Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
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www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Vicplas International Ltd

Stock code: 569

Meeting details:
Date: 28 Nov 2024
Time: 3.00 p.m.
Venue: Devan Nair Institute for Employment and Employability, Event Hall 1 (Level 1), 80 Jurong East Street 21, Singapore 609607

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Q1. For the financial year ended 31 July 2024, the group recorded revenue of $102.4 million, a decline of 20.8% from a year ago, mainly due to lower revenue from the medical devices segment. Loss for the year was $(1.36) million, compared to a profit of $4.2 million in the prior year.

Notably, the medical devices segment saw revenue drop by 30.3% to $63.1 million and reported a loss of $(4.2) million, compared to a profit of $3.4 million in FY2023. This decline was attributed to:

- customers reducing post-pandemic inventory levels, a trend observed since the second half of FY2023
- elevated operating costs linked to the Changzhou plant expansion, new business development, and the start-up of the new Mexico facility

(i) Could management provide a detailed update on the progress of the new plant in Mexico? What is the current status of facility readiness, and when is production expected to commence?

(ii) How does management assess the risk of potential tariffs on exports to the United States? What is the projected impact on the plant's profitability and the group's overall supply chain strategy?

(iii) With nearly $20 million invested in non-current assets in Mexico, does management consider the heavy investment phase to be over?

(iv) Can management provide insights into the Changzhou expansion? What key enhancements have been made in terms of floor space, new manufacturing lines, and technological capabilities? When is the expansion expected to be fully operational?

(v) Similarly, given the heightened geopolitical tension, how does the board evaluate the potential impact of new or increased tariffs on the group's operations in China?

(vi) Can management provide an update on the progress made in acquiring new customers, particularly in the medical devices segment?

Total headcount for the group increased by 14% to 1,001 employees as at 31 July 2024 despite the decline in revenue. In particular, the headcount in China has increased from 600 as at 31 July 2023 to 721 as at 31 July 2024, an increase of 20%.

(vii) Could management help reconcile the significant increase in staffing levels with the decline in revenue, especially in relation to the medical devices segment in China?

(viii) The group's greenhouse gas emission intensity has increased across both the medical devices and the pipes & pipe fittings segments. **Could management**

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elaborate on the reasons behind this rise? What specific initiatives are being implemented to address and reduce emission intensity?

Q2. In the remuneration report, the company states that it adopts a remuneration policy for staff that is primarily performance based.

FY2022

The remuneration paid to the top five key management personnel, including the Group Chief Executive Officer for FY2022, are set out below:

Remuneration band Name of top five key management personnel including the Group Chief Executive Officer	Salary	Bonus	Other Benefits	Total Remuneration
	%	%	%	%
S$500,000 to S$749,999				
Walter Tarca[a]	62	33	5	100
Cheng Liang[b]	65	30	5	100
S$250,000 to S$499,999				
Gan Ying Hui	61	32	7	100
Toon Chin Liang, Aiken	61	32	7	100
Cheng Hsheng	59	26	15	100

Notes:

(a) Mr. Walter Tarca was appointed as Group Chief Executive Officer on August 1, 2022. He is also the President of the medical devices segment.

(b) During FY2022, Mr. Cheng Liang was the Group Chief Executive Officer. Mr. Cheng Liang stepped down as Group Chief Executive Officer on July 31, 2022, and continues as Managing Director for the pipes and pipe fittings segment.

The aggregate remuneration paid to the top five key management personnel including the Group Chief Executive Officer (who are not directors) for FY2022 is approximately S$2,177,000.

FY2023

The remuneration paid to the top five key management personnel including the Group Chief Executive Officer for FY2023 are set out below:

Remuneration band Name of top five key management personnel including the Group Chief Executive Officer	Salary	Bonus	Other Benefits	Total Remuneration
	%	%	%	%
S$500,000 to S$749,999				
Walter Tarca	63	31	6	100
Cheng Liang	62	33	5	100
S$250,000 to S$499,999				
Gan Ying Hui	63	31	6	100
Toon Chin Liang, Aiken	63	31	6	100
Cheng Hsheng	60	28	12	100

Notes:

The aggregate remuneration paid to the top five key management personnel including the Group Chief Executive Officer (who are not directors) for FY2023 is approximately S$2,298,000.

FY2024

The remuneration paid to the top five key management personnel including the Group Chief Executive Officer for FY2024 are set out below:

Remuneration band Name of top five key management personnel including the Group Chief Executive Officer	Salary	Bonus	Other Benefits	Total Remuneration
	%	%	%	%
S$500,000 to S$749,999				
Walter Tarca	70	24	6	100
Cheng Liang	64	31	5	100
S$250,000 to S$499,999				
Gan Ying Hui	65	29	6	100
Toon Chin Liang, Aiken	65	29	6	100
Cheng Hsheng	59	29	12	100

Notes:

The aggregate remuneration paid to the top five key management personnel including the Group Chief Executive Officer (who are not directors) for FY2024 is approximately S$2,297,000.

