



**Securities Investors Association (Singapore)**

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UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Boardroom Limited

**Security:** Boardroom Limited

**Meeting details:**

Date: 23 April 2019

Time: 10.00 a.m.

Venue: 50 Raffles Place, #31-01 Singapore Land Tower, Singapore 048623

**Company Description**

Boardroom Limited, an investment holding company, provides professional business services in Singapore, Malaysia, Hong Kong, Australia, and China. It offers corporate secretarial services for private limited companies and public listed corporations, including company secretary services, as well as corporate secretarial consultancy, advisory, assistance, and support services. The company also provides share registry services comprising share registrar, unit registrar, share transfer agent, warrant agent, bond agent, employee equity plan administration, voting, meeting, shareholders analytics, investor solicitation, and transfer agency services for public listed corporations. In addition, it offers book-keeping, financial statements preparation, payroll and payment processing, goods and services tax accounting, tax advisory, human resource advisory and consulting, risk management, and internal audit services. Further, the company provides onboarding and outboarding administration and process services; share plan administration, business advisory and consultancy, nominee, trust, and investor relations services; PayBoard, a regional payroll platform; payroll management services; and extensible business reporting language conversion services, as well as governance and compliance services. Additionally, it offers China desk and international business services; and market readiness assistance services for SMEs. The company was founded in 1968 and is headquartered in Singapore. Boardroom Limited is a subsidiary of Salacca Pte. Ltd.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=B10](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=B10))

1. On 16 July 2018, the company announced the proposed acquisition of Symphony Corporatehouse Sdn. Bhd., Symphony Share Registrars Sdn. Bhd. and Malaysian Issuing House Sdn. Bhd.. Based on the details in the announcement, the target companies had a pro forma profit after tax equivalent to \$2.89 million and a pro forma net asset value of \$5.23 million.

The purchase consideration of RM164.1 million (equivalent to approximately S\$53.6 million at completion), was to be paid 75% in cash and 25% in shares of the company.

Based on the disclosure made on 16 July 2018, the estimated price/earning ratio and price/book of the target companies was 19.3x and 10.6x respectively. The pro forma financial effects on the net tangible asset would be to reduce it from 6.51 cents per share to (11.68) cents per share.

The acquisition was promptly completed on 28 August 2018, 6 weeks after the initial announcement. The acquisition enabled the group to boost its presence in Malaysia as the leading provider of corporate secretarial, share registry and other business services.

- (i) **Would the company help shareholders understand the level of due diligence carried out prior to the acquisition?** On the announcement date, the aggregate value of the consideration was 39% of the company's market capitalization yet the acquisition was completed in 6 weeks.
- (ii) **What was the role played by the board, especially the independent directors, in the acquisition? Was it a unanimous decision to approve the acquisition by the board?**
- (iii) **Can the company elaborate further on how it evaluates any investment opportunities? What guidance has the board provided to management to exercise prudence in its acquisitions?**
- (iv) **Did the board/management consider how the group's NTA will be severely impacted by the acquisition?** Based on the announcement dated 16 July 2018, the purchase consideration was approximately 10.6x the book value of the target companies and the company's net tangible asset will be reduced to (11.68) cents per share from 6.51 cents per share.

While revenue for the financial year ended 31 December 2018 increased by 13.5%, profit before tax dropped by (24.8)% and profit after tax attributable to owners of the company dropped by (34.3)%.

Earnings per share dropped from 5.46 cents to 3.49 cents, a drop of more than 36%. Due to the increase in bank borrowings, the board has also proposed to cut the dividend from 2.5 cents per share to 2.0 cents per share. As disclosed in the chairman's message, the group's recurring net profit after tax registered a small reduction to \$10.0 million largely on the back of higher interest costs.

- (v) Since the acquisition on 28 August 2018, have the acquired companies performed up to management's expectations?
- (vi) Would the board/management help shareholders if the investment thesis supporting the acquisitions are still valid as the higher interest costs appear to have negated the high earnings? How much synergy is there?
- (vii) Would the board be reviewing how the group makes its acquisitions?

2. In Note 19 (page 91 – Revenue), management provided disaggregation of the group's revenue by geography and by service line. Revenue for Singapore increased 3.7% in FY2018, with revenue from "Accounting, taxation & payroll services" showing the biggest increase of 9.1%.

Segments	Singapore	
	2018 \$'000	2017 \$'000
	(Restated)	
<b>Major service lines</b>		
Corporate secretarial services	11,532	11,149
Share registry services	9,811	9,898
Accounting, taxation & payroll services	9,682	8,876
	<u>31,025</u>	<u>29,923</u>

(Source: Company annual report)

However, profit for the financial year slipped to just \$403,000 in FY2018. In FY2014-FY2018, the profit from Singapore is shown below:

FY2014: \$5,600,993 (18-months)  
 FY2015: \$2,524,000  
 FY2016: \$3,556,000  
 FY2017: \$5,665,000 (restated)  
 FY2018: \$403,000

- (i) Would management help shareholders understand the reason(s) that profit from the Singapore operations decreased by more than 93% to just \$403,000?

As shown in Note 26 (page 95 – Statement of operations by segment), segment assets in Singapore were fairly steady but segment liabilities increased from \$17.62 million to \$57.75 million, presumably due to the \$41 million term loan taken out on 28 August 2018. This would be to support the purchase of Symphony.

- (ii) Can the audit committee help shareholders understand if the segment reporting gives a true and fair view of the performance of the 5 operating segments (i.e. Singapore, Malaysia, Hong Kong, Australia and China)?**
- (iii) Would the audit committee review how segment reporting could be better presented?**

3. In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

The three independent directors were appointed in November 2004, October 2011, August 2013, with Mr Mak Lye Mun being the independent director who has served on the board for more than nine year.

- (i) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) Has the nominating committee (NC) reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (iii) The nominating committee disclosed that it “sources through an extensive network of contacts for candidates” (page 25). Has the NC considered if the use of an independent search firm for directors may enable the board to cast its net wider and further improve the quality and diversity of the candidate pool?**

In addition, Mr Goh Yew Lin has been appointed alternate director to the chairman since November 2004.

- (iv) Specifically, does the alternate director attend board and board committee meetings together with the principal director? If so, does the alternate director actively participate in the board discussion and vote in the board meetings?**
- (v) If the alternate director plays an active role and attends board meetings together with the principal director, does it mean that the board may not have independent directors making up half of the board (given that the chairman is non-independent)?**



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A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Boardroom%20Ltd&cid=6356,4536>

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