Issuer: Lereno Bio-Chem Ltd.

Security: Lereno Bio-Chem Ltd.

Meeting details:
Date: 23 April 2018
Time: 10.30 a.m.
Venue: 10 Anson Road, #36-05A International Plaza, Singapore 079903

Company Description

Lereno Bio-Chem Ltd. does not have significant operations. Previously, it was engaged in the production and sale of bio-diesel and related oleochemicals in Singapore and internationally. The company was formerly known as MAE Engineering Ltd. and changed its name to Lereno Bio-Chem Ltd. in February 2007. Lereno Bio-Chem Ltd. was incorporated in 1974 and is based in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=42H)

1. Immediately after the termination of the sale and purchase agreement entered with the vendors of Kenyalang Property (S) Pte Ltd in June 2016 to acquire 100% interest in Kenyalang, the company announced the proposed acquisition of Knit Textile and Apparel Pte. Ltd (Knit), which after its restructuring will own the businesses carrying out contract manufacturing of clothing in Malaysia and Cambodia.

The proposed reverse takeover of Knit is the third reverse takeover attempt by the company since it was designated a cash company following the sale of Lereno Sdn Bhd in August 2015.

(i) **Can the board and management help shareholders understand the reasons for the unsuccessful RTO attempts?**

(ii) **What were the lessons learnt from the two unsuccessful RTO attempts and how has it helped the company in its RTO negotiation with Knit and its vendor?**

(iii) **What is the level of commercial due diligence carried out by the company/board to understand the risks and prospects of contract manufacturing of clothing in Southeast Asia?**

As disclosed in Note 2 (page 39 – Going concern), it was disclosed that:

"In the event the Company is unable to meet its milestones, or complete the relevant acquisition despite the extension granted, no further extension will be granted and the Company will be removed from the Official List and a cash exit offer in accordance with Rule 1308 will be made to the Company's shareholders within 6 months."

(iv) **Can the board confirm that the extension of 6.5 months in February 2018 would be the last one given by SGX-ST to allow the company to meet the requirements for a new listing?**

2. At the Annual General Meeting scheduled on 23 April 2018, the company is seeking shareholders' approval to re-elect Tan Sri Dato' Kamaruzzaman Bin Shariff and Mr Wong Heang Fine, directors who are retiring pursuant to Regulation 95 of the Company's Constitution.

(i) **Would the board and the nominating committee (NC) elaborate further and help shareholders understand the basis of their recommendation for the re-election of the two directors?**

Principle 4 of the 2012 Code of Corporate Governance (Code) calls for "a formal and transparent process for the appointment and reappointment of directors to the Board".

In particular, Guideline 4.7 states that:

Key information regarding directors, such as academic and professional qualifications, shareholding in the company and its related corporations, board committees served on (as a member or chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments, should be disclosed in the company's Annual Report… The names of the directors submitted for appointment or re-appointment should also be accompanied by details and information to enable shareholders to make informed decisions.

On pages 4 to 7, the company has provided selected information on the directors.

(ii) **To comply with Guideline 4.7 of the Code, can the company provide comprehensive information of the directors as listed in Guideline 4.7 (especially directorships present and those held over the preceding three years in other listed companies)?** This would help shareholders better understand the board better and to help them make informed decisions in the re-election of directors.

3. The board comprises 2 executive directors and 4 non-executive directors who are deemed independent. As noted in Principle 2: Board Composition and Guidance in the Statement of Corporate Governance (page 15), all 4 non-executive directors have served on the board for more than nine years, from the date of their first appointments as directors of the company. The details are as follows:

Name	Date of first appointment	Tenure (up to April 2018)
Tan Sri Dato' Kamaruzzaman Bin Sharif	1 August 2003	14 years 8 months
Mr Wong Heang Fine	1 September 2001	16 years 9 months
Mr Yap Boh Pin	1 April 2004	14 years
Mr Goh Yeow Tin	1 October 2007	10 years 6 months

(Source: Company annual report)

Guideline 2.4 of the Code calls for the particularly rigorous review of independence of any director who has served on the Board beyond nine years from the date of his first appointment.

(i) **Can the company explain in detail the process and framework of the particularly rigorous review of the independence of such directors?**

The NC currently comprises Mr Goh Yeow Tin (as chairman), Mr Yap Boh Pin and Tan Sri Dato' Kamaruzzaman Bin Sharif. All three chairman/members of the NC are subject to the particularly rigorous review of their independence.

(ii) **Can the NC confirm that none of the directors was involved in the review of his own independence? If so, how was the review carried out by the NC?**

Notwithstanding that the Board was of the view that the long-tenured non-executive directors are able to exercise independent and objective judgement, Guideline 2.4 also calls for the board to "take into account the need for progressive refreshing of the Board".

The board has stated that one of its goals is to "ensur[e] continuity and stability" on the board.

(iii) **What are the company's near-term plans to ensure the progressive refreshing of the board?**