

**NEW WAVE HOLDINGS LTD.**  
(Incorporated in the Republic of Singapore)  
Company Reg. No. 199906870Z

**REPLY TO QUESTIONS FROM SIAS RECEIVED ON 17 JULY 2023 WITH REFERENCE TO OUR ANNUAL GENERAL MEETING TO BE HELD ON 28 JULY 2023**

The board of directors (“Board”) of New Wave Holdings Ltd (the “Company” and together with its subsidiaries, the “Group”) wishes to announce that it did not receive any questions from shareholders of the Company as at the cut-off timeline for submission of questions prior to the upcoming Annual General Meeting for its financial year ended 31 March 2023.

The Board further refers to the questions raised by SIAS and the Company’s responses to these questions are set out in this announcement.

Q1. During the reporting period, the group incurred a loss before income tax of \$(377,000), in contrast to the profit before income tax of \$2.0 million in the previous year. The loss attributable to owners of the company amounted to \$(591,530), while the total comprehensive loss attributable to owners of the company was \$(1.62) million.

The decline in full-year revenue for FY2023 by 13.7% to \$23.4 million was attributed by management to softer market demand.

In his message, the chairman emphasised the group's strategic plans to strengthen its product network by expanding market coverage in key regions, with a particular focus on Malaysia and China.

The disaggregation of revenue is shown in Note 20 and reproduced below:

	Components		Aluminium		Total	
	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$
<u>Primary Geographical market</u>						
Singapore	<b>1,563,538</b>	1,479,309	<b>3,488,991</b>	4,676,195	<b>5,052,529</b>	6,155,504
Malaysia	<b>314,523</b>	178,898	<b>12,054,964</b>	14,161,562	<b>12,369,487</b>	14,340,460
People’s Republic of China	–	–	<b>5,800,239</b>	6,424,979	<b>5,800,239</b>	6,424,979
Others	<b>123,914</b>	120,903	<b>87,202</b>	125,428	<b>211,116</b>	246,331
	<b><u>2,001,975</u></b>	<b><u>1,779,110</u></b>	<b><u>21,431,396</u></b>	<b><u>25,388,164</u></b>	<b><u>23,433,371</u></b>	<b><u>27,167,274</u></b>
<u>Timing of transfer of goods</u>						
– Point in time	<b><u>2,001,975</u></b>	<b><u>1,779,110</u></b>	<b><u>21,431,396</u></b>	<b><u>25,388,164</u></b>	<b><u>23,433,371</u></b>	<b><u>27,167,274</u></b>

(Source: Company annual report)

Revenue from Singapore declined from \$6.2 million in 2022 to \$5.1 million in 2023. On the other hand, revenue from China, which solely involves aluminium product distribution, experienced a slight increase over the years.

Meanwhile, the group's business in Malaysia exhibited significant growth, rising from \$6 million to \$7 million prior to the COVID pandemic (in 2018-2019) to \$12 million to \$14 million in 2022-2023.

**(i) What were the factors that contributed to the group's business growth in Malaysia over the past five years?**

The Group observed that, for our market segment, there was a gradual shift of manufacturing activities from Singapore to Malaysia, most likely due to the higher wages and rentals in Singapore. In FY2019, the Group decided to leverage on its existing marketing network in Malaysia, and set up another metal service centre in Penang to provide faster turnaround delivery and to cater to a wider range of customers' requirements. Meanwhile, the Group has also stepped up its marketing effort and coverage in the areas around Johor Bahru, Muar and Kuala Lumpur.

