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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: San Teh Ltd

Security: San Teh Ltd

Meeting details:

Date: 30 April 2019

Time: 2.00 p.m.

Venue: Grand Mercure Roxy Hotel, Amber Room, Level 3, 50 East Coast Road, Roxy Square, Singapore 428769

Company Description

San Teh Ltd is an investment holding company. The Company is engaged in property development and investment, hotel and poly vinyl chloride (PVC) pipes and fitting businesses. Its segments include investment holding, which is engaged in investment holding and administrative activities; Hotel and property, which is engaged in operations of hotels and property development and investment, and PVC pipes and fittings, which is engaged in manufacturing and sale of PVC pipes and fittings. It owns approximately two investment properties in China. Its San Teh Commercial Plaza, which is located at Shanghai Anting, comprises a commercial building, a shopping mall and a small office/home office apartment. It is engaged in property development in Fujian Anxi and Yunnan Heqing. It owns and operates approximately 190-room resort hotel overseeing the Lake Tai Hu in Suzhou. It has a factory in Nantong of Jiangsu to manufacture plasticized-PVC (U-PVC), and polypropylene random (PP-R) pipes and fittings.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S46)

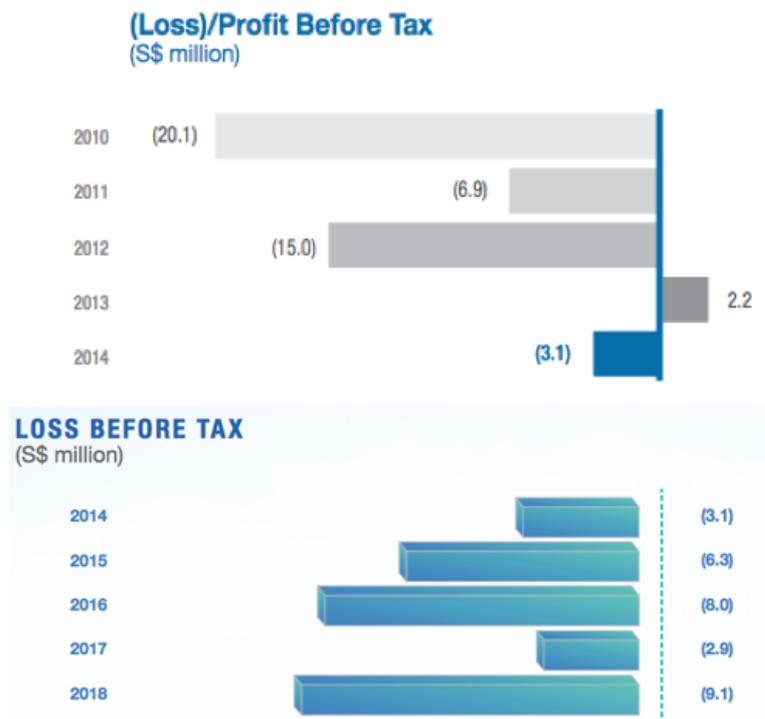
Q1. On 20 March 2019, the company gave notice that it has recorded pre-tax losses for the three most recently completed financial years.

According to Rule 1311(1) of the Listing Manual, the Exchange will place an issuer on a watch-list if it records pre-tax losses for the three most recently completed consecutive financial years and an average daily market capitalisation of less than \$40 million over the last 6 months.

The company's 6-month average daily market capitalisation is \$59.5 million on 19 March 2019.

In fact, on 26 March 2018, the company has already given notice to shareholders that it has recorded pre-tax losses for the three most recently completed financial years.

The company has reported (loss) before tax in all the financial years since 2010, with the exception of 2013.



In the last 5 years (and since the declaration of the special dividend in 2012), equity attributable to owners of the company has dwindled down from \$220.9 million as at 31 December 2013 to \$176.6 million as at 31 December 2018.

In the Corporate Governance report, the board has stated that its principal functions include:

- Providing entrepreneurial leadership, setting strategic objectives and ensuring the necessary financial and human resources are in place for the Company to meet its objectives;
 - Reviewing the performance of management;
- (i) Would the independent directors on the board help shareholders understand how they have provided entrepreneurial leadership to the company?**
 - (ii) What are the strategic objectives set by the board?**
 - (iii) What are the key performance indicators and how did the board assess the performance of management?**
 - (iv) What is the individual board members' experience, expertise and track record of making investments and doing business in China?**
 - (v) With the group reporting losses in 8 out of the past 9 years, will the board carry out a strategic review of the group's operations, including business models, management and quality of the group's assets?**
 - (vi) Can the board/management identify the key value drivers for the group and articulate in greater detail the pro-active plans to turnaround the businesses so as to maximise the value of its assets for the benefit of all shareholders?**
 - (vii) Will the group put on hold all new investments until the strategic review has been completed? The group has been embroiled in litigation in Shanghai San Teh Xing Real Estate Co., Ltd and Dali San Teh Xing Real Estate Co., Ltd and awaits arbitration proceeding of the Nantong Hotel. Will the board be evaluating if the group possess the necessary financial and human resources for the company to meet its objectives?**

Q2. On the operational side, there are some bright sparks for the group as the occupancy rate at San Teh Commercial Plaza at Shanghai Anting rose to approximately 88% and the Suzhou hotel successfully soft-launched in January 2019 under the new name of Novotel Suzhou Tai Lake Santeh Hotel. Work is also expected to start in the second quarter of 2019 on the Nantong hotel to rebrand it under the Mercure brand although securing tenants for the shopping mall in the hotel building is said to be slow.

As at 31 December 2018, the group's cash and cash equivalents amounted to \$25.4 million, decreasing by approximately \$22.8 million partly due to the payment of \$13.2 million for the redevelopment work of Suzhou hotel.

- (i) What is the expected refurbishment cost of the Nantong Hotel?**
- (ii) Based on management's projection, what is the expected return on investment of the Nantong and the Suzhou Hotels?**
- (iii) What is management's role, if any, in Novotel Suzhou Tai Lake Santeh Hotel?**

Q3. 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.

The board comprises six members, three of whom are independent.

Two of the independent directors, namely Mr. Chuang Wen Fu and Mr. Gui Kim Young @ Gui Kim Gan, have served on the board for more than nine years from the date of their first appointment.

Mr. Chuang Wen Fu was first appointed on 1 June 1982 and has served on the board for more than 37 years. Mr. Chuang who is retiring pursuant to Clause 102 of the constitution of the company is seeking re-election.

Mr. Gui Kim Young @ Gui Kim Gan was appointed on 4 February 1998 and has served on the board for more than 21 years.

The other independent director was appointed on 16 August 2010.

- (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? How are candidates for directors identified?**
- (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) 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?**

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=San%20Teh%20Ltd&cid=6441,4646>

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