



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Sunrise Shares Holdings Ltd.

Security: Sunrise Shares Holdings Ltd.

Meeting details:

Date: 30 April 2019

Time: 4.00 p.m.

Venue: Six Battery Road #10-01 Singapore 049909

Company Description

Sunrise Shares Holdings Ltd., formerly ITE Electric Co Ltd., is an investment holding company. The Company is engaged in trading and distribution of electrical products. The Company's segments include Electrical trading, which is engaged in the sale of electrical products; Electrical manufacturing, which is engaged in the manufacture and assembly of electrical products, and Investment holding. It is involved in agency representation, manufacturing and the sales of electrical distribution and control equipment at wholesale and retail levels. It offers a range of electrical distribution and control equipment, and lighting accessories under over 10 internationally brand names and has trading activities throughout South East Asia. It is a supplier of electrical distribution and control equipment to the construction industry in Singapore and Malaysia, and has a network of over 200 wholesalers and dealers. Its product categories include SPINNE, EMANN, ABB, theben, spelsberg, MK and HENLEY.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=581)

Q1. In the new business of Property Consultancy and Management segment, the group recognised revenue of \$4.8 million in FY2018.

- (i) Can the board help shareholders understand the leadership bench strength of Shenzhen Zhongtong Consultancy Management Pte. Ltd. (“SZCM”)?**
- (ii) Should the key decision maker of SZCM be considered a key management personnel of the group since this is the only remaining operating segment of the group?**
- (iii) Please identify the leadership team of SZCM.**
- (iv) What is the business model of SZCM? Please clearly articulate the business model and identify the key value drivers of SZCM.**

In the Corporate Governance report, the audit committee stated that it had “conducted a review of interested person transactions and noted that there were no interested person transactions during the financial year under review”.

However, in Note 15 (page 95 – Revenue), the group stated the following:

15 REVENUE

	2018 \$	Group 2017 \$ Restated
Continuing operations		
Property consultancy and management fee with customers that has a common director as the Company	4,848,247	1,914,097

(Source: Company annual report; emphasis added)

- (v) Would the board, especially the audit committee, clarify if such transactions would fall under the rules governing transactions with interested persons.**

Q2. There were changes in the board and to the management team in the last year.

Wang Ziquan was appointed on 11 February 2019 while Huang Anna Yi was appointed on 23 April 2018. Chew Vincent resigned on 1 February 2019.

- (i) Has the company arranged for Mr Wang to attend relevant training on the roles and responsibilities of a director of a company listed on the SGX-ST, as prescribed by the SGX-ST?**

(ii) Can the nominating committee (NC) elaborate further on the search and nominating process for directors, especially independent directors?

In addition, the two key executives were added to the team. The recommendations by the NC stated that:

- *Huang Angela On Yee (aged 25)*
 - o *Ms. Huang Angela On Yee has 3 years of working experience as a company director and has held managerial position in asset management and overseas project development. Accordingly, the Nominating Committee of the Company having considered Ms. Huang Angela On Yee's working experience, capabilities and other relevant factors for the appointment as Vice President of the Company, recommended the appointment of Ms. Huang Angela On Yee to the Board of Directors for consideration.*
- *Huang Rui (aged 32)*
 - o *Mr. Huang Rui has over 4 years of managerial experience in sales and marketing. Accordingly, the Nominating Committee of the Company having considered Mr. Huang Rui's track record, age, working experience, capabilities and other relevant factors for the appointment as Vice President of the Company, recommended Mr. Huang Rui's appointment to the Board of Directors for consideration.*

(iii) What were the deliberations by the NC on their recommendations to the board? Can the NC elaborate further on the justification to recommend the above-mentioned executive officers?

(iv) How did the NC evaluate the potential candidates? Did the NC carry out a robust search and nominating process to find the best person for the job?

Q3. On 14 April 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 1 March 2019) and the audited financial statements for FY2018 after the finalisation of audit.

Following the release of the unaudited results, management recognised an impairment loss on the disposal group amounting to \$4.6 million. Total equity dropped by \$(5.3) million to \$1.787 million in the audited results.

Other reclassifications and material adjustments included:

- Reclassification of revenue of S\$12.94 million related to the Disposal Group to “loss from discontinuing operations (net of tax)”
- Reclassified to “loss from discontinuing operations (net of tax)”
- Reclassification of interest income of S\$0.25 million from “other income” to “finance income” and recognition of foreign exchange loss of S\$0.04 million
- Adjustment made due to incorrect classification of approximately S\$0.68 million of “tax expense” in “other expense”
- Adjustments on foreign currency translation and the carrying amount of receivables

- Adjustments on foreign currency translation and the carrying amount of payables
 - Adjustments made due to incorrect classification between cash used in tax paid and cash used in other expense
- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (ii) Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iii) Would the members of the AC help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?**
- (iv) Can the AC update shareholders on the improvement made/to be made to the group's financial reporting systems and processes?**

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

<https://sias.org.sg/qa-on-annual-reports/?company=Sunrise%20Shares%20Holdings%20Ltd&cid=6711,4474,4236>

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