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Issuer: Shinvest Holding Ltd.

Stock code: BJW

Meeting details:

Date: 30 December 2021

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.

Q1. As noted in the corporate profile, the group’s subsidiary, Sin Hong Hardware Pte Ltd (“Sin Hong”), is an integral part of the manufacturing value chain providing a wide range of industrial fasteners and a specialist in Standard, Non-standard and Customised Fasteners.

Revenue for the group increased by 12.3% to \$14.1 million for FY2021. The increase was mainly attributed to a 13.7% increase in Singapore, a 16.6% increase in the Malaysia market and a 202.9% increase in the China market, offset by a 37.4% decrease in revenue in Indonesia.

The export market remained the largest contributor to the overall revenue, making up 45.7% of the group’s revenue for FY2021. The retail segment contributed 34.1% while the Original Equipment Manufacturing (OEM) segment contributed the remaining 20.2% or \$2.85 million.

The segment performance can be seen in Note 31 (page 95 – Segment information) of the annual report (reproduced below):

31. Segment information (Continued)

Business segments (Continued)

	Trading of hardware and fasteners			Total \$'000	Others \$'000	Eliminations \$'000	Consolidated \$'000
	Retail \$'000	OEM \$'000	Export \$'000				
2021							
Revenue							
External operating revenue	4,817	2,848	6,452	14,117	-	-	14,117
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	4,817	2,848	6,452	14,117	-	-	14,117
Segment results	200	28	13	241	38,732	-	38,973
Interest income	*	*	*	*	9	-	9
Finance costs	(89)	(75)	(81)	(245)	(42)	-	(287)
Share of loss of a joint venture	-	-	-	-	(91)	-	(91)
Profit/(Loss) before tax	111	(47)	(68)	(4)	38,608	-	38,604
Income tax credit/(expense)	5	4	4	13	(3,899)	-	(3,886)
Profit/(Loss) for the year	116	(43)	(64)	9	34,709	-	34,718

(Source: company annual report)

- (i) **Can management help shareholders understand the value proposition of the group in the trading of hardware and fasteners? How does it differentiate itself from other competitors?**
- (ii) **How does the group create and capture value for shareholders?**
- (iii) **Has management analysed the key value drivers of the different strategic business units (“SBUs”)? How can the group improve its profitability in each of the three SBUs? As seen in Note 31 (shown above), the OEM SBU and the export SBU were loss-making in FY2021.**
- (iv) **Does management have an estimate of the group’s market share in Singapore? Are there opportunities to consolidate its market position?**

Q2. As noted in the corporate profile, the group invested in Espressif Group in 2014 and over the years, that investment turned into a 6% direct holding in Espressif Systems (Shanghai) Co., Ltd. (“Espressif Shanghai”) which was listed on the Shanghai Stock Exchange STAR Market on 22 July 2019.

At the end of the financial year, as at 31 August 2021, the company held 3,441,595 shares which represent 4.3% of equity interest in Espressif Shanghai. As at 24 November 2021, the group’s stake was reduced to 2,804,446 ordinary shares following subsequent disposals.

Out of the group’s total assets of \$206.3 million, \$152.1 million (or 74%) was attributed to the group’s holdings of Espressif Shanghai along with \$28.5 million (14%) in cash and bank balances.

- (i) **Can the board help shareholders understand the strategic value of Espressif Shanghai?**
- (ii) **Please elaborate further on the “prudent approach to the divestment of Espressif Shanghai’s shares” (page 3). Is Espressif Shanghai a “non-core” asset?**
- (iii) **Can the company also (re)state the conditions, restrictions and moratorium, if any, on the group’s sale of the shares of Espressif Shanghai?**

Given the immense success of Espressif Shanghai, the group’s financial performance and financial position are closely tied to the share price of Espressif Shanghai.

- (iv) **Has the board evaluated the group’s market risks (including the concentration risk)? How is the group mitigating such risks, especially given that the group appears to be a passive investor with no management role nor influence in Espressif Shanghai?**

In addition, as at 31 August 2021, the company holds a 25% of equity interest in a Singapore based software publishing company, ESSE PI Pte. Ltd. (“ESSE”).

As noted in the board statement (page 2), the group reported an impairment loss of \$343,000 in the investment cost in ESSE for FY2021 due to a lower recoverable amount of \$149,000 although ESSE has launched its next-generation flagship platform under a new branding—TIDE (Train, Infer, Deploy & Evaluate) which provides an end-to-end platform to train Machine Learning models and deploy a business application on-premise or on cloud.

- (v) **What is management’s level of influence on the day-to-day and on the strategic matters of ESSE?**

Q3. As noted in the corporate governance report, the company does not have a fixed dividend policy. The form, frequency and amount of dividends the board may recommend or declare, will depend on various factors, including general financial condition, the level of group's cash and earnings, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the directors may deem appropriate (page 23).

For the financial year ended 31 August **2020**, the company declared a final tax-exempt dividend of \$0.03 per ordinary share (amounting to \$897,000) and a special tax-exempt dividend of \$0.30 per ordinary share (amounting to \$8.97 million).

For the financial year ended 31 August **2021**, the company declared an interim tax-exempt dividend of \$0.02 per ordinary share (amounting to \$598,000) and a proposed final tax-exempt dividend of \$0.03 per ordinary share (amounting to \$897,000).

As noted earlier, the group has \$28.5 million in cash and bank balances as at 31 August 2021 and has sold a further 637,149 Espressif Shanghai shares after the end of the financial year, for estimated proceeds of RMB 121 million or approximately \$26 million.

Based on estimates, the cash is approximately \$1.8 per share.

- (i) **What is the capital expenditure required in the next 24-36 months to support the growth of the trading business?**
- (ii) **Has the board evaluated the group's capital structure?**
- (iii) **Is the board seeking other/major investments and/or diversification?**
- (iv) **What deliberations did the board have on the declaration of a special dividend to reward shareholders for the financial year ended 31 August 2021?**
- (v) **Would the board be considering the declaration of a special (interim) dividend to right-size its balance sheet given that the cash level has built up significantly?**

[^]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.

[^] 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>)

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.

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