**(ii) Can management provide shareholders with a better understanding of the group's market share and competitive advantages in Singapore? Is management allocating its resources primarily to Malaysia and China while adopting a more conservative approach towards the Singapore business?**

The Group's product portfolio mainly caters to the electronic and precision engineering industries. Our Singapore customer base is more diverse and comprises mainly SMEs who provide value-added services to OEM and larger contract manufacturers. The Group's competitive strength lies in its comprehensive product portfolio as the Group carries a wide range of aluminium alloy products which enables it to have a faster delivery turnaround time to meet its customers' needs. As mentioned in Part (i) above, the Group observed a continuing shift of manufacturing activities from Singapore to the neighbouring countries and especially to Malaysia over the past years as manufacturers' operating costs increased and product margins decreased. As such, the Group is adopting a more conservative approach towards the Singapore business and is allocating and focussing more of its resources to Malaysia and China markets. However, the Singapore operations will continue to be the centre for sourcing and purchasing materials to support its operations in other countries.

**(iii) Does the group provide any value-added services apart from distributing components and aluminum products? If not, what strategies does management plan to implement to sustain or enhance the profit margin, taking into account the competition from other suppliers and distributors?**

The Aluminium products distribution business provides cutting services to its customers while the Components distribution business provides advisory and consultancy services relating to the products supplied; such value-added services form part of the distribution businesses.

The Group intends to deepen and widen its market coverage in its existing markets. It will continue to source for new products and new suppliers, as well as seek out new customers for existing and new products to sustain and enhance revenues and profit margin. The Group is currently also exploring export markets outside of Malaysia and China.

**(iv) Are there any synergies between aluminium products distribution and components distribution?**

The Group owns the components distribution business since its inception and as the business evolves, the very challenging and competitive market environment has eroded its revenue and profit margin over the years. The Group had decided to diversify into the aluminium products distribution business in the earlier part of year 2000 and has grown this business since. It is also the Group's intention to expand this business going forward.

**Q2.** The company was listed in August 2000 and does not appear to have paid out a dividend to shareholders in more than two decades. As shown in Note 30.4 (page 107), the group has net debt of \$10.3 million, with total equity amounting to \$16.8 million.

As at 31 March 2023, the gearing ratio, as defined by net debt divided by total capital was 38%.

In the corporate governance report, the company stated the following:

*The company currently does not have a fixed dividend policy. The declaration and payment of future dividends will depend upon the group's operating results, cash flows projections and investment plans. The company did not propose any dividend payment as the company did not have any distributable profits for FY2023.*

**(i) Can the board provide further details on the discussions and considerations regarding the declaration and payment of dividends to shareholders, aside from the statement indicating that the company lacks distributable profits?**

Besides the Company's lack of distributable profits, the Board and Management has also taken into consideration the following factors regarding the declaration and payment of dividends:-

- Operating cash flow requirements going forward
- Future expansion
- Cumulative retained earnings position

As the Group is a stockist and distributor, having sufficient working capital is key especially as we plan to expand in order to achieve sustainable revenues.

**(ii) Can the board clarify if the company could have declared and paid a dividend in FY2022 given that there was indeed a profit recorded for that financial year? (see Statements of changes in equity below)**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

## STATEMENTS OF CHANGES IN EQUITY

	Share capital \$	Share-based payment reserve \$	Accumulated losses \$	Total equity \$
<b>Company</b>				
Balance as at 1.4.2021	27,459,753	31,000	(8,360,965)	19,129,788
Profit for the financial year, representing total comprehensive income for the financial year	-	-	4,357,199	4,357,199
Balance as at 31.3.2022	<b>27,459,753</b>	<b>31,000</b>	<b>(4,003,766)</b>	<b>23,486,987</b>

(Source: company annual report 2022; emphasis added)

As highlighted in Part (i) above, even with a profit recorded in FY2022, no dividend was declared as the Group's strategic objective is to grow the Group's revenues and profit margin to a level that is sustainable in the long run.

**(iii) Has the board considered formalising a dividend policy (Provision 11.6 of the Code of Corporate Governance 2018)?**

The Board considers that it is premature to have a dividend policy at this juncture. However, the Board has always, and will continue to review and monitor the Group's performance and at an appropriate time in the future, a dividend policy may be formalised.

**(iv) Given that accumulated losses have now increased to \$(8.1) million as at 31 March 2023, will the board undertake a review of the management's track record in generating long-term value and delivering sustainable returns to shareholders?**

Review of the Group's operating performance are done every half yearly. The Board and the Management has also been constantly looking out for any business opportunity which could have synergistic effect on the Group's existing businesses.

