



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

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Issuer: TEE International Limited

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Meeting details:

Date: 26 September 2018

Time: 2.30 p.m.

Venue: York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 on 26 September 2018

Company Description

TEE International Limited, an investment holding company, engages in integrated engineering, real estate, and infrastructure businesses. It operates through four segments: Engineering, Real Estate, Infrastructure, and Corporate & Other. The 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. It 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. The Real Estate segment develops and sells residential properties; and invests in hotels and properties. The Infrastructure segment offers infrastructure solutions in the areas of water and energy related projects. The company has operations in Singapore, Thailand, Malaysia, Vietnam, 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)

1. Following the unsuccessful scheme of arrangement in August 2017 by Oscar Investment Pte Ltd to acquire all the shares in the company, the company has achieved several milestones in the year, including:

- US\$15 million investment from Pierfront Capital Mezzanine Fund Pte. Ltd.
- Issuance of 50,195,020 bonus warrants
- Acquisitions of the environmental business of the Chiang Kiong group (including Envotek Engineering) with Advancer Global
- Acquisition of the biohazardous waste, cytotoxic waste and pharmaceutical waste treatment business with Dymon Asia Private Equity (to be completed in September 2018)
- Strategic partnership with Malaysian Solar

As mentioned in the Group Chief Executive & Managing Director's Message (page 4), the infrastructure business has been transformed in the past year and the environmental arm has grown into the largest revenue contributor to the Infrastructure segment.

- (i) Would management provide shareholders with a holistic overview of its strategic growth plans for the infrastructure segment, especially the environmental business which has been transformed with the bolt-on acquisitions?**

As shown in the financial summary (page 9 – Three year trend), the group has long-term debt to equity ratio of 1.07x, total debt to equity ratio of 2.0x and interest cover of 0.1x in 2018.

- (ii) Given that infrastructure projects are capital intensive and have long gestation period, how much more capital will the group be investing into the infrastructure business? How is the group going to fund this growth?**

2. The company has always announced its order book in the annual reports for the Engineering segment. The order books for the Engineering segment as announced in the annual report since 2013 are as follows:

AR2013: \$215.4 million
AR2014: \$420 million
AR2015: \$455 million
AR2016: \$324 million
AR2017: \$230 million

In July 2018, the company announced the total outstanding order book of approximately \$280 million but the company has not provided the updated order book in the annual report.

- (i) Would management provide an update on the order book?**

Based on the disclosure in Note 48 (page 149 – Segment information), external revenue from the engineering segment fell from \$161.7 million in 2017 to \$135.8 million in 2018.

Segment revenue was as high as \$223 million in 2016. Profit for the year dropped to \$4.2 million in 2018 and has fallen by more than half from the profit of \$9.3 million recognised in 2016 (restated). This is also the lowest level of segment profit in the period 2015-2018.

- (ii) **Would management elaborate further on the specific challenges that led to the drop in revenue and the segment profit?**
- (iii) **What is the value proposition of the group's Engineering business that would allow it to stand out from the competition?**
- (iv) **Given the headwinds and the competitive pressure, how is management going to increase the profit margin and profitability of the Engineering segment?**
- (v) **As the group focuses on growing the infrastructure segment, how does management allocate its limited resources (including capital and human resources) between the two?**

3. Guideline 9.4 of the 2012 Code of Corporate Governance (2012 CG Code) states that:

*"For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. **Disclosure of remuneration should be in incremental bands of S\$50,000.** The company need only show the applicable bands". (emphasis added)*

In the Corporate Governance Report (page 44), the company did not explicitly disclose the remuneration of Mr. Phua Cher Chew but referred shareholders to the annual report of TEE Land Limited. TEE Land disclosed that Mr. Phua Cher Chew's remuneration was between \$250,000 and \$500,000, as shown below:

Remuneration Bands and Name of Director of the Company	Directors' Fees ¹ %	Attendance Fees %	Salaries ² %	Bonuses ² %
S\$250,000 to below S\$500,000				
Mr. Phua Cher Chew	2.5	2.3	72.0	23.2

(Source: TEE Land annual report)

The disclosure of remuneration of Mr. Phua Cher Chuan is as follows:

Remuneration Band	Salaries % ¹	Bonuses % ¹
S\$50,000 to below S\$250,000		
Mr. Phua Cher Chuan	88.4%	11.6%

(Source: Company annual report)

- (i) Would the company explain why it had not included the remuneration of Mr. Phua Cher Chew in the annual report for the convenience of shareholders? Would the company consider doing so in the future?**

To comply with the 2012 CG Code, Guideline 9.4 states that the remuneration should be disclosed in incremental bands of \$50,000.

- (ii) Would the board, especially the remuneration committee, help shareholders understand the company's deviation from the Code?**
- (iii) To comply with the 2012 CG Code, would the company disclose the remuneration in incremental bands of \$50,000?**

A copy of the questions for the Annual Report for the financial years ended 31 May 2017 and 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: -----