



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: CPH Ltd.

Security: CPH Ltd.

Meeting details:

Date: 30 July 2018

Time: 9.30 a.m.

Venue: 8 First Lok Yang Road, Singapore 629731

Company Description

CPH Ltd., an investment holding company, manufactures and sells printed circuit boards (PCBs). It offers single-sided, double-sided, and multi-layered PCBs, as well as advanced interconnect substrates. The company serves customers in various industries, such as telecommunications, automotive, industrial equipment and instruments, consumer electronics, PCs and PC peripherals, and healthcare, as well as government and defense industries. It has operations in Germany, Switzerland, Malaysia, Japan, Singapore, and internationally. The company was formerly known as Circuits Plus Holdings Ltd and changed its name to CPH Ltd. in August 2008. CPH Ltd. was founded in 1981 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=539)

1. As noted in the Chairman's Message, the group, as a smaller scale printed circuit board manufacturer faced intense competition from its larger competitors who had the economies of scale.

For the financial year ended 31 March 2018, the loss attributable to owners of the parent amounted to \$(1,744,160). The losses in FY2012-FY2017 were \$(3,592,897), \$(531,232), \$(4,216,243), \$(434,202), \$(943,087) and \$(1,661,628).

Equity has decreased from the peak of \$21,574,092 to \$12,316,286 as at the end of the reporting period.

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

The Board is collectively responsible for the success of the Group and is accountable to its shareholders.

The functions of the Board, apart from its statutory responsibilities, include:

- deciding and approving strategic plans, key business initiatives, major investments and funding matters;
- monitoring the performance of the Management and the Group towards achieving adequate shareholders' values, including but not limited to reviewing the financial performance of the Group;

(Source: Company annual report; emphasis added)

In the Corporate Governance Report, the board has stated that it is responsible for the success of the group and is accountable to its shareholders. Its function includes "monitoring the performance of the Management and the Group towards achieving adequate shareholders' values, including but not limited to reviewing the financial performance of the Group" (page 9).

- Considering the performance of the group, would the board consider it timely to carry out a strategic review to assess the core competencies of the group, its management and its financial strength and to fine-tune its strategy so as to create long-term sustainable value for all the shareholders?**
- In addition, can the independent directors provide shareholders with an assessment of the performance of the group?**

2. Mr Lee Teong Sang and Mr Tito Shane Isaac have served as Independent Directors of the Company for more than nine years.

Mr Lee and Mr Isaac were first appointed to the board on 16 September 2004 and on 30 August 2006 respectively. Accordingly, Mr Lee and Mr Isaac have served on the board for more than 13 years and more than 11 years.

The nominating committee (NC) comprises Tito Shane Isaac (as chairman), Lee Teong Sang and Ong Kian Soon.

- (i) Can the NC confirm that no director was involved in the review of his own independence?**

As recommended by Guideline 2.4 of the 2012 Code of Corporate Governance, the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review.

- (ii) Can the nominating committee (NC) explain in greater detail if a particularly rigorous review was carried out to assess the independence of the long tenured directors?**

On page 12, the board has stated the following:

To plan for Board renewal and succession, and also to ensure progressive refreshing of the Board, the NC has adopted practices which includes a retirement schedule and a rigorous review of the appointment and independence of Directors who have served on the Board for more than nine years.

- (iii) Notwithstanding that the NC has determined that all three directors are independent, and with the appointment of Mr Lee Seng Chan as independent director on 1 July 2011, can the board elaborate further on the near-term plans and the “retirement schedule” to refresh the board membership progressively and in an orderly manner, to avoid losing institutional memory?**

3. In the Remuneration section of the Corporate Governance Report, the level and mix of remuneration for executive directors was stated as follows:

Executive Directors are paid a basic salary, allowances and performance-related bonus for their contributions. The performance-related bonus was payable based on both qualitative and quantitative performance criteria. Qualitative criteria included leadership skills, people development, commitment and teamwork. Quantitative performance conditions measure the achievement of individual and corporate performance targets such as sales and profitability targets. The performance-related element of the remuneration is designed to align interests of Executive Directors with those of shareholders and link rewards to corporate and individual performance. In view of the challenging market and decrease in customer demand, the Group was not profitable in FY2018. Save for the abovementioned, the RC has reviewed and is satisfied that the corporate performance targets have been met for FY2018.

- (i) Can the remuneration committee (RC) elaborate further on how it had measured the qualitative and quantitative performance criteria?**
- (ii) Specifically, what is the basis of awarding the executive directors bonuses of 7% (of their remuneration package) when the group has been making losses for years?**



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(iii) Can the RC confirm that the bonuses paid out are “performance-related” bonuses to reward and motivate the executive directors for their “contributions”?

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=226

The company’s response could be found here: -----