0.0142?**

b) **What were the business needs in December 2015 that justified the placement as subsequently the net proceeds have not been utilised?**

c) **Would the board re-consider how it utilises the share issue mandate?**

Q3. The company has three independent directors, namely Mr Tito Shane Isaac, Mr Lee Seng Chan and Mr Lee Teong Sang, who were appointed to the board on 30 August 2006, 29 August 2003 and 27 March 2003 respectively (page 14). Accordingly, all three directors have served on the board for more than nine years.

Mdm Choo Tung Kheng, the Non-Executive Director of the Company, is the Managing Director of CPH Ltd (page 7).

Mr Ong Kian Soon (Executive Director/Chief Executive Officer) sits on CPH Ltd as Non-Executive director.

In addition, all three Independent directors of the company are also independent directors of CPH Ltd..

The Nominating Committee (comprises Lee Seng Chan (as chairman), Tito Shane Isaac and Choo Tung Kheng) "has affirmed that Mr Tito Shane Isaac, Mr Lee Seng Chan and Mr Lee Teong Sang are independent, notwithstanding all three Directors have served as Independent Directors for more than nine years".

a) **Could the nominating committee explain if it had taken into account the close relationships of the directors who sit on this company and on the board of CPH Ltd could possibly interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement?**

Notwithstanding the fact that the Nominating Committee with the concurrence of the Board view the three long tenured directors as independent, Guideline 2.4 of the Code of Corporate Governance 2012 calls for the board to "also take into account the need for progressive refreshing of the Board".

b) **Can the board provide more detail on its plans to ensure the progressive refreshing of the board?**

c) **Please also disclose the company's search and nomination process for new independent directors.**