



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Progen Holdings Ltd

Security: Progen Holdings Ltd

Meeting details:

Date: 25 April 2019

Time: 10.00 a.m.

Venue: 28 Riverside Road, #04-01 Progen Building, Singapore 739085

Company Description

Progen Holdings Limited is an investment holding company. The Company is engaged in designing, supplying, installation and maintenance of air-conditioning and mechanical ventilation systems. Its segments include products and installation, services and maintenance, and rental. The products and installation segment relates to trading and contracting of engineering works, cooling towers, air-conditioning and mechanical ventilation systems. The services and maintenance segment relates to servicing and repairing of air-conditioners, cooling towers and other cooling equipment. The rental segment relates to the leasing of factory and office space. The Company, through its subsidiaries, is also engaged in installation and maintenance of air-conditioning systems (Malaysia), and supplying and installation of cooling fans, cooling towers and air-conditioners. Its subsidiaries include Progen Pte Ltd, D.B. Progen Servicing Pte Ltd, Polacel Manufacturing (S.E. Asia) Pte Ltd and Engpro Sdn Bhd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=583)

1. Revenue for the year dropped from \$3.3 million to \$2.2 million for the financial year ended 31 December 2018 as some projects were delayed.

Net loss after tax amounted to S\$2.5 million for FY2018.

The group's earnings per share (EPS) and net asset value (NAV) per share since FY2014 is summarised below:

FY2014: EPS of 1.8 cents; NAV per share of 13.213 cents
 FY2015: EPS of 0.764 cents; NAV per share of 13.944 cents
 FY2016: EPS of (0.586) cents; NAV per share of 13.153 cents
 FY2017: EPS of (1.733) cents; NAV per share of 11.424 cents
 FY2018: EPS of (0.746) cents; NAV per share of 8.643 cents

The NAV per share was affected by the 1:2 rights issue carried out during the year at \$0.045 per right share. Even with the proceeds of \$5.1 million, the group's cash and cash equivalents as at 31 December 2018 amounted to just \$1.46 million.

- (i) **Given the sustained losses in the past three years, 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?**
- (ii) **How can the group maximise the value of its assets for the benefit of all shareholders?**

2. On 28 June 2018, the company announced the results of the rights issue application.

Out of a total of 135,990,364 Rights Shares that were available for subscription, valid acceptances only amounted to 32.4%. With excess applications of 74.4 million rights share, or 54.7%, the total valid acceptances and excess applications only accounted for 87.1%.

Net Proceeds from the Rights Issue (after deducting estimated costs and expenses of S\$0.2 million incurred in connection with the Rights Issue) was \$5.1 million.

Details of the valid acceptances and excess applications for the Rights Shares received are as follows:

	Number of Rights Shares	As a percentage of the total number of Rights Shares available for subscription under the Rights Issue
Valid acceptances	44,095,565	32.4%
Excess applications	74,435,484	54.7%
Total	118,531,049	87.1%

(Source: Company annual report)

- (i) **Has the board carried out a review to find out the reasons for the low valid acceptances by shareholders?**

- (ii) With the benefit of hindsight, what could the board have done differently? Has the board/management evaluated the market's understanding of the group and the appreciation of the group's business model and growth prospects?**
- (iii) As at 31 December 2018, the group has cash and cash equivalents of \$1.46 million. Has the board evaluated how the company could improve its cash flow? What are the other options available to the group to fundraise?**
- (iv) Is the group able to support its 20% associated company and complete the property development project at 17 Balmoral Road? Please update shareholders on the milestones and timeline for the project.**

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.

At the company's annual general meeting scheduled on 25 April 2019, Mr. Ch'ng Jit Koon who is retiring pursuant to Article 109 of the company's constitution is seeking his re-election. Mr Ch'ng was first appointed to the board on 24 October 1997. Mr Ch'ng has served on the board for nearly 22 years.

In fact, Dr Tan Eng Liang, as the independent chairman, was also appointed to the board on 24 October 1997.

- (i) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) What is the search and nomination process for directors, especially independent directors?**
- (iii) 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?**
- (iv) Other than the appointment of Mr Chee Wai Pong in 2013, what are the company's other near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?**



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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=Progen%20Holdings%20Ltd&cid=6436,4576>

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