

Issuer: Medtecs International Corporation Limited

Security: Medtecs International Corporation Limited

Meeting details:

Date: 15 May 2017

Time: 15:00H

Venue: Changi Room, Level 4, Holiday Inn Singapore Atrium, 317 Outram Road, Singapore 169075

Company Description

Medtecs International Corporation Limited, an integrated healthcare products and services provider, manufactures and distributes medical consumables for the healthcare industry worldwide. It operates through Manufacturing, Hospital Services, and Distribution segments. The Manufacturing segment produces and sub-contracts a range of medical consumables, including patients' apparels, disposable surgical masks, boot covers and surgical gowns, underpads, adult diapers, crochet blankets, bed linens, and medical bandages. It supplies its products to medical multinational corporation distributors, pharmaceutical companies, and hospital groups in the United States and Europe. The Hospital Services segment provides laundry and leasing services to various hospitals. Its services include hospital linen rental and laundry, management of hospital laundry facilities, hospital automation, and other non-core hospital functions for hospitals in Taiwan. The Distribution segment markets Medtecs-branded medical consumables to hospitals, pharmacies, and other end users in the Asia Pacific. This segment also supplies other branded medical supplies and equipment, such as wheel chairs, syringes, nebulizers, and blood pressure monitors. In addition, the company manufactures, leases, trades in, and sells woven and knitted fabrics, and other made-up articles of textile products; manufactures anti-static surgical attires, sterilized procedure tray products, flame-retardant fabrics, surgical drapes, N88 and N95 facemasks, and other medical supplies; and distributes gauzes, digital thermometers, and other medical supplies. Medtecs International Corporation Limited was founded in 1989 and is based in Taipei, Taiwan.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=546)

Q1. In 2016, the group set up a new manufacturing facility in Bavet, Cambodia that is equipped with “new and more technologically advanced” manufacturing equipment.

- a) **Does the new Bavet plant have the manufacturing capability for all of the group’s product lines that include linens, hospital apparels, work wear apparels, bandages and face masks?**
- b) **What is the capacity of the new manufacturing facility in Bavet?**
- c) **How much more cost efficient is the new plant? What are management’s targets in terms of cost savings with the new plant?**
- d) **How does the group optimise its production operations across the 10 manufacturing facilities? Are there plans to further expand or consolidate the manufacturing facilities?**

Q2. In the hospital services segment, the group is currently the “dominant total solutions provider for such hospital services, with a customer base of 24 hospitals” (page 1 of the annual report). This is an increase from 23 hospitals in 2015 and from 21 hospitals in 2014.

- a) **What is the group’s market share by (a) total hospital beds and by (b) outsourced market in Taiwan?**
- b) **What are the opportunities for further growth in the hospital services in Taiwan? Are there opportunities for inorganic growth?**

In 2016, the group has also successfully expanded its hospital services in the Philippines, covering 25 hospitals. This is a good improvement from the base of 19 hospitals and 3,600 hospital beds in 2015.

- c) **What is the group’s market share in the Philippines? Is the group also in a market leading position in the hospital services segment in the Philippines?**
- d) **What is the potential of the Philippines market given that the group has increased its customer base quite significantly in 2016?**

Q3. In the Chairman’s Statement (page 3), it was disclosed that revenue from the Original Product Manufacturing (“OPM”) division “decreased by 11.3% to US\$42.8 million in FY16 from US\$48.3 million for the financial year ended 31 December 2015 (“FY15”)”.

In Note 30 (pages 128 & 129 - Group Segmental Reporting), the revenue from the manufacturing segment shows an increase from US\$55.4 million in 2015 to US\$57.3 million in 2016, before elimination (as shown in the tables below).

NOTES TO THE FINANCIAL STATEMENTS (continued)
(Amounts in United States dollars unless otherwise stated)

30. GROUP SEGMENTAL REPORTING (continued)

(a) Business segments

The following table presents revenue, results and other information, assets, liabilities and other segment information regarding the Group's business segments for the years ended 31 December 2016 and 2015.

2016	Manufacturing	Hospital	Distribution	Eliminations	Group
	\$'000	services	and others		
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	57,298	11,900	17,216	(28,818)	57,596
Results	3,394	434	(553)	-	3,275

30. GROUP SEGMENTAL REPORTING (continued)

(a) Business segments (continued)

2015	Manufacturing	Hospital	Distribution	Eliminations	Group
	\$'000	services	and others		
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	55,430	11,251	19,736	(24,830)	61,587
Results	3,694	414	(602)	-	3,506

(Source: Medtecs International Corporation Limited Annual Report 2016)

- a) Given that the Chairman & CEO has specifically mentioned that the OPM segment decreased while the OPM revenue in the segment reporting shows an increase, **shareholders would like to request management provide better clarity by breaking up the revenue into "Revenue from external customers" and "Inter-segment revenue"**. That way, shareholders can assess the performance of each business segment better.