



## **MEDTECS INTERNATIONAL CORPORATION LIMITED**

(Incorporated in Bermuda)

### **Annual General Meeting to be held on 29 April 2022 – Responses to Substantial and Relevant Questions**

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The Board of Directors (the "**Board**") of MEDTECS INTERNATIONAL CORPORATION LIMITED (the "**Company**", and together with its subsidiaries, the "**Group**") would like to thank all shareholders who submitted their questions in advance of the Annual General Meeting of the Company to be held via electronic means on 29 April 2022 at 3.30 p.m. (the "**AGM**").

We have grouped the substantial and relevant questions received from shareholders as well as those raised by the Securities Investors Association (Singapore) under a few key topics. Please refer to our responses to these questions in the appendix below. Due to the overlaps in questions received, we apologise that we were unable to respond to all of the questions.

Following the conclusion of the AGM, the voting results of the AGM will be uploaded on the SGXNet. The minutes of the AGM will be published on the SGXNet and the Company's website at the URL <https://www.medtecs.com/medtecs-stock-information-for-investors/shareholders-resources/> on or before 29 May 2022.

Submitted by Mr Clement Yang, Executive Chairman, on 25 April 2022 to the SGX-ST.

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd. ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange").*

*This announcement has not been examined or approved by the Exchange. The Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact persons for the Sponsor are Ms Evelyn Wee (Telephone Number: +65 6232 0724) and Mr. Howard Cheam Heng Haw (Telephone Number: +65 6232 0685), R & T Corporate Services Pte. Ltd., at 9 Straits View, Marina One West Tower, #06-07 Singapore 018937.*

## **APPENDIX – RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

*Unless otherwise stated herein, all capitalised terms shall have the same meanings ascribed to them in the Company's annual report for the financial year ended 31 December 2021 ("FY2021").*

<b>A. Business Performance &amp; Operations</b>	
<b>1</b>	<p><b><u>Question</u></b></p> <p>(i) Can management help shareholders better understand the utilisation of the group's personal protective equipment (PPE) production capacity for 2021? How has the lower demand for PPE impacted production capacity?</p> <p>(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?</p> <p>(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.</p> <p>(iv) Can management provide shareholders with updates on the proposed tie ups with:</p> <p style="padding-left: 40px;">a. Enimmune Co., Ltd., a biologics research and marketing company; and</p> <p style="padding-left: 40px;">b. Mytrex Health Technologies, Inc., a supplier of melt-blown non-woven material?</p> <p>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?</p>
	<p><b><u>Response</u></b></p> <p>(i) Utilisation of production capacity was around 60~70% in the later part of 2021. In response to the lower demand for PPE amongst our customer base, certain of our workshops and production lines had changed from 2 shifts to 1 shift to reduce idle time. The Group further minimized the overall out-sourced production volume.</p>

	<p>(ii) Based on the Group management's understanding, most of the Group's competitors that began producing PPE in 2020 have scaled back their productions.</p> <p>As an experienced industry player for over 30 years, the Group is committed to achieving long-term sustainable business performance. Our priority is to maintain a steady output of products and to ensure uninterrupted service and delivery to our clients while maintaining an optimized stock level in case of a demand surge. To maintain our profit margin, we continue to strengthen our branding initiatives and to expand our portfolio of own-brand products and to work towards our goal to become Asia's go-to one-stop-shop for PPE needs and stockpiling solutions.</p> <p>(iii) The Group has performed well on the Amazon platform and Taiwan E-commerce platforms, with the Group's significant investment in marketing and advertising efforts in FY2020 and FY2021. Therefore, barring any unforeseen circumstances, on the information currently available to us, we remain cautiously optimistic about the performance of this segment.</p> <p>(iv) We have built a broad base of business engagements with Enimmune Co., Ltd., including cross-selling of products and referral of potential business prospects. We will continue to explore further business opportunities with Enimmune on this basis.</p> <p>We have been working with Mytrex to vertically integrate our mask operations in the Philippines. Mytrex successfully installed its production lines within the Company's production facilities in the Philippines, and have since been producing melt-blown non-woven material used as a filter in our face marks. The co-location of Mytrex's and Medtecs' production lines ensures the Group's product quality and minimises supply chain disruption.</p> <p>These partnerships are in line with our core strategies to build a vertically-integrated resilient supply chain and to expand the Group's product mix. We believe the Group will as a result increase revenue stream and cost-saving in the long run.</p>
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<b>B.</b>	<b>Business Diversification</b>
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2	<p><b><u>Question</u></b></p> <p><b>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.</b></p> <p><b>(i) Who is leading the due diligence on the company's diversification to renewable energy?</b></p>
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	<p><b>(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?</b></p> <p><b>(iii) What is the level of involvement by the board in the proposed diversification?</b></p> <p><b>(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?</b></p> <p><b>(v) When will management complete its due diligence?</b></p>
	<p><b><u>Response</u></b></p> <p>(i) Following the Company's announcement dated 11 February 2022, the Company has formed a Task Force on Growth Initiatives to assess challenges and the Company's capacities to execute growth strategies and is assessing entry into the renewable energies sector as a potential sustainable opportunity for the Group. The Task Force will be leading the feasibility studies and due diligence for the same. The Task Force currently comprises the CEO and senior executives of the Group and will include external consultants, if necessary.</p> <p>(ii) The Group is still at the exploration stage so there is minimum manpower required and the Board believes the current management team has sufficient bandwidth to carry out the due diligence required. As mentioned above, we may also engage external consultants to boost our technical expertise in this area, at the appropriate juncture.</p> <p>(iii) The Board has been briefed by the Company's management team of the Company's intention to foray into this sector and will be reviewing projects as and when they materialise to provide guidance and approval to ensure the proposed diversification will not adversely impact shareholders' long-term interest and the Group's sustainability.</p> <p>(iv) This is in line with the Group's focus on pursuing strategic development to future-proof its market position and long-term growth in a post-COVID era. The Company is of the view that exploring renewable energy sector allows the Group to keep pace with sustainability trends and by potentially investing in renewable energy together with external strategic partners, the Group can meet the requests from our clients for more green manufacturing in the future. Further, whilst the PPE and the renewable energy sectors seem to have little in common, the Company believes that it will benefit from the Group's core competencies, being the</p>

