

Issuer: Sunrise Shares Holdings Ltd.

Security: Sunrise Shares Holdings Ltd.

Meeting details:

Date: 23 April 2018

Time: 2.00 p.m.

Venue: Six Battery Road, #10-01, Singapore 049909

Company Description

Sunrise Shares Holdings Ltd., together with its subsidiaries, engages in the trading and distribution of electrical products to the construction sector primarily in Singapore and Malaysia. The company operates through three segments: Electrical Trading, Electrical Manufacturing, and Investment Holding. It also manufactures, assembles, and sells electrical distribution and control equipment. The company was formerly known as ITE Electric Co Ltd and changed its name to Sunrise Shares Holdings Ltd. in January 2017. Sunrise Shares Holdings Ltd. was founded in 1982 and is based in Shatin, Hong Kong.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=581)

1. The group benefitted from the inaugural revenue contribution from the new business segment of property consultancy and management services in China which was carried out by the group's wholly-owned subsidiary, Shenzhen Tonglin Consultancy Management Pte. Ltd. ("STCM"). STCM secured consultancy and management contracts from two property management companies based in Shenzhen, China.

The new division reported revenue of \$1.9 million in FY2017 and a segmental profit before tax of S\$1.1 million.

- (i) **What is the value proposition of STCM that allowed it to quickly secure contracts from property management companies?**
- (ii) **Can management disclose the specific services offered by STCM under "property consultancy and management services" to help shareholders better understand this new segment?**
- (iii) **How scalable is STCM's business model? Are there plans to scale up the business in Shenzhen and to other major cities?**

2. The electrical trading segment (which involves the sale of electrical products and systems, LED light fittings and luminaries) remains the largest contributor of revenue to the group. In FY2017, revenue amounted to \$12.2 million, a slight increase from \$12.0 million a year ago.

In FY2013 & FY2014, the revenue was as high as \$20.2-\$20.5 million. The reportable segment profit/(loss) has ranged from \$(79,090) to \$201,241 in the past 5 years, with a cumulative segment profit of \$150,749 from the last 5 years before non-cash items such as allowance for inventory obsolescence and doubtful receivables. The segment has also slipped into 3 years of losses.

- (i) **What are the main drivers of the electrical trading segment?**
- (ii) **How dependent is the segment on private and public sector construction demand?**
- (iii) **Did the group commit sufficient attention and resources to help the electrical trading segment in the past 2 years as the group diversified into other segments?**
- (iv) **In view of the losses in the last 3 years, what are management's plans to improve efficiency and to regain profitability?**
- (v) **Would it be beneficial for shareholders if the electrical trading business were divested only after its performance has improved?**

3. As disclosed in the profile of directors (page 8), Mr Zheng Aimin, the company's independent non-executive chairman, was first appointed to the board in September 2016 as an independent non-executive director before his redesignation to the current position as the independent non-executive chairman on 8 June 2017.

In the Announcement of appointment dated 10 September 2016, the company had announced that it will arrange for Mr Zheng to "attend appropriate training courses to familiarise himself with the roles and responsibilities of a director of a listed company".

As listed in the Corporate Governance Report, as chairman of the company, Mr Zheng has the added responsibilities of:

- overseeing the business of the board;
- together with the AC, ensures the integrity and effectiveness of the governance process of the board;
- leads the board discussions;
- ensures that board meetings are convened when necessary;
- promotes a culture of openness and debate at the board; and

- ensures that the directors receive complete, adequate and timely information;
- encourages constructive relations within the board and between the board and management and facilitates the effective contribution of non-executive directors in particular

Since Mr Zheng's appointment nearly 20 months ago, can the company update shareholders on the training Mr Zheng has attended to familiarise himself with the roles and responsibilities of a director of a listed company and to be effective as a director/chairman?

In addition, can the company also update shareholders on the training and professional development programmes for all directors?

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Sunrise%20Shares%20Holdings%20Ltd>

The company's response could be found here: -----