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GST Reg No: M90367530Y

Issuer: Fuji Offset Plates Manufacturing Ltd

Security: Fuji Offset Plates Manufacturing Ltd

Meeting details:

Date: 25 April 2019

Time: 3.00 p.m.

Venue: Conference Room, 2 Jalan Rajah, #06-28, Golden Wall Flatted Factory, Singapore 329134

Company Description

Fuji Offset Plates Manufacturing Ltd is a Singapore-based company engaged in the sale of aluminum offset plates, trading of related industrial chemicals for the printing industry, and investment holding. The Company's segments include Printing plates and cylinders, which is engaged in the manufacture and sale of aluminum offset plates and printing cylinders and trading of related industrial chemicals for the printing industry, and Investment holding. The Company's subsidiaries include Fuji Printing Cylinders Pte Ltd, which is engaged in trading in printing cylinders and its related products, and Fujiplates Manufacturing Sdn. Bhd., which is engaged in manufacturing and sale of offset printing plates and materials in printing industries and letting of properties. The Company also holds interest in Fuji Roto Gravure Sdn. Bhd. through Fuji Printing Cylinders Pte Ltd and interest in Fuji Offset Plates (M) Sdn Bhd. through Fujiplates Manufacturing Sdn. Bhd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=508)

1. The following summary shows the performance of the group in the past 10 years.

FINANCIAL HIGHLIGHTS

	2010	2011	2012	2013	2014
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Continuing Operations</u>					
Revenue	12,182	10,461	8,573	7,206	6,859
Profit/(Loss) Before Taxation	1,332	987	48	709	(291)
Total Assets	29,979	30,100	28,378	27,297	26,400
Shareholders' Fund	23,703	23,636	22,286	22,424	21,212
EBITDA	2,246	1,890	856	1,533	474
Net Cash Flows from Operating Activities	1,838	2,983	2,702	1,303	1,120

FINANCIAL HIGHLIGHTS

	2014	2015	2016	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Continuing Operations</u>					
Revenue	6,859	5,585	5,408	5,055	5,015
Profit/(Loss) Before Taxation	(291)	8,110	610	190	3,652
Total Assets	26,400	30,819	30,366	30,807	33,092
Shareholders' Fund	21,212	26,448	25,453	25,274	28,141
EBITDA	474	8,709	1,181	774	4,288
Net Cash Flows from/(used in) Operating Activities	1,120	(928)	191	(435)	810

(Source: Company annual report 2014; 2018)

Revenue has been steadily decreasing year on year from \$12.18 million in FY2010 to \$5.02 million in FY2018 although the group has been reporting profits yearly with the exception of FY2014. Net asset value (NAV) per share has increased from 47.49 cents in FY2010 to 56.38 cents in FY2018, a compound annual growth rate of 2.17%.

With the disposal of Fuji Offset Plates (M) Sdn Bhd in January 2018, the group exited the printing plates business sub-segment completely.

Management has stated that it will focus on investment in “*property development companies*”.

- (i) What guidance has the board provided in terms of entrepreneurial leadership and how did the board guide management by setting the appropriate strategic direction?
- (ii) Has the board evaluated if the group has the necessary human resources in place to meet its objectives?
- (iii) Is there sufficient diversity in the board?
- (iv) Does the company have an enterprise risk management framework in place?

- (v) **What is the long term viability of the printing cylinder business? Has management started carrying out scenario planning to prepare for a future where the group may have to cease its printing cylinder business?**
- (vi) **For the benefit of new and long standing shareholders, please elaborate on the business model for each segment and identify the key value drivers in the segment.**
- (vii) **Would the board consider it prudent to carry out a strategic review of the group's operations, including the business models, the group's competitiveness, management's strength and quality of the group's assets?**
- (viii) **The company has also stated that it will be publishing its sustainability report by end May 2019. Would the company be able to share its "Board statement" and the "Material factors" in advance?**

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

- (i) **IPark:** There has been some progress made in IPark with the leasing of 2 units from Parcel 1 and 9 units were sold and 10 more have been rented out from Parcel 2. **Can management update shareholders on the ground sentiment in IPark? What is the profile of the buyers/tenants?**
- (ii) **Star City:** *There has been no progression in the development of the Star City project and it was stated that Star City is currently exploring various options including possible disposal.* **What is holding up the development? Can management help shareholders understand the reasons for the delay?**
- (iii) **Deal sourcing and due diligence:** **Would the board help shareholders understand how it sources for investments into "property development companies"? What is the level of due diligence carried out on the target company and on the underlying real estate market? Would the board consider it opportune to review its strategy of taking minority stakes in overseas property development companies?**

3. Mr. Lai Mun Onn was appointed as an independent director of the company, chairman of the remuneration committee and member of the audit and nominating committees on 1 June 2018. The director's profile can be found on page 9 of the annual report.

Mr Lai was a director on Super Group Ltd from 2003 to 2017.

The nominating committee (NC) has said that it may tap the contacts and network of existing directors and management or approach external institutions, e.g. the Singapore Institute of Directors, search consultants or via open advertisements in the search for suitable candidates.

- (i) Can the NC help shareholders know if it has approached external organisations and professional search firms for candidates?**

- (ii) Has the 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? Did the NC consider how it could achieve greater diversity on the board?**

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=Fuji%20Offset%20Plates%20Manufacturing%20Ltd&cid=6565,4575>

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