



SOON LIAN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration Number: 200416295G)

RESPONSE TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The board of directors (the “**Board**” or the “**Directors**”) of Soon Lian Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) in respect of the Company’s annual report for the financial year ended 31 December 2019, and wishes to provide its responses to the queries from SIAS below:

SIAS Query 1

As noted in the Letter to shareholders (page 6 of the annual report), there is a transition in the leadership of the group with Mr Tan Yee Ho assuming the position of the chairman of the board and Mr Tan Yee Leong being appointed as the chief executive officer following the cessation of Mr Tony Tan Yee Chin as chairman and chief executive officer.

In the initial announcement titled “Resignation of chairman and chief executive officer – Tan Yee Chin” dated 27 February 2020, the outgoing chairman declared that there were differences in views with the executive directors over the management and directions of the group.

- (i) ***Would the board elaborate further on the differences in opinion among the executive directors?***

Company’s response

The former Chairman and Chief Executive Officer (Mr Tan Yee Chin) and the Executive Directors (Mr Tan Yee Ho and Mr Tan Yee Leong, who have since been appointed as the new Chairman of the Board and the new Chief Executive Officer, respectively) have differing opinions on the execution of the overall strategic direction for the Group, which involved different resource allocation and cost management approaches.

- (ii) For the benefit of all shareholders, would the board clearly restate the group's business model, including its competitive advantage, its key value drivers and its growth plans, so that shareholders can better understand the strategic direction of the group.**

Company's response

The Company offers one-stop solution supplying aluminium alloy products for critical applications and project needs in the marine, precision engineering, semiconductor as well as oil and gas industries.

The Company's established value-driven approach involves partnering with customers to meet their project demands with our wide range of aluminium alloy products, Computer Numerical Control (CNC) plasma cutting technology and just-in-time deliveries at a competitive price.

Under the new leadership, the Company will further strengthen partnerships with all stakeholders, scrutinise debt collection to manage cashflow, review purchasing strategies and ensure effective inventory management.

With erratic market conditions, low historical oil prices, geo-political challenges and currency fluctuations present in the foreseeable future, the Company recognises it is vital to prioritise stability before growth. The Company will safeguard a healthy cash flow position and closely monitor market developments on demand and supply trends. Greater emphasis will also be placed on increasing productivity, employee engagement, excellent service and product delivery.

- (iii) What are the major opportunities for the group in the next 2-3 years?**

Company's response

Even though the Group had witnessed and overcame a few financial crises (1997 Asian financial crisis, 2007 global financial crisis and 2015 oil price crash) in the past, the current impact of COVID-19 will be of a greater magnitude. Under the new leadership team, the Company will be pursuing stable and sustainable growth with a moderate level of risk.

Singapore shall remain as the Group's base, with opportunities to strengthen its support for local and regional marine and semiconductor customers. With eroding profit margins in steel shipbuilding and the industry's sustained interest in achieving both cost and technical advantages (e.g. lightweight material, corrosion resistance, meeting stringent environmental requirements etc.), the Company is optimistic that there will be more steel shipyards expanding into aluminium vessels and additional industry players in the local and regional market in the next decades. Apart from the marine industry, the Company also has prominent presence in the precision engineering, aerospace as well as oil and gas industries with customers ranging from small medium enterprises (SMEs) to large multinational corporations (MNCs). Singapore also plays host to the headquarters and research and development (R&D) functions of many of these companies.

The Company's subsidiaries in Malaysia, China and Taiwan are predominantly supporting the semiconductor and precision engineering applications. With marine demand, development of offshore wind farm equipment and liquefied natural gas (LNG) related equipment projected to grow, there will be business growth opportunities for the Group's China and Malaysia subsidiaries, of which the Group is able to expand into by tapping on its core strength to overcome the high barriers to entry.

Every crisis brings about opportunities and without losing focus on its core business and current subsidiaries, the Company will be on the lookout for acquisition or expansion opportunities to further cement its regional footprint and deliver value to the Company's shareholders.

SIAS Query 2

Since the writing of the annual report, there have been further changes to the board and senior management.

Ms Ng Kim Ying, the chief financial officer and company secretary, resigned on 8 April 2020, citing differences in management style with the new management of the company.

Mr Lee Sen Choon, the lead independent director, resigned on 21 April 2020 stating that he wishes to "commit more time" to his accounting practice. Mr Lim Chee San and Mr Yap Kian Peng were both due to retire at the annual general meeting and will not be seeking re-election. In particular, Mr Lim Chee San was recently appointed on 1 July 2019.

The resignations of the directors and the CFO were the subject of an SGX Regco query which the company responded on 29 April 2020.

