

**Issuer:** Intraco Limited

**Security:** Intraco Limited

**Meeting details:**

Date: 12 April 2018

Time: 10.00 a.m.

Venue: InterContinental Hotel Singapore, Bras Basah Room I/II, Level 2, 80 Middle Road, Singapore 188966

**Company Description**

Intraco Limited operates as an investment management company, Singapore, rest of ASEAN, and Greater China. It focuses on seeking out opportunities to expand its portfolio through strategic investments. The company operates through two segments, Projects and Trading & Others. It engages in the provision of passive fire protection products; color compounding and modified compounding of resins; and management and maintenance of 4G telecommunication infrastructure for the North East Line via its telecommunications infrastructure. The company also offers crane rental and other related services; and trades in and distributes plastic resin products. In addition, it sells conventional lighting products; and offers energy-savings, commercial wireless services, commercial wireless services; and supplies communications equipment to other service providers; and import, export, and wholesale of industrial materials, such as metals, plastics, petrochemicals, and rubbers. Further, the company is involved in the trade, marketing, and distribution of energy commodities; processing and trade of agricultural and food products, including frozen seafood and fertilizers; and management, operation, and mobile service of radio coverage systems, as well as in commission agency business. Intraco Limited was founded in 1968 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=I06](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=I06))

1. In the Chairman's Statement (page 6 of the annual report), the Chairman reminded shareholders that 2018 is the company's Golden Jubilee. All five businesses in the group reported positive underlying earnings, and the group achieved higher "adjusted earnings of S\$2.7m, the strongest in almost a decade".

In addition, the CEO had also referenced the "total group underlying earnings of \$2.7 million" (page 7).

- (i) **Can the Chairman and the CEO clarify how "adjusted earnings" and "total group underlying earnings" of \$2.7 million were obtained?**

Based on the Consolidated statement of profit or loss, the profit for the year stood at \$2.078 million (page 74) while the total comprehensive income for the year, as seen from the Consolidated statement of comprehensive income, was \$951,000.

- (ii) **Can the Chairman and the CEO help shareholders reconcile the adjusted earnings/ total group underlying earnings of \$2.7 million to the reported profits of \$2.078 million?**

2. The CEO has laid out the core principles that will support the group's two-pronged growth strategy, which are "to do fewer things better, by striving to be the best in class in each of the businesses we engage in"; and "to work actively with our subsidiary and associate companies and be their valuable resource and partner" (page 7).

On page 5, the company has also highlighted some of the milestones achieved by the company in the past 50 years. These included hitting an all-time market capitalisation of \$278 million in 1993, recording an all-time high revenue of \$918 million in 1995, and achieving an all-time high profit after tax of \$19 million in 1999. All these figures have not been adjusted for inflation.

For 2018, the group will be looking to expand the fire protection business regionally and to open up new markets for the plastics trading business.

Based on the consolidated statement of profit or loss, the group's core operating activities generated \$121.3 million in revenue and a profit of \$282,000 or a profit margin of 0.23% from the core operating activities. In FY2016, the group reported losses in the core operating activities.

- (i) **Can the company help shareholders understand the potential of the group's core operations, especially the fire protection business, which is a core focus of the group in FY2018?**
- (ii) **Similarly, can management help shareholders understand its value proposition in the plastics trading business?**
- (iii) **What are the prospects of IntraWave? Is management looking to scale up this business in the region?**
- (iv) **What are the targets, such as revenue, gross profit margin and net profit margin, set by the board for management to achieve in the core operating activities in the near term?**

In addition, the share of profit of the group's equity-accounted investees (net of tax) was \$1.74 million in FY2017 and \$1.50 million in FY2016. The profit contribution by the investees accounted for 83% and 191% of the group's profit for FY2017 and FY2016 respectively.

- (v) **Can the board clarify if management is responsible or is in charge of the day-to-day operations of the associate/joint venture, i.e. Dynamic Colours and Tat Hong Intraco?**
- (vi) **Please elaborate further on the company's level of influence and control of the strategic direction of its associate/joint venture.**

3. The following table, from the company's Corporate Governance Report (page 50), shows the remuneration of the CEO and the key management personnel for FY2017.

A summary compensation table of the CEO and KMP receiving remuneration from the Company for FY2017 is appended below:

Remuneration Band & Name of CEO and KMP	Salary	Bonus	Other Benefits <sup>(1)</sup>	Total (S\$)
<b>S\$500,000 to S\$749,999</b>				
Mr Will Hoon <sup>(2)</sup>	34.1%	3.1%	62.8%	100.0%
<b>S\$250,000 to S\$499,999</b>				
Mr Nicholas Yoong Swie Leong <sup>(3)</sup>	58.8%	27.9%	13.3%	100.0%
Mr Soh Yong Poon	62.1%	25.9%	12.0%	100.0%
Ms Caren Soh Ying Sin	60.2%	25.0%	14.8%	100.0%
<b>Below S\$250,000</b>				
Mr Chua Wui Lik <sup>(4)</sup>	94.0%	0.0%	6.0%	100.0%
Ms Thed Tian Jee <sup>(5)</sup>	64.4%	18.4%	17.2%	100.0%

**Notes:**

(1) Other benefits refer to employer's CPF and other allowances

(2) Mr Will Hoon resigned as CEO of the Company on 26 May 2017

(3) Mr Nicholas Yoong was appointed as CEO of the Company on 1 July 2017 and his remuneration was pro-rated in the above table

(4) Mr Chua Wui Lik resigned as GFC of the Company on 15 March 2017

(5) Ms Thed Tian Jee was appointed as GFC of the Company on 6 March 2017 and her remuneration was pro-rated in the above table

(Source: Company annual report)

- (i) **Can the remuneration committee (RC) explain the "Other Benefits" component given to the former CEO that accounted for 62.8% of his remuneration for the year?**

The top 3 KMPs each received bonus of about 6% last year when the losses from the operating activities were \$(950,000). In FY2017, the level of bonuses increased to 25-28% when the profit from the operating activities hit \$282,000.

- (ii) **Can the RC help shareholders understand the key performance indicators used to measure the group's and the individual's performance?**
- (iii) **The new CEO, Mr Nicholas Yoong Swie Leong, was appointed on 1 July 2017. How instrumental was Mr Yoong in the group's performance for the financial year ended 31 December 2017?**
- (iv) **Can the RC elaborate further how it had assessed the performance of Mr Yoong given that he was only appointed to his role on 1 July 2017? What is the basis of the award of the bonus component that accounted for 27.9% of his annual remuneration package (pro-rated)?**