



**Securities Investors Association (Singapore)**

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**Issuer:** Lion Asiapac Limited

**Security:** Lion Asiapac Limited

**Meeting details:**

Date: 31 October 2018

Time: 11.00 a.m.

Venue: The Conference Room, 10 Arumugam Road, #10-00 LTC Building A, Singapore 409957

**Company Description**

Lion Asiapac Limited, an investment holding company, engages in lime manufacturing, steel trading, and property development activities primarily in Malaysia. The company manufactures quicklime and hydrated lime; and trades in consumables for steel product manufacturing. It also builds and sells residential and commercial properties; and provides management consultancy services. The company was formerly known as Metal Containers Limited and changed its name to Lion Asiapac Limited in 1996. Lion Asiapac Limited was incorporated in 1968 and is based in Singapore.

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

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

- (i) **Lime:** Despite the 51% increase in revenue from the sale of quicklime and hydrated lime, the segment remained unprofitable, with losses amounting to \$(903,000) (2017: \$(5.75) million). **What are the key drivers of profitability for the segment? What are management's plans to improve the performance of the segment and turn it profitable?** The largest customer accounts for \$4.3 million or more than a third of the group's revenue. **Can management clarify if this is a related party? If so, what is the audit committee's (AC's) role in the review of the interested person transactions?**
- (ii) **Steel consumables:** In the Chairman's message, the group is said to be resuming its steel consumables trading business given the improvement in the Malaysian steel industry. **What is the value proposition of the group in the trading of steel consumables? What assurance can management give to shareholders that the steel consumables segment (if restarted) will be profitable and generate sustainable long term value for all shareholders?**
- (iii) **Property development:** Following the disposal of the Yangzhou Lion Property Development Co., Ltd., is the group still actively evaluating property development projects? Given the reduced level of activities in recent years, would it be timely to review the group's participation in property development (as one of its core operating segments)? As an "ad hoc" developer, would the group have retained its expertise and the supporting network to allow it to successfully compete against other specialist developers?
- (iv) **Foreign currency:** What are management's plans to remit its holding of Renminbi (that is held in China) back to Singapore and reduce its currency risk?

2. Despite the operating loss of \$(903,000) in the lime segment in the year, the group reported profit attributable to equity holders of the company of \$1.04 million due to receiving other income of \$3.3 million. As seen in Note 5 (page 48 – Other income), the group received interest income of \$987,000 and recognised a reversal of impairment loss on trade receivables of \$2.21 million.

Based on Note 16 (page 59 – Trade and other receivables), in 2017 and 2018, the group recognised allowance for impairment of trade receivables due from related parties amounting to \$3.62 million and \$1.49 million respectively (as seen in Note 16 below, reproduced for reference).

## 16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Trade receivables:</u>				
Related parties	3,023	5,356	-	-
Non-related parties	2,443	1,492	-	-
	5,466	6,848	-	-
Less: Allowance for impairment of receivables – related parties	(1,491)	(3,615)	-	-
Net trade receivables	3,975	3,233	-	-
Movements in above allowance:				
Beginning of financial year	3,615	5,002	-	-
Reversal of impairment loss	(2,208)	(1,302)	-	-
Currency translation differences	84	(85)	-	-
End of financial year	1,491	3,615	-	-

(Source: Company annual report)

- (i) **Can management help shareholders understand its credit risk assessment framework? Does the group consistently assess the credit worthiness and credit risk of third parties and of related parties?**
- (ii) **Does management continue trading with a counterparty even after it has recognised allowance for impairment of trade receivables in prior period?**

For 2018, profit attributable to equity holders of the company was \$1.04 million following the reversal. Earnings, net asset and dividend per share are shown in the summary below (page 9 – Financial highlights). The dividend per share has been 0.5 cent per share in the past two years.

	30 June 2018	30 June 2017
	(cents)	(cents)
Earnings per share (basic and diluted)	1.29	19.17
Net asset value per ordinary share	101.54	99.23
First and final dividend per ordinary share	0.50	0.50

- (iii) **What deliberations did the board have on the declaration of dividend for the financial year ended 30 June 2018?**
- (iv) **Are there major projected capital expenditure in the core business?**

As at 30 June 2018, the group has cash and cash equivalents of \$72.1 million in the statements of financial position and \$30.0 million in the statement of cash flow (which excludes the \$42 million that is subject to foreign exchange controls).

**(v) Did the board deliberate on how it could support a higher dividend pay out to reward shareholders?**

3. The group's independent directors are Mr Sam Chong Keen (first appointed to the board on 22 February 1997) and Dr Chua Siew Kiat (first appointed to the board on 8 May 2017).

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 Code"). As a consequence of the revised 2018 Code, the Singapore Exchange will be making amendments to its Listing Rules. The Listing Rule changes will come 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.

**(i) Has the company evaluated the impact of the 2018 Code and the amendments to the Listing Rules on the board?**

**(ii) Has the nominating committee 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?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 and 30 June 2016 could be found here:

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

The company's response could be found here:

2017: -----

2016: [https://sias.org.sg/media/qareport/1480055186\\_Response\\_Lion\\_Asiapac\\_2016.pdf](https://sias.org.sg/media/qareport/1480055186_Response_Lion_Asiapac_2016.pdf)