Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Lion Asiapac Limited

Stock code: BAZ

Meeting details:
Date: 31 Oct 2023
Time: 11.00 a.m.
Venue: The Conference Room, 10 Arumugam Road, #10-00 LTC Building A, Singapore 409957

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Q1. On 1 September 2023, the company announced the proposed divestment of its limestone processing and steel consumables trading business via the sale of all the issued ordinary shares of Compact Energy Sdn. Bhd. ("CESB"), a wholly-owned subsidiary of the company.

CESB operates two units of 600 tons per day (TPD) twin shaft circular Maerz Limekiln for the production of quicklime, one unit of 9 tons per hour (TPH) hydrated lime plant and one unit of 9 TPH quicklime powder plant. CESB's lime plant is the largest producer of quicklime in Malaysia, with an annual production capacity of 390,000 MT.

The consideration for the sale shares is to be satisfied entirely in cash and is estimated at approximately RM 49.0 million (approximately S$14.3 million, based on the exchange rates of RM1.00:S$0.2915 and USD1.00:S$1.3522).

(i) **Can the board confirm whether it has conducted a strategic review of the group's operations and initiated the divestment of its limestone processing and steel consumables trading business?**

(ii) **If so, was this change in the group's strategic direction duly communicated to shareholders via SGXNet?**

(iii) **How was the company introduced to the purchaser, Graymont?**

(iv) **Can management disclose the currency and the exact cash consideration to be paid by the purchaser?**

It is noted that CESB and the underlying assets/business hold a market leading position in Malaysia.

(v) **How were the negotiations conducted, and was the board in unanimous agreement when approving the deal, particularly considering CESB's valuation of RM 50.7 million?**

(vi) **Does the conditional sale and purchase agreement include any "No shop" provision? If not, has the board engaged with potential buyers to ensure the company secures the best possible deal for its strategic assets?**

(vii) **Could the company provide an update on the progress made by the group in fulfilling the conditions precedent other than holding the extraordinary general meeting (EGM)? When can shareholders expect the company to hold the EGM?**

(viii) **Could the board provide a detailed account of its deliberations and decision regarding the distribution of capital to shareholders from the net proceeds of approximately RM 48.0 million (approximately $13.9 million)?**

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Q2. For the financial year ended 30 June 2023, the group reported a loss of $(3.0) million. The chairman has attributed the losses to geopolitical challenges in his statement:

> *FY 2023 was a challenging year for the Group. With global headwinds sparked by the changing geopolitical landscape, the Group reported a loss as a result of escalating production and overhead costs.*

In fact, losses for the group have widen from $(1.6) million in FY2022 to $(3.0) million in FY2023. In the previous year, the chairman provided a similar perspective:

> *FY 2022 was a challenging year for the Group. With global headwinds sparked by the move towards deglobalisation and the changing geopolitical landscape, the Group reported a loss as a result of escalating production and overhead costs.*

(i) **Can management elaborate further on the direct impact on the group due to geopolitical developments on the group's business operations? Has the group been agile and successful in adapting to the evolving operating environment?**

The principal roles and functions of the board including:

- providing leadership, reviewing, approving, and overseeing the implementation of the Company's strategic direction and overall business objectives…
- reviewing and approving the Group's annual business plan, including the annual budget, operational and capital expenditure plans as well as constructively challenging Management on the strategic options and planning process
- monitoring the Group's performance, position and prospects and reviewing the performance of Management against agreed goals and objectives, and satisfying themselves that the Group's businesses are properly managed
- ensuring transparency and accountability to key stakeholders.

(ii) **Has the board evaluated its overall effectiveness, as well as that of each of its board committees and individual directors, in light of the consistent lack of profitability in the operating segments from FY2015 to FY2023? What are the total shareholder returns over the past 5 and 10 years?**

(iii) **Has the board taken steps to hold management accountable for the performance, or the lack thereof, of the operating businesses?**

(iv) **Separately, can the board disclose the specific measures taken by the group to repatriate its cash holdings of over $31.8 million (2022: $35.6 million) from China? Are there any notable challenges faced by the group and does the board intend to set a specific timeline for management to achieve this repatriation goal? Has the group hedged its exposure to the Renminbi?**

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Despite a substantial increase in interest rates throughout 2023, the group's interest income declined from $901,000 in FY2022 to $761,000 in FY2023.

(v) **Could the board offer an explanation for this apparent disparity in interest income?**

In August 2023, the group announced and completed the acquisition of Semangat Meriah Sdn. Bhd. (“Semangat”) for RM14.0 million. Semangat holds controlling stakes in Swissma Building Technologies Sdn. Bhd. ("Swissma") and Associated Steel Industries (M) Sdn. Bhd. ("ASIM").

The announcement can be found here:
https://links.sgx.com/FileOpen/20230821-Proposed%20Acquisition%20Announcement.ashx?App=Announcement&FileID=769953

(vi) **How was the group introduced to Semangat?**

(vii) **What due diligence procedures did the board undertake before the group's investment in Semangat, and does the board possess the relevant knowledge and expertise in the construction industry? Will the group be entering the building materials sector despite lacking prior experience, expertise and network?**

(viii) **How will the company be able to value-add to Swissma and ASIM in the high-end roofing and wall cladding systems businesses given that these operating entities have over 21 years of experience, with Swissma established in 1997 and ASIM in 2002?**

(ix) **Has the group retained the services of the vendors and/or the senior executives of Swissma and ASIM?**

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Q3. As noted in the corporate governance report, the group's internal audit (IA) function resides in-house.

(i) **Can the audit committee (AC) specify the size of the group's in-house audit team?**

(ii) **On what basis did the AC consider that the IA function was adequately resourced?**

(iii) **Can the AC confirm that all the subsidiaries in Singapore, Malaysia and China were included in the IA plan?**

(iv) **What is the typical length of an internal audit cycle, and what guidance or input did the AC provide to the IA regarding the scope of the internal audit reviews?**

(v) **What was the scope of the internal audit conducted for FY2023, and what were the key findings and recommendations made by the internal auditor?**

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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