**Q3.** At the annual general meeting scheduled to be held on 28 July 2023, Mr Lee Teong Sang will be retiring pursuant to Article 89 of the company's constitution and will be seeking his re-election.

The biography of the director and the additional information on directors seeking re-election can be found on page 7 and pages 27 to 29 respectively. Mr Lee Teong Sang was first appointed to the board on 27 March 2003. Accordingly, Mr Lee Teong Sang has served on the board for more than 20 years.

On 11 January 2023, Singapore Exchange Regulation (SGX RegCo) announced that it will limit the tenure of independent directors (IDs) serving on the boards of listed issuers to nine years. This stemmed from recommendations by the Corporate Governance Advisory Committee (CGAC). There was broad market support for this change during the public consultation carried out by SGX RegCo.

Mr Tan Boon Gin, CEO of SGX RegCo, also noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term.

**(i) Has the nominating committee (NC) reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?**

Yes, the NC has reviewed the current competency matrix of the Board. Currently, the Board comprises Directors who as a group provide an appropriate balance and diversity of skills, experience, and knowledge that the Group requires for an effective Board. At Board meetings, key issues and strategies, as well as challenges arising from the changes in the evolving competitive environment are critically examined, taking into consideration the long-term interests of the Group and its shareholders. The NC's annual review also explores any possible areas of expertise that may be lacking by the Board, with a view to using such results when recommending the appointment of new Directors.

The NC is also responsible for regular review of the Board Diversity Policy and for setting its targets, plans and timelines. One of the target set is to seek at least two new Independent Directors to replace our two existing Independent Directors (one of whom is the Non-executive Chairman of our Board) before the next annual general meeting in 2024 as they have both served on the Board for an aggregate period of more than nine years. The NC is actively seeking candidates from different backgrounds, including those with diverse gender, age, experience, skills, and knowledge to provide a range of perspectives, insights and challenges for effective decision-making. Specifically, the NC targets to have one female Independent Director on the Board and to have at least one Independent

Director that possesses either legal or financial competencies by the next annual general meeting in 2024. Simultaneously, the NC will identify a suitable candidate for the post of Non-executive Chairman of the Board.

**(ii) Will the proposed re-election of Mr Lee Teong Sang delay the board renewal process?**

No, the proposed re-election of Mr Lee Teong Sang will not delay the Board renewal process. The Board is currently in the midst of the renewal process as mentioned above and the Company will make the necessary announcements once decisions are reached.

**(iii) As the chairman of the NC, would Mr Lee Teong Sang be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

Yes. Mr Lee has always held himself to higher governance standards in discharging his duties as our Independent Director. He has always advocated a speedier Board renewal process; the Group however was hampered by resources constraints.

**(iv) What is the progress made in identifying and appointing new directors?**

The Group is in the midst of identifying new independent Directors and will appoint them soonest possible, within this current financial year.

**(v) Can the NC also elaborate further on the succession plan for the chairman? Mr Tito Shane Isaac, as the non-executive chairman, was first appointed to the board on 30 August 2006. What are the criteria used in the selection and appointment of the board chairman?**

The Chairman of the Board should be well-versed in a range of issues which include strategy, risk, disruption, talent, corporate culture, incentives and technology. The Chairman should be able to encourage stronger Board performance and monitor the progress. The Chairman is also responsible for, among other things, ensuring the effectiveness of the Board in carrying out its roles, ensuring that all the Directors receive complete, adequate and timely information. The Chairman should also encourage constructive discussions and relations within the Board and between the Board and the management, while ensuring best practices for good governance.

The NC will review and shortlist a suitable candidate with the capability to discharge the duties mentioned above, to assume the role of Non-Executive Chairman.

By Order of the Board

Ong Kian Soon  
Chief Executive Officer  
21 July 2023

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*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

*The contact person for the Sponsor is Ms. Jennifer Tan, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg).*