



Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Santak Holdings Limited

Stock code: 580

Meeting details:

Date: 30 Oct 2024

Time: 11.00 a.m.

Venue: 4 Clementi Loop, #01-01, Singapore 129810

Q1. For the financial year ended 30 June 2024, revenue declined by 5.2% to \$8.18 million, with the group reporting a *gross loss* of \$0.60 million, reflecting a *negative gross margin* of 7.3%. In his three-page statement, the chairman provided a detailed, line-by-line breakdown of the income statement, financial position, and cash flow statement.

The chairman also noted that the markets remain competitive, the economic environment challenging, and reiterated that the group will continue its marketing and cost-control efforts. He also mentioned that the board and management will seek opportunities for growth and value creation for shareholders “*as and when appropriate.*”

- (i) **With over 23 years of experience on the board, instead of general remarks, could the chairman provide shareholders with a clearer view of the specific challenges the group has encountered and elaborate on the structural shifts in the precision engineering industry, the opportunities available to the group, and the core strengths, if any, that will keep the group competitive?**

In the precision engineering (PE) segment, external sales were \$3.2 million but the group recognised a segment loss of \$(2.9) million in 2024. Similarly, in 2023, the group reported a segment loss of \$(2.3) million, with revenue at \$3.8 million.

- (ii) **Could the board provide insights into the machines' utilisation rates in the PE segment for both FY2023 and FY2024? What steps is management taking to improve these rates?**
- (iii) **The board has impaired a loan of \$4.03 million to a subsidiary company in the current financial year. This subsidiary's factory in Johor was set up in 2021. Could the board explain why the operational and financial performance of this subsidiary fell significantly short of management's projections? Will the board be holding management accountable for this outcome??**

Loan to a subsidiary company

	Company	
	2024	2023
	\$	\$
Loan to a subsidiary company	4,030,000	4,030,000
Less: Allowance for impairment	(4,030,000)	-
	-	4,030,000

The loan to a subsidiary company is unsecured, interest-free, repayable on demand and to be settled in cash. During the year, management recognised an allowance for impairment amounting to \$4,030,000 (2023: \$Nil).

- (iv) **Could management highlight any positive developments in FY2024? What specific growth opportunities does management foresee in the next 12-18 months, and does it believe the group can achieve breakeven within the next 2-3 years?**
- (v) **Is management considering bringing in new talent to revitalise and rejuvenate the group and improve on its execution capabilities?**
- (vi) **With \$5.4 million in cash and cash equivalents, what steps will the board take to safeguard these assets? Has the board considered a capital reduction to return excess cash to shareholders?**

Q2. On 24 January 2024, the company announced the appointment of Mr Chen Yeow Sin as an independent director of the company.

CHANGE - ANNOUNCEMENT OF APPOINTMENT::APPOINTMENT OF NEW INDEPENDENT NON-EXECUTIVE DIRECTOR

Date Of Appointment
25/01/2024

Name Of Person
CHEN YEOW SIN

Age
61

Country Of Principal Residence
Singapore

The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)

The Board of Directors, after considering the recommendation of the Nominating Committee and the curriculum vitae of Mr. Chen Yeow Sin ("Mr Chen"), is satisfied that Mr. Chen possesses relevant experience, expertise, knowledge and skills to contribute to the core competencies of the Board.

In this respect, the Board approves his appointment as an Independent Non-Executive Director of the Company. He will be appointed as Chairman of Nominating Committee ("NC") and as a member of the Audit Committee ("AC") and Remuneration Committee ("RC").

The Board considers Mr. Chen to be independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited.

Whether appointment is executive, and if so, the area of responsibility
The appointment is non-executive.

Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)
Independent Non-Executive Director,
Chairman of NC, Member of AC and RC

Professional qualifications
Bachelor of Science (Honours) Degree, University of London
Fellow Singapore Chartered Accountant
Fellow Chartered Accountants in England and Wales

(Source: <https://links.sgx.com/1.0.0/corporate-announcements/XN1T0P2T5WSRWXNB/8158961bce7d7947e6876fde11087d84599b21e6b1da8dc56f1a7cbcd2d52441>; emphasis added)

- (i) **Would the nominating committee (NC) elaborate further on the rationale, selection criteria, board diversity considerations and search and nomination process, that led to the nomination and appointment of Mr Chen Yeow Sin, as required in the SGX template?**

As at 30 June 2024, the company slipped from a retained earning position of \$1.35 million to a accumulated loss position of \$(2.64) million.

- (ii) **Given the company's current operational and financial challenges, can the director elaborate on his specific experience in precision engineering and manufacturing? How will he leverage his experience to contribute meaningfully to the company's turnaround efforts?**

In the announcement of appointment, the director also listed his experience (past and present) in other listed companies, such as Healthway Medical Corporation Limited, Imperium Crown Limited, Matex Engineering Corporate Limited and Sitra Holdings (International) Limited.

- (iii) **Could the director provide insights into the key lessons he gained from his other directorships? What are the key takeaways from his involvement in those boards, particularly regarding shareholder value creation, and how does he plan to apply those learnings here?**

Q3. On 9 October 2024, the company announced the retirement of Mr Lee Keen Whye at the conclusion of the annual general meeting that will be held on 30 October 2024. The board has expressed its appreciation to Mr Lee for his dedicated service and invaluable contributions to the company since his appointment on 12 March 2001.

- (i) **What has been the total shareholder return over the past 5, 10 and 20 (or 23) years?**
- (ii) **In selecting a new chairman, what specific criteria will the nominating committee (NC) use to ensure that the appointee has a proven track record in driving long-term shareholder value creation? What are the key attributes the NC considers essential for leading the company during this period of transition?**

The company also noted that with Mr Lee's retirement, it will be non-compliant with several Catalist Rules and provisions of the Singapore Code of Corporate Governance 2018, including:

- Rule 704(7) of the Catalist Rules, which requires a minimum of 3 members in the audit committee (AC),
- Rule 406(3)(c) of the Catalist Rules, which mandates at least 2 independent non-executive directors,
- Provisions 4.2, 6.2, and 10.2 of the Singapore Code of Corporate Governance 2018 regarding the composition of the AC, NC, and remuneration committee.

The NC has stated that it "has commenced" its search for a new independent director and endeavour to fill the vacancy in the board and board committees within two months, but in any case, no later than three months from the AGM.

- (iii) **Given that SGX RegCo announced these changes in January 2023, providing the board with more than 20 months of transition, can the NC elaborate on the steps it has taken towards progressive board renewal? What challenges, if any, have been encountered in executing this succession plan?**
- (iv) **In light of the current situation, does the NC believe it has fully discharged its duties? Specifically, how does the NC assess its performance given that Mr Lee Keen Whye's retirement will leave the company in breach of multiple Catalist Rules and governance provisions?**
- (v) **What specific gaps in skills or competencies has the NC identified during the search for new independent director/chairman, and how has the NC addressed these challenges in its selection process?**



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