



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Yorkshire Holdings Limited

Security: Yorkshire Holdings Limited

Meeting details:

Date: 14 September 2018

Time: 10.30 a.m.

Venue: Mandarin Meeting Suite 801, Level 8 Main Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867

Company Description

NA

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=MR8)

1. On 31 July 2017, the company announced that there would be a delay in the publication of the 2017 Annual Results as the external auditor “require[d] more time to perform and complete their audit procedures and the Company require[d] more time to provide further information requested by the Auditor in respect of the Annual Results”.

As the company was unable to publish the preliminary results, the trading of the shares of the company on The Stock Exchange of Hong Kong Limited was suspended with effect from 9:00 a.m. on 1 August 2017. Trading of the shares was halted and subsequently suspended on The Singapore Exchange Securities Trading Limited with effect from 1 August 2017 and 3 August 2017 respectively.

On 19 January 2018, the company published the key findings of the independent review, which included the following:

- Review of the two sets of sale and purchase agreements
- Review of underlying contracts and supporting documents
- Staffing arrangement between the Group and NSL
- Use of NSL’s domain name
- Cash flow management

The company had also published the views of the audit committee, which is reproduced below:

VIEWS OF THE AUDIT COMMITTEE

The Audit Committee notes that while the Review Report has identified management and staff who had prepared the void contracts in their misguided haste to “simplify the audit process” for FY2017, no fraudulent conduct was identified for the sale and purchase transactions in the course of the Independent Review. The Audit Committee is not aware of any material impact to the financial statements of the Company and its subsidiaries or financial loss to the Company and its subsidiaries due to these arrangements. The subject transactions have been completed, the letters of credit have been paid in full and the issuing banks and beneficiaries have not alleged any losses or damages. The Independent Legal Advice also assured the Audit Committee that the relevant documentation is not inconsistent with the position that the Company’s subsidiaries are the principals of the subject transactions, and bear the risks and profits of the subject transactions. Accordingly, the Audit Committee has no reason to believe that the sales and purchase transactions are not genuine. Furthermore, as stated in the Independent Legal Advice, the subject transactions and arrangement between the Group and NSL are fully exempt connected transactions under the Listing Rules and no incident on non-compliance with the connected transactions provisions under the Listing Rules is identified.

(Source: Company announcement dated 19 January 2018)

Consequently, the independent auditor issued their report on the financial statements of the Group for the financial year ended 30 April 2017, highlighting a qualified opinion and an emphasis of matters.

The audit committee (AC) has noted that “no fraudulent conduct was identified for the sale and purchase transactions in the course of the Independent Review”.

- (i) Can the AC elaborate further on the efforts it has taken (and the findings, if any) to investigate and uncover any possible fraud linked to the 14 transactions?**

The AC has also stated that it is “not aware of any material impact to the financial statements of the Company and its subsidiaries or financial loss to the Company and its subsidiaries due to these arrangements”.

- (ii) While the AC has stated that it is “not aware” of any material impact, has there been any investigation to quantify the impact or financial loss to the company and its subsidiaries due to these arrangements?**

The AC has also recommended to the board to take appropriate cause of actions against Mr. Chow Kin Wa (including but not limited to the suspension of his duties as executive Director and to remove him from the office of Chief Executive Officer of the company).

- (iii) Would the board provide shareholders with an update on the follow-up actions against the former CEO? Please also provide a timeline.**

Separately, on 9 August 2018, the company has announced that Shinewing Risk Services Limited had on 22 July circulated the preliminary draft Internal Control Review report to the Company.

- (iv) Would the company consider publishing the report or the key findings from the report by Shinewing?**

In the 2016 Annual Report, the board, with the concurrence of the AC, had the opinion that:

the Group’s internal control was adequate and effective to address the financial, operational and compliance, information technology control and risk management systems to meet the needs of the Group in its current business environment.

