



Securities Investors Association (Singapore)

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Issuer: Medtecs International Corporation Limited

Stock code: 546

Meeting details:

Date: 29 April 2022

Time: 3.30 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.

Q1. As noted in the chairman's statement, the group's revenue decreased by 64% to US\$144.2 million due to an overall lower demand for personal protective equipment ("PPE") as most of the customers had already built up their PPE stockpile in the previous year.

With an increase in overall supply, the average selling price of PPE decreased, leading to lower net profit for FY2021 of US\$16.5 million. The group's performance was also affected by higher transportation costs, warehousing costs and marketing expenses. In addition, the group made a conservative move to recognise an inventory provision of US\$3 million in reserve preparation against possible fluctuations in PPE market price.

In FY2021, the group generated an operating cash flow of US\$29.8 million and is in a net cash position of US\$40.7 million.

- (i) **Can management help shareholders better understand the utilisation of the group's PPE production capacity for 2021? How has the lower demand for PPE impacted production capacity?**
- (ii) **How does the group differentiate itself from new competitors that entered the industry in the past two years? Given the commoditised nature of PPE, how does the group maintain/increase its prices and profit margin?**
- (iii) **In addition, is the group's B2C segment likely to "move the needle"? The group is focused on Amazon USA and other major e-commerce platforms in Taiwan.**
- (iv) **Can management provide shareholders with updates on the proposed tie-ups with:**
 - a. **Enimmune Co., Ltd., a biologics research and marketing company; and**
 - b. **Mytrex Health Technologies, Inc., a supplier of melt-blown non-woven material?**

Can the board help shareholders to better understand how these tie-ups, if proceeding, add value in terms of enhancing revenue and improving profit margins?

Q2. In addition, in his message to shareholders, the chairman disclosed that the company is exploring investments in the renewable energy sector *"to develop another growth driver"* for the group. He noted that Cambodia, the Philippines and Taiwan (where the group has its production bases) have adopted policies supporting renewable energy.

The company presently intends to focus on and evaluate the merits of solar power and energy storage services, including installation of solar panels in its existing factories.

- (i) Who is leading the due diligence on the company's diversification to renewable energy?
- (ii) Is there sufficient (technical) expertise and (management) bandwidth in the current management team and in the board to carry out a comprehensive due diligence?
- (iii) What is the level of involvement by the board in the proposed diversification?
- (iv) With no apparent synergy between renewable energy and the current core PPE business, how does the board assess the risk/reward ratio as the group ventures away from its core competence?
- (v) When will management complete its due diligence?

Q3. As noted in the corporate governance report, on an annual basis, the group's internal audit function prepares an audit plan taking into consideration risks identified and assessed from the risk management system.

- (i) Can the audit committee (AC) clarify if the internal audit function is in-house or outsourced? For shareholders' benefit, please provide details of the internal auditors/internal audit function, including the resources/number of staff, qualification and experience.
- (ii) What was the scope of the internal audit in FY2021?
- (iii) Were all the overseas operating entities included in the internal audit?

On page 48, the company disclosed the following:

*The group's internal audit function **follows up on all recommendations to ensure timely remediation of audit issues and reports the status** to the AC every quarter. The AC, having reviewed the adequacy of the group's internal control systems, is satisfied that effective internal controls were put in place and supported by a sound internal audit process and is of the view that the Group's internal audit function is independent, effective and adequately resourced [emphasis added].*

- (iv) Can the AC clarify if the internal auditors were also implementing its own recommendations?

- (v) **Can the AC confirm that the internal auditors had complied with the standards set by nationally or internationally recognised professional bodies, such as the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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](http://www.sias.org.sg)

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[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)