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Issuer: Sinjia Land Limited

Security: Sinjia Land Limited

Meeting details:

Date: 24 April 2019

Time: 2.00 p.m.

Venue: RNN Conference Centre, 137 Cecil Street, HengDa Building, Level 4, Shibuya Room, Singapore 069537

Company Description

Sinjia Land Limited is an investment holding company. The Company is involved in the manufacture and sale of elastomeric components, which are used in a range of industries. The Company's segments include Office Automation, Lifestyle Products and Corporate. The Company's Office Automation segment manufactures and distributes polymeric components, polymeric die-cutting services and precision turned parts for the office automation end products, including printers, copiers, electronic devices, computers, note books and peripheral accessories. Its Lifestyle Products segment manufactures and distributes compound rubber and precision molded rubber parts and components for the consumer and lifestyle products, including household electrical appliances, consumer electronic devices, vibration control components and peripheral accessories. The Corporate segment is involved in the Company level corporate services, treasury functions and investments.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5HH)

1. With the disposal of HLN Rubber Products Pte. Ltd., the group's principal business consists mainly hospitality management under the G4 Station Backpacker brand. In December 2018, the company announced the proposed acquisition of G & S Realty Limited that will help the group expand in Thailand.

The board is collectively responsible for the long-term success of the company, including providing leadership to the group and monitoring of management's performance.

- (i) Would the board help shareholders understand the guidance it has given to management with regard to the operating performance?** For FY2018, total revenue recognised amounted to \$526,000 while the cost of sales was \$(547,000), resulting in a gross (loss) of \$(21,000).

On page 23, the group has identified Mr Lee Fut Hua, the group chief financial officer (since 5 September 2018) and company secretary as the sole key management personnel. Mr Lee is responsible for all financial matters including financial accounting and reporting, taxation, risk management, internal control and treasury functions of the group's business. On the other hand, Mr Cheong, as Group CEO, has the responsibility for the overall management of the group as well as overseeing the group's corporate strategy and human resources functions.

- (ii) Would the board identify the key decision maker driving the hostel operations? Does the board consider the person to be a key management given that the hospitality business is the group's main revenue generator and its sole operations? Has the board reviewed the performance of the hostel business?**
- (iii) For the benefit of new and long standing shareholders, please provide an holistic overview of its business model and identify the key value drivers.**
- (iv) Given the performance of the hospitality operations and following the sale of HLN Rubber, would the board consider it opportune to carry out a comprehensive strategic review of the group's operations to assess the core competencies of the group, its management team and its financial strength and to fine-tune its strategies so as to create long-term sustainable value for all shareholders?**
- (v) In addition, what was the level of due diligence carried out by the board prior to the group's investment into the Fortune Asia Long Short Fund? As at 31 December 2018, there was a drop in fair value through profit or loss of \$0.75 million from S\$1.78 million to \$1.03 million due to a decrease in the fair value of the company's investment fund (namely, Fortune Asia Long Short Fund). Can the company disclose how the fund manager was selected? Is the fund manager related to the group?**

2. On 19 November 2018, the company announced that Asian Corporate Advisors Pte. Ltd. was appointed as the company's continuing sponsor in place of ZICO Capital Pte. Ltd..

This was due to “commercial reasons”.

- (i) Can the board elaborate further on the “commercial reasons” that led to the change in the continuing sponsor?**
- (ii) How was the new sponsor selected? Was there a formal and rigorous search and evaluation process to pick the new sponsor?**
- (iii) What was the role played by the independent directors in the change of continuing sponsor?**
- (iv) Has the board evaluated the new sponsor and reviewed its track record and expertise?**

3. As seen from the profile of the board of directors (page 8), Mr Cheong Weixiong, Jeff was appointed an executive director of the company and Group Chief Executive Officer on 4 August 2009.

As Group CEO, Mr Cheong is responsible for the overall management of the Group as well as overseeing the Group’s Corporate Strategy and Human Resources functions.

As at 31 December 2012, the group had equity of \$31.3 million. The last dividend paid by the company was in FY2013 for an amount of 0.2 cents per share or \$301,000.

In 2017, the company issued 35 million new shares to raise \$2.1 million.

Currently, the company has a market capitalisation of approximately \$2 million (in April 2019) and equity of \$11.7 million.

Mr Cheong Weixiong, Jeff received a remuneration package of “\$500,000 to \$749,999” for FY2017 and FY2018. It is estimated that Mr Cheong has received approximately \$5 million in remuneration since his appointment in 2009 as he has received “\$500,000 to \$749,999” for most years.

- (i) Can the board help shareholders understand how they had provided entrepreneurial leadership and set strategic objectives to guide management to create sustainable long term value for all shareholders?**
- (ii) Has the board reviewed the company and its key management and ensured that the necessary financial and human resources are in place for the company to meet its objectives?**
- (iii) Would the board elaborate further on its assessment of the performance of the company in the past 5-10 years?**

On 18 April 2017, Mr Cheong was appointed to the board of Loyz Energy Limited (now known as CWX Global Limited). On 8 June 2017, Mr Cheong was redesignated as the non-executive chairman of CWX.

- (iv) Can the board explain if it was asked to approve, and if it had approved, the appointment of the Group CEO to the board of another listed company, and his subsequent chairman appointment?**
- (v) Given that the company is struggling and is in a transition, would the company and the group benefit from having a full-time capable Group CEO who can focus on the company's matters?**
- (vi) How does the board ensure that the Group CEO would not be put in a position where he frequently has conflicts of interest?**
- (vii) In addition, has the remuneration committee and nominating committee evaluated this development? If so, what adjustment is the board/NC/RC making to the responsibilities of the Group CEO and what adjustments are being made to the remuneration and the performance metrics?**
- (viii) Would the board reconsider the role and choice of the Group CEO given that it is critical for the company and for the group to get the growth momentum back?**

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=Sinjia%20Land%20Ltd&cid=6448,4567>

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