

Issuer: Changtian Plastic & Chemical Limited

Security: Changtian Plastic & Chemical Limited

Meeting details:

Date: 27 April 2017

Time: 10:00H

Venue: Orchard Room, Level 4, Raffles City Convention Centre, No. 2 Stamford Road, Singapore 178882

Company Description

Changtian Plastic & Chemical Limited manufactures and sells chemical-based products in the People's Republic of China. It operates through Adhesive Tapes, Release Papers, UV Cured Release Film, and Nylon-6 Chip segments. The Adhesive Tapes segment offers biaxially oriented polypropylene adhesive, masking, double-sided adhesive, kraft paper adhesive, and aluminum tapes for use in packaging, food and beverage, electronics, construction, and shoe making industries. The Release Papers segment provides clay coated Kraft and glassine silicone coated release papers for labels, tapes, electronic products, and packaging. The UV Cured Release Film segment offers ultraviolet cured release films for screen protection used on mobile phones, packaging of electronic products, and UV protection on windows. The Nylon-6 Chip segment provides Nylon 6 chip, which is a type of polyamide fiber or resin used as a raw material in the manufacture of automotive, electrical and domestic appliances, and construction. Changtian Plastic & Chemical Limited was founded in 1999 and is headquartered in Xiamen, the People's Republic of China.

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

Q1. Since the original plans for the Nylon-6 Chip Plant were made in 2012 and the further detailed assessment and feasibility study conducted by management in January 2013, the group has increased the capacity of the plant to 110,000 mt, citing “lowering the cost of production through mass manufacturing, more efficient use of marketing and managerial resources, greater bargaining power in bulk procurement and other such cost advantages in the chemical fibre industry.”

The plant was originally estimated to be completed by 18 months from the commencement of development in May 2012 but it has been delayed by 3 years due to various factors.

- a) **How have the market conditions changed over the last three years?**
- b) **Are management’s projections of market prices of Nylon-6 chips and raw material, operating costs, and the trading environment still valid?**
- c) **Is the group’s new Nylon-6 Chip Plant competitive in terms of its technology?**
- d) **Does the group have the technical expertise to operate the Nylon-6 plant?**
- e) **With the expected trial production to be completed by mid-FY2017, can shareholders understand what are the group’s marketing efforts?**

Q2. In terms of the group’s liquidity risks, it was noted that the group “has payables to suppliers, contracted capital commitments and planned expenditures (but not yet contracted for) amounting to RMB148.6 million in aggregate for the Nylon-6 business whilst cash and bank balances amounted to RMB65.1 million as at 31 December 2016” (page 37).

- a) **When does management expect to finalise the terms and conditions of the credit line of up to RMB300 million with its principal banker?**
- b) **Does the group have sufficient working capital to run and operate the new Nylon-6 Chip plant efficiently?**
- c) **What is the expected increase in working capital when the Nylon-6 plant go into full operations?**

Q3. Two of the independent directors were first appointed to the board on 24 September 2007 and another was appointed on 29 April 2008. As disclosed in the Corporate Governance Report (page 17), both Mr Chan Yin David and Ms Liao Quanwen have served on the Board for more than nine years from the date of their first appointment. Mr Tan Siok Sing would have served on the board for more than nine years from 29 April 2017.

The Board has concluded that Mr Chan and Ms Liao have continued to demonstrate independence in character and judgement over the years in discharging their duties and responsibilities as Independent Directors of the Company.

Guideline 2.4 of the Code of Corporate Governance 2012 (Code) issued by the Monetary Authority of Singapore requires the board to “also take into account the need for progressive refreshing of the Board”.

- a) **What are the company's near-term plans for the progressive refreshing of the board, as required by Guideline 2.4 of the Code?**
- b) **What is the search and nomination process for new board directors, especially independent directors?**

On the assessment of board’s performance (Principle 5 of the Code), the NC has also disclosed that:

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole and its Board committees.

- c) **Can the NC confirm that the company only has a formal assessment process to evaluate the effectiveness of the Board as a whole and its Board committees, but not the contributions by each director to the effectiveness of the board?**
- d) **As Principle 5 requires a formal assessment of the contribution by each Director to the effectiveness of the Board, would the NC explain why it has deviated from the Code?**
- e) **Would the board and the NC reconsider the company's deviation from the Code?**