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

Stock code: 567

Meeting details:
Date: 17 June 2020
Time: 2.00 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.

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

Q1. On 23 October 2019, the company announced that the group had participated in the NEA tender for the licence to provide refuse collection services to domestic and trade premises in the Jurong sector in Singapore for a period of 7 years commencing 1 April 2020. The group was the incumbent for the past 14 years since 2006. It was disclosed that the group was not awarded the aforesaid refuse collection licence.

The company further added that the result of the tender is not expected to have any material impact on the consolidated net tangible assets per share and/or earnings per share of the Group for the financial year ending 31 December 2019.

(i) **Given that the group's licence ends on 30 March 2020, was it meaningful for the company to disclose that the loss of the licence was not expected to have any material impact on the group for the financial year ending 31 December 2019*?***

(ii) In November 2012, when the company announced the award by NEA, the company made a detailed announcement of the impact over the length of the licence period, as follows:

> *The award of the Licence is expected to have a material positive impact on the earnings per share and the net tangible assets per share of the Group for the **next financial year ending 31 December 2013** [emphasis added]. The provision of waste collection services for the Jurong sector is expected to contribute positively to the revenue of the Group **over the 7-year period of the Licence** [emphasis added].*

Did the board, especially the independent directors, review the announcement by the company dated 23 October 2019?

In the opinion of the board, would it be appropriate, or even expected of a listed company, to make announcements that would be balanced and fair and provide sufficient quantitative information to allow investors to evaluate its relative importance to the activities of the issuer? This would allow for a fair, orderly and transparent market. The requirements are set out as Appendix 7A Corporate Disclosure Policy in the listing manual.

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

In the chairman's statement, for the year in review, it was mentioned that "[t]he contribution from Jurong sector remains fairly constant and has helped to bolster the overall financial performance" (page 3 of the annual report). In the outlook section of the chairman's statement, the non-renewal of the NEA licence for Jurong was not mentioned.

(iii) **In the opinion of the directors, would it be appropriate for the chairman himself to update shareholders on the major developments (good or bad), so that shareholders can be assured that the chairman and the board have their focus on the significant issues?**

Q2. In the operations review, the group stated that it will divert "excess equipment and resources from the Jurong sector to capture more market shares (sic) for the industrial and commercial business" given the non-renewal of the Jurong sector contract.

As at 31 December 2019, the group has $20.26 million in property, plant and equipment, up from $18.9 million a year ago partly due to the adoption of SFRS(I) 16. The group added $2.14 million in PPE in 2019. The main components of PPE are:

- Leasehold land, building, site improvement and properties: $7.3 million
- Plant, equipment and containers: $5.3 million
- Motor vehicles: $7.7 million

(i) **How much of the group's PPE was used to support the Jurong sector contract?**

(ii) **What would be the utilisation rate of the group's PPE without the Jurong sector contract?**

(iii) **How successful is management at scaling up its private sector business in the industrial and commercial segment?**

(iv) **Would the group's PPE be tested for impairment? What would the objective evidence or indication that these assets may be impaired?**

(v) **Can management elaborate further on the efforts to scale up its Material Recovery business?**

(vi) **With the current COVID-19 outbreak, is the group receiving more enquires and getting more jobs for its contract cleaning?**

(vii) **How has the group been housing its foreign workers? How badly affected, if at all, is the group in its manpower during the pandemic?**

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

Q3. Provision 2.2 of the Code of Corporate Governance 2018 requires independent directors make up a majority of the board where the chairman is not independent.

In addition, Provision 2.3 provides that non-executive directors make up a majority of the board.

With regard to the two Provisions mentioned above, the company has stated the following:

> *All the Non-Executive Directors are Independent Directors who make up half the Board. Given the Board size of four, the two Independent Directors Director provide a good balance of authority and power within the Board. In addition, the NC, AC and RC which assist the Board in its functions is each chaired by an Independent Director. The Board is of the view that there is a strong independence element within the Board to justify the departure of the Board composition from the Code.*

The board comprises four members, two of whom are deemed independent (page 15). The independent directors, Mr Fong Heng Boo and Mr Lim Hock Beng, were both appointed on 26 March 1999. The NC, comprising of the two long-tenured non-executive directors and the executive chairman, conducted the review of the independence of Mr Fong and Mr Lim. On page 16, the company disclosed that "Mr Lim and Mr Fong have abstained from the NC and Board review of their independence".

Pursuant to Rule 710 of the SGX Listing Manual, where there are variations from the Provisions of the CG Code, the issuer must explicitly state the provision from which it has varied, explain the reason for variation, and **explain how the practices it had adopted are consistent with the intent of the relevant principle** [emphasis added].

(i) **Would the board elaborate with greater clarity how the deviations from Provisions 2.2 and 2.3 are consistent with the intent of the Principle?** Principle 2 states that the board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

(ii) **As the company has declared its commitment to "*ensuring and maintaining a high standard of corporate governance within the Company and its subsidiary companies*" (page 12), would the board be reviewing its current practices, especially the deviations from the Code, and make changes to its practices to better comply with the Code of Corporate Governance 2018?**

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

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

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

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)