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Issuer: Teckwah Industrial Corporation Ltd

Stock code: 561

Meeting details:

Date: 18 June 2020

Time: 10.00 a.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.

Q1. As noted in the chairman’s message, FY2019 was a year where the group expanded beyond its traditional markets and geographical areas. Revenue increased by 5.3%, mainly due to higher revenue from the new Lifestyle segment. Operating profit before tax increased to \$13.3 million, higher by 16.8% from \$11.4 million earned in FY2018.

Would the board/management provide shareholders with greater clarity on the following operational/financial matters? Specifically:

- (i) **Packaging Printing:** The group invested in new machinery with in-line UV finishing to provide customers with a greater spectrum of high sophistication solutions. **For the benefit of new shareholders, can management help shareholders understand the packaging printing services offered by the group? What are the profiles of its major customers?** From FY2017-FY2019, (total) segment revenue has been stable at \$122-125 million. Segment results were \$3.50 million, \$(62,000) and \$1.45 million (pages 173 & 174). The average segment profit was 1.3% over the three years, before finance costs. **What is the group’s hurdle rate used in its capital expenditure investment decisions?**
- (ii) **Smart Logistics Centre (120,000 sqft):** Projected to be completed in early 2021, the “smart warehouse” will consolidate the various logistics operations into a new facility that incorporates the use of Robotic Process Automation. Coupled with optimal space utilisation with vertical storage systems and autonomous mobile vehicles, this re-engineered logistics centre will allow the group to take up complex and integrated logistics projects in the future. **What is the amount of capital expenditure earmarked to set up the Smart Logistics Centre? Can management help shareholders understand how revolutionary this is? Who are the potential customers and what projects can the group take on with the new Smart Logistics Centre?**

Q2. On 1 April 2019, the company announced the proposed acquisition of Profoto Digital Services Pte. Ltd. (“PDS”) which is in the business of providing digital graphic prints, event set-ups, window display and project management services. As disclosed in the announcement, PDS’ customers are mainly in the fashion and beauty industry, as well as in shopping malls.

The acquisition was completed in FY2019 and the new lifestyle segment contributed \$13.1 million in revenue and \$0.8 million in profit before tax (page 29 – Financial highlights).

- (i) **Since the acquisition, has the group managed to up-sell/cross-sell to its customers?**
- (ii) **Does the acquisition mean that the group is more exposed to the retail sector (e.g. window display, digital graphic prints, shopping malls)?**

- (iii) **How badly affected is the new Lifestyle business given that retail and mall activities are severely restricted during this period due to the pandemic?**
- (iv) **In view of the COVID-19 outbreak and the shift to e-commerce, what is the board's assessment of the long-term growth trajectory of the Lifestyle business?**
- (v) **In the acquisition, the vendor provided a profit guarantee of \$1.251 million for FY2019. Was the profit guarantee for FY2019 met?**

Q3. The attendance of directors at board and board committee meetings is shown in the table below (page 39).

In the year under review, the number of Board meetings and Board Committees meetings held and attended by each member are as follows:

Name	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	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
Thomas Chua Kee Seng	4	4					1	1
Ng Nai Ping	4	4						
Mai Ah Ngo	4	4						
Lee Chee Sit*	1	1			-	-		
Peter Chan Pee Teck	4	4	4	4			1	1
Lim Lee Meng	4	4	4	4	1	1		
John Lim Hwee Chiang	4	3	4	3	1	1	1	1
Gerard Tan Wee Seng	4	4	4	4	1	1		

(Source: company annual report)

- (i) **Would the company also disclose the attendance of directors at shareholder meetings?**

In 2019, Mr John Lim Hwee Chiang attended three out of the four board meetings and three out of the four audit committee meetings.

In 2017 and 2018, each of Mr John Lim Hwee Chiang and Mr Peter Chan Pee Teck attended 3/4 board meetings and 3/4 audit committee meetings in both years.

In 2016, Mr John Lim Hwee Chiang, as chairman of the remuneration committee ("RC"), did not attend the only RC meeting held in the year. Mr Peter Chan Pee Teck attended 3/4 board meetings and 3/4 audit committee meetings and missed the only nominating committee ("NC") board meeting held in the year. Mr Peter Chan Pee Teck is the chairman of the NC.

The company has stated that the dates of board and board committee meetings are scheduled up to one year in advance “to facilitate directors’ attendance at meetings”.

- (i) **Would the board help shareholders understand if there were extenuating circumstances that led directors to miss the board and board committee meetings in the past 4 years?**
- (ii) **How can the company secretary work with the directors to ensure better attendance of directors at the meetings?**
- (iii) **As the lead independent director, would Mr Chan be holding himself to a higher standard of corporate governance and to lead by example?**

^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](#)

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[^] 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>)