- (v) Has the board and the AC evaluated its own processes and approach to evaluate the adequacy and the effectiveness of the internal control and risk management systems of the group?**

2. In the company’s Corporate Governance Report, the directors’ attendance at general meetings of the company is shown as follows:



Details of Directors' attendance records of the AGM held on 17 October 2016 (the "AGM 2016") and the extraordinary general meetings held on 12 December 2016 and 28 April 2017 during the Year (the "EGMs") were as follows:-

Members of the Board	EGMs Attendance	AGM 2016 Attendance
Executive Directors		
Zhu Jun	0/2	1/1
Chow Kin Wa ^(Note 1)	0/2	1/1
Wang Jianqiao	0/2	0/1
Non-executive Director		
Ouyang Qian ^(Note 2)	0/1	-
Independent Non-executive Directors		
Tang Chi Loong	2/2	1/1
Foo Teck Leong	2/2	1/1
William Robert Majcher	0/2	1/1

(Note 1): Mr. Chow Kin Wa was removed as the CEO on 19 January 2018 and resigned as an executive Director on 2 February 2018.

(Note 2): Dr. Ouyang Qian was appointed as non-executive Director and a member of the Remuneration Committee on 13 February 2017.

(Source: Company annual report 2017)

- (i) Would the company help shareholders understand if there were extenuating circumstances that led to the directors not being able to attend the EGMs?
- (ii) Is there a company policy to require directors to attend all general meetings?

Furthermore, as shown in the table below, only three out of the six directors attended the 2015 AGM:

Details of Directors' attendance records of the AGM held on 31 August 2015 ("AGM 2015") was as follows:-

Members of the Board	AGM 2015 Attendance
Executive Directors	
Yu Wing Keung, Dicky ^(Note 1)	1/1
Chow Kin Wa	0/1
Chow Kin San ^(Note 2)	0/1
Independent non-executive Directors	
Tang Chi Loong	1/1
Foo Teck Leong	1/1
Tse To Chung, Lawrence ^(Note 3)	0/1

Note (1): Mr. Yu Wing Keung, Dicky resigned as executive Director of the Company on 27 November 2015

Note (2): Mr. Chow Kin San's service agreement with the Company ceased on 6 August 2015 and ceased to be an executive Director on the same date

Note (3): Mr. Tse To Chung, Lawrence resigned as independent non-executive Director on 27 November 2015

(Source: Company annual report 2016)

(iii) How can the company, the company secretary and the directors improve the scheduling of general meetings so that all directors can be present?

3. As mentioned in the Chairman's Statement, the group is restarting its tinsplate manufacturing operations in Taizhou, Jiangsu following months of preparation. It was further disclosed that the group is targeting an annual production volume of 130,000-150,000 tonnes, with an estimated value of HK\$1billion by December 2019.

In addition, the group has received orders in the April-May 2018 period for tin-plate products worth RMB15.0 million and in June 2018 for over 60,000 tons tin-plate products.

- (i) What is the strategy for management to scale up the tinsplate manufacturing operations? How is the group going to secure orders? What would be the group's value proposition and how would the group distinguish itself from its competitors?**
- (ii) Can management help shareholders understand the size of the addressable market and the key drivers of tinsplate manufacturing?**
- (iii) How is the group going to fund the capital expenditure and the working capital required to scale up the tinsplate manufacturing operations given that its gearing ratio (calculated as a percentage of total liabilities to total assets) was 98.9% as at 30 April 2017?**

Separately, the group subscribed to new ordinary shares of Organic Beer Hong Kong Limited effective 8 September 2017. The HK\$8,000,000 investment represents 60% of the issued share capital of Organic Beer Hong Kong Limited and the company will be consolidating the results of the new company with effect from 8 September 2017.

- (iv) Can management help shareholders understand the level of commercial due diligence carried out by the group prior to the investment?**
- (v) What is the level of involvement of the independent directors in the due diligence process?**
- (vi) What is the track record and/or experience of the management team in the production and marketing of beer and in the running of a brewery?**