

Issuer: Progen Holdings Limited

Security: Progen Holdings Limited

Meeting details:

Date: 27 April 2018

Time: 10.00 a.m.

Venue: 28 Riverside Road, #04-01 Progen Building, Singapore 739085

Company Description

Progen Holdings Limited, an investment holding company, engages in the design, supply, installation, and maintenance of air-conditioning and mechanical ventilation systems in Singapore and Malaysia. The company operates through three segments: Products and Installation, Servicing and Maintenance, and Rental. It is also involved in the trading and contracting of engineering works, cooling towers, and air-conditioning and mechanical ventilation systems. In addition, the company engages in servicing and repairing air-conditioners, cooling towers, and other cooling equipment; and supplying and installing cooling fans, cooling towers, and air-conditioners. Further, it sells and distributes household electrical appliances and air-conditioners; and rents and leases factory, office, and building space. Progen Holdings Limited was founded in 1981 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=583)

1. The group has ventured into the property development through its new associated company, TSky Balmoral Pte., Ltd (“TBPL”). TBPL was incorporated to undertake the redevelopment of two plots of land at 17 Balmoral Road and the group’s stake in TBPL was 20%.

As noted in the circular to shareholders dated 12 April 2018, the risk factors related to the development of 17 Balmoral for the company includes:

- The Group has limited experience in the Property Business, and faces integration risk
- The Group may require significant capital outlay for the Property Business
- The Group may be subject to revenue, cashflow and profit volatility
- The Group may be subject to risks associated with joint ventures and mergers and acquisitions

- (i) Can the board help shareholders understand how it will address the risk factors related to the group’s diversification to property development as listed in the circular?**
- (ii) Please also let shareholders know the level of control, influence and oversight management has over the 20%-owned associated company.**
- (iii) How will the group fund its share of the development costs?**

2. Revenue dropped by two-thirds to \$3.3 million in FY2017 “mainly due to the Group not being awarded two tenders that it had budgeted for FY2017 and the commencement date of a secured tender which was delayed till FY2018.” As a result, the group registered a net loss after tax of \$4.7 million for FY2017 compared to \$1.6 million for FY2016.

- (i) Can management let shareholders know if it had evaluated the reasons for the group not being award the two tenders?**
- (ii) How competitive is the group in the core business of “design, supply, installation and maintenance of air-conditioning and mechanical ventilation systems”? What is the group’s value proposition and how does the group position itself against competitors in the crowded market place?**
- (iii) With the real estate/construction sector witnessing some renewed interests with the recent spate of enbloc sales, what are management’s proactive plans to seize the opportunities in the next 1-2 years?**
- (iv) With the proposed diversification into the property business, what guidance has the board given to management to ensure that sufficient time, energy and resources are devoted to improve the group’s core business?**

3. As noted in the Corporate Governance Report, Dr Tan Eng Liang and Mr Ch’ng Jit Koon have served beyond nine years since the date of their first appointments to the board.

Mr Ch'ng was appointed to the board on 24 October 1997 and he is the Chairman of the Remuneration Committee and a member of the Audit & Risk Committee, Nominating Committee and Investment Review Committee. Mr Ch'ng has served on the board for more than 20 years and 6 months.

Dr Tan was appointed to the board on 24 October 1997 and was appointed as Non-Executive Chairman on 1 March 2014 and is also the Chairman of the Audit & Risk Committee and Investment Review Committee, and a member of the Nominating Committee and Remuneration Committee. Similarly, Dr Tan has served on the board for more than 20 years and 6 months.

Guideline 2.4 of the 2012 Code of Corporate Governance states that:

The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

- (i) Can the nominating committee explain in greater detail the particularly rigorous review that it has carried out to assess the independence of the long tenured directors?**
- (ii) While the board has also appointed Mr Chee Wai Pong as an independent director on 16 January 2013, what are the company's other near term plans to refresh the board progressively and in an orderly manner, to avoid losing institutional memory?**