The resignation of the CFO was announced on 14 April 2020 even though the CFO resigned on 8 April 2020. In the Sponsors Dialogue FY2020 – Listing Compliance conducted by SGX Regco on 12 November 2019, Regco reminded sponsors that an issuer must immediately announce the appointment or cessation of service of Key Persons under Catalist Listing Rule 704(6).

- (i) Can the board and the sponsor help shareholders understand the reasons for the delay in announcing the cessation of the CFO?**

Company's response

There are requisite procedures and time needed to conduct the necessary, leading from the Company's receipt of resignation letter of an executive officer, in this case, Ms Ng Kim Ying ("**Ms Ng**").

On 8 April 2020, Ms Ng submitted her resignation letter to the Board, giving the requisite notice period of two (2) months (i.e. her last day of service to be on 8 June 2020). On 9 April 2020, the Board formally accepted her resignation, and instructed the management to commence preparation of the requisite announcement relating to the cessation of Ms Ng ("**Cessation Announcement**") to be released on SGXNet. 10 April 2020 was a public holiday (Good Friday) leading up to the weekend. On 12 April 2020 (Sunday), the Sponsor conducted an exit interview with Ms Ng. On the same day, the Sponsor reviewed the draft Cessation Announcement, and subsequently provided clearance on the final draft Cessation Announcement pending confirmation from the Board. On 14 April 2020, the Board approved the draft Cessation Announcement, which was subsequently released on SGXNet on the same day.

In the response to queries raised by SGX Regco dated 20 April 2020, the company has stated it has commenced the selection process of identifying suitable candidates for independent directors and that the board and the nominating committee (“NC”) will be assessing the candidates based on the essential and desirable competencies.

- (ii) **Can the board confirm that the NC is involved in the selection of new IDs? Specifically, what is the level of involvement of the NC?**

Company’s response

The Board confirms that the NC reviews the respective curriculum vitae of potential candidates, taking into account each of the candidate’s track record, age, experience, capabilities and other relevant factors. Having assessed each candidate based on the essential and desirable competencies, the NC will nominate the most suitable candidate for appointment to the Board.

- (iii) **Will the company be leveraging a professional search firm for candidates to enable the board to cast its net wider and improve on the diversity and possibly the quality of the candidate pool?**

Company’s response

No, the Company will not be engaging professional search firm for candidates, but will rely on contacts and references in the search and selection of new Board members, bearing in mind costs considerations as well as required skills and expertise desired from the prospective Board members.

SIAS Query 3

As disclosed in Note 4 (page 87 – Financial information by operating segments), the group is organised in four major strategic operating segments according to the industry in which the customers operate: (1) precision engineering, (2) marine, (3) stockists and traders and (4) other customers.

The results of the operating segments are shown in the table below:

4. Financial information by operating segments (cont’d)

4B. Profit or loss from continuing operations and reconciliations

	Precision engineering \$’000	Marine \$’000	Stockists and traders \$’000	Other customers \$’000	Unallocated \$’000	Group \$’000
Continuing operations 2019						
Revenue by segment						
Total revenue by segment	17,681	9,967	3,022	469	–	31,139
Recurring EBITDA						
Finance costs	–	–	–	–	(785)	(785)
Depreciation and amortisation	–	–	–	–	(1,135)	(1,135)
ORBT	3,881	1,169	446	325	(1,920)	3,901
Other unallocated items					(3,013)	(3,013)
Profit before tax from continuing operations						888
Income tax expense						(75)
Profit from continuing operations						813

(Source: company annual report)

As seen from the table above, management does not allocate finance costs (\$785,000) and depreciation and amortisation (\$1.14 million) to the operating segments. In addition, there are unallocated items amounting to \$3.01 million. All the segments show positive operating profit before tax of between \$325,000 and \$3.88 million even though the group reported a net profit of \$813,000.

- (i) **Would the audit committee be reviewing how it could further improve its financial reporting so that shareholders have a better basis to assess the operating performance and also for the chief operating decision maker to be better informed in his resource allocation?**

Company's response

Presentation of the financial information by operating segments is consistent with the Group's current management reporting system.

The current management reporting system evaluates performances based on a number of factors. The primary profitability measurement to evaluate each segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation and amortisation, interests and income taxes; and (2) operating results before income taxes and other unallocated items.

The unallocated items mainly comprise employee benefits expenses, which are not allocated to respective operating segments as employees support all operating segments.

Moving forward, the Audit Committee of the Company and Mr Tan Yee Leong (Executive Director and Chief Executive Officer of the Company) who is the chief operating decision maker, will review presentation of the financial information by operating segments on a regular basis to ensure efficient allocation of resources and assessment of performance.

By Order of the Board

Tan Yee Ho
Executive Chairman
18 May 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.