

SHINVEST HOLDING LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 198905519R)

**RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)
("SIAS") ON ANNUAL REPORT 2021**

The Board of Directors (the "**Board**") of Shinvest Holding Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the questions from the Securities Investors Association (Singapore) ("**SIAS**") on 22 December 2021 regarding the Company's Annual Report 2021 and wishes to respond to the questions as follow:

SIAS Question 1

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):

	Trading of hardware and fasteners				Others	Eliminations	Consolidated
	Retail	OEM	Export	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
31. Segment information (Continued)							
<i>Business segments</i> (Continued)							
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?

Company's Response

Sin Hong's competitive advantages are:

- 1.1 Good sourcing network
- 1.2 Good rapport with suppliers and customers
- 1.3 Stockists of a wide range of industrial fasteners and specialists in standard, non-standard, and customized fasteners to meet customers' needs.

(ii) How does the group create and capture value for shareholders?

Company's Response

- 2.1 To look for good opportunities to invest primarily in China.
- 2.2 To expand both the local and export fasteners markets.

(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.

Company's Response

- 3.1 The nature of business of Sin Hong's three SBU, namely, Retail, OEM, and Export, is unique as they compete and at the same time complement each other. They compete because they share the same pool of stocks and complement each other as they support each other in bulk procurement to reduce costs.
- 3.2 The three SBUs have built up good relationships with their customers and well supported by them.
- 3.3 The staff in each SBU have in-depth knowledge of the fasteners and customers they are serving.

(iv) Does management have an estimate of the group's market share in Singapore? Are there opportunities to consolidate its market position?

Company's Response

- 4.1 We have not done any survey, however, we understand that we are one of the major player in Singapore.
- 4.2 We are looking for such opportunities.

SIAS Question 2

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?

Company's Response

- 1.1 The investment in Espressif equity is not classified as strategic investment for the Company and the net fair value of these shares are derived on closing quoted market price on the last market day of the financial year after adjustments.

(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?

Company’s Response

2.1 To maximise shareholders’ return, any further divestment of Espressif Shares will depend on market conditions and Company requirements.

2.2 Espressif Shanghai is classified under Financial assets at fair value through profit or loss (“FVTPL”) in Company’s Balance Sheet.

(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?

Company’s Response

3.1 Please refer to our previous announcements.

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?

Company’s Response

4.1 Please refer to our Annual Report 2021 pages 100 – 109, note 32 for details.

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?

Company’s Response

5.1 We are a passive investor of ESSE with a 25% of equity interest.

SIAS Question 3

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?

Company's Response

1.1 We will share with Shareholders accordingly at the appropriate time.

(ii) Has the board evaluated the group's capital structure?

Company's Response

2.1 Please refer to our Annual Report 2021 Page 110, note 33 for details.

(iii) Is the board seeking other/major investments and/or diversification?

Company's Response

3.1 Yes, but nothing in concrete.

(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?

Company's Response

4.1 Although the market is expected to recover slowly with the opening up of borders by many countries, there is still a lot of uncertainty in local and international markets, particularly in China. However, uncertainty will also offer opportunities; thus, the directors view preserving resources to overcome the uncertainties and seize opportunities as and when they arise as a better strategy rather than raising funds from shareholders as and when required.

(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?

Company's Response

5.1 Please refer to our reply on (iv) above.

By Order of the Board
Teo Teck Leong
Managing Director

29 December 2021