Issuer: Memtech International Ltd.
Security: Memtech International Ltd.

Meeting details:
Date: 25 April 2018
Time: 2:00 p.m.
Venue: M Hotel Singapore, Shenton, Lower Level, 81 Anson Road, Singapore 079908

Company Description

Memtech International Ltd., an investment holding company, manufactures and sells mold, rubber, and plastic components for automotive, industrial and medical, mobile communications, and consumer digital products. The company offers rubber parts; decorative plastics comprising car key fobs, logos, plating rings, audio and temperature control panels, cluster application products, and infotainment panels; and light guide plates, car revolving buttons and keypads, emergency and car buttons, electron shells, steering buttons, hand break lifters, and power window buttons. It also provides TV remote controls and control keypads, gaming controllers, light guide panels, routers, router panels and shells, speakers, and wearable devices; industrial PDA'S, barcode scanners, and blood glucose meters; antennas, mobile antenna casings, window lens products, metal dome and light guide films, and mobile and waterproof housings; and single and double shot, electroforming, and other tooling products. In addition, the company engages in the trade of electronic products; and manufacture of medical equipment and related packaging materials; and production of translucent lens for flash light in mobile phones, as well as touch screen panels. Memtech International Ltd. was incorporated in 2003 and is based in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BOL)

Q1. As noted in the Chairman's Message, the group's revenue increased 6.9% year-on-year to a record US$170.0 million driven by a broad-based growth across the portfolio. This growth in topline was led by the Automotive segment which increased 14.2% to US$79.6 million while the Industrial & Medical segment recorded the highest growth rate, surging 24.6% to US$11.9 million.

With the successful execution of its strategy to focus on high-margin, complex engineering parts, gross profit margin expanded 2.2 percentage points to 18.2%, the highest level in the past five years.

a) **Utilisation rate: Can management help shareholders understand the utilisation rates of the three manufacturing plants which are located in Dongguan, Nantong and Kunshan? How much more growth can the current production facilities support?**

b) **Production capability: Do the three production facilities possess the same production capability in terms of product mix?**

c) **R&D: Can management also update shareholders on the focus areas (such as new material, or manufacturing technology) of the group's research and development? What are some of the recent breakthroughs/ commercialisation from the group's R&D Institute?**

d) **Business development:** The group's diverse customer base includes some of the big names in today's global economy, such as Continental, Hella, Magna, and Kostal, Tesla, Nio, Foxconn, Celestica, Amazon, Beats, Netgear and Roku (page 1). **How does the group compete against other suppliers and what is the group's value proposition to its customers? In addition, how does the group ensure that new business generates sufficient margin/return to its shareholders and that the group gets fairly compensated for the goods and services provided?**

e) **Dividend payout:** The board has proposed a final dividend of 5.5 Singapore cents per share to "*reward shareholders for their continued support and with confidence in our future*" (page 5). The dividend payout ratio of 41% is in line with the stated dividend policy of paying out not less than 30% of the audited consolidated net profit of the year. **Is the dividend of 5.5 Singapore cents per share sustainable given that the group benefitted from the one-time disposal gain of two plots of land (US$3.2 million)?**

Q2. With five executive directors on the board, the current board of eight director (including three independent directors) falls short of the recommendation in Guideline 2.2 of the 2012 Code of Corporate Governance that Independent Directors make up at least half of the Board in the situation where the Chairman of the Board is part of the Management team.

The board has provided the following explanation to its deviation (page 17):

> *The Board is of the view that with three Independent Directors, representing more than one-third of the Board, and with each of the three Board Committees being chaired by an Independent Director, there is a sufficiently strong independent element on the Board that upholds good corporate governance and facilitate the exercise of independent and objective judgment on the Board. The Board is of the view that the size and composition of the current board, taking into account the proportion of Independent Directors and the experience and core competencies of the directors, is appropriate for the Group given its current scope and scale of business, and its current stage of development. Nevertheless, the NC and the Board will keep this matter under regular review, and will make such changes as are necessary to further enhance the standard of corporate governance. The NC has also ascertained that for the year under review, the Directors have devoted sufficient time and attention to the Group's affairs.*

a) **Can the board help shareholders understand the deliberation it had during its board meetings with regard to the CG Guideline for independent directors to make up at least half of the board?**

b) **What are the board's justifications to deviate from the recommendation in the Code to instill stronger independent element on the board?**

c) Can the nominating committee (NC) also explain if there is sufficient diversity of views and experience on the board given that the current board comprises five executive directors and three long tenured independent directors?

d) How does the NC ensure that the current board encourages and promotes a culture of openness and debate at board meetings?

Q3. As disclosed in the Report on Corporate Governance, the nominating committee (NC) comprises Mr. Teng Cheong Kwee (as chairman), Mr. Chuang Wen Fu and Mr. Chua Keng Hiang (page 18).

As at 31 December 2017, both the independent directors on the NC, namely Mr. Teng Cheong Kwee and Mr. Chua Keng Hiang, had served the Board for more than nine years. Mr. Chuang Wen Fu, the executive chairman, is the third and final member of the NC.

In assessing the independence of the non-executive directors, namely Mr. Chua Keng Hiang, Mr. Teo Kiang Kok and Mr. Teng Cheong Kwee (collectively “NEIDs”), the NC noted that, although the NEIDs have all served more than 9 years on the Board, it is of the view that their length of tenure has not impacted their independence.

a) Given that both Mr. Chua and Mr. Teng are member and chairman of the NC respectively, how did the NC conduct its review of the independence of the NEIDs? How effective was the NC in carrying out its board functions?

b) Were any directors involved in the review of his independence?

Guideline 2.4 calls for the particularly rigorous review of the independence of any director who has served on the board beyond nine years from the date of his first appointment.

c) Can the board and the NC explain in detail how the particularly rigorous review of the independence of the directors was carried out?

d) Can the company disclose its near-term plans to progressively refresh the board in a smooth and non-disruptive manner as all three NEIDs were appointed in June 2004?