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: Progen Holdings Ltd

Stock code: 583

Meeting details:
Date: 28 April 2022
Time: 10.00 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. The group suffered a loss net of tax of $(2.7) million in FY2021. The group's loss per share for FY2021 was (0.685) Singapore cents per share compared to a loss of (0.752) Singapore cents per share for FY2020. The group's net asset value per share dropped to 6.627 Singapore cents per share as at 31 December 2021 from 7.313 Singapore cents per share as at 31 December 2020.

In the past two years, the group generated revenue of $3.95 million and $3.01 million in FY2021 and FY2020 respectively. However, total cost and expenses in the two years were $7.06 million and $6.66 million respectively.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Notes	Group 2021 $'000	2020 $'000
Revenue			
Products and installation		2,743	2,094
Servicing and maintenance		462	437
Rental income		741	483
Total revenue	24	3,946	3,014
Other items of income			
Dividend income	25	–	2
Other income	26	438	706
Total other items of income		438	708
Cost and expenses			
Cost of products and installation		(2,002)	(1,630)
Property operating expenses	26	(208)	(175)
Salaries and employee benefits	26	(1,975)	(2,041)
Depreciation and amortisation expense		(135)	(149)
Other expenses	26	(2,648)	(2,593)
Share of results of an associated company		–	–
Finance cost	27	(91)	(68)
Total cost and expenses		(7,059)	(6,656)
Loss before income tax		(2,675)	(2,934)
Loss, net of tax, attributable to equity holders of the parent		(2,675)	(2,934)
Other comprehensive income			
Foreign currency translation	23	(9)	–
Total comprehensive income attributable to equity holders of the parent		(2,684)	(2,934)
Loss per share (cents per share)			
Basic	29	(0.685)	(0.752)

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2019

	Notes	Group 2019 $'000	2018 $'000
Revenue			
Products and installation		8,443	1,400
Servicing and maintenance		494	437
Rental income		585	362
Total revenue	21	9,522	2,199
Other items of income			
Dividend income	22	2	2
Other income	23	269	217
Total other items of income		271	219
Cost and expenses			
Cost of products and installation		(6,699)	(1,050)
Property operating expenses	23	(173)	(275)
Salaries and employee benefits	23	(2,340)	(2,399)
Depreciation and amortisation expense		(144)	(141)
Other expenses	23	(2,617)	(591)
Share of results of an associated company		–	(399)
Finance cost	24	(78)	(61)
Total cost and expenses		(12,051)	(4,916)
Loss before income tax		(2,258)	(2,498)
Income tax credit	25	–	2
Loss, net of tax, attributable to equity holders of the parent		(2,258)	(2,496)
Other comprehensive income			
Foreign currency translation	20	(1)	11
Total comprehensive income attributable to equity holders of the parent		(2,259)	(2,485)
Loss per share (cents per share)			
Basic	26	(0.578)	(0.746)

(Source: company annual report)

Even before COVID, the group has consistently reported losses (see FY2019 and FY2018 income statement above). Total cost and expenses have consistently been higher than revenue.

In the corporate profile, the company states that it prides itself on its professionalism and engineering expertise and will strive to continue to be in a league of its own for many years to come.

(i) **Can management (re)state the group's competitive advantage and its business model? How is the group leveraging its 40 years of experience to create shareholder value?**

(ii) **How does management translate its "professionalism and engineering expertise" into sustainable profits for shareholders? Has the group kept up with technology and maintained its competitiveness?**

Dr Tan Eng Liang, Mr Ch'ng Jit Koon and Mr Chee Wai Pong were appointed to the board on 24 October 1997, 24 October 1997 and 16 January 2013 respectively. Dr Tan Eng Liang and

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Mr Ch'ng Jit Koon have been on the board for approximately 24.5 years while Mr Chee Wai Pong has been on the board for over 9 years. The three independent directors have a combined 60 years of experience on the board and an average of nearly 20 years.

(iii) **How effective have the directors been at setting and approving the company's strategic plans; setting the business direction of the group; safeguarding the company's assets and protecting and enhancing shareholders' value?**

(iv) **Has the board held management accountable for performance? If so, how was this carried out (page 9 – Role of the board)?**

Q2. In the disclosure on remuneration in the corporate governance report, the remuneration of CEO/managing director is shown as $750,000 to $1,000,000 for FY2021. No bonus was given to the managing director, Mr Lee Ee @ Lee Eng.

From FY2016, the managing director has received the following remuneration:

FY2016 - $1,000,000 - $1,250,000 (96% salary; 4% bonus)
FY2017 - $1,000,000 - $1,250,000 (96% salary; 4% bonus)
FY2018 - $750,000 - $1,000,000 (100% salary)
FY2019 - $750,000 - $1,000,000 (100% salary)
FY2020 - $750,000 - $1,000,000 (100% salary)
FY2021 - $750,000 - $1,000,000 (100% salary)

In the past 6 years, the managing director received between $5 million and $6.5 million (as base salary), with just $80,000 - 100,000 in bonus.

Over the same period, losses, net of tax, attributable to shareholders are as follows:

FY2016 - $(1.59) million
FY2017 - $(4.71) million
FY2018 - $(2.50) million
FY2019 - $(2.26) million
FY2020 - $(2.93) million
FY2021 - $(2.68) million

Total losses add up to $(16.67) million while the managing director received remuneration of between $5 million and $6.5 million. For the past 4 years, the managing director has received a constant $750,000 - $1,000,000 base salary despite the continued losses.

The remuneration committee (RC) consists of Mr Ch'ng Jit Koon (chairman), Dr Tan Eng Liang and Mr Chee Wai Pong.

(i) **How did the RC review the remuneration of the executive director?**

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(ii) **In particular, did the RC benchmark the group's remuneration practices; give due regard to prevailing market conditions; as well as the financial and commercial health of the group?**

(iii) **Please elaborate further on how the current remuneration practices are aligned to shareholders' interests. Specifically, can the RC help shareholders understand if the level and structure of remuneration are appropriate and proportionate to the sustained performance and value creation (Principle 7 of the Code of Corporate Governance 2018)?** As shown above, in the past 6 years, the group has reported $(16.67) million in losses while the managing director received as much as $6.5 million as his remuneration.

(iv) **Has the board reviewed if the group has the necessary human resources in place to allow the group to meet its objectives?**

Q3. Total equity of the group decreased from $35.8 million in FY2016 to $31.5 million in FY2021 even as the group raise $5.3 million in additional equity in FY2019.

From an accumulated profit position of $8.8 million in FY2016, the group has declined to an accumulated loss position of $(6.5) million in FY2021.

At the annual general meeting scheduled to be held on 28 April 2022, Mr. Ch'ng Jit Koon is retiring pursuant to article 109 of the constitution of the company and will be seeking his re-election. The profile of the director can be found on page 5 of the annual report. Additional information required under Appendix 7F for the re-election of directors can be found on pages 36 to 42.

(i) **Can Mr. Ch'ng Jit Koon help shareholders understand his effectiveness as an independent director on the board?** As noted earlier, Mr Ch'ng has been on the board since 24 October 1997.

(ii) **Can the director demonstrate to shareholders how he has protected and enhanced shareholders' value?**

On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning[1].

(iii) **Would Mr. Ch'ng Jit Koon consider his proposed re-election at the AGM to facilitate the renewal and succession planning of the group?**

[1] https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to

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(iv) **In addition, as the independent chairman for the past 8 years and independent director for the past 24.5 years, would Dr Tan Eng Liang be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

^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)