

Issuer: San Teh Ltd

Security: San Teh Ltd

Meeting details:

Date: 30 April 2018

Time: 2.00 p.m.

Venue: Grand Mercure Roxy Hotel Katong Room, Level 3 50 East Coast Road, Roxy Square Singapore 428769

Company Description

San Teh Ltd, an investment holding company, engages in the PVC pipes and fittings, hotel, and property development and investment businesses in the People's Republic of China and Singapore. It manufactures and sells U-PVC and PP-R pipes, and fittings for use in the building, sewage, water supply, and telecommunications sectors; leases commercial and office buildings, shopping malls, apartments, and hotel properties; and develops residential properties and shop units, as well as operates a Suzhou hotel. The company was founded in 1979 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S46)

1. As noted in the Chairman’s Statement, with the Shanghai Anting mall finally opening its doors in December 2017, the group’s other focus going forward in FY2018 is the relaunch of the Nantong hotel and the redevelopment of the Suzhou hotel that is expected to be completed at the end of the year. In addition, the PVC pipes and fittings operation remains the group’s main profit generator.

The company has disclosed that it “will also be actively and prudently pursuing investment opportunities in the hotel and property sector in the Asia Pacific region” (page 3).

- (i) **Can the company update shareholders how it is conducting the deal sourcing? What are the cities that the company is actively exploring?**
- (ii) **What asset classes are being considered?**
- (iii) **Given the experience of the group at the Nantong hotel, at the Shanghai Anting mall and with the Dali project, would the board consider it opportune to re-valuate the strengths and the expertise of the management team before the group embarks on another major investment?**

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

- (i) **Nantong hotel: Why did the group decide to operate the hotel under a hotel management contract with an international hotel brand operator? What is the track record and the experience of the management team to carry this out successfully?**
- (ii) **PVC: Has the group devoted sufficient management time and attention to scale up the PVC business that has remained the main revenue and profit contributor of the group? Has management kept up with the capital expenditure to maintain and improve the plant?**
- (iii) **Investment securities: The group has investment securities with a carrying value of \$14.8 million as at 31 December 2017. How is the group managing this portfolio? What is the investment mandate and the targeted return set by the board? Is the board providing oversight of the management of the portfolio to ensure that it does not take on excessive risk?**

3. On 26 March 2018, the company announced that it has recorded pre-tax losses for the last three financial years.

In addition, the cumulative losses of the group has exceeded \$(20.8) million over the past three years. The loss amounts were \$(4.0) million in FY2017, \$(9.3) million in FY2016 and \$(7.5) million in FY2015.

- (i) **What are the pro-active measures taken by management to return the group to profitability?**
- (ii) **Would the board consider it prudent to carry out a strategic review of the group’s operations, including business models, management and quality of the group’s assets? How can the group maximise the value of its assets for the benefit of all shareholders?**