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

Issuer: Ntegrator International Limited

Security: Ntegrator International Limited

Meeting details:
Date: 29 April 2019
Time: 11.00 a.m.
Venue: 4 Leng Kee Road #06-04, SIS Building, Singapore 159088

Company Description

Ntegrator International Limited is a Singapore-based investment holding company. The Company has two operating segments, which include Project sales, and Project management and maintenance services. The Project sales segment is engaged in integration of network infrastructure that enables the customers to communicate electronically within an organization or with another organization whether located in the same country or across the globe. It also provides the customers with integration of a range of voice and data signals used in institutional telecom applications. The Project management and maintenance services segment provides installation and implementation services of the network infrastructure or voice communication systems that have been purchased by the customers from its principals, and maintenance and support services mainly for the network infrastructure and voice communication systems. Its subsidiaries include Ntegrator Pte Ltd, Ntegrator (Thailand) Limited and others.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5HC)

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Q1. On 2 April 2019, the company announced a contract win of approximately S$58.6 million from "a Singapore-based regional service provider that is a repeat customer."

The contract, commencing on 1 April for a two-year period, involves the installation of pipelines and manholes, installation, maintenance and diversion services for infrastructure cables, and the service provision and maintenance of business services across the eastern, western and central parts of Singapore.

In the annual report, the company disclosed that, as at 31 December 2018, the group's order book stood at $67.5 million.

(i) **Order book: For better clarity, would the company consider providing shareholders with an up-to-date order book?**

(ii) **Gross profit margin:** In the past two years, the gross profit margin ranged from 21-22%. **Has the board evaluated how the group could capture a greater share of value for its services?**

(iii) **Administrative expenses**: In the financial statements, the group's administrative expenses are shown as a single line item amounting to $(8.73) million (2017: $(9.22) million) although the breakdown is shown in Note 5 (page 72 – Expenses by nature). This accounts for 27%-28% of revenue. **Please help shareholders understand how management intends to improve its efficiency of workforce as it is the major component of the expenses.**

(iv) **With the group reporting net losses of $(1.58) million in FY2018 and $(2.04) million in FY2017, can the board clearly articulate the group's business model and identify the key value drivers of the business.**

Q2. As shown in Note 25 (page 98 – Financial risk management: Capital risk), the group has a debt-equity ratio of 1.56 times as at 31 December 2018. Although this is lower than the debt-equity ratio of 1.85 times as at 31 December 2017, it still means that total liabilities amount to $27.6 million while the group's net tangible assets total just $17.7 million.

Cash and cash equivalents, at the end of the reporting period, amounted to $3.43 million. The group had net cash used in operating activities of $(13.1) million in the past two years, mainly to pay back its suppliers.

(i) **Does the group have the necessary working capital to support the new project?**

(ii) **Has management evaluated how it could better manage its working capital?**

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Q3. As disclosed in the Corporate Governance Report, the board comprises five directors, of whom three are independent.

The independent directors are Charles George St John Reed (also lead independent director) (since 16 June 2003), Lai Chun Loong (since 14 September 2005) and Lee Keen Whye (since 1 August 2008).

As at 31 December 2018, all three Independent Directors have served on the board for more than nine years, with the lead independent director serving on the board for nearly 16 years.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

(i) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

(ii) **Can the nominating committee (NC) elaborate further on the succession plans for the board and other key management positions?**

The nominating committee has also stated that, when required, they will tap the contacts or seek recommendations of board members and/or business associates.

(iii) **Has the NC evaluated if the use of a professional search firm for independent directors may enable the board to cast its net wider and further improve the diversity and possibly the quality of the candidate pool?**

(iv) **Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**

(v) **What are the company's near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?** Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.