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: Shinvest Holding Ltd.

Security: Shinvest Holding Ltd.

Meeting details:
Date: 28 December 2018
Time: 10.00 a.m.
Venue: RELC International Hotel, Room 503, Level 5, 30 Orange Grove Road (off Orchard Road), Singapore 258352

Company Description

Shinvest Holding Ltd., an investment holding company, manufactures and sells precision components and electromechanical assemblies for the semiconductor equipment manufacturers, aerospace, medical, and automotive industries in Singapore, Indonesia, Malaysia, China, the United States, and internationally. It also provides fasteners and hardware. The company was formerly known as Eastgate Technology Ltd. and changed its name to Shinvest Holding Ltd. in October 2015. Shinvest Holding Ltd. was incorporated in 1989 and is based in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BJW)

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

(i) **Espressif:** On 11 June 2018, the company announced the proposed partial disposal of 0.9% equity interest in Espressif Systems (Shanghai) Pte. Ltd. (Espressif) for a consideration of US$2.25 million. **Could the company elaborate further on the rationale of making a partial disposal of 0.9% (out of its 8.9% equity interest) in Espressif given that management is optimistic that Espressif would be listed in the next twelve months?**

(ii) **GD Tech (H.K.) Private Co., Limited ("GD Tech HK"):** As disclosed in Note 34 (page 111 - Event subsequent to the reporting date), on 7 October 2018, the company entered into a Sale and Purchase agreement for the disposal of its entire shareholding of 16,900,000 shares in GD Tech HK for a cash consideration of $6,500,000. The financial effect of the disposal is a loss on disposal of $2,647,000 (estimated) and net cash inflow of $1,921,000 assuming the deconsolidation is at the end of current financial year. The reason given for the disposal is that the group anticipates that it may become more challenging for GD Tech to generate long-term value and the disposal would enable the group to retain a measure of value. However, as seen in Note 7 (page 73 – Investments in subsidiaries), revenue of the subsidiary has increased from $36.5 million in 2017 to $46.1 million in 2018 and profit has been maintained at $1.4 million. **Would the board/management elaborate further on the "strategic" move to disposal the subsidiary which has exposure to the semi-conductor, aerospace, medical, and solar industries?** GD Tech is in the high growth area compared to the group's other segments of retail and OEM.

(iii) **Credit risk:** As shown in Note 30 (page 104 – Credit risk), the group's gross receivables past due 31 to 90 days increased to $3.15 million while the amounts past due over 90 days increased to $3.07 million (before the impairment of $1.97 million).

The age analysis of trade receivables that are past due is as follows:

	Gross receivables 2018 $'000	Impairment 2018 $'000	Gross receivables 2017 $'000	Impairment 2017 $'000
Group				
Past due 1 to 30 days	1,704	-	1,315	-
Past due 31 to 60 days	-	-	-	-
Past due 31 to 90 days	3,149	-	1,855	-
Past due over 90 days	3,071	(1,971)	2,488	(153)

(Source: Company annual report)

Would management help shareholders understand the reason for the significant increase in the gross receivables past due but not impaired? Can management show a more meaningful analysis by providing an upper limit to the aging (with the appropriate breakdown)? In the financial year, the group recognised an impairment on trade receivables of $1.792 million (page 76). **Would the company provide shareholders with better clarity on**

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the specific reasons for the $1.792 million in provision? What is the profile of the debtor(s)? What is the process by management to evaluate the collectability of the long outstanding debts? Would it be opportune for the audit committee to review the group's credit policies?

(iv) Cash flow: Given that the company has monetised/is in the process of monetising a stake in Espressif, GD Tech and the single-storey detached factory at Kwong Min Road, does the group have any immediate use of cash? In addition, has the board re-evaluated its optimal capital structure?

2. On 7 December 2018, the company announced that there are audit adjustments between the unaudited results (first announced by the company on 29 October 2018) and the audited financial statements for FY2018 after the finalisation of audit.

Reasons given included:

- Reclassification for employee remuneration expenses from administrative expenses to selling and distribution expenses in a subsidiary company
- Reclassification of a portion of fair value gain on available-for-sale financial asset to income tax relating to fair value gain on available-for-sale financial assets
- Reclassification of deferred tax and non-current asset held for sale to current asset available-for-sale financial asset.
- Late adjustment for dividend declared from a wholly owned subsidiary during the year end

The reclassifications/adjustments were as large as $3.08 million.

Management is responsible for the preparation of the consolidated financial statements of the group and the statement of financial position of the company in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group.

(i) Has the audit committee evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements given the scale and nature of the group's operations?

(ii) Would the audit committee members help shareholders understand their roles in the preparation of the financial statements?

(iii) What improvements have been made to the group's financial reporting systems and processes to ensure that further audit adjustments would not be required?

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3. Guidelines 7.1 and 12.1 of the 2012 Code of Corporate Governance (Code) recommend that all of the members of the remuneration committee (RC) and audit committee (AC) should be non-executive directors so as to minimise the risk of any potential conflict of interest.

Mr Teo Eng Thian, as executive director, is a member of the AC while Mr Teo Teck Leong, as executive director, is a member of the RC.

(i) Would the board, especially the nominating committee, help shareholders understand if it is familiar with guidelines 7.1 and 12.1 recommending that the all members of the RC and the AC should be non-executive directors?

(ii) Would the board explain the deviation from the Code?

(iii) Would the board be reviewing the current board size and board composition to ensure that it can better comply with the recommendations of the Code?

A copy of the questions for the Annual Report for the financial year ended 31 August 2017 and 31 August 2016 could be found here:

https://sias.org.sg/qa-on-annual-reports/?company=Shinvest%20Holding%20Ltd

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