

Issuer: TEE International Limited

Security: TEE International Limited

Meeting details:

Date: 13 November 2017

Time: 3.00 p.m.

Venue: Carlton Hall, Level 2, York Hotel Singapore, 21 Mount Elizabeth,
Singapore 228516

Company Description

TEE International Limited, an investment holding company, engages in integrated engineering, real estate, and infrastructure businesses. The company's Engineering segment provides mechanical and electrical engineering services relating to large-scale and complex engineering, and infrastructure-related projects in the areas of plumbing and sanitary, fire protection, extra low voltage, integrated building management system, and plants and processes, as well as electrical, air conditioning, and mechanical ventilation. This segment is also involved in constructing commercial, industrial, and institutional buildings; converting existing buildings and facilities for new uses; offering turnkey approaches to the construction of infrastructure; and system development activities, including system definition, system deployment, and system development. Its Real Estate segment develops and sells residential properties; and invests in hotels and properties. The company's Infrastructure segment offers infrastructure solutions in the areas of water and energy related projects. The company has operations in Singapore, Thailand, Malaysia, Hong Kong, Australia, and New Zealand. TEE International Limited was founded in 1980 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=M1Z)

Q1. As noted in the Chairman’s Statement (page 3), the company was the target of a proposed scheme of arrangement by Oscar Investment Pte Ltd (“Oscar Investment”) in which Oscar Investment had proposed to acquire all the issued and paid-up ordinary shares in the capital of TEE International Limited.

At the scheme meeting held on 21 August 2017, the scheme was not approved by the requisite majority and TEE remains as a listed company on the SGX Mainboard.

In addition, the group sold a majority stake in its associated company CMC Infocomm Limited (“CMC Infocomm”) and kept a 4.9% interest in CMC Infocomm. The group has various entities such as the majority-owned listed subsidiary (TEE Land Limited) and the Thai-listed associated company (Chewathai Public Company Limited).

- a) **Given the corporate developments, shareholders would like to request the board and management to provide an update on the strategic direction of the group, including the plans for its listed entities. Would the company benefit from a more streamlined corporate structure given the relatively small scale of the group?**
- b) **Specifically, can the company help shareholders understand why it had retained a 4.9% interest in CMC Infocomm (now known as Yinda Infocomm)?**
- c) **Has management evaluated the group’s return for its investment into CMC Infocomm given the recent disposal?**

Q2. As noted in the Financial Review (page 7), the group reported a loss after tax of \$(1.0) million in FY2017 and loss attributable to owners of the company was \$(1.6) million in FY2017.

In the Group Chief Executive & Managing Director’s Message (page 4), it was said that the team had *“continued to deliver superior engineering services to our clients”* and *“earned high accolades from clients and consultants for timely delivery, as well as quality and safety for large-scale project...”*

- a) **Given the “strong competition from international contractors with deep financial backing and resources”, how does management ensure that the group is fairly compensated for the provision of its services to clients?**
- b) **Can management elaborate further on the targeted returns/margins for its Engineering projects?**

As noted on page 6, the total unfulfilled engineering order book totalled \$230 million as at 31 May 2017. The order books were \$420 million, \$455 million and \$324 million as reported in the 2014 Annual report, 2015 Annual report and 2016 Annual report respectively.

- c) **Can management let shareholders know how the Engineering business has adjusted to the smaller order book? What are the active steps taken to reduce the fixed costs and to improve profitability?**

Q3. On 11 October 2017, the company announced that there are material differences between the Unaudited Results (announced on 29 July 2017) and the audited financial statements for FY2017 (“Audited Results”).

Some of the reasons given for the material differences are summarised below:

- Recognition of fair value gain of \$163,000 on reclassification from investment in former associate to held for trading investment
- At the Group level, consolidation adjustments were made (i) to reclassify the TEE building from investment property as recorded by TEE Land to property, plant and equipment, (ii) to reverse TEE Land’s revaluation gain of \$900,000 and to reverse TEE Land’s reversal of provision for impairment loss of \$168,000 that were previously credited to Other Operating

Expenses and (iii) to record additional depreciation expense of \$116,000 under administrative expenses. TEE Building is substantially rented out to the Group entities.

- Adjustment to reflect variable bonus paid subsequent to financial year of \$1,120,000 to the appropriate financial year
- a) **As management is responsible for the preparation of financial statements to give a true and fair view in accordance with the provisions of the Act and FRSs, how can shareholders get the assurance from management that the financial statements are prepared in accordance with the provisions of the Act and FRSs?**
- b) **As the audit committee “review quarterly and full-year financial statements and announcements before submission to the Board for approval”, can the audit committee members explain their individual and collective efforts in the review of the full-year results for FY2017?**
- c) **As directors’ responsibilities include overseeing the group’s financial reporting process, can the board help shareholders understand how it has helped management to improve its financial reporting?**
- d) **Given that the group has various listed entities in different jurisdiction and have different external auditors for some of its local and overseas subsidiaries and associates, has the audit committee and the board evaluated if the financial reporting team is well resourced to deal with the complex corporate structure so as to meet the reporting requirements?**

A copy of the questions for the Annual Report for the financial year ended 31 May 2016 could be found here:

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

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