Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Tritech Group Limited

Stock code: 5G9

Meeting details:
Date: 29 July 2021
Time: 10.30 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.

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Q1. The theme of the company's 2021 annual report is "Forward in strength and expertise". The group has two key business segments, namely "Urban & Environmental Infrastructure" under TGL Engineering Group and "Water & Environmental Protection" under Tritech Environmental Group. As noted in the corporate profile, the group is led by an experienced management team of highly qualified professionals that includes seven PhD holders.

In the corporate profile, the company claims that it is one of few engineering groups in Singapore with the technical expertise and capabilities to provide services that span across the entire value chain.

In FY2021, the engineering segment registered higher gross profit as management shifted its focus on higher technology-oriented services which commanded higher gross profit margin although the water & environment protection business performed weaker due to "slower business conditions". The group once again reported a loss from continuing operations, net of income tax of $(4,638,536) in FY2021.

Losses attributable to owners of the company in the past years are as follows:

FY2021	$(4,597,496)
FY2020	$(11,774,111)
FY2019	$(27,184,502)
FY2018 (restated)	$(11,602,551)
FY2017	$(15,469,637)
FY2016 (re-presented)	$(16,708,218)
FY2015	$(29,177,285)
FY2014 (restated)	$(14,864,875)
Total	$(131,378,675)

The group has gone from an accumulated profit position of $2.04 million in FY2014 (restated) to an accumulated loss position of $(27.1) million in FY2015 to $(105.6) million in FY2021.

Shareholders' equity, as at 31 March 2021, amounted to $12.1 million, down from $93.1 million at the end of FY2015. The company has not paid out a dividend since August 2012.

(i) **Can the board/management help shareholders understand the group's business model? In particular, how is the group using its technical expertise and capabilities to capture value for shareholders?**

(ii) **Has the board reviewed the performance of management and of the group, especially in the group's ability to generate shareholders' value?**

(iii) **What is the hurdle rate/targeted profit margin used by management/the board in approving investments or new projects?**

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(iv) **What is the level of commercial due diligence carried out to better ensure that projects/investments are profitable and that the group achieves a return that is commensurate with the level of risks taken in its business?**

The board's main roles include providing entrepreneurial leadership and setting out the overall long-term strategic plans and objectives for the group.

(v) **What guidance has the board given to management, especially on the group's profitability?**

(vi) **Would the board consider it opportune to carry out a strategic review of the group's core strengths and capabilities, management depth, cost structure and the competitive landscape in the core businesses so as to safeguard shareholders' interest and to refocus and reposition the group for long-term value creation?**

Q2. At the end of the financial year, the group has cash and cash equivalents amounting to $2,038,843 (Note 19 – Cash and short-term deposits; pages 120 & 121).

Further in Note 21 (page 123 – Bank borrowing), it is shown that the group has utilised $1.36 million in bank overdrafts and that total bank borrowings have increased to $5.01 million at the end of the financial year from $2.25 million a year ago.

In FY2020 and FY2021, the group had utilised term loans, mortgage loans and bank overdrafts, with interest rates ranging from 3% to 11%, 6.25% and 4.9% to 6.4% respectively.

(i) **What is the group's cost of capital?**

(ii) **Can management help shareholders understand the reasons for the high interest rates for Term loans I and II which bear interests at 11% and 8.31% respectively in FY2020?**

In addition, the group has also taken up loans from a shareholder with interest rate of 5.32% to 10% (Note 22 – Loans from shareholders; page 125). $2,820,600 of the loan from a shareholder was denominated in New Zealand Dollar as at 31 March 2021.

(iii) **Can the board identify the shareholder(s) who had provided the group with the loans? Are the loans considered interested person transactions?**

(iv) **Given the actual/projected returns from the group's operations, would loans of up to 10% from a shareholder and up to 11% for its term loans lead to value destruction for minority shareholders?**

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(v) **In addition, can management clarify if the group has significant operations/transactions denominated in New Zealand dollars? What is the reason to take a loan from a shareholder that is denominated in NZD?**

The group has facilities of $5.14 million and has used up $5.01 million as at 31 March 2021.

(vi) **Does the group have sufficient working capital to tide it over this challenging period?**

Q3. At the annual general meeting scheduled to be held on 29 July 2021, Professor Yong Kwet Yew and Mr Aw Eng Hai would be retiring and seeking a two-tier vote from shareholders for their continued appointment as independent directors.

Professor Yong Kwet Yew and Mr Aw Eng Hai were appointed on 9 June 2008 and 4 September 2009 respectively. Accordingly, the directors have served on the board for more than 13 years and nearly 12 years respectively.

The profiles of the directors can be found on pages 12 and 13 of the annual report. Additional information on the two directors seeking their re-election can be found on pages 56 to 61.

(i) **Can the directors help shareholders understand their effectiveness as directors in the past 12-13 years in enhancing long term shareholders value?**

(ii) **What were the contributions by the directors in providing guidance to management in relation to strategic planning and the development of the business of the group which led to value creation?**

On page 35, it was stated that the nominating committee (NC), with the respective members interested in the discussion having abstained from the deliberations, recommended Mr Aw Eng Hai and Professor Yong Kwet Yew be nominated for re-election at the forthcoming AGM.

The NC comprises of all four directors, with Professor Yong Kwet Yew as the NC chair. Other than the two independent directors, the two members of the NC are Dr Jeffrey Wang (managing director) and Dr Loh Chang Kaan (non-independent non-executive director).

(iii) **Can the NC confirm that the NC's recommendation for the re-elections of the retiring directors were determined by a subset of the NC that comprised of the managing director, the non-independent non-executive director and an independent director, i.e. by a majority of non-independent directors (2/3)?**

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(iv) **Has the board/NC evaluated the effectiveness of the NC in discharging its responsibilities?**

(v) **What are the plans for the progressive renewal of the board (Principle 4 of the Code of Corporate Governance 2018)?**

(vi) **As the independent chairman, would Professor Yong Kwet Yew be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

^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. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

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

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^ 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)