

Issuer: Riverstone Holdings Limited

Security: Riverstone Holdings Limited

Meeting details:

Date: 24 April 2017

Time: 14:30H

Venue: East India Rooms, Level 1, Raffles Hotel Singapore, 1 Beach Road Singapore 189673

Company Description

Riverstone Holdings Limited, an investment holding company, manufactures and distributes cleanroom and healthcare gloves under the RS brand. It also produces cleanroom finger cots, packaging bags, face masks, and wipers; and other consumables, such as hair nets, static dissipative shoes, safety booties, shoe covers, ESD rubber bands, sticky mats and rollers, swab-polyester and microfibers, antistatic gloves, static dissipative shoes, cleanroom coveralls, and cleanroom papers. In addition, the company trades in latex products; and distributes cleanroom products. Further, Riverstone Holdings Limited offers healthcare products comprising white, blue, black, and accelerator nitrile exam gloves. Its products are used in the hard disk drive, semiconductor, and healthcare industries. The company exports its products primarily to the Americas, Asia, and Europe. Riverstone Holdings Limited was founded in 1989 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=AP4)

Q1. In the Letter to Shareholders (page 8 of the annual report), the Executive Chairman and Chief Executive Officer cited the shift in product mix between cleanroom glove and healthcare glove as the main reason for gross profit and net profit margin slipping from 31.2% to 26.4% and from 22.6% to 18.4% respectively. The group had also experienced rising fuel costs of more than 20% and rising labour costs of more than 10% in 2016.

The profit margins came under pressure as the average selling prices of healthcare gloves was on a downward trend due to the competitive landscape.

With the completion of the Phase 3 expansion in the fourth quarter of 2016, the annual production capacity has increased by a further 1 billion gloves to bring the group's total production capacity to 6.2 billion glove pieces per annum.

- a) **Can management share what is the projected product mix arising from the additional 1 billion gloves?**
- b) **What is the overall product mix achieved by the group for FY2016?**
- c) **Based on current trends, does the group have any projections on the longer term product mix between cleanroom glove and healthcare glove?**

In the Consolidated Statement of Comprehensive Income (page 39), the cost of sale is shown to increase by 25% to RM482 million while revenue increased by 17% to RM655 million. No notes have been provided in the Financial statements to help shareholders understand the breakdown of, and the increases in, the cost of sale.

- d) **Would management consider providing more notes to the financial statements in future reporting?**
- e) **Can shareholders get a breakdown of the RM482 million in cost of sale?**

Q2. Adjusted for the bonus shares issue, the dividends declared (RM sen/share) has increased constantly since the group's IPO in 2006 except for 2011 when it remained constant. The dividend payout ratio has ranged from 35.5% to 53.9%.

The functional currency of the significant companies in the group is the Malaysian Ringgit and the dividend declared is in Malaysian Ringgit.

- a) **Would the company consider declaring and paying out dividends in Singapore Dollars instead to minimise the foreign currency risks and the additional transaction costs for shareholders based in Singapore?**
- b) **Given that the company has an excellent track record of rewarding shareholders with dividends, would the board consider formalising a dividend policy?**

Q3. As noted in the Corporate Governance Statement (page 21), all the three independent directors were appointed to the board on 2 October 2006, and therefore have served on the board for more than nine years from the date of their first appointments.

The board has concurred with the nominating committee (which comprises of Mr Low Weng Keong as chairman, and Mr Wong Teek Son and Mr Hong Chin Fock as members) that, notwithstanding the years of service, that Mr Low Weng Keong, Mr Hong Chin Fock and Mr Albert Ho Shing Tung remain independent and can continue to discharge their duties objectively.

Guideline 2.4 of the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore calls for the board to "also take into account the need for progressive refreshing of the Board".

- (a) **Notwithstanding that the directors are deemed independent by the board, can the board provide more detail on its plans to ensure the progressive refreshing of the board?**

(b) Please also disclose the company's search and nomination process for new directors.