

Issuer: Fuji Offset Plates Manufacturing Ltd

Security: Fuji Offset Plates Manufacturing Ltd

Meeting details:

Date: 27 April 2018

Time: 10.00 a.m.

Venue: Conference Room 2 Jalan Rajah #06-28 Golden Wall Flatted Factory Singapore 329134

Company Description

Fuji Offset Plates Manufacturing Ltd manufactures and sells aluminum offset plates. The company operates through Printing Plates and Cylinders, Investment Holding, and Investment in Property Development Companies segments. Its products include pre-sensitized offset printing plates and thermal positive computer-to-plate (CTP) plates; CTP, conventional, and other chemicals; and gravure printing cylinders and related products and services. The company is also involved in the trading of printing cylinders and its related products; sale of offset printing plates and materials in printing industries; letting of properties; and investment holding activities. In addition, it invests in commercial, industrial, hospitality, residential, and/or mixed development properties. The company sells its products primarily in Singapore, Malaysia, Sri Lanka, Bangladesh, and internationally. Fuji Offset Plates Manufacturing Ltd was incorporated in 1982 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=508)

1. The group's performance is shown in the financial highlights (page 2 of the annual report, and reproduced below:

FINANCIAL HIGHLIGHTS

	2013	2014	2015	2016	2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Continuing Operations</u>					
Revenue	7,206	6,859	5,585	5,408	5,055
Profit/(Loss) Before Taxation	709	(291)	8,110	610	(853)
Total Assets	27,297	26,400	30,819	30,366	29,788
Shareholders' Fund	22,424	21,212	26,448	25,453	24,255
EBITDA	1,533	474	8,709	1,181	(284)
Net Cash Flows from/(used in)					
Operating Activities	1,303	1,120	(928)	191	(435)

(Source: Company annual report)

Excluding the jump in profit in FY2015 due to the disposal gain of the group's investment property at Senai of S\$7.77 million, the group's results have been mixed.

- (i) **Printing cylinders:** Given the headwinds in the segment, it would appear that the volume of business and profit will gradually trend down with little growth opportunities. **What are the group's priorities for the cylinder business in the next 2-3 years? Has management explored the opportunities in new/untapped markets?**
- (ii) **Property development (IPark):** The sale of the development units at IPark Phases 1 and 2 appears to be slow. **With just 20% equity interest in IPark Development Sdn Bhd, what is the level of involvement in the day-to-day activities of IPark? What is the group's level of influence, control or oversight? What are the proactive plans to improve the sale at IPark?**
- (iii) **Property development (Star City):** Can management provide better clarity on the group's equity interest in Star City Property Development Co Ltd ("Star City")? As pointed out in the key audit matter, as at 31 December 2017, the group has recorded its equity interest in Star City amounting to \$2.02 million and loans amounting to \$5.3 million. **Can management update shareholders on the use of the loans to Star City as it was disclosed that there was no new development in FY2017 and the project has now been delayed to 2021?**
- (iv) **Strategy:** Would the board consider a review of how the group makes its investments into non-controlling, minority stakes of development companies?

2. In the Corporate Governance Report, the company has said that it has outsourced the internal audit function to independent accountancy firm, M.S. Wong & Co. from Johor Bahru, Johor, Malaysia.

- (i) **Can the audit committee (AC) help shareholders understand if the internal auditor carries out its function according to the standards set by nationally or internationally recognised professional bodies such as the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors?**
- (ii) **Can the AC also confirm that it draws up a new internal audit plan yearly and the internal auditor carries out bi-annual internal audit in each financial year? In the company's disclosure, it was stated in the 2016 Annual Report and the 2017 Annual Report that the AC had conducted a "review of the internal audit plan for **FY2015**" [emphasis added] (shown below).**

The Company outsources its internal audit function to an independent accountancy firm, M.S. Wong & Co. from Johor Bahru, Johor, Malaysia. The scope of the audit generally covers operational, financial controls, risk management and information technology of the sole manufacturing subsidiary of the Group, i.e. Fuji Roto Gravure Sdn Bhd ("FRG"). The internal auditors reports their findings and recommendations to the AC and follow up on actions implemented in their next audit review. The AC reviews the scope and results of the internal audit bi-annually and ensures that the internal audit function is adequately resourced. Following the review of the internal audit plan for FY2015 and their evaluation of the system of internal controls, the AC is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Group.

(Source: Company annual report)

3. On 24 October 2017, the company announced that it had changed its sponsor from SAC Capital Private Limited to Asian Corporate Advisors Pte. Ltd. (ACA) with effect from 25 October 2017.

- (i) Can the company and the board help shareholders understand the reason(s) for the change of the sponsor?**
- (ii) How did the company search, shortlist and evaluate the new sponsor?**
- (iii) Does the sponsor or its affiliate have any prior relationship with the company, its related corporations, its 10% shareholders or any of its officers (including directors)?**

In the company's announcement dated 24 October 2017, SAC Capital has confirmed that as at the date of this announcement and based on the information made available to them, they are not aware of any non-compliance with the Catalist Rules by the Company that has not been brought to the attention of ACA.

- (iv) Can the company confirm that it is in compliance with the Catalist Rules or that SAC Capital has brought to the attention of ACA the non-compliance with the Catalist Rules by the company?**