



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: Kingboard Copper Foil Holdings Limited

Security: Kingboard Copper Foil Holdings Limited

Meeting details:

Date: 29 April 2019

Time: 9.30 a.m.

Venue: The Pinnacle Suite, Wangz Business Centre, 7 Temasek Boulevard, The Penthouse, #44-01 Suntec Tower One, Singapore 038987

Company Description

Kingboard Copper Foil Holdings Limited is an investment holding company. The Company has two operating divisions, which are polyvinyl butyral (PVB) business and license business. PVB business includes manufacturing and trading of PVB and related products, and License business includes earning license fee income from its licensed assets. Its subsidiaries include Blue Atlas Limited, Hong Kong Copper Foil Limited, Fogang Kingboard Industry Ltd, Kingboard Chemical Investment Limited, Kingboard Chemical Investment (Hong Kong) Limited, Chung Shun Copper Foil (MCO) Limited, Kingboard (Fogang) Specialty Resins Limited, Kingboard (Lianzhou) Copper Foil Ltd and Jiangxi Hong Feng.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=K14)

Q1. As noted in the chairman’s statement, the licensing agreement with Harvest Resource Management Limited, as the counterparty, was renewed on 30 August 2017 and would expire at the end of the two year renewal term, in August 2019. The company has stated that this will ensure a steady stream of license fee to be received by the group.

- (i) Has management started the negotiation with Harvest Resource?**
- (ii) Has the board considered a review to assess the strategic value of the properties, inventory and machinery?**
- (iii) Would it be prudent for management to look into other options, such as an open tender or a sale, to see how best it could monetise the asset for shareholders?**
- (iv) Would management be reviewing the licensing fees of HK\$120 million? Should the board be seeking independent valuer to obtain independent advice on the fair value for the assets?**

Q2. As can be seen from the Statements of financial position, the group has cash and bank balances of HK\$1.77 billion and other assets (licenced inventory comprises mainly copper and copper foil) of HK\$659 million (page 35), making up the bulk of the group’s net assets of HK\$2.88 billion.

With total liabilities at just HK\$111 million, the group is well capitalised with HK\$2.77 billion in net equity.

- (i) Have the board deliberated on the optimal capital structure for the group, given the current growth plans and asset base?**
- (ii) What are the major capital investments needed for the group’s businesses in the next 1-2 years?**
- (iii) Has management carried out a cash flow projection and estimated the net cash inflow?** In the past two years, the net cash generated from operating activities amount to HK\$243.4 million.
- (iv) Would the board consider if it is opportune to declare a special dividend/capital reduction to right-size the balance sheet if the excess cash on the balance sheet cannot be deployed meaningfully to generate sustainable long term returns?**

Q3. In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”) and under the revised Listing Rules, the requirement for independent directors to comprise one-third of the board come into effect on 1 January 2022. In addition, the term of an independent director will be limited to nine

years after which the long tenured directors will be subject to a two-tier vote by shareholders.

The board comprises 5 members, including two independent directors. Mr Ong Tiong Wee was appointed 16 November 2001 while Mr Chim Hou Yan was appointed on 23 February 2009. Both have served on the board for more than 9 years.

- (i) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) What is the search and nomination process for directors, especially independent directors? Would the nominating committee (NC) consider carrying out formal search through a professional search firm as it might increase the diversity and possibly the quality of its candidate pool?**
- (iii) Has the NC reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed by new director appointments?**
- (iv) Given that the board does not have independent directors making up half the board, what are the company's other near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?**
Doing so would avoid undue disruption and maintain institutional knowledge and continuity in the board.

[Afternote: The company is the target of a voluntary unconditional cash offer by Excel First Investments Limited at an offer price of \$0.60 in cash per share.]