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

Issuer: The Trendlines Group Ltd.

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Meeting details:
Date: 23 Apr 2025
Time: 10.00 a.m.
Venue: Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593, Level 3, Room 307

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Q1. As highlighted in the Chair and CEO statement, the portfolio companies secured approximately US$42 million in external capital in the year. Key transactions included Vessi Medical's US$16.5 million Series A round, Vensica Medical's US$11 million for Phase 2 clinical trials, Phytolon's fund raise to advance commercialisation, and Celleste Bio's US$4.5 million for pilot production.

The group reported a net loss of US$(10.2) million in FY2024, following a US$(34.7) million loss in FY2023. These losses were primarily due to write-downs and write-offs of several portfolio companies. In FY2024, the fair value of portfolio companies declined by US$(8.2) million due to lower funding rounds and dimmer prospects. In FY2023 and FY2024, a total of 12 portfolio companies were written off due to a lack of funding amounting to US$(16.3) million and US$(2.3) million in write-offs respectively.

(i) **For the benefit of shareholders, which companies were written off, and has the board conducted post-mortem reviews to assess why the investment thesis failed? What is being done to maximise the recoverable values? What key lessons have been identified from these cases, and how will they shape future investment decisions?**

(ii) **Given that the group needs to continually fund the growth of the portfolio companies, is the current business model viable if exits remain elusive?**

(iii) **How many portfolio companies are realistically positioned for an exit within the next 12-24 months? Does management have a good track record of nurturing and monetising portfolio companies?**

Net asset value per share as at 31 December 2024 decreased to US$0.06 (S$0.08) from US$0.07 ($0.09) a year ago. NAV per share was US$0.15 (S$0.19) as at 31 December 2018. The IPO price was S$0.33 per share. The May 2024 rights issue and the November 2024 share subscription were carried out at S$0.06, below NAV, leading to dilution.

(iv) **Will the board commit to implementing a comprehensive plan to reduce cash burn, refrain from dilutive capital raisings, and establish clear, measurable monetisation targets to enhance the company's self-sufficiency and long-term sustainability?**

(v) **Will Ms Nehama Ronen, as the new chair, outline her strategic vision for driving portfolio monetisation and shareholder value creation?**

(vi) **Separately, given the company's accumulated losses of US$40.6 million, how does the board justify seeking approval for an exit event bonus plan? Would the independent directors consider revising the plan to align payouts with meaningful milestones, such as eliminating the accumulated deficit?**

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Q2. On 19 March 2025, the company announced on SGXNet the results of its investigations into the misappropriation of funds, first disclosed on 2 January 2025. The misappropriations occurred across several entities, including a portfolio company, with total losses amounting to US$2.1 million.

(i) **Given that the transactions were deemed fraudulent, why hasn't the company initiated legal action against the former employee to recover the misappropriated funds? Has the company assessed the likelihood of recovering the full amount, and what other avenues are being considered?**

Following the detection of the misappropriation, the audit committee engaged the internal auditors to review the company's payment procedures and internal controls. The internal auditors have since made recommendations in the following key areas:

(a) authorised signatories for documents and banking
(b) payment approval process
(c) separation of duties
(d) headquarter supervision
(e) oversight of incubator companies

(ii) **Did the board consider it prudent to conduct a full forensic review across the group to identify any other potential irregularities or undiscovered misconduct in other entities?**

As disclosed in the annual report, the board is responsible for overseeing risk governance, risk management, and internal controls. Senior management is tasked with designing and implementing and continuously reviewing these systems. The board had previously assessed the company's internal controls - including financial, operational, compliance and information technology controls – as adequate and effective.

(iii) **Can the audit committee explain why basic control weaknesses—such as payment approvals and separation of duties—persisted despite its prior assessment that internal controls were adequate? Specifically, did the former employee submit payment requests that he then approved, indicating a fundamental failure of control framework?**

(iv) **Is the audit committee satisfied with how it has discharged its fiduciary duties, and does it view itself as being effective?**

(v) **How is the board holding management accountable for these control failures?**

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Q3. The audit committee and the board have recommended to extend the tenure of Ms. Elka Nir as an external director for an additional three years, citing her "*expertise and special contribution to the company over the years*."

Before 24 February 2025, Ms. Elka Nir served as chair of the audit committee, chair of the nominating committee, a member of the remuneration committee and lead independent director.

Ms Elka Nir was appointed to the board on 15 October 2015.

(i) **What has been the total shareholder return since the company's IPO in November 2015?**

(ii) **Can the board help shareholders better understand the director's specific expertise and unique contribution to the board and its committees? What are the specific reasons to extend the term of office for Ms Elka Nir? Please quantify Ms Elka Nir's contribution where possible, especially in the area of value creation.**

(iii) **Would the proposed re-appointment of Ms Elka Nir delay the board renewal process? What are the board's concrete progressive renewal plans?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Check out the latest questions on the annual reports of listed companies on SIAS website

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