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Issuer: Soon Lian Holdings Limited

Stock code: 5MD

Meeting details:

Date: 19 May 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the Letter to shareholders (page 6 of the annual report), there is a transition in the leadership of the group with Mr Tan Yee Ho assuming the position of the chairman of the board and Mr Tan Yee Leong being appointed as the chief executive officer following the cessation of Mr Tony Tan Yee Chin as chairman and chief executive officer.

In the initial announcement titled “Resignation of chairman and chief executive officer – Tan Yee Chin” dated 27 February 2020, the outgoing chairman declared that there were differences in views with the executive directors over the management and directions of the group.

- (i) **Would the board elaborate further on the differences in opinion among the executive directors?**
- (ii) **For the benefit of all shareholders, would the board clearly restate the group’s business model, including its competitive advantage, its key value drivers and its growth plans, so that shareholders can better understand the strategic direction of the group.**
- (iii) **What are the major opportunities for the group in the next 2-3 years?**

Q2. Since the writing of the annual report, there have been further changes to the board and senior management.

Ms Ng Kim Ying, the chief financial officer and company secretary, resigned on 8 April 2020, citing differences in management style with the new management of the company.

Mr Lee Sen Choon, the lead independent director, resigned on 21 April 2020 stating that he wishes to “commit more time” to his accounting practice. Mr Lim Chee San and Mr Yap Kian Peng were both due to retire at the annual general meeting and will not be seeking re-election. In particular, Mr Lim Chee San was recently appointed on 1 July 2019.

The resignations of the directors and the CFO were the subject of an SGX Regco query which the company responded on 29 April 2020.

The resignation of the CFO was announced on 14 April 2020 even though the CFO resigned on 8 April 2020. In the Sponsors Dialogue FY2020 – Listing Compliance conducted by SGX Regco on 12 November 2019, Regco reminded sponsors that an issuer must immediately announce the appointment or cessation of service of Key Persons under Catalist Listing Rule 704(6).

- (i) **Can the board and the sponsor help shareholders understand the reasons for the delay in announcing the cessation of the CFO?**

In the response to queries raised by SGX Regco dated 20 April 2020, the company has stated it has commenced the selection process of identifying suitable candidates for independent directors and that the board and the nominating committee (“NC”) will be assessing the candidates based on the essential and desirable competencies.

- (ii) **Can the board confirm that the NC is involved in the selection of new IDs? Specifically, what is the level of involvement of the NC?**
- (iii) **Will the company be leveraging a professional search firm for candidates to enable the board to cast its net wider and improve on the diversity and possibly the quality of the candidate pool?**

Q3. As disclosed in Note 4 (page 87 – Financial information by operating segments), the group is organised in four major strategic operating segments according to the industry in which the customers operate: (1) precision engineering, (2) marine, (3) stockists and traders and (4) other customers.

The results of the operating segments are shown in the table below:

4. Financial information by operating segments (cont’d)

4B. Profit or loss from continuing operations and reconciliations

	Precision engineering \$’000	Marine \$’000	Stockists and traders \$’000	Other customers \$’000	Unallocated \$’000	Group \$’000
Continuing operations 2019						
Revenue by segment						
Total revenue by segment	17,681	9,967	3,022	469	–	31,139
Recurring EBITDA						
Finance costs	–	–	–	–	(785)	(785)
Depreciation and amortisation	–	–	–	–	(1,135)	(1,135)
ORBT	3,881	1,169	446	325	(1,920)	3,901
Other unallocated items					(3,013)	(3,013)
Profit before tax from continuing operations						888
Income tax expense						(75)
Profit from continuing operations						813

(Source: company annual report)

As seen from the table above, management does not allocate finance costs (\$785,000) and depreciation and amortisation (\$1.14 million) to the operating segments. In addition, there are unallocated items amounting to \$3.01 million. All the segments show positive operating profit before tax of between \$325,000 and \$3.88 million even though the group reported a net profit of \$813,000.

- (i) **Would the audit committee be reviewing how it could further improve its financial reporting so that shareholders have a better basis to assess the operating performance and also for the chief operating decision maker to be better informed in his resource allocation?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer’s website, through “live” webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

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[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)