Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Reclaims Global Ltd

Security: Reclaims Global Ltd

Meeting details:
Date: 30 May 2019
Time: 10.00 a.m.
Venue: 10 Anson Road, #28-15 International Plaza, Singapore 079903

Company Description

Reclaims Global Ltd is a Singapore-based company specialized in the recycling of construction and demolition wastes. The Company operates through three main segments, namely recycling, excavation services, and logistics and leasing.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=NEX)

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Q1. As noted in the chairman's statement, the group's revenue increased by 14.7% to $31.6 million for the financial year ended 31 January 2019. The increase is the first since FY2016 when revenue was as high as $35.7 million.

In particular, recycling revenue dropped by more than half to just $5.5 million in FY2019 although the decrease was offset by the increase in revenue from excavation services (up 75% to $14.4 million) and logistics and leasing (up 48% to $11.5 million).

FINANCIAL
HIGHLIGHTS

Group	FY2019* S$'000	FY2019 S$'000	FY2018 S$'000	FY2017 S$'000
FOR THE REPORTING YEAR				
Revenue by segment:				
Recycling	5,504	5,504	11,505	12,241
Excavation services	14,422	14,422	8,264	7,205
Logistics and leasing	11,466	11,466	7,769	10,280
Others	198	198	4	51
Total revenue	31,590	31,590	27,542	29,777
Percentage of total revenue:				
Recycling	17.4%	17.4%	41.8%	41.1%
Excavation services	45.7%	45.7%	30.0%	24.2%
Logistics and leasing	36.3%	36.3%	28.2%	34.5%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6,091	3,447	6,349	6,411
EBITDA margin	19.3%	10.9%	23.1%	21.5%
Profit before income tax (PBIT)	3,438	794	3,641	4,088
PBIT margin	10.9%	2.5%	13.2%	13.7%
Net profit	2,914	270	3,196	3,676
Net profit margin	9.2%	0.9%	11.6%	12.3%

* Added back listing-related expenses amounting to S$2.6 million in profit or loss and reversing listing expenses (excluding share-based payment) amounting to S$0.8 million on statement of financial position, for illustration purpose only.

(Source: Adapted from company annual report)

Management has stated that the lower revenue from the recycling segment was due to less reinstatement and demolition works which resulted in less construction and demolition waste being recycled and sold.

(i) **Recycling: Can management help shareholders understand the strategic growth plans of the recycling segment? What were the reasons that the group reduced its reinstatement and demolition works? What are the major opportunities in the next 12-24 months?**

(ii) **Profitability:** Despite the significant increase in revenue in the excavation services and logistics and leasing segments, the combined operating result before interests and income taxes and other unallocated items ("ORBIT") was $3.1 million, up from $2.95 million from a year ago. **Would the**

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board/management help shareholders understand the reason(s) ORBIT for the two segments was flat despite the 48%-75% increase in segment revenue? What are management's plans to improve the group's profit margin?

(iii) Utilisation: Can management disclose the utilisation rate of its tipper truck fleet?

Q2. As disclosed in the offer document dated 1 March 2019, the executive directors, namely Mr Chan Chew Leh, Mr Tan Kok Huat and Mr Andrew Chew, are entitled to a monthly salary of $25,000, a fixed annual bonus of three months' salary and benefits such as car allowances.

Each of the executive directors is also entitled to an incentive bonus if profit before tax exceeds $4.0 million.

On page 143 of the offer document, the company has stated the following:

> *Had the Service Agreements been in existence since the beginning of FY2018, the aggregate remuneration paid to the Appointees would have been approximately S$1.2 million instead of S$168,000 and our profit before tax from continuing operations and profit from continuing operations, net of tax and total comprehensive income would have been approximately S$2.6 million (instead of S$3.6 million) and S$2.3 million (instead of S$3.2 million), respectively.*

In addition, earnings per share would have been 2.07c instead of 2.85 cents, and that the price-earning ratio would have been 11.13 times instead of 8.06 times had the service agreements been in place for FY2018.

(i) Would the board help shareholders understand how the roles of the executive directors would change following the company's listing?

(ii) Had the remuneration committee benchmarked the aggregate remuneration (approximately $1.2 million) to be given to the three executive directors to the group's size, complexity, revenue and earnings?

The profiles of the executive directors could be found on pages 4 and 5 although the company has not stated the roles and responsibilities of each executive director.

(iii) Would the board help shareholders understand the roles and responsibilities of each of the three executive directors? Is there significant overlap in the roles and responsibilities of the executive directors?

(iv) What are the performance indicators used to evaluate the performance of each of the executive directors?

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Q3. As disclosed in the Corporate Governance report, it is a requirement under Rule 406(3)(a) of the Catalist Rules for first-time appointees on boards of public listed companies in Singapore to attend formal training as prescribed under Practice Note 4D of the Catalist Rules.

The company has stated that three of the four independent directors (with the exception of Mr Jong Voon Hoo) do not have prior experience as directors of public listed companies in Singapore.

The directors, namely Mr Andrew Chew, Mr Chang Chi Hsung, Mr Joshua Tan and Ms Lim Hui Chee have attended all relevant modules of the Listed Entity Director programme.

(i) **When would the other directors, namely Mr Chan Chew Leh and Mr Tan Kok Huat, be attending the training?**

(ii) **How effective are the independent directors in constructively challenging management and in contributing to the group's strategic goals and policies?**

(iii) **In addition, given that three of the four independent directors have no prior experience as director of a listed company, does the board have the necessary experience and expertise to discharge their duties and responsibilities as the directors of a listed company?**