



Securities Investors Association (Singapore)

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Issuer: Sysma Holdings Limited

Stock code: 5U0

Meeting details:

Date: 27 November 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 chairman's statement, in June 2020, the group invested approximately €6.3 million (or ~S\$10 million) in Elite Logistics Fund, a Singapore Domicile Unit Trust Fund, which invests, owns, and manages assets in the logistics sector in the United Kingdom and European Union, particularly in Poland.

In addition, in October 2020, the group entered into a share subscription agreement with Blue Planet Environmental Solutions Pte Ltd for the subscription of 2,287,111 ordinary shares (which will represent 7.3% of the enlarged share capital of Blue Planet Environmental Solutions Pte Ltd) for a consideration of USD10 million. The principal activities of Blue Planet Environmental Solutions and its subsidiaries and associates are in the provision of end to end solutions for waste management.

- (i) **Would the board help shareholders understand if the group's diversification into third-party property funds and environmental solutions would alter the risk profile of the group significantly?**
- (ii) **Can the board clarify if these investments are considered ordinary course of business of the company?**
- (iii) **What is the experience of the board/management in valuing privately held environmental solutions company? What was the level of due diligence carried out by the group prior to the investment in Blue Planet Environmental Solutions?**
- (iv) **In particular, can the company help shareholder better understand the underlying businesses and growth prospects of Blue Planet Environmental Solutions?**
- (v) **What are the group's long-term plans for these two investments? Other than capital contribution, is the group a passive investor in these two investments with no/limited ability to value-add?**
- (vi) **Would the board (re)state its vision for the group and its capital allocation strategy?**

Q2. In addition, the group acquired KH Engineering Limited and its subsidiaries, as well as KH Instrumentation Pte Ltd, (collectively, the “KH Group”) for \$30.4 million.

The newly acquired companies are principally engaged in the business of providing foundation works and building construction and soil investigation, treatment and stabilisation services in Singapore.

- (i) **Has the integration of the KH Group been completed?** The acquisition was completed in February 2020.
- (ii) **Can management elaborate further on the expected/realised synergies?**

The group recognised more than \$4.4 million in goodwill (pages 109 & 110). As announced by the company on 2 December 2019, the NTA per share will drop from 22.63 cents to 18.16 cents.

The “Purchase price allocation (“PPA”) and impairment review of goodwill” are key audit matters (KAMs) highlighted by the independent auditor (pages 57-58). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As disclosed in Note 13 (page 110 – Goodwill), the company has estimated the recoverable amount by using the value in use. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit (CGU) and a suitable discount rate in order to calculate present value.

The assumptions are:

- growth rates used to extrapolate the cash flows: 10% and 15%
- discount rate used to discount the cash flows: 8.0%

- (iii) **Can the board/management help shareholders understand the basis to use growth rates of 10% and 15% in the value-in-use calculation?** The company has stated that the growth rates of 10% and 15% do not exceed the long-term growth rates for the relevant markets (page 110).
- (iv) **Similarly, how did management justify the use of 8% as the discount rate?**

Q3. The attendance of directors at board and board committee meetings is shown on page 25 of the annual report and reproduced below.

Board Meetings and Attendance

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Total number of meetings held	2	2	1	2
Number of meetings attended by respective directors				
Sin Soon Teng	2	2*	1*	2
Sin Ee Wuen	2	2*	1*	2*
Chen Timothy Teck-Leng @ Chen Teck Leng	2	2	1	2
Heng Yeow Meng Michael ⁽¹⁾	1	1	-	-
Richard Tan Kheng Swee	2	2	1	2
Teo Boon Tieng ⁽²⁾	1	1	1	1*

*By Invitation

(Source: company annual report)

As can be seen from the table above, the executive directors attend the board committee meetings by invitation. It would appear the board committee meetings are attended by all directors, making them the same as board meetings.

- (i) **Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?**
- (ii) **Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings?**
- (iii) **What is the group dynamics at the board committee meetings when the independent directors on the board committee may be reviewing and discussing matters that are related to or affect the executive directors?** Such board committee meetings would have included agenda items on interested party transactions, performance assessment, remuneration of the executive directors and on the audit/financial reporting/internal controls of the group.
- (iv) **Do the executive directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from board meetings?**

- (v) **Is there sufficiently strong independent element at such board committee meetings given that the Code specifically discourages the membership of executive directors in the board committees?** In addition, Mr Sin Soon Teng is the executive chairman, group CEO and founder of the group. The executive director and also the deputy CEO, Mr Sin Ee Wuen, is the son of Mr Sin Soon Teng. Together, they have direct and deemed interests of more than 69% of the issued shares of the company.

^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](http://www.sias.org.sg)

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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>)