



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

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Intraco Limited

Stock code: I06

Meeting details:

Date: 28 April 2021

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. The theme of the 2020 annual report is “Reset”. In the inside page of the annual report, the company restated its vision, as follows:

To be an investment holding company with diversified leading businesses, creating value for our stakeholders in the communities across Asia

In line with the theme of the annual report, the company further stated that the unprecedented events in 2020 have presented the company with an opportunity to “reset” and make **a game changing move**.

As noted in the chairman’s statement, the group entered 2021 with a much more compact and focused organisation with a clear strategy to continue to pursue organic growth in its three key businesses in fire protection, trading and telecommunication infrastructure services.

The group’s employees have decreased from 131 to 108 employees.

- (i) **Can management help shareholders understand if the organisation structured has been “flattened” and if the streamlining was carried out mostly at the middle-senior management level or at the working level?**
- (ii) **Would this lead to more effective oversight by the board and increased accountability within the company?**
- (iii) **Can the chairman help shareholders understand the basis of his confidence that, following the restructuring exercise, the group is “well-positioned to achieve steadier growth”?**

The group has its origin as the country’s trading arm in the 60s and 70s and had played a key role in the growth of the young nation.

- (iv) **Can the board help shareholders understand why trading remains a key business pillar for the group in 2021? With low barriers of entry, and an increasingly transparent marketplace with digitalisation, what advantage does the group have in trading? Can management show the gross and net profit margin in the trading segment over 3-year, 5-year and 10-year periods? What is the sustainable, long-term returns that can be reasonably achieved in the trading segment?**
- (v) **In addition, the chairman has announced his intention to retire this year after 6 years in the role. What was the level of involvement by the other board members and management in the restructuring exercise? Will there be sufficient ownership of the restructuring exercise in the group to execute on the plans even as the board is progressively refreshed with a new chairman?**

Q2. The group's revenues remained rather steady in FY2020, slipping marginally from \$137.2 million in FY2019 to \$135.9 million in FY2020. As shown in Note 18 (page 149 – Revenue), trading sales, service income and rental income increased but not enough to offset the decrease in revenue from construction contracts.

As seen in the consolidated statement of profit or loss (page 98), the group's gross profit was \$6.29 million but administrative expenses remained steady at \$(10.0) million while other expenses amounted to \$(10.8) million, thus giving rise to a loss for the year of \$(12.86) million.

Both the chairman and the CEO in their respective statements highlighted that over 90% of the losses were non-cash in nature and thus the impairments had limited or no material impact on the group's cash position.

While the impairments are indeed non-cash in nature, it does mean that the company has lowered its expectations of recovering cash that was previously invested by management in these now-impaired investments.

- (i) **Can management confirm that the group had to acquire an additional 20% of K.A. Group due to the exercise of the put option at a consideration of \$4.77 million in FY2019 and had to impair the entire \$6.9 million in goodwill associated with K.A. Group in FY2020? Was the group performing up to management's expectations prior to COVID-19?**
- (ii) **To help shareholders better understand the group's investments and related impairments/losses, would management help shareholders understand the total amount invested in and the dividends/capital received by the company from its investments in:**
 - a. **K.A. Group**
 - b. **Tat Hong Intraco**
 - c. **Dynamic Colours Limited?**

While it is true that the impairments are non-cash in nature, shareholders could also view it as a loss in the future investing capacity of the group as the company starts to recognise that the chances of recovering its initial capital (and any projected returns) are lower/zero.

- (iii) **In line with the theme of the annual report – “Reset”, would the board consider halting all major investments and to review its investment framework to ensure that the investment criteria used by the group leads to long-term value creation for all shareholders, especially minority shareholders?**

In addition, in a year that saw the group recognise \$(12.86) million in losses (or a loss per share of (12.50) cents), fees for the directors appear to have increased.

Name of Directors	FY2019		FY2020	
	Directors' Fees	Total (\$\$)	Directors' Fees	Total (\$\$)
Mr Colin Low	100%	113,875	100%	126,875
Mr Shabbir H Hassanbhai	100%	87,500	100%	94,500
Dr Tan Boon Wan	100%	71,625	100%	83,625
Mr Charlie Ng How Kiat	100%	72,875	100%	74,875
Dr Steve Lai Mun Fook	100%	63,371	100%	58,625

+ \$4,000 from K.A Group
 +\$15,250 from K.A. Group

- (iv) **Would the remuneration committee help shareholders understand the reason(s) for the increase?**
- (v) **Would the board consider a reduction in the director fees to help the group in this challenging period and to show solidarity with all the stakeholders?** Many national leaders and great business leaders have done so in 2020 to stand in solidarity with those who have been badly affected.
- (vi) **Similarly, can the remuneration committee help shareholders understand the reason(s) for the higher bonuses paid out in FY2020 when the group reported a significant loss?** In FY2019, bonuses paid to key management personnel was 0%-7.2% and this increased to 6.5%-20.9% in FY2020.

Q3. In FY2020, Intraco Trading Pte Ltd carried out a capital reduction to return surplus cash of \$10 million to the company. In addition, with the disposal of Dynamic Colour, the group also received \$19.5 million in FY2020.

Cash and cash equivalents increased to \$55.2 million as at 31 December 2020, \$39.8 million of which is held by the company at the end of the financial year (Note 12 – Cash and cash equivalents).

- (i) **Did the company also consider a “reset” of its accumulated losses of \$(25.1) million so that it can carry out a capital reduction to return excess capital to shareholders who can then make their individual capital allocation decisions?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
 (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

CONNECT WITH US

