



**Securities Investors Association (Singapore)**

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**Issuer:** Epicentre Holdings Limited

**Security:** Epicentre Holdings Limited

**Meeting details:**

Date: 31 October 2018

Time: 9.30 a.m.

Venue: 60 Benoi Road, #03-02 EMS Building, Boardroom, Singapore 629906

**Company Description**

Epicentre Holdings Limited, an investment holding company, engages in the retail of Apple brand products, and third party and proprietary brand complementary products. The company provides various Apple products, including Macbook, iPhone, iPad, Apple TV, and Apple watches, as well as Apple and non-Apple branded accessories. It also offers merchandise under its own brand, iWorld. In addition, the company is involved in retail, trading, repair, and service of consumer electronics and digital lifestyle products. Further, it offers wellness services, such as hair removal and skin rejuvenation; and business and management consultancy and business support services. The company operates 3 EpiCentre stores and 1 EpiLife store in Singapore, and 6 EpiCentre stores Malaysia. Epicentre Holdings Limited was founded in 2002 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=5MQ](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5MQ))

1. As shown in the Consolidated statement of profit or loss and other comprehensive income, from the continuing operations, the group's revenue slipped by 30% while selling and distribution expenses and administrative expenses are higher by 164% and 5% respectively. Losses on continuing operations and discontinued operations were \$(3.1) million and \$(4.0) million respectively.

Total comprehensive loss attributable to equity holders was \$(6.83) million or (4.46) cents per share. The group's total equity stands at just \$2.8 million as at 30 June 2018.

In the chairman statement, it was mentioned that the group has entered into a MOU to acquire a regional property development business (with an ongoing mixed use development in Bangkok) and a hotel management company.

- (i) Can the board/management explain in greater detail how it managed to source for the two businesses to be acquired?**
- (ii) What were the roles played by the independent directors in the deal sourcing? What is the level of involvement in the due diligence of the two proposed businesses? Was there unanimous approval by the directors?**
- (iii) What is the synergy between a property developer (with ongoing project in Thailand) and a hotel management company with operations in China?**
- (iv) Would the board, especially the independent directors, consider it prudent to diversify and venture into new business in a more measured pace to mitigate the risk to the group? Would the board consider a review of the proposed acquisitions?**
- (v) How did the board agree on the quantum of the fees for the arrangers? What role did the arrangers play?**
- (vi) How are the acquisitions aligned to the group's vision and mission? Also, how do the company's corporate values (as shown on page 2 of the annual report) link with the company's strategy?**
- (vii) For the benefit of new and old shareholders, please disclose the group's business model and identify the key drivers of value.**

2. In Note 28 (page 132 – Financial instruments: Financial risk management objectives and policies), the company has stated that it does *not have written risk management policies and guidelines* and that the directors of the company *meet periodically* to analyse and formulate measurements to manage the group's exposure to market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

On the other hand, under Guideline 11.1, the board has stated that it recognises that it is responsible for risk governance and ensuring that management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the group's assets. The board affirmed its overall responsibility for the group's systems of risk

management and internal controls, for reviewing the adequacy and integrity of those systems on an annual basis.

The Audit & Risk Committee (“ARC”) comprises Mr Lim Jin Wei (as chairman), and Mr Azman Hisham Bin Ja’afar, Mr Giang Sovann, Mr Lai Choong Hon and Mr Daniel Poong Meng Hui as members. Mr Lim and Mr Giang have indicated their intention to retire from the board at the conclusion of the annual general meeting.

- (i) Can the directors, especially the independent directors on the ARC, explain why the company has yet to have written risk management policies and guidelines? What deliberations did the ARC members have on the implementation of written risk management policies and guidelines at the ARC board meetings?**
- (ii) Without written risk management policies and guidelines, how does the board govern and manage the group’s risks, including ensuring that management maintains a sound system of risk management and internal controls to safeguard shareholders’ interest and the group’s assets (as stated by the ARC in the Corporate Governance report – page 52)?**
- (iii) Without written risk management policies and guidelines, how did the board review the adequacy and effectiveness of the company’s systems of risk management and internal controls, including financial, operational, compliance and information technology controls?**
- (iv) How does the ARC ensure that there’s continuity and preservation of institutional knowledge in the board and board committee without written policies and guidelines?**
- (v) Would the ARC consider a review to formalise the group’s risk management policies and guidelines?**

3. In the table of Remuneration of Directors in FY2018 (page 44), the company disclosed the remuneration of the executive director as “More than \$250,000”. The salary

**Remuneration of Directors in FY2018**

	Based/ Fixed Salary	Bonus	Director's Fees	Other benefits	Total
<b>More than S\$250,000</b>					
Mr Lim Tiong Hian	98%	-	-	2%	100%
<b>Below S\$250,000</b>					
Mr Azman Hisham Bin Ja'afar	-	-	100%	-	100%
Mr Lim Jin Wei	-	-	100%	-	100%
Mr Giang Sovann	-	-	100%	-	100%

Note: Directors' fees are subject to the approval of the Shareholders at the forthcoming AGM.

(Source: Company annual report)

Guideline 9.2 of the 2012 Code of Corporate Governance states that:

*The company should fully disclose the remuneration of each individual director and the CEO on a named basis. For administrative convenience, the company may round off the disclosed figures to the nearest thousand dollars.*

- (i) Would the board, especially the remuneration committee (RC), help shareholders understand if the company's disclosure complies with guideline 9.2? If not, please do so or explain why it has not done so.**

As shown in Note 25 (page 127 – Related party information), short-term benefits for directors (other than fees) were \$384,000 for the company and \$427,000 at the subsidiaries. This excludes the amount paid to directors as short-term benefits by the discontinued operations, if any.

**(b) Compensation of key management personnel**

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Continuing operations</b>				
<i>Directors of the Company</i>				
Directors' fee	210	155	210	155
Short-term benefits	384	902	384	902
Post-employment benefits	6	21	6	21
	<b>600</b>	<b>1,078</b>	<b>600</b>	<b>1,078</b>
<i>Directors of subsidiaries</i>				
Short-term benefits	427	182	-	70
Post-employment benefits	39	34	-	10
	<b>466</b>	<b>216</b>	<b>-</b>	<b>80</b>
<i>Other key management personnel</i>				
Short-term benefits	96	370	96	218
Post-employment benefits	12	42	12	18
	<b>108</b>	<b>412</b>	<b>108</b>	<b>236</b>

- (ii) To improve the level of transparency on remuneration of director, would the RC consider disclosing the remuneration of the executive director?**

- (iii) Has the RC reviewed the remuneration policy and did the RC benchmark the remuneration package of executive director to comparable companies, taking into account the performance of the group and of the individual director?**

**[Additional comments:** Under the SGX guidelines for sustainability reporting that was introduced in 2016, companies have up to 12 months from the end of the financial year to publish their first report, starting with any financial year ending on or after 31 December 2017. **Can the board/management clarify if it will be publishing a full Sustainability Report, including the key material issues affecting the group, in accordance with Rule 711B? The company should also show how the material issues affect its business model and how the business model delivers long term value for its stakeholders.]**

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=EpiCentre%20Holdings%20Ltd>

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