Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Hi-P International Limited

Stock code: H17

Meeting details:
Date: 15 June 2020
Time: 2.30 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q1. As noted in the chairman's statement, the group made a strategic acquisition in 2019 with the purchase of 100% in South East Asia Moulding Company Pte. Ltd. ("SEAMCO"), a manufacturer of high-volume and high-precision engineering plastic components.

As stated in the annual report, SEAMCO is synergistic with the group's businesses and is strong in processing ultra-precision thermoplastic and thermoset components for a specific product category. This also widened the group's client base to include a renowned blue chip multinational customer.

(i) **Has SEAMCO's integration with the rest of the group completed?**

(ii) **Can management help shareholders understand the opportunities to cross-sell?**

(iii) **Can the board elaborate further on the group's acquisition strategy? Would the focus be to acquire technology and capabilities, access to certain sectors/industries, enlarge its customer base or to expand to new geographic areas?**

Q2. The tension between nations dominated the headlines for much of FY2019. Not only had it impacted the overall business environment, businesses are having a rethink about their global supply chain.

The group has 13 manufacturing plants globally located across five locations in the People's Republic of China (Shanghai, Chengdu, Xiamen, Suzhou and Nantong), Poland, Singapore and Thailand.

(i) **For the benefit of new shareholders, can management help shareholders understand the production capability and capacity of the different plants?**

(ii) As noted in the chairman's statement, the group grew its manufacturing capacity in Thailand in 2019. **What other major adjustment has the group made to its workflow and processes to minimise the impact of the tradewar and to offer alternatives to its customers?**

(iii) **With the trade war and the COVID-19 pandemic as headwinds, has the group further finetuned its long term plans, including the pace of adopting Industry 4.0 and increase capacity beyond China? If so, what are they?**

(iv) Gross profit margin increased from 5.2% in FY2015, to 11.9% in FY2016 to 16.3% in FY2017, before slipping to 14.6% in FY2018. In FY2019, the gross profit margin declined further to 13.7%. **How does management ensure that the group maintains/improves on its profit margin given the constant price pressure from the customer and the intense competition in the market?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q3. Would the board provide shareholders with better clarity on the following governance issues? Specifically:

(i) **Attendance:** The attendance of directors at the board, board committee and shareholder meetings is shown on page 10 and reproduced below:

During the year under review, the Board held four meetings and the attendance of each Director at the said meetings is set out below:-

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee		General Meetings[1]
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	
Mr. Yao Hsiao Tung	4	4	-	-	-	-	-	-	2
Madam Wong Huey Fang	4	4	-	-	-	-	-	-	2
Mr. Yeo Tiong Eng	4	4	-	-	-	-	-	-	2
Mr. Chester Lin Chien	4	4	4	4	2	2	1	1	2
Madam Leong Lai Peng	4	3	4	3	2	2	1	1	0
Mr. Gerald Lim Thien Su	4	4	4	4	2	2	1	1	2
Mr. Seow Choke Meng[2]	-	-	-	-	-	-	-	-	-
Mr. Ho Kheong Chun[3]	-	-	-	-	-	-	-	-	-

(Source: company annual report)

As noted in the table, Madam Leong Lai Peng was absent from the general meetings held on 29 April 2019. In fact, Madam Leong has not attended the shareholder meetings for 3 consecutive years, from 2017-2019. Madam Leong has also missed board meetings and audit committee meetings.

Would the board help shareholders understand if there were extenuating circumstances that led the director to miss the general meetings from 2017-2019?

As the general meeting is an important platform for shareholders to engage directors, how can the company work together with the directors to ensure that all directors attend the general meetings?

(ii) **Nominating committee ("NC"):** The NC comprises three directors, namely Mr. Chester Lin Chien (chairman), Madam Leong Lai Peng and Mr. Gerald Lim Thien Su. As all three members of the NC have served on the board for more than 9 years, their independence was subjected to review by the NC. On page 14, the company has stated the following:

> *The NC had reviewed the independence of Mr. Chester Lin Chien, Madam Leong Lai Peng and Mr. Gerald Lim Thien Su and was of the view that Mr. Chester Lin Chien, Madam Leong Lai Peng and Mr. Gerald Lim Thien Su had demonstrated strong independent character and judgment in discharging their duties and responsibilities as Independent Directors over the years… Mr. Chester Lin Chien, Madam Leong Lai Peng and Mr. Gerald Lim Thien Su had each abstained from the discussion and taking a decision in respect of their own independence.*

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Can the NC elaborate further on how it had carried out the review of the independent directors? Was it done in a round-robin format where Mr. Chester Lin Chien and Madam Leong Lai Peng evaluated Mr. Gerald Lim Thien Su, and then Madam Leong Lai Peng and Mr. Gerald Lim Thien Su reviewed Mr. Chester Lin Chien and finally Mr. Gerald Lim Thien Su and Mr. Chester Lin Chien assessed Madam Leong Lai Peng?

Considering that all three NC members are subject to the review of their independence, how effective was the NC in discharging its duties?

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)