



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

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GST Reg No: M90367530Y

Issuer: Yorkshire Holdings Limited

Security: Yorkshire Holdings Limited

Meeting details:

Date: 28 May 2019

Time: 11.00 a.m.

Venue: Mandarin Orchard Singapore, by Meritus, 333 Orchard Road, Singapore 238867

Company Description

YORKSHINE HOLDINGS LIMITED, formerly Novo Group Ltd., is an investment holding company principally engaged in the trading and distribution of iron ore, coal and steel products. The steel products sold by the Company include the semi-finished steel products, finished steel products and others. The Company has two business segments: trading segment and tinplate manufacturing segment. The Tinplate Manufacturing segment is engaged in the manufacturing, sales and distribution of electrolytic tinplate and related products for metal, including tinplate, tin-free steel and scraps. The Company is also involved in the provision of shipping brokerage, warehousing and general storage, sewage treatment, as well as business and management consultancy services through its subsidiaries.

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

Q1. As noted in the chairman's statement, the group did not recognise any revenue for the financial year ended 30 April 2018 as trading and manufacturing activities were suspended following a management restructuring and related internal controls issues.

One bright spark for the group was the resumption of tinsplate manufacturing in the Taizhou plant in May 2018 (after the financial year ended 30 April 2018). However, as disclosed in the group's quarterly results on 16 May 2019, the group generated US\$10.3 million in revenue for the nine months ended 31 January 2019 but suffered a gross loss of US\$(3.3) million. In addition, the group had recognised an impairment of US\$(11.7) million related to its property, plant and equipment (PPE).

- (i) For the benefit of new and long-standing shareholders, would the board clearly articulate the group's business model in the manufacturing of tinsplate and identify the key value drivers in the segment.**
- (ii) What is the capacity of the Taizhou plant?**
- (iii) Given that manufacturing was suspended since 2015 and that an impairment on the PPE of US\$(11.7) million was recognised, how cost efficient is the group's Taizhou plant?**
- (iv) With revenue of US\$10.3 million and gross loss of US\$(3.3) million recognised in the nine months ended 31 January 2019, can management help shareholders understand the business volume required to achieve breakeven? What are the other operational milestones that have to be achieved to allow the segment to be profitable?**

The group has also made investments into a sewage business (Xing Hua City Daduo Sewage Treatment Co., Ltd. (XHDD)), a beer business (Organic Beer Hong Kong Limited) and a payment gateway business (The Payment Cards Global Limited). The equity interest of XHDD was disposed of in September 2018 after the end of financial year.

- (v) Would the board help shareholders understand the level of oversight and control over these subsidiaries?**
- (vi) What is the strategic value of these investments to the group?**
- (vii) Would the board be reviewing the group's capital allocation approach and reduce/stop the group's investments into non-core businesses?**
- (viii) How would the group be maximising the value of its past investments?**

Q2. The company was placed on the watch-list by SGX on 03 September 2014 based on the financial criteria. The company has been granted an extension of time up to 1 September 2017 to exit from the Watch-List as set out in Listing Rule 1314. However, the trading of the company's shares was suspended since 1 August 2017 to facilitate the conduct of an independent review into the facts and circumstances surrounding certain sales and purchase agreements by the former management team.

The company has disclosed that it had, on 2 May 2019, submitted an application to the SGX-ST to seek SGX-ST's consent to extend the respective deadlines for the Group (i) to submit a resumption of trading proposal from 1 August 2018 to 31 July 2019; and (ii) to exit the Watch-List, and for the financial results of the Group for the financial year ending 30 April 2020 to be assessed for purposes of meeting the financial criteria under Rule 1314(1) of the Listing Manual.

The group is currently focusing its efforts and resources on fulfilling the six conditions set by The Stock Exchange of Hong Kong Limited ("SEHK") which have a deadline of 31 July 2019. The six conditions set by the SEHK can be found on pages 62 and 63 of the annual report.

- (i) Can the board help shareholders understand which of the conditions have yet to be fulfilled? When would the company be submitting its application/proposal to the SEHK?**
- (ii) What is the level of involvement by the independent directors to help the group in the trading resumption application in SEHK and SGX-ST?**
- (iii) When will the resumption of trading proposal to be submitted to SGX-ST be ready?**
- (iv) With the company being placed on the watch-list on 03 September 2014, the initial cure period of 2 September 2016 and the extension (1 September 2017) have both lapsed. What are the options available to the group to exit the (financial criteria) watch-list? For the nine months ended 31 January 2019, the group reported a loss before tax of US\$(7.9) million.**

Q3. As disclosed by the company, the board engaged Shinewing Risk Services Limited in the middle of 2018 to conduct internal control reviews of the tinplate manufacturing and beer subsidiaries for the period up to November 2018. In March 2019, Shinewing also carried out an updated reported regarding the internal controls on the trading and distribution segment.

Details of the findings and the remedial actions could be found on pages 44 to 49 of the annual report. The lapses included:

- Financial close reporting procedures
- Revenue recognition and receipts

- Cost, purchase, fees and expenses procedures
- Bank and cash management
- Record maintenance

(i) Following the review by Shinewing, what was the involvement by the audit committee to ensure that the proper remedial actions are followed through in the group (especially the operating subsidiaries)?

(ii) How is the level of compliance being monitored?

In addition, even following the review of the group's internal controls by Shinewing, lapses continue to happen. The company did not make a timely disclosure to comply with the Listing Rules and the Listing Manual with regard to the disposal of its 57% equity interest in Xing Hua City Daduo on 21 September 2018.

The discloseable transaction, which was approved by the board, was only announced on 26 October 2018.

The reason given was *"due to a delay of information flow to the Company from the regional branch office"*.

(iii) Given that the board had explicitly approved the disposal, was the board aware of the need to make a timely announcement as required by the Listing Manual of SGX-ST?

(iv) What were the deliberations by the directors, if any, on announcing the transaction?

(v) Are the directors familiar with the all requirements of a company listed on the SGX-ST and on the SEHK?

(vi) Can the company help shareholders understand if the current board has the necessary experience and expertise to discharge their duties and responsibilities as the directors of a listed company?

(vii) Has the company considered sending the directors to attend appropriate training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?

A copy of the questions for the Annual Report for the financial year ended 30 April 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Yorkshine%20Holdings%20Ltd&cid=6763,5263>

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