



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: TT International Limited

Security: TT International Limited

Meeting details:

Date: 28 Jun 2019

Time: 11.00 a.m.

Venue: 49 Sungei Kadut Avenue #03-01 Singapore 729673

Company Description

TT International Limited is engaged in trading of consumer electronics. The Company's principal activities are retail, trading and distribution of furniture, furnishings, electrical and electronics products and investment holding. It operates through three segments: Retail; Distribution and trading, and Warehousing and logistics services. The Retail segment is engaged in sale of consumer products to retail customers through retail outlets. The Distribution and trading segment is engaged in distribution and trading of consumer electronic and furniture, and furnishing products to distributors and dealers. The Warehousing and logistics services segment is engaged in provision of warehousing and logistics services. Its brands include Akira, Mod Living, Castilla, Natural Living, Barang Barang, Novena and Teac. It has operations in Association of South East Asian Nations; East Asia and other countries; Africa and Middle East, and Commonwealth of Independent States, Russia and Eastern Europe.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=T09)

Q1. On pages 3-10 of the annual report, the chairman provided shareholders with an overview of the company's restructuring efforts including the scheme of arrangement (pages 3-5) and the restructuring of the group's balance sheet (pages 8 & 9).

As at 26 April 2019, the court has granted the applications, extended the moratorium until 31 July 2019 and allowed the long stop date for the implementation of the "New Scheme" to be pushed back to 31 July 2019.

The company has been under the Scheme of Arrangement (effective from 19 April 2010) sanctioned by the Court of Appeal in Singapore on 13 October 2010.

- (i) Would the company provide shareholders with a succinct update on the outstanding milestones and conditions yet to be achieved (if any) for the successful implementation of the New Scheme?**
- (ii) In particular, what is the level of involvement by the directors, especially independent directors, in helping the company through the restructuring, including the proposed disposal of the sale companies and the implementation of the New Scheme?** It is observed that the board held only 2 board meetings during the year (page 17).
- (iii) What would be the financial position of the group following the successful implementation of the New Scheme?**
- (iv) What options are available to the group to raise capital and to strengthen the financial position of the company upon the successful implementation of the New Scheme?**
- (v) The trading in the company's share has been suspended since 4 August 2017. What are the operational and financial milestones to be achieved by the company before the company can apply to SGX-ST for the resumption of trading?**

Q2. As shown in the Financial highlights (page 2 of the annual report), the group reported revenue of \$233.9 million in FY2018, the lowest level in the past 5 years. More importantly, (loss) attributable to shareholders has ballooned from \$(26.5) million in FY2014 to \$(120.5) million in FY2018. The cumulative losses attributable to shareholders amount to \$(284.8) million in the past 5 years, with the group reporting losses attributable to shareholders of \$(120.5) million in FY2018 alone.

The company is in a net liability position of \$(355.9) million as at 31 March 2018.

The proposed disposal involves the sale of subsidiaries that currently carry out the retail businesses that include the furniture companies (e.g. Castilla, Novena) and the consumer electronics companies (e.g. Akira).

Upon the successful disposal, the company's business activities will consist of (a) the provision of warehousing, logistics and storage services through International TradeLogistics Pte Ltd ("ITL"); (b) the distribution of TEAC brand consumer electronics products in Australia through TTA Holdings Ltd; and (c) the provision of management services to the Sale Companies.

As at 31 December 2018, the company's net liability position has increased from \$(355.9) million at the financial year end to \$(369.7) million. Losses for the nine months ended 31 December 2018 attributable to owners of the company amounted to \$(21.4) million and the company's net asset value per share stood at (35.26) cents.

- (i) For the benefit of all long standing shareholders, would the board/management clearly articulate its business model going forward (upon the successful disposal of the sale companies and the implementation of the New Scheme).**
- (ii) Please identify the key value drivers in each of the remaining businesses and elaborate further on management's pro-active plans to capture value for shareholders.**
- (iii) Would the board consider it opportune to carry out a comprehensive strategic review of the group's continuing operations to assess the core competencies of the group (especially the core management team) and its financial strength and to fine-tune its strategies so as to create long-term sustainable value for all shareholders?**
- (iv) In particular, what is the current leadership bench depth across different functions, such as sales, marketing, sourcing, business development? Has the board ensured the group has the necessary financial and human resources are in place for the company to meet its objectives?**

Q3. As noted in the Corporate Governance report, the board has stated that its primary role is to protect and enhance long-term shareholder value by "*setting the group's overall long-term corporate strategy, objective and directions, as well as ensures effective management leadership and proper conduct of the group's business by supervising the executive management*" (page 16).

In addition, in principle 5: Board performance, the board has stated that objective performance criteria have been used to assess the performance of the board include both quantitative and qualitative criteria such as revenue and profit growth, return on equity, the success of the strategic and long-term objectives set by the board.

- (i) **Would the board help shareholders understand the key findings of the board evaluation exercise?**
- (ii) **In particular, what are some of the quantitative measures achieved by the group? Has the board benchmarked the group's performance against comparable companies?**
- (iii) **How satisfied is the board in its stated role of "*protecting and enhancing long-term shareholder value*"?**

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code") and under the revised Listing Rules, the requirement for independent directors to comprise one-third of the board come into effect on 1 January 2022. In addition, 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.

- (iv) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?** As at 31 March 2018, Mr Ng Leok Cheng (first appointed in May 2000), Mr Raymond Koh Bock Swi (first appointed in May 2000) and Mr Yo Nagasue (first appointed in October 2002) have served on the board for more than nine years from the date of their first appointment.