

Issuer: Secura Group Limited

Security: Secura Group Limited

Meeting details:

Date: 23 April 2018

Time: 10.30 a.m.

Venue: 38 Alexandra Terrace, Level 2, Singapore 119932

Company Description

Secura Group Limited, an investment holding company, provides integrated suite of security products, services, and solutions in Singapore, Malaysia, and Thailand. It operates through four segments: Security Printing; Security Guarding; Cyber Security; and Homeland Security, System Integration and Security Consultancy and Services. The Security Printing segment prints bank cheques and passbooks, car parking coupons, cash vouchers, educational certificates, machine-readable betting slips, marriage certificates, postage stamps, and stationery products. The Security Guarding segment provides unarmed and manned security guarding services for commercial premises, data centers, embassies, hotels, schools, hospitals, government buildings, high value industrial premises, and residential properties. The Cyber Security segment engages in the provision of cyber security consultancy, and products and professional services, as well as the resale of cyber security products. The Homeland Security, System Integration and Security Consultancy and Services segment provides a suite of customized security system solutions and services; security consulting, risk assessment, tender management, and project management solutions; and private investigation and professional surveillance services. This segment also distributes baggage and narcotics screening systems, and radiation detection devices. The company serves customers in various industries, including multinational corporations, financial institutions, and government agencies. Secura Group Limited was incorporated in 2015 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=43B)

1. On 10 October 2017, the company announced the resignation of Mr Paul Lim Choon Wui as Executive Director and Chief Executive Officer effective 5 January 2018.

In the Message to Shareholders, the board has stated the following:

We are currently searching for a suitable candidate to lead the Group. The position of the CEO is an important one as he will be tasked to grow and expand the Secura Group in both profitability and business activities. The CEO must have the vision, the passion and the strategies to take the Secura Group to greater heights in the security industry, locally and regionally. As such, the Board is cautiously deliberating on the right candidate.

- (i) **Can the board and the nominating committee help shareholders understand how the search for the new CEO is being carried out?**
- (ii) **What is the progress made in appointing a new CEO for the group? Has the board finalised on a shortlist of candidates and started on the interviewing process?**
- (iii) **As the announcement was made in October 2017, some six months ago, when does the board expect to complete the search and to appoint a new CEO?**

2. Would the board/management provide better clarity on the following operational matters of the group? Specifically:

- (i) **Secura Training Academy Pte Ltd (STAPL):** As a newly established training outfit, the accreditation of STAPL as a Public Approved Training Organisation by SkillsFuture Singapore in April 2017 appears to be promising. **Can management help shareholders understand the potential of STAPL? What are the courses that STAPL can provide? Are there targets for the level of enrolment for STAPL?**
- (ii) **Security printing:** What is the impact of fintech and of digitalisation on the group's security printing business? **Can the transition to secured data solutions such as e-statements and e-archiving replace the revenue and earnings of security printing?**
- (iii) **General managers:** In addition, is the company close to getting replacements for the general managers for Security Consultancy & Services and Red Sentry Pte Ltd?
- (iv) **Cybersecurity:** The group has reassessed its market potential and the growth prospects in cybersecurity and undertook steps to consolidate the operations. The group will be focusing on its traditional strengths as a distributor in this field. **Who are the partners other than Celebrite? How is the group going to scale up the cybersecurity distribution business?**

3. The "Impairment assessment of the Group's intangible assets and the Company's investment in subsidiaries" was highlighted as one of two key audit matters in the Independent Auditor's Report (page 35). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

Goodwill impairment of \$1,388,000 relating to the cyber security cash generating unit (CGU) has been recorded during the current financial year. This relates to the goodwill arising from the acquisition of Red Sentry Pte. Ltd. in June 2016.

- (i) **Can the board help shareholders understand why the goodwill of \$1.388 million out of a total cash consideration of \$2.5 million for the acquisition has been written off within 1.5 years?**
- (ii) **How has the board help management refine its acquisition strategy and its valuation framework?**

- (iii) **How can management improve the structuring of deals so that the company mitigates some of the market and technology risks of these high-tech investments?**

With regard to the impairment of the company’s investment in subsidiaries, the key audit matter mentioned that the company’s carrying amount of the investment in subsidiaries amounted to \$21.4 million. It did not clearly state that an impairment of \$15.57 million was recognised in 2017 to reduce the carrying amount of the investment in subsidiaries from \$37 million to just \$21.4 million.

In Note 7 (page 69 – Investment in subsidiaries), the following was shown:

7. Investment in subsidiaries

	Company	
	2017 \$'000	2016 \$'000
Unquoted equity shares at cost	2,423	2,123
Issuance of shares for acquisition of subsidiaries	34,583	34,583
Impairment losses	(15,572)	–
	<u>21,434</u>	<u>36,706</u>

(Source: Company annual report)

- (iv) **Can the board provide a breakdown to show the \$15.57 million impairment losses by subsidiary?**
- (v) **Would the board consider a review of the company’s acquisitions and introduce a more robust valuation framework to help the company in its acquisition efforts?**