

Issuer: Teckwah Industrial Corporation Ltd
Security: Teckwah Industrial Corporation Ltd

Meeting details:

Date: 26 April 2018

Time: 9.30 a.m.

Venue: 51 Tai Seng Avenue, #05-01 Pixel Red, Singapore 533941

Company Description

Teckwah Industrial Corporation Ltd, an investment holding company, manufactures flexible packing and printing materials. The company operates through Print, Non-Print, and Services segments. The Print segment engages in printing and packaging, digital database management, and packaging design activities, as well as the provision of value chain services. The Non-Print segment offers third party logistics, return, refurbishment, and remarketing services for computer equipment. The Services segment provides property management and other services. The company also manufactures and sells paper products and corrugated boxes, as well as imports and exports paper and paper products. In addition, it offers graphic design and critical parts management services; financial services; and network services, including on-line games, as well as distributes games software. The company operates in Singapore, the People's Republic of China, Indonesia, Malaysia, Thailand, Japan, Australia, India, and Taiwan. Teckwah Industrial Corporation Ltd was founded in 1968 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=561)

Q1. The company has stressed the importance of sticking to its core, the essence that anchors the trilogy of the company's annual report from 2014 to 2016. In FY2017, the focus of the annual report turns to "Transformation".

- a) **For the benefit of both new and old shareholders, can management clearly explain the activities in the "Print" segment and the activities in the "Non-Print" segment?**

Revenue from "Print" has fluctuated in the past years: \$103.6 million in FY2013 (restated), \$101.2 million in FY2014, \$113.0 million in FY2015, \$102.0 million in FY2016 and \$101.7 million in FY2017, despite all the capital investment. The segment profit showed a more encouraging trend: from 2013 to 2017, the profits from the "Print" segment were \$4.8 million, \$2.9 million, \$6.3 million, \$7.3 million and \$4.0 million respectively.

- b) **Can management elaborate further on the group's strategy to grow the print business?**

The group has also made a cumulative investment of over \$42 million in capital expenditure for the print business since FY2013.

- c) **Can management help shareholders understand the return on investment on the capital expenditure?**
- d) **How does management evaluate the capital expenditure of the print business? What is the hurdle rate that management/board requires when it is looking to approve a large capital investment for the print business?**
- e) **Can the board elaborate further on its role in the capital allocation of the group?**

Q2. The non-print business accounted for 44% of the revenue in FY2017 but contributed nearly 80% of the group's profits. Since FY2011, the non-print business has consistently contributed the majority of the group's profits. Management has done a good job at transforming from the company into a supply chain service provider. In the last financial year, the group had won a notable contract to manage a consumer care centre providing a full suite of after-sales service and in FY2017, the non-print segment expanded the group's footprint in Indonesia by providing after sales market support services to the consumer electronics industry.

- a) **Can management elaborate further on the full suite of services provided by the non-print segment, especially its digital solutions and logistics management businesses?**
- b) **Where are the major opportunities in the non-print segment in the near/mid term?**
- c) **The capital expenditure into the non-print segment has been modest; the level of capital expenditure was \$642,000, \$191,000, \$559,000, \$652,000 and \$380,000 in the last five years. Would the group benefit from added investment to scale up the non-print business in a more meaningful manner?**

Q3. As disclosed in the Corporate Governance Report, three (of the four) independent directors, namely Mr Lim Lee Meng (appointed on 18 February 1994), Mr Peter Chan Pee Teck (appointed on 12 September 1991) and Mr John Lim Hwee Chiang (appointed on 17 February 1994), have served on the Board for more than nine years.

- a) **Can the board explain in detail the particularly rigorous review that it has carried out to determine the independence of the long serving independent directors?**

The 2012 Code of Corporate Governance calls for the board to "also take into account the need for progressive refreshing of the Board".

- b) **With the appointment of Mr Gerard Tan Wee Seng to the board on 20 February 2013 as independent director, what are the board's other near-term plans to refresh the board membership progressively and in an orderly manner, to avoid losing institutional memory?**