



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Metech International Limited

Security: Metech International Limited

Meeting details:

Date: 31 October 2018

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 solutions for electronic, electrical, and equipment waste; and recovers precious metals, such as gold, silver, palladium, and platinum, as well as provides 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; recycling of other recyclable materials for subsequent reclamation; and purchase of metal commodity for recycling and smelting, as well as repair and maintenance of computer hardware, data processing equipment, and computer peripherals. Metech International Limited 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 in 2001 and is based in Singapore. (Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=QG1)

1. On 18 September 2018, the company announced the proposed disposal of the entire electronic waste management business to Belle Forte Limited and Eng Wah Len Andrew as an interested person transaction.

Belle Forte Limited is an investment holding company whose directors and shareholders are Simon Eng and Mdm Hau Chan Yen. Eng Wah Len Andrew is the chief executive officer and executive director of the company.

The consideration for the sale shares was a nominal sum of S\$1.00, which was arrived at arm's length, on a willing buyer and willing seller basis.

As noted, an independent valuation report was commissioned by the company.

- (i) Would the board help shareholders understand the roles the independent directors played in the valuation process?**
- (ii) How was the scope of the valuation determined?**
- (iii) How was the consideration of \$1 arrived at? Who led the "at arm's length" negotiation with the buyers?**

As disclosed in the valuation report, *"the fair value of the Entities based on the aggregated pro-forma financials is estimated to be approximately S\$NIL as at the Valuation Date."*

- (iv) Would the independent directors consider it appropriate to value the business and its assets on a "highest and best use basis"? The independent directors can also consider an earnings approach (instead of asset-based approach).**

In the announcement dated 18 September, the audit committee has opined that the proposed transaction is *"on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders"*.

- (v) Would the audit committee explain in greater detail what it means by "on normal commercial terms"?**

2. Should the proposed disposal of the entire electronic waste management business (EWM), the group will be left with the Supply Chain Management (SCM) business. In the financial year, the SCM segment, which is the general wholesale trading of copper cathode and products, saw its revenue drop from \$89.0 million to \$68.9 million in 2018.

The chairman had said in his message to shareholders that rising copper prices in the first eleven months of FY2018 (as compared to FY2017) put significant pressure on the group's metal trading position.

- (i) Would management elaborate further on the "significant pressure" put on the group by rising copper prices? As a market participant involved in the general wholesale trading business, would the SCM segment likely have a**

net-long exposure and should, on paper, benefit from rising prices? Did management take up a short position and suffer losses as the market moved against the short position, if any?

- (ii) Given that the SCM may become the group's sole core business if shareholders approve the sale of the EWM business, can the board/management help shareholders understand the value proposition of the group in the trading of copper cathodes and products? What is the business model and how will the group create long term sustainable value for all shareholders?**
- (iii) How much capital is required to operate and run the SCM business efficiently and profitably?**
- (iv) For the SCM operations, does management have a robust framework to mitigate the general risks associated with trading? How does the board monitor and mitigate market (price) risks, counterparty risks and currency risks? Has the board set an internal limit on the segment's gearing ratio?**
- (v) The theme of the 2018 annual report is "Paving the way for a sustainable future". It seems unusual that the theme of the annual report is on sustainability but the company has yet to produce a sustainability report. Under the SGX guidelines for sustainability reporting that was introduced in 2016, companies have up to 12 months from the end of the financial year to publish their first report, starting with any financial year ending on or after 31 December 2017. Can the board/management clarify if it will be publishing a full Sustainability Report, including the key material issues affecting the company, in accordance with Rule 711B? The company should also show how the material issues affect its business model and how the business model delivers long term value for its stakeholders.**

3. Would the board and/or the independent directors provide shareholders with better clarity on the following governance matters? Specifically:

- (i) Internal audit:** The company has an Internal Audit Unit that is responsible for the Company's Enterprise Risk Management and Internal Control System ("EnRiMICS") which was set up to manage the risk exposure of the company. It was stated that besides conducting periodic internal audit checks on entities within the group, the IAU is responsible to ensure that the current set of enterprise risks and internal control measures are up to date. **As the IAU also ensures the internal control measures are up to date, can the audit committee confirm that the IAU is fully independent of the activities it audits? Does the IAU carry out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors?**

(ii) **Attendance at board committee meetings:** The attendance of directors at board and board committee meetings is shown in the table below:

The following table shows the attendance of the Directors at the meetings of the Board and Board Committees in FY2018.

	Board	Audit Committee	Remuneration Committee	Nominating Committee
No of meetings held	4	4	2	1
Directors	Number of Meetings Attended			
Mr. Simon Eng	4	4 ¹	2 ¹	1 ¹
Mr. Andrew Eng	4	4 ¹	2 ¹	1 ¹
Mr. Derek Loh	4	4	2	1
Mr. Francis Lee	4	4	2	1
Mr. Ricky Sim	4	4	2	1

¹ Attended by invitation

(Source: Company annual report)

Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend the board committee meetings? Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings? What is the dynamics of the board committee meetings when the board committee members may be reviewing and discussing matters that are related to or affect the executive directors? Such board committee meetings would have included agenda items on performance assessment and remuneration of the executive directors and on the audit/financial reporting of the group. Do the invited directors also actively participate in the discussions during the board committee meetings?

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Metech%20International%20Ltd>

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