



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Colex Holdings Limited

Security: Colex Holdings Limited

Meeting details:

Date: 26 April 2019

Time: 10.00 a.m.

Venue: Conference Room, Level 1, 8 Tuas South Street 13, Singapore 637083

Company Description

Colex Holdings Limited is an investment holding company. The Company's segments include waste disposal and contract cleaning. The waste disposal segment is undertaken by the Company's subsidiary, Colex Environmental Pte. Ltd. and deals with waste disposal services for domestic, commercial and industrial waste, sale and rental of equipment to customers and repair of waste compactors. The contract cleaning segment is undertaken by the Company's subsidiary, Integrated Property Management Pte. Ltd., which provides cleaning services to industrial, commercial and residential properties. It specializes in waste disposal for a portfolio of clients, including commercial offices, shopping complexes, food courts, cineplexes, residential buildings and warehouses. The Company offers value-added services, which include the mechanized waste disposal vehicles and portable waste compactors. The principal activities of its subsidiaries are that of refuse disposal and contract cleaning.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=567)

1. As noted in the operations review, the group's major Jurong sector municipal waste collection contract first commenced in April 2006 and was renewed in April 2013 with a new 7-year term. The current 7-year contract worth \$139.8 million was awarded by the National Environment Agency (NEA) in 2013.

NEA will call for a tender for the Jurong sector in the second quarter of 2019. The group has been pre-qualified and will participate in the tender.

- (i) What preparation has the group made to be ready for the tender?**
- (ii) Given that the contract accounts for approximately half of the group's revenue from waste disposal, what is management's strategy for the tender?**
- (iii) Would management help shareholders understand if this is a price-only tender?**

2. Revenue for the financial year ended 31 December 2018 slipped 1.1% from \$70.1 million to \$69.3 million. The group managed to control its costs well, with staff costs and inventories/consumables costs dropping by 3.3% and 10.3% respectively. However, the group's profit after tax dropped by more than 31% from \$4.7 million to \$3.23 million.

This was mainly due to increases in "Other operating expenses" which went up from \$27.49 million to \$29.27 million, an increase of \$1.78 million.

The increases were mainly due to dumping fees increasing to \$19.93 million from \$ 18.43 million and distillate fees jumping to \$1.26 million from \$0.97 million.

- (i) Can management help shareholders understand the reasons for the increase in dumping fees and distillate fees? Was this due to the higher volume of waste? Are these fees regulated by NEA?**

The group had also introduced a Material Recovery Facility to sort out recyclable items from the municipal waste collection and the industrial and commercial waste business since 2014. Management has also stated that the recycling culture has yet to be nurtured.

- (ii) Has management evaluated what levers are available to the group to drive and promote higher recycling rate?**

3. The board comprises four members, including two independent directors. The two independent directors, Mr Lim Hock Beng and Mr Fong Heng Boo, are retiring by rotation pursuant to Regulation 104 of the Constitution at the forthcoming AGM and will seek re-election.

Both independent directors were appointed on 26 March 1999 just prior to the company's IPO on 19 April 1999. Accordingly, both directors have served on the board for more than 20 years as independent director.

The nominating committee (NC) has stated that, in its search for a suitable candidate, it would draw from contacts and the network of existing directors and can also approach relevant institutions such as the SID, professional organisations or business federations.

- (i) Would the NC help shareholders recall if the company has appointed an independent director to the board after it was listed?**
- (ii) Would the NC consider a formal search through a professional search firm as it might increase the diversity and possibly the quality of its candidate pool?**

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (iii) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (iv) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments, especially as the company is looking for new opportunities to complement its existing business?**
- (v) Given that the independent directors were all appointed in 1999 and that the composition of the board committee does not comply with the CG Code, what are the company’s near term plans to refresh the membership of the board to comply with the new 2018 Code in good time? Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Colex%20Holdings%20Ltd&cid=6365,4466>

The company’s response could be found here: -----