



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: 800 Super Holdings Limited

Security: 800 Super Holdings Limited

Meeting details:

Date: 26 October 2018

Time: 10.00 a.m.

Venue: 17A Senoko Way, Singapore 758056

Company Description

800 Super Holdings Limited, an investment holding company, provides environmental services for public and private sectors in Singapore. The company offers waste management services, including residential, commercial, and industrial waste collection, as well as recycling services. It also provides cleaning and conservancy services comprising integrated public cleaning services, which cover roads, pedestrian thoroughfares, car parks, parks, drains, beaches, shorelines, and waterways; and contract cleaning services that cover external facades and interior of buildings for residential, commercial, industrial, and institutional customers. In addition, the company offers horticultural services, such as grass-cutting, and planning and maintenance of landscape, as well as arboricultural services, including planting and pruning of trees and plants for schools, commercial customers, government departments, and statutory bodies. Further, it is involved in the manufacture, packaging, and processing of plastics, woods materials, and scrap metals. The company was incorporated in 2011 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5TG)

1. For the financial year ended 30 June 2018, the group reported revenue of \$151.1 million, down 3.7% from a year ago. The group's revenue and net profit since FY2014 are shown below.

FY2014 - \$115.0 million; \$9.1 million

FY2015 - \$140.3 million; \$17.6 million

FY2016 - \$156.4 million; \$16.7 million

FY2017 - \$156.9 million; \$17.1 million

FY2018 - \$151.1 million; \$9.1 million

The lower revenue in FY2018 followed years of high growth in the company's top line in FY2014–FY2016. Net profit jumped to over \$17 million in FY2014 and fluctuated around the same level between FY2015 to FY2017. The drop in net profit in FY2018 by more than 45% to \$9.1 million was mainly attributed to renewal of contracts at lower margin and start-up and capability-upscaling costs for the new businesses.

- (i) With the refuse and recyclables collection services for the Pasir Ris-Bedok sector starting from 1st July 2018, what is the expected improvement in the group's profit margin?**
- (ii) Can management confirm that the start-up and capability-upscaling costs that were incurred last year will be reduced/eliminated in the new financial year?**
- (iii) What was the utilisation rate of the group's fixed assets/PPE last year?**
- (iv) Can management give shareholders a better idea of the size of the addressable market of the new waste treatment and the laundry business?**
- (v) What was the projected return on investment in the budgeting/planning process for these new businesses?**

2. On 3 October 2017, the company announced the proposed acquisition of shares in Iwash Laundry (Senoko) Pte. Ltd. for a consideration of \$4,998,960, to be satisfied by way of cash. The company has stated that none of the relative figures computed based on the applicable bases under Rule 1006 is more than 5%. As such, the proposed acquisition constitutes a "non-disclosable transaction" under Chapter 10 of the Catalist Rules.

- (i) What is the total amount that the group has set aside to fund this new business?**
- (ii) How does the board determine if the new laundry business significantly alter the risk profile of the group?**

As disclosed in Note 33 (page 101 – Business combinations), the acquired business contributed \$4.98 million in revenue and reported a loss of \$(1.03) million for the 8.5 month period after the acquisition. On a full year basis, the consolidated revenue and consolidated loss for the financial year ended 30 June 2018 would have been \$6.85 million

and \$(1.09) million respectively. In the SGXNet announcement dated 3 October 2017, the audited net tangible asset of the target company was approximately \$1.19 million (as at 31 December 2016) but the announcement did not include the audited net profit/loss of the target.

- (iii) **What was the audited net profit/loss of the target in 2016? If it were negative, did the sponsor consult the Exchange on the application of Rule 1006?**
- (iv) **Since the acquisition was completed in October 2017, has the newly acquired business met management's expectations?**

A goodwill amounting to \$446,000 was allocated to the newly acquired laundry business. In its value-in-use calculation, management has estimated revenue growth rate of 3-5%, resulting in the full impairment of goodwill of \$446,000.

