Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Enviro-Hub Holdings Ltd

Stock code: L23

Meeting details:
Date: 28 April 2020
Time: 10.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. In FY2019, the group received loans from a shareholder of $3.0 million. As at the end of the financial year, cash and cash equivalents stood at $3.5 million (page 47 of the annual report). The independent auditors have highlighted "Going concern basis of preparation" as one of the two key audit matters in their Report on the audit of the financial statements for the financial year ended 31 December 2019 (page 39).

(i) **Can the board help shareholders better understand the financial strength of the group, especially in view of the challenges posed by the current pandemic?**

(ii) The loans from a shareholder bear interest at 4.96%. **Has the audit committee reviewed if this is on an arm's length basis? Should the loan be considered an interested person transaction?**

(iii) **Has the audit committee evaluated the cash generative ability of its operations and stress-tested the group's ability to meet its financial obligation?**

Q2. In Note 27 (pages 99 to 103 – Operating segments), the company shows the segment profit/(loss) before tax and finance costs (reproduced below).

27 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments

	Trading, recycling and refining of e-waste/ metals	Property investments and management	Piling contracts, construction, rental and servicing of machinery	Others	Total
	$'000	$'000	$'000	$'000	$'000
31 December 2019					
External revenue	21,554	2,707	9,486	–	33,747
Depreciation of property, plant and equipment	(368)	–	(1,248)	–	(1,616)
Reportable segment profit/(loss) before tax and finance costs	1,598	4,747	316	(258)	6,403

(Source: company annual report)

While the total segment profit before tax and finance costs is shown as $6.4 million, there are unallocated costs (corporate expenses) of $5.5 million in FY2019. The consolidated profit before tax from continuing operations was just $887,000 and profit attributable to owners of the company was only $298,000 for the financial year.

(i) **Can the audit committee review how it could further improve the usefulness of its segment reporting by reducing the amount of unallocated costs?**

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In particular, the group has $134.8 million of segment assets and $97.6 million of segment liabilities in the "Property investments and management" that generated $2.71 million in revenue and incurred finance costs of $2.45 million.

(ii) **Is it opportune for the board to carry out a strategic review of its property business?**

Q3. The board has two independent directors, namely Mr Samuel Poon Hon Thang and Mr Tan Kok Hiang. Mr Poon joined the board on 26 September 2006 and was appointed as the "lead independent director" after serving as director for approximately 10 years on 25 February 2016 while Mr Tan joined the board on 21 May 1999.

The board has disclosed that it is satisfied with the independence of character and judgment of both Mr Tan Kok Hiang and Mr Samuel Poon Hon Thang and recommends that they continue as independent directors of the company, even after considering the need for board rejuvenation.

With the revised Code of Corporate Governance ("2018 CG Code") issued by the Monetary Authority of Singapore in August 2018, and together with the amendments to its Listing Rules by SGX, 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, effective 1 January 2022. In addition, independent directors have to make up one-third of the board.

(i) **Has the board, especially the nominating committee, evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

(ii) **What are the company's near-term plans to refresh the membership of the board to comply with the new 2018 Code in good time?** Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)

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