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**Issuer:** Sunningdale Tech Ltd

**Security:** Sunningdale Tech Ltd

**Meeting details:**

Date: 10 April 2019

Time: 10.00 a.m.

Venue: Swissotel The Stamford, SKAI Suite, Level 69, 2 Stamford Road, Singapore 178882

**Company Description**

Sunningdale Tech Ltd. manufactures and sells dies, tools, jigs, fixtures, high precision steel moulds, and plastic products. The company operates through four segments: Automotive, Healthcare, Consumer/IT, and Mould Fabrication. The Automotive segment produces faceplates for automotive audio systems and climate controls, speedometers/clusters, steering switches, exterior antenna covers, etc. The Healthcare segment produces scoops, caps, and drug delivery and diagnostic devices. The Consumer/IT segment produces IT, consumer, and telecommunication products, including point-of-sale terminals, water filtration products, grooming products, inkjet cartridges, etc. The Mould Fabrication segment designs and manufactures moulds that are used in the manufacture of plastic injection parts. The company is also involved in the trading of car audio equipment; manufacture of plastic products in video front panels, office automation products, and subassembly of paper feeders for printers and computer components; contract manufacturing of assembled plastic products; and manufacture and sale of precision engineering components, as well as painted and laser etched plastic parts. In addition, it provides technical consulting services. The company offers its products to national corporations and original equipment manufacturers in Singapore, Malaysia, the People's Republic of China, the Americas, Europe, and internationally. Sunningdale Tech Ltd was incorporated in 1995 and is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=BHQ](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BHQ))

1. As noted in the Chairman's message, the group, as a plastics component provider into the worldwide supply chains of original equipment manufacturers, is expected to continue be pressured on pricing/margin as customers themselves are affected by shifts in global demand and fast-changing consumer sentiment.

The strategies of the group to deliver long-term value to shareholders include:

- Developing more solutions-oriented processes to engage our customers earlier in their product development process
  - Effective management of cash flows and profit (including phasing out low-margin projects)
- (i) Would the board help shareholders understand the group's "solutions-oriented processes"? What are some of the examples where the group has been successful in helping the customers in their product development process? What are the expected financial benefits (e.g. improved margin, or certainty of winning the contract) of doing so?**
- (ii) Does the group carry out any proprietary research and development that would give its manufacturing and services an edge over its competitors?**
- (iii) To move up the value chain, how much of the current portfolio would eventually be phased out as these are low-margin products?**
- (iv) Has the board provided guidance to management with regard to the targeted profit margin?**
- (v) From the analysis of the group's core earnings, it can be seen that foreign exchange gain/loss played a major part in the financial results. While revenue has been steady in FY2017 and FY2018 at about \$725-\$728 million, the foreign exchange gain was \$657,000 in FY2018 while the foreign exchange loss in FY2017 was \$10.6 million (more than 15x higher).**

	FY2018	FY2017	+ / (-)
	\$'000	\$'000	%
Profit for the year reported	29,758	31,360	(5.1)
Adjustments:			
Foreign exchange (gain)/loss	(657)	10,647	n.m.
Gain on disposal of property, plant and equipment	(12,925)	(342)	n.m.
Allowance for / (reversal of) impairment loss on property, plant and equipment	552	(99)	n.m.
Transaction costs relating to acquisition of a subsidiary	260	-	n.m.
Retrenchment costs	3,926	367	n.m.
<b>Core earnings</b>	<b>20,914</b>	<b>41,933</b>	<b>(50.1)</b>

(Source: Company annual report)

**Would the board explain in greater detail how it monitors and manages its foreign currency risks? Specifically, in FY2017, what were the reasons for the \$(10.6) million loss in foreign exchange?**

2. In October 2018, the company issued its inaugural Sustainability Report for the financial year 2017, which has been prepared in accordance to Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Rule 711(B) and the Global Reporting Initiative ("GRI") Standards – 'Core' reporting requirements.

Having conducted a formal materiality assessment, the group identified the following three material matters, namely Occupational Health & Safety; Ethics, Bribery & Corruption and Waste Management.

**(i) Since the group started on its Sustainability reporting journey, can management cite any examples where the reporting of its sustainability practices led to better policies and processes that further raised the group's sustainability efforts?**

As disclosed in the sustainability report, the group's focus areas, targets and performance are shown below:

- Occupational Health & Safety:

Focus area	Perpetual target	FY2016 performance	FY2017 performance
Occupational health and safety	Zero accident rate	● Not achieved	● Not achieved

- Ethics, Bribery & Corruption:

Focus area	Perpetual target	FY2016 performance	FY2017 performance
Anti-corruption	Zero cases of corruption	● Achieved	● Achieved

- Waste Management:

Focus area	Perpetual target	FY2016 performance	FY2017 performance
Waste Management	Zero chemical spill	● Achieved	● Achieved
Waste Management	Zero cases of improper disposal of waste	● Achieved	● Achieved

- (ii) Would the board/Sustainability Steering Committee be gradually adding more focus areas and/or targets?** For instance, under Waste Management, the group could have targets to reduce the actual amount of waste generated (per dollar revenue).

In addition, in the area of Occupational Health & Safety, the group has experienced higher Workplace Injury Rate and Accident Severity Rate. The Occupational Disease Incidence Rate is also high, with 24-27 cases of Noise-induced deafness in FY2016 and FY2017.

- (iii) Can the senior management team help shareholders understand how it leads the organisation in raising awareness of Occupational Health & Safety, i.e. tone from the top? Is the board committed to improving the working environment so that the Occupational Disease Incidence Rate is significantly reduced?**

3. As noted in the Corporate Governance report (page 27), Mr. Gabriel Teo Chen Thye, Mr. Kaka Singh and Mr. Ong Sim Ho have each served as independent director of the company for more than nine years since their initial appointment.

Mr. Teo, Mr. Singh and Mr. Ong were all appointed to the board on 18 July 2005. Each of Mr. Teo, Mr. Singh and Mr. Ong would have served on the board for more than 13 years.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, 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.

- (i) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**

The nominating committee (NC) has disclosed that it may “tap on the directors’ contacts and recommendations of potential candidates and goes through a short-listing process” when there is a need to appoint new directors. The NC may also use an executive search firms where necessary.

On 1 June 2017, Mrs Eileen Tay-Tan Bee Kiew was appointed as an independent director of the company. Mrs Tay was a partner in KPMG, the Chief Finance Officer of Sunningdale Tech Ltd (from February 2007 to March 2008) and its advisor from April 2008 to March 2017.

- (ii) Can the NC elaborate in greater detail the circumstances that would lead it to approach independent search companies to identify potential candidates to be appointed as independent directors?**
- (iii) Has the NC evaluated if the use of an independent search company for directors may enable the board to cast its net wider and further improve the diversity of the candidate pool?**
- (iv) Following the appointments of Mrs Tay and Mr Loke, 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?**

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

<https://sias.org.sg/qa-on-annual-reports/?company=Sunningdale%20Tech%20Ltd&cid=6296,4510>

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