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Over the past three financial years, the total remuneration paid to the top five key management personnel (KMPs) was $2.18 million in FY2022, $2.30 million in FY2023, and $2.30 million in FY2024. Despite a decline in profit from over $10 million in FY2021 to a loss of $(1.4) million in FY2024, the bonus component of KMP remuneration remained consistent at approximately 30% each year.

(i) For the benefit of shareholders, could the remuneration committee (RC) provide a detailed explanation of how the variable compensation for KMPs is adjusted in relation to the company's financial performance? In light of the recent decline in profitability, what specific criteria were used to justify the consistent bonus payouts, and how does this support the principle of pay-for-performance?

(ii) What is the weighting of different KPIs in the evaluation of KMP performance? How do financial metrics such as revenue growth, profitability, and return on equity compare in importance to non-financial metrics like customer satisfaction, strategic initiatives, and ESG compliance?

(iii) Can the RC provide clarity on how the current remuneration framework aligns with shareholders' interests and the group's long-term performance and value creation (Principle 7 of the Code of Corporate Governance 2018)?

Q3. Mr Ng Cher Yan will be retiring upon the conclusion of the forthcoming annual general meeting (AGM). Mr Ng Cher Yan was first appointed in May 2010.

Mr Yeo Wico was first appointed in June 2008. However, the company has stated that Mr Yeo Wico will be redesignated as non-independent chairman immediately after the conclusion of the AGM.

Mr Yeo Wico, who sits in all the board committees, is currently:
- the chairman of the board,
- a member of the audit and risk committee,
- a member of the remuneration committee,
- a chairman of the nominating committee (NC), and
- the chairman of the strategy committee.

(i) Could the board provide a detailed breakdown of the total shareholder return over the past 5, 10, and 16 years (since June 2008)?

(ii) Could the board elaborate on the specific competencies that make Mr Yeo Wico's continued presence critical to the board? Has the board conducted a skills gap analysis, and are there plans for a structured transition back to an independent chairman in line with current corporate governance standards?

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(iii) Would the redesignation of Mr Yeo Wico delay the progressive renewal of the board?

(iv) How did the NC deliberate on the board renewal/succession plans given that both independent directors (including the NC chair) are long tenured directors and the third member of the NC is a non-independent non-executive director? Are the NC members conflicted and what measures are in place to ensure objective decision-making?

In addition, in Note 6 Related party transactions (page 111), the company disclosed that the group paid legal fees of $50,000 to an entity in which a director is a partner. The amounts were $120,000 in FY2023, $146,000 in FY2022, $63,000 in FY2021, $151,000 in FY2020 and $294,000 in FY2019.

(v) For the benefit of shareholders, can the board/NC provide a detailed explanation of how they assessed that the provision of legal services by a director's law firm does not impair the director's independence? Given the recurring nature and significant value of these transactions, what criteria and safeguards were applied to ensure compliance with corporate governance standards? Have this relationship and the justifications been consistently disclosed in the company's annual reports since the inception of these legal services?

(vi) For greater transparency, would the board disclose the identity of the director and the law firm involved in the related party transactions?

Separately, on 22 January 2024, the company announced the appointment of Mr Yeo Kah Chong Mark Andrew as an independent director[1].

[1] https://links.sgx.com/1.0.0/corporate-announcements/WZSO3YUIIZWMOX0U/239f05bf377e0c19374ba028c6170a0e744f094349d8cb35c850b8b6e771c3b5

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CHANGE - ANNOUNCEMENT OF APPOINTMENT::APPOINTMENT OF NON-EXECUTIVE INDEPENDENT DIRECTOR AND MEMBER OF THE AUDIT AND RISK COMMITTEE

Date Of Appointment
22/01/2024

Name Of Person
Yeo Kah Chong Mark Andrew

Age
60

Country Of Principal Residence
Singapore

The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)
The Nominating Committee has recommended Mr Yeo Kah Chong Mark Andrew to the Board for appointment as a director. Mr Yeo has extensive experience in banking and finance, held senior corporate appointments and served as independent non-executive director of a SGX-listed company, business trusts and REIT.

After reviewing Mr Yeo's background and experience, the Board has concurred with the recommendation of the Nominating Committee and has approved the appointment of Mr Yeo as an independent non-executive director of Vicplas International Ltd.

Whether appointment is executive, and if so, the area of responsibility
Non-Executive

Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)
Non-Executive Independent Director
Member of the Audit and Risk Committee

(vii) Would the NC elaborate further on the rationale, selection criteria, board diversity considerations and search and nomination process, that led to the nomination and appointment of Mr Yeo Kah Chong Mark Andrew, as required in the SGX template?

(viii) While the board has stated that potential candidates may be identified by external channels or through contacts or recommendations, can the board confirm if Mr Yeo Kah Chong Mark Andrew was recommended by a current director? If so, how does the board ensure that the selection process remains independent and objective?

(ix) Given the impending redesignation of the chairman to non-independent status, his membership in all board committees (including two as board committee chair), and the recent appointment of a director potentially sourced through personal networks, how is the board ensuring a balanced governance structure, strong independent oversight, and diverse perspectives? What specific measures are being implemented to promote effective decision-making, mitigate risks of groupthink, and uphold best practices?

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