	<p>Group’s well-established presence in Taiwan, Cambodia and the Philippines, the strong local networks, as well as a deep understanding and appreciation of the relevant socio-economic factors and regulatory environment in these regions. We believe these core competencies will help mitigate the potential risks involved in the renewable energy sector. For example -</p> <p>The solar technology is mature in Taiwan. Tapping into local connections, we have identified an experienced team that can provide us with turn-key solar power solutions, which may mitigate potential operational risks relating to solar power and energy storage services.</p> <p>The world is shifting to renewable energy and government policies are in place to promote growth of the industry. We envision in the early days the Group’s focus will be on Taiwan, Cambodia, and the Philippines, with the possibility to expand to other ASEAN countries. As mentioned above, we have been operating in Taiwan, Cambodia and the Philippines for a long time, and are familiar with the local laws and regulations, as well as political climates. We’re confident in our ability to manage country-specific regulatory risks.</p> <p>In conclusion the Management (with the concurrence of the Board) considers growth in the renewable energy sector to be accelerating, and the Group’s diversification into this sector likely can provide another growth driver as concern for climate change and support for environmental, social, and governance (ESG) considerations grow and demand for greener energy increases worldwide.</p> <p>(v) It is an ongoing process but barring any unforeseen circumstances, we expect to substantially complete preliminary due diligence in or around the last quarter of 2022.</p>
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**C. Internal Control**

<p><b>3</b></p>	<p><b><u>Question</u></b></p> <p><b>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.</b></p> <p><b>(i) Can the audit committee (AC) clarify if the internal audit function is inhouse or outsourced? For shareholders’ benefit, please provide details of the internal auditors/internal audit function, including the resources/number of staff, qualification and experience.</b></p>
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<p><b>(ii) What was the scope of the internal audit in FY2021?</b></p> <p><b>(iii) Were all the overseas operating entities included in the internal audit?</b></p> <p><b>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.</b></p> <p><b>(iv) Can the AC clarify if the internal auditors were also implementing its own recommendations?</b></p> <p><b>(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 recommendations?</b></p>
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<p><b><u>Response</u></b></p> <p>(i) The Internal Audit function comprises one In House Group Internal Auditor who is a member of the Institute of Internal Auditors in the Philippines. To ensure effective controls within the Group's business and processes, the Management separately has set up an Internal Control Department based in Taipei comprising 3 team members with relevant work experience and academic background to focus on internal controls in respect of the Group's overall operations and processes in support of the Group's Internal Audit function in identifying and address risk areas.</p> <p>(ii) For FY2021, the Group's Internal Audit function identified and focused on high risk areas in the risk matrix plan. The high risk areas were those which were considered as significant audit concerns, and covered the Inventory and Receivables. The Internal Audit function also covered areas such as the Hospital Operation, Disbursement and Revenue, which were in turn categorised as medium to high risk.</p> <p>The Internal Control Department performs process-based audits, covering key operating process like Financial, Internal Management, Fixed Asset Cycle, Information Technology, Payroll, Production, Procurement, Sales and Collection and Research &amp; Development.</p>
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	<p>(iii) Yes, all entities, being those incorporated or established in Taiwan, Cambodia and the Philippines, are included in the internal audit scope. The Group's Internal Audit function is under the direct supervision of the Audit Committee of the Board, which reviews the recommendation and subsequent action plan on each findings to ensure independent and effective controls.</p> <p>(iv) The Audit Committee has reviewed and was satisfied that the Internal Audit function has ensured that its recommendations had been properly implemented by the Group.</p> <p>(v) The Audit Committee has reviewed and was satisfied that the Internal Audit function is in compliance with international audit standards.</p>
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