Issuer: Metech International Limited
Security: Metech International Limited

Meeting details:
Date: 30 October 2017
Time: 10.00 a.m.
Venue: 65 Tech Park Crescent, Singapore 637787

Company Description

Metech International Limited, an investment holding company, provides recycling and processing services for the electronics industry. It operates through four segments: United States of America, Singapore, China, and Malaysia. The company offers recycling of electronic, electrical, and equipment waste; and recovery of precious metals, such as gold, silver, palladium, and platinum, as well as offers repair and reuse services. It is also involved in the trading of plastics and non-precious metal materials; refining and recycling of used components of computers and peripherals; and recycling other recyclable materials for subsequent reclamation, as well as purchases metal commodity for recycling and smelting, and repair and maintenance of computer hardware, data processing equipment, and computer peripherals. The company serves manufacturers, OEMs, multi-national enterprises, service providers, local government agencies, and communities. The company was formerly known as Centillion Environment & Recycling Limited and changed its name to Metech International Limited in May 2012. Metech International Limited was incorporated 2001 and is based in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=QG1)

Q1. As shown in Note 4 (page 66 of the annual report, reproduced below), revenue from the sale of goods increased by 2.5 times to hit $112.7 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

4 REVENUE

	Group	
	2017 S$'000	2016 S$'000
Sale of goods	**112,712**	32,596
Rendering of services	**7,750**	8,005
	120,462	40,601

(Source: Company annual report)

Revenue recognition is one of the two key audit matters highlighted in the Independent Auditors' Report. Key audit matters are those matters that, in the professional judgement of the Independent Auditors, were of most significance in the audit of the financial statements of the current period.

In the Message from Chairman (page 2), it was said that, from the group's two main businesses of Supply Chain Management ("SCM") and Electronic Waste Management ("EWM"), the SCM segment reported a revenue of approximately S$89m (up 557% from the previous year) whilst the EWM segment grew 16% to hit a revenue of about S$31m.

a) **Can management clarify why revenue is recognised as "Sale of goods" when the name of the segment (e.g. Supply Chain Management "SCM" business) suggests that the group is in the provision of services?**

b) **To give shareholders a better understanding of the group's businesses, can management describe in detail the two main businesses in the group, including an overview of the group's operations, how the group value-adds, the major customers, the key risks.**

While the increase in revenue was mainly attributed to the $89 million generated by the SCM business, it was said that the SCM business "takes place in China, currently only involving copper materials" (page 3). In Note 27 (page 94 – Operating segments), the segment revenue attributed to China is $13.8 million.

c) **Can management and the board help shareholders reconcile these statements? Are the operating segments (as shown in Note 27) a good representation of how the group manages its operations and structures its decision-making process?**

Q2. As shown in Note 13 (page 78 – Trade and other receivables), trade receivables increased by about 75% to $8.8 million as at 30 June 2017 (2016: $5.1 million). In addition, unbilled trade receivables amounted to $3.5 million as at 30 June 2017.

a) **Can management explain what led to the situation of having $3.5 million in unbilled trade receivables as at 30 June 2017?**

It was disclosed in Note 13(c) that subsequent to the financial year end, the group has fully billed the customers for the sales.

b) Is this practice in line with the group's risk management and internal controls policy?

Separately, in Note 13(a), it was disclosed that the credit period for trade receivables has been increased from "30 to 60 days" to "30 to 90" days terms.

c) Can the board tell shareholders if this was critically deliberated on and if this is in line with the group's credit risk policy?

Q3. As disclosed in Note 23 (page 89 – Fire incidents), the group has had two fire incidents at 65 Tech Park Crescent, Singapore in January 2015 and at Gilroy, California, United States of America in April 2016.

As the group adds new processing facilities and as the volume increases at its premises, the risks of such incidents happening again may increase.

a) Does the group have in place a robust Occupational Health and Safety System that is in line with international standards and complies with the local legislation on health and safety requirements?

b) To minimize any health and safety risk at the workplace, and also possibly disruption to the group's operations, how does the group ensure that health and safety standards are observed? How does management actively monitor the compliance of its health and safety guidelines and best practices?

c) Has the board considered the need to review the group's Occupational Health and Safety Standards following two fires in the past two years?