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Issuer: CapAllianz Holdings Limited

Stock code: 594

Meeting details:

Date: 29 October 2021

Time: 2.30 p.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. Would the board/management provide shareholders with greater clarity on the following operational matters? Specifically:

- (i) **Thailand:** As mentioned in the Operations and financial review (page 7), there was a 11,798-barrels decline in the group's share of oil production volume from 50,170 barrels in FY2020 to 38,372 barrels in FY2021 due to the natural depletion of oil reserves in the existing producing wells. **With a 20% interest, what is the role of management, if any, in the operations of the Thailand oil concessions? Does the group receive cash flows from its 20% participating interest in the petroleum concessions in Thailand?**
- (ii) **Oil and gas sector:** Other than the 20% participating interest in the Phetchabun Basin asset, the group's other investments in the oil and gas sector included stakes in assets in Taranaki Basin, NZ; Cambay Basin, India; East Palawan Basin, the Philippines and Colorado & North Dakota, USA (pages 10 to 12 of the annual report). All of these have been dissolved, liquidated or are being liquidated. **What is the total amount impaired and written off from these past investments? Can the board help shareholders understand if management has been held accountable for these past investments? Given the track record, will the group stop all investments in the oil and gas sector?**
- (iii) **Fit Global Pte. Ltd.:** Similarly, the group's 40%-owned associate company, Fit Global Pte. Ltd. ("FIT"), has been placed under voluntary liquidation with effect from 13 August 2021. **What is the total amount impaired and written off? Would the board be reviewing its board approval process and determine if its due diligence was robust enough? Similarly, has the board held management accountable?** In their disclaimer of opinion, the former auditor had already highlighted their inability to obtain sufficient audit evidence regarding the going concern assumptions used by the directors in preparing the financial statements of the group and the basis of impairment in investment in associate and loan to associate. **Would the AC be carrying out a special audit of FIT? Did the AC follow up on the disclaimer of opinion by the former auditor in the discharge of its duties?**
- (iv) **Supermarket:** **Why is the company reluctant to name the supermarket held by its 40%-owned Preferred Mart?** In the annual report, it was disclosed that the supermarket business currently operates through a retail outlet and e-commerce platforms where it has a growing subscriber base of more than 150,000 in Singapore.

SUPERMARKET

Preferred Mart owns a 100% stake in a supermarket business in Singapore, operating through a retail outlet and e-commerce platforms where it has a growing subscriber base of more than 150,000 in Singapore.

With the COVID-19 pandemic changing the conventional way a consumer makes purchases, the Group and its partners have plans in the pipeline to grow the supermarket business through concurrent expansion mainly via online sales channels and partnering established distribution channels.

The flagship supermarket outlet is located at People's Park Complex. Consumers can also visit the supermarket online through various e-commerce platforms such as Shopee and Wechat.

To help shareholders better understand the business, please identify the supermarket that is located at People's Park Complex. Please also provide the links to the supermarket's landing pages on e-commerce platforms such as Shopee and WeChat. Has the supermarket performed up to management's expectation since its acquisition in February 2021?

- (v) It is also noted that the group is setting up a new business in the health and wellness segment which focusses on the provision of hyperbaric oxygen therapy ("HBOT") using patented Japanese technology (page 1 - Corporate profile). **Can management explain (a) its understanding of this market, (b) the growth potential of "Zen Space", (c) the market positioning of the service, and (d) the addressable market in Singapore? Has management confirmed that this HBOT service does not need to be regulated by the Ministry of Health/Health Sciences Authority?**

Q2. As noted in the corporate governance report, the company has outsourced its internal audit function to an external professional firm for the purposes of reviewing the adequacy and effectiveness of its internal controls and risk management systems (page 37).

- (i) **Please disclose the identity of the external professional firm.**

The internal auditors have carried out its functions according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditors have unfettered access to all the company's documents, records, properties and personnel, including access to the audit committee. The internal auditors discuss and agree on the annual internal audit plan with the AC at the beginning of each financial year.

- (ii) **What is the scope of the internal audit plan?**
- (iii) **In particular, can the AC clarify if the associated companies of the group, namely Fit Global Pte. Ltd. and Preferred Mart Pte. Ltd. and their subsidiaries, are included in the internal audit plan?**
- (iv) **Can the AC also confirm that the Thailand operation is not included in the internal audit plan?**
- (v) **If so, how does the board/AC satisfy itself that the internal controls (including financial, operational, compliance, information technology controls) and risk management systems in place are adequate and effective to safeguard the interests of the company and its stakeholders for FY2021?**

Q3. On 30 March 2021, the company announced the appointment of two independent directors, namely Ms Lim Hwee Yong Nana and Mr. Zhao JiAn, with effect from 31 March 2021.

Both directors have no experience as a director of an issuer listed on SGX.

- (i) **Would the board/nominating committee help shareholders understand the search and nomination process for directors?**
- (ii) **Can the board confirm if the directors have attended and completed the requisite trainings as required under Practice Note 4D of the Catalyst Rules?**
- (iii) **Given that the group has accumulated losses of US\$(122.6) million as at 30 June 2021, would the newly appointed directors with no prior experience as directors in a listed company be effective in providing entrepreneurial leadership so as to protect and enhance long-term value and returns for its shareholders?**
- (iv) **In addition, the board has stated that one of its roles is to monitor the performance of the group and of the company's management (page 20). Has the board reviewed the performance of management in the past 5-10 years? If so, is the board satisfied with the performance of the key management personnel, including the executive director and CEO who has been with group for more than 10 years, including the last 5 years as executive director and CEO?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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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[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)