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: Sinjia Land Limited

Stock code: 5HH

Meeting details:
Date: 27 April 2021
Time: 3.00 p.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. As disclosed in the corporate profile, the group's core business is hostel management, managing and operating lodging and boarding houses, as well as backpackers hostels. The group also invests in fund management. It strives to continually explore new business opportunities which can enhance long term shareholder value.

Prior to the coronavirus, the group's losses in FY2019 and FY2018 were $(4.21) million and $(3.39) million respectively.

(i) **Would the board/management help shareholders better understand the group's business model and its value proposition? How does management create and capture value for shareholders?**

(ii) **Can management provide shareholders with a holistic overview of the group's operations, its competitive advantage and its plans for the next 18-24 months?** Management can also present to shareholders at the AGM scheduled to be held on 27 April 2021 along with an announcement on SGXNet.

(iii) **What are the directors' and management's experience and track record in the hospitality segment?** The profiles of directors and the key management can be found on pages 7 to 9.

From 2009 to 2020, the equity attributable to shareholders decreased from $24.3 million to $4.68 million. Over the same period, the company had increased its share capital from 123.5 million to 177.1 million raising $9.2 million. Total losses in equity attributable to shareholders amounted to an estimated $28.9 million from 2009 to 2020.

(iv) **Would the board consider it opportune to carry out a strategic review of the group's core strengths and capabilities, management depth, cost structure and the competitive landscape in the core business so as to safeguard shareholders' interest and to refocus and reposition the group for long-term value creation?**

In addition, the revenue for the group in the past three years amounted to $616,000 (FY2018), $681,000 (FY2019) and $394,000 (FY2020). During this period, the CEO received $500,001 to $750,000 each year as salary and fixed allowance (with no bonus earned). In 2020, and possibly in earlier years, the CEO's remuneration was higher than the group's revenue.

(v) **Has the board reviewed the remuneration framework of the group? If so, can the board, especially the remuneration committee, help shareholders understand how the level and structure of remuneration is appropriate and proportional to sustained performance and value creation? How does it link reward to corporate and individual performance and motivate management to create value for all shareholders?**

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Q2. At the AGM scheduled to be held on 27 April 2021, the group is seeking shareholders' approval to re-elect Mr Cheung Chi Kin and Mr Lee Jim Teck, Edward. Additional information on the directors seeking re-election can be found on pages 36 to 43 of the annual report.

The country of principal residence for Mr Cheung Chi Kin and Mr Li Anhua are Hong Kong and China respectively.

(i) **Given that the group has operations mainly in Singapore, how familiar are the directors with the group's business?**

(ii) **What is the level of board's oversight on management?**

(iii) **Did the nominating committee (NC) carry out a formal annual assessment of the board's effectiveness? How does the NC evaluate the board's effectiveness especially at its role in providing entrepreneurial leadership, setting strategic objectives and ensuring that the necessary resources are in place for the company to meet its objectives?**

Q3. The group had in recent years carried out acquisitions and divestments which have not turned out well. For example, as noted in the financial and business review, the group took possession of Barons Lodge Hotel after the issuer defaulted on the loan note that the company has subscribed for.

When the loan was entered into, the company stated the following in the 2014 annual report:

> *On 8 July 2014, the company entered into convertible loan agreement with Barons Vista LLC ("Barons"), an unlisted company incorporated in United States of America, to subscribe for **$2,000,000** ("Investment sum"), **1 year** convertible loan, matures on 7 July 2015 ("Maturity Date"). The convertible loan carries an interest rate of **18% per annum** and Barons shall pay the principal sum of at least $1,000,000 and its interest to the company **6 months** from the disbursement date (i.e. 7 January 2015). The remaining balance of the investment sum plus interest shall be **repaid** to the company on **12 months** from the disbursement date (i.e. 7 July 2015). [emphasis added]*

In addition, it later added that:

> *The convertible loan carries an interest rate of 18% per annum and is secured by corporate guarantee from a related corporation and personal guarantee from a shareholder of Barons group of companies.*

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The company had an initial investment of $2 million in Barons Vista LLC in 2014 via a loan expecting it to be repaid in a year's time. However, in FY2017, the loan was not repaid and the company received the underlying investment property valued at $2.54 million in lieu of repayment. The investment property was impaired by $1.53 million in FY2019 and sold for $1.01 million in FY2020.

(i) **Can the board, especially the independent directors, help shareholders understand the level of commercial and legal due diligence carried out prior to the group's investments?**

(ii) **Has the board reviewed the track record of the group's investments since 2009? Would the board present an update to shareholders during the AGM on the group's investments since 2009 and the returns achieved?**

(iii) **Who were the vendors and the buyers of Barons Vista and the Barons Lodge Hotel respectively?**

(iv) **Would the board be carrying out an independent review to look at its past investments and to see what lessons could be learnt?**

^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.

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

Join our mailing list here to receive latest news and upcoming events.

^ 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)

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