Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Chasen Holdings Limited

Stock code: 5NV

Meeting details:
Date: 29 July 2021
Time: 11.00 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.

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Q1. Would the board/management provide shareholders with greater clarity on the following operational and business matters? Specifically:

(i) **Specialist relocation: How much runway remains in the 6th generation OLED/AMOLED display panel manufacturing market? How does the group gain its "qualification" for its move-in projects? How transferable is the group's experience in display panel and would the group be faced with a steep learning curve as it enters the electronic manufacturing sectors such as semiconductor manufacturing?**

(ii) **T&E services: Can management elaborate further on the group's value proposition in solar panel installation, interior space and exterior façade cladding works? Is the group competing on price to win projects?**

Q2. As disclosed in Note 29 (page 113 – Bank loans), the group has $57.8 million in bank loans as at 31 March 2021, including $36.7 million due within 12 months. The effective interest rates per annum ranged from 1.68% to 8.84%.

(i) **Can management help shareholders understand the reasons for the relatively high interest rates (of up to 8.84%) given the low interest rate environment?**

(ii) **How is the group optimising its borrowing costs?**

The group has total debts of $102.2 million and net debt of $88.3 million. Total equity amounted to $66.7 million as at 31 March 2021. The gearing ratio as calculated by net debt divided by total capital is 0.57 times (page 138). The net debt to equity ratio is 1.32 times.

(iii) **Has the board set a limit to the group's leverage?**

(iv) **Does the group have the necessary financial resources and the appropriate capital structure to support its growth objectives?**

In Note 42 (page 138 – Capital management policies and objectives), management stated that the group and the company are not subjected to any externally imposed capital requirements during the financial years ended 31 March 2021 and 2020. While in Note 29 (page 114 – Bank loans), it was stated that three of the company's subsidiaries were required by a bank to maintain a gearing ratio of 1.50 times at the group level for their bank loans. As at 31 March 2021, the ratio was 1.58 times and the subsidiaries were in breach of their financial covenants.

(v) **Can management clarify if the group is subjected to externally imposed capital requirements? If so, is the statement in Note 42 accurate?**

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(vi) **What are management's plans to remedy the breach?**

[The following question on the group's operating segment was asked following the review of previous annual report. As the company has not responded nor improved on its financial reporting, the question has been updated and reposted.]

Q3. In the group's segment reporting, the group has reported unallocated expenses of $11.7 million for the financial year ended 31 March 2021 (2020: $10.1 million). In addition, the depreciation and amortisation charge for the year was $11.1 million (2020: $11.9 million).

The disclosure on segment information is shown on page 123 and reproduced below:

39. Segment information (Continued)

Analysis by business segment

	Specialist Relocation Solutions		Third Party Logistics		Technical & Engineering		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue:								
External customers	62,733	51,157	56,806	34,473	26,871	24,583	146,410	110,213
Inter-segment revenue	(1,935)	(1,615)	(12,914)	(6,413)	(838)	(1,228)	(15,687)	(9,256)
Total revenue	60,798	49,542	43,892	28,060	26,033	23,355	130,723	100,957
Results:								
Gross profit/(loss)	13,566	9,272	7,055	3,169	3,638	(432)	24,259	12,009
Unallocated other operating income							5,867	2,663
Unallocated expenses							(11,719)	(10,113)
Loss allowance on financial assets							(630)	(5,744)
Bad debts written off							(103)	(73)
Depreciation and amortization							(11,061)	(11,889)
Interest income							116	159
Interest expense							(2,099)	(2,333)
Profit/(Loss) before income tax							4,630	(15,321)

(Source: company annual report; emphasis added)

The gross profits by segments mentioned in the managing director and CEO's message do not appear to be meaningful once the unallocated expenses and depreciation and amortisation charges are considered.

(i) **Can management elaborate further and justify why certain of the unallocated items could not be allocated to the segments?** For instance, it would be quite clear how to allocate the property, plant and equipment components to the respective segments.

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(ii) **What guidance has the audit committee (AC) given to management?**

(iii) **How is the group making informed decisions on its performance analysis and capital allocation if there are significant unallocated expenses?**

(iv) **Has the independent auditor reviewed the group's financial reporting and suggested improvements that can be made?**

(v) **Would the AC commit to helping management improve its segment reporting in the annual report?**

Q4. In the corporate governance report, on page 28, the company has stated that since the cessation of the former non-executive independent chairman on 25 September 2020, the board has yet to appoint a new chairman.

It was further disclosed that the responsibilities of the chairman are shared among the board members.

(i) **Can the board, especially the nominating committee (NC), help shareholders understand the reasons for the delay?**

(ii) **Can the board elaborate further on the sharing of the chairman's responsibilities? How much of the responsibilities have been tasked to the independent directors and how much to the executive directors?**

(iii) **Can the NC elaborate further on the search and nomination process for the chairman?**

In addition, at the last AGM held on 25 September 2020, the company disclosed the details of the parties that were required to abstain from voting on the two-tier vote relating to director's independence and on the share buyback mandate.

Mr Siah Boon Hock is a director and has the following relationships:
- son-in-law of a substantial shareholder, Mr Yap Koon Bee @ Louis Yap;
- brother-in-law of Head of corporate administration, Ms Yap Beng Geok Dorothy; and
- brother-in-law of General manager, Mr Cheong Tuck Nang

(iv) **Can the board clarify if the three relatives are deemed "associates" of Mr Siah Boon Hock who is an executive director and thus required to abstain from voting on any two-tier vote on a director's continued appointment as independent director?**

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^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

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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)