



Securities Investors Association (Singapore)

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Issuer: Suntar Eco-City Limited

Stock code: BKZ

Meeting details:

Date: 30 April 2021

Time: 2.00 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.

Q1. Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

- (i) **Property development (Lan County):** In the chairman's statement, it was stated that the Lan County residential project was completed in 2016 but further added that the development of the Lan County project was very successful and is expected to continue to contribute to revenue in FY2021. **For the benefit of new and long-standing shareholders, can the CEO provide greater clarity to shareholders on the activities and the prospects of the group's property segment? Please give a presentation at the AGM and include a holistic overview of the group's real estate development segment, including the major milestones in the next 12-18 months.**
- (ii) **Huawei Health:** The company stated that it gained access to a wide range of health and nutrition products through its investment in North China Pharmaceutical Hebei Huawei Health Industry Co., Ltd. This allowed the group to build its own health and nutrition sales and trading business in FY2020. Management expects modest growth from this sales and trading business in China for FY2021 due to the intense competition from market incumbents. **Can management help shareholders reconcile the company's decision to invest in Huawei Health and to go into the trading business when it is fully aware of the intense competition from market incumbents? What is the group's value proposition in this business? What is the targeted ROI for this new business?**
- (iii) **Bottled Water:** The company first floated the idea of diversifying into bottled water in the FY2017 annual report (financial year ended 31 December 2017). The group has made significant progress in the search for regional partners and expects to market its bottled water product in 2021. **What are the evaluation criteria applied in the search and selection of its partners for this prospective segment? What is the amount invested so far?** In the earlier statement made in the 2017 annual report, the chairman was confident that its product will have a niche competitive advantage compared to the flagship products of incumbent market leaders. **Can management provide shareholders with greater visibility of the product and its unique qualities? What is the targeted ROI of the water business given its unique value proposition for the consumer?**

Q2. On 15 April 2021, the company reported that there are discrepancies between the unaudited and the audited financial statements for the financial year ended 31 December 2020.

This follows similar material adjustments by the company after the finalisation of audit for:

- financial year ended 31 December 2016
- financial year ended 31 December 2017
- financial year ended 31 December 2018
- financial year ended 31 December 2020 (most recent financial year)

The company had replied in 2019 that the material differences led to a net effect on the profit or loss amounting to RMB838,000 while the reclassification of trade and other payables had no impact to the profit or loss, or net equity of the group. This gave the impression that it was business as usual in terms of the company's financial reporting.

- (i) **Has the audit committee (AC) reviewed if it has discharged its duties objectively (Principle 10 of the Code of Corporate Governance 2018)?**
- (ii) **As the lead independent director and audit committee chairman who was formerly a senior partner of Baker Tilly TFW LLP and the former Chairman of Baker Tilly International, Asia Pacific Region with more than 30 years of experience, what is the contribution of Mr Foong Daw Ching in helping the group in ensuring the integrity of the financial statements (including avoiding material differences in the group's financial statements)?**
- (iii) **Has the AC evaluated if the CEO has the necessary financial reporting experience needed for the role?**
- (iv) **What were the efforts by the AC to look for a CFO who would be able to help the group in its financial reporting?**
- (v) **On what basis did the AC justify the adequacy and effectiveness of the company's internal controls and risk management systems?**

Q3. The board comprises an executive director, a non-executive director (as chairman) and two independent directors.

The company has deviated from Provision 2.2 of the Code of Corporate Governance 2018 which requires independent directors to make up a majority of the board where the chairman is not independent.

While the company is cognisant that it has not met Provision 2.2 of the code, it has yet to reconstitute the board. The company made the following statement in the 2019 annual reports:

The company is actively looking for suitable candidates to on board as independent director of the company. This ensure that a majority of independent directors are made up of the board where the chairman is not independent.

The company repeated the same statement in the 2020 annual report.

- (i) **Can the company/board elaborate further on the efforts taken to search for a new independent director? How many candidates were shortlisted and how many were interviewed?**
- (ii) **If the company had carried out any interviews, what were the reasons that the candidates were found not to be suitable?**
- (iii) **What is the search and nomination process for directors, especially independent directors?**
- (iv) **Will the board update shareholders on the near-term plans to appoint an independent director to meet Provision 2.2 of the CG Code 2018?**
- (v) **Would the nominating committee be reviewing its effectiveness?**

[^]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.

[^] 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 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](http://www.sias.org.sg)

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