- (v) **Can the board confirm that it is expecting the new laundry business to grow at 3-5% per year in revenue?**

3. In the Corporate governance report, the attendance of directors at board and board committee meetings in FY2018 is shown on page 12 of the annual report and reproduced below:

1.1 The Board's Conduct of its Affairs (Continued)

In FY2018, the number of Board and Board Committee meetings held and the attendance of the Directors were as follows:

	Board	Nominating Committee	Remuneration Committee	Audit Committee
No. of Meetings held	4	1	1	4
Name of Director	No. of Meetings Attended			
Mr Lee Koh Yong	4	1 ⁽¹⁾	1 ⁽¹⁾	4 ⁽¹⁾
Mr Lee Cheng Chye	4	1	1 ⁽¹⁾	4 ⁽¹⁾
Mr Chan Teck Ee Vincent ⁽²⁾	1	1 ⁽¹⁾	1 ⁽¹⁾	1 ⁽¹⁾
Mr Ng Tiak Soon	4	1	1	4
My Lye Hoong Yip Raymond	4	1	1	4
Mr Foo Shiang Ping	4	1 ⁽¹⁾	1	4
Mr Mah How Soon ⁽³⁾	3	–	–	3

Notes:

- (1) Attendance at meetings that were held on a "By Invitation" basis.
 (2) Mr Chan Teck Ee Vincent ceased to be an Executive Director of the Company with effect from 31 August 2017.
 (3) Mr Mah How Soon was appointed as Independent Non-Executive Director of the Company with effect from 20 October 2017.

(Source: Company annual report)

As seen in the table above, the executive directors were invited to attend the board committee meetings held in the year. According to the recommendations in the 2012 Code of Corporate Governance, the composition of the board committees are more stringent in terms of the percentage of independent directors in the board committees.

- (i) Can the board help shareholders understand if the board committee meetings are run differently when compared to a board meeting (where all the directors are members of the board)?**
- (ii) Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings?**
- (iii) What is the dynamics of the board committee meetings when the board committee meetings may be reviewing and discussing matters that are related to or affect the executive directors?** The board committee meetings would have included agenda items on performance assessment, remuneration and audit/financial reporting.
- (iv) Do the invited directors also actively participate in the discussions during the board committee meetings?**

On page 14, the company further disclosed that “[a]s and when required, the Non-Executive Director and Independent Directors will hold meetings without the presence of management and/or the Executive Directors, in order to facilitate a more effective check on the management and/or the Executive Directors. The Non-Executive Director and Independent Directors had met without the presence of management and/or Executive Directors at least once in FY2018.”

- (v) Can the independent directors let shareholders know the frequency of such meetings typically in a financial year?**

[The following question on the remuneration of employees who are immediate family members of the CEO and executive chairman was sent to the company following a review of the annual report for the financial year ended 30 June 2016. As the company did not respond nor provide better clarity on the issue, the question has been updated and reposted to the company.]

4. On page 6 of the annual report, the company listed its five key executive officers, namely Lim Kim Tat, Jason Tan Tzyy Shyong, Lee Chuan Heng, Lee Kim Eng and Au Chee Cheong. In the disclosure of the remuneration of the group’s key management personnel (page 24), the group listed the same five “key executive officers”, as shown below.

Details of remuneration of the top five key management personnel

Key Management Personnel	Salary [#] %	Bonus %	Other benefits %	Total %
S\$250,000 to below S\$500,000				
Lee Kim Eng	71	25	4	100
Lim Kim Tat	66	29	5	100
Below S\$250,000				
Lee Chuan Heng	71	23	6	100
Au Chee Cheong	79	21	–	100
Jason Tan Tzyy Shyong	80	12	8	100

Mr Lee Hock Seong and Mr Lee Thiam Seng were not listed as one of the top “key management personnel” nor “key executive officer”.

In FY2018, Mr Lee Hock Seong’s remuneration was in the band of \$450,000 – \$500,000 and Mr Lee Thiam Seng’s remuneration was in the band of \$200,000 – S\$250,000, as seen in the table below.

Even though Mr Lee Hock Seong is not identified as a key management personnel nor a key executive officer, his remuneration is higher than four of the key management personnel (KMP) and is at the top end of the remuneration band of the other KMP (\$250,000-\$500,000).

Names	Relationship	Remuneration [#] in Compensation Band
Lee Hock Seong	Brother of the CEO and the Executive Chairman	S\$450,000 – S\$500,000
Lee Kim Eng	Sister of the CEO and the Executive Chairman	S\$300,000 – S\$350,000
Lee Thiam Seng	Brother of the CEO and the Executive Chairman	S\$200,000 – S\$250,000
Lee Chuan Heng	Brother of the CEO and the Executive Chairman	S\$150,000 – S\$200,000
Lee Zi Qi	Daughter of the Executive Chairman	S\$50,000 – S\$100,000
Toh Yeok Tin	Wife of the Executive Chairman	S\$50,000 – S\$100,000

- (i) **Could the remuneration committee explain how the remuneration of Mr Lee Hock Seong and Mr Lee Thiam Seng were determined?**



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

(ii) Please disclose their job scopes and responsibilities.

A copy of the questions for the Annual Report for the financial year ended 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=800%20Super%20Holdings%20Ltd>

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