TA CORPORATION LTD
(Incorporated in the Republic of Singapore)
Co. Registration No. 201105512R

ANNOUNCEMENT

RESPONSE TO QUERY RAISED BY SGX REGCO IN RELATION TO THE COMPANY'S UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR PERIOD ENDED 30 JUNE 2023 ("1H2023 FS")

The Board of Directors (the "Board") of TA Corporation Ltd. (the "Company" and together with its subsidiaries, the "Group") refers to query raised by The Singapore Exchange Regulation ("SGXRegCo") dated 13 October 2023 in relation to the Company's 1H2023 FS. The Company sets out below its response to SGXRegCo's query relating to the 1H2023 FS.

1. SGXRegCo's Query

   Please explain the material increase in deposits and prepayments from S$16.8 million (as at 31 Dec 2022) to S$20.1 million (as at 30 Jun 2023) and explain the purpose of the deposit/prepayment.

   Company's Response:

   The increased in deposits and prepayment from S$16.8 million as at 31 Dec 2022 to S$20.1 million as at 30 June 2023 were mainly due to deposit placed for purchase of equipment under pre-cast business which will be capitalised as property, plant and equipment and prepayment in India to professionals involved in disposal of land which will be recognised as an expense.

2. SGXRegCo's Query

   In the Company's announcement dated 15 August 2023, the Company stated that "with TA Construction (in Provisional Liquidation) being placed under PL, there is a material uncertainty in the overall financial condition of the Group, given the possibility of cross-defaults being triggered by the PL for facilities taken by the other members of the Group, as well as exposure on the Company arising from parent guarantees and other forms of financial support given to TA Construction (In Provision Liquidation) and projects undertaken by it".

   a. Please provide details of the cross-defaults that have been triggered by the provisional liquidation and the exposure of the Company in terms of parent guarantees and financial support given to TA Construction and projects undertaken by it. Please also detail how these have been treated and provided for in the Company's 1H2023 financial statements.

b. The Company stated that the group's "financial statements have been prepared on a going concern basis as the Board is of the view that the Group will be able to generate adequate cashflows from its other operations to meet the Group's working capital requirement". Please explain whether the Group is able to repay its debts due to the cross-defaults triggered by TA Construction's provisional liquidation and the exposure of the Company in terms of parent guarantees and financial support given to TA Construction, and why a going concern basis is still appropriate.

c. Given that TA Construction and Tiong Aik Resources have been placed under liquidation after the reporting period, please explain whether these subsidiaries' financial results have been prepared on a liquidation basis in the Company's 1H2023 consolidated financial statements and if not, why.

Company's Response:

a. The cross defaults that have been triggered by the liquidation of the TA Construction was arising from breached of borrowing covenants under certain bank borrowings and Medium Term Notes for the fact that TA Construction is a principal subsidiary of the Group.

   The Company is also exposed to contingent liabilities provided by the Company in term of parent guarantees to TA Construction and various performance bonds under TA Construction.

   As TA Construction's provisional liquidation ("PL") occurred after the financial period end and the impact does not directly relate to the conditions existed at the financial period end, the impact of the PL was not accounted in 1H2023 financial statements. Nevertheless, the PL event was disclosed as subsequent event and we have also disclosed the possibility of going concern impact if certain assumptions were not met.

b. The Company and the Group continue to service the loans and borrowings under the Group other than the entities under voluntary creditors' liquidation. The Company and the Group plan to engage its stakeholders in a broader and holistic manner. To carry out this plan, the Board has appointed Messrs Deloitte & Touche Financial Advisory Services Pte Ltd as financial advisor and Messrs Reed Smith Resource Law Alliance as legal advisor to assist the Board with review of the financial position of the Group and evaluate available options for a consensual restructuring of the Group's business.

   In addition, the Board has also considered the followings:

   (a) The Group will be able to realise certain development properties at specified minimum values;

   (b) The Group will be able to monetize certain assets at specified minimum values;

   In view of the above, the going concern basis is still appropriate as the Board is of the view that the Group will be able to generate adequate cashflows from its other operations to meet the Group's working capital requirement and to operate as going concern while implementing the Group's restructuring plan.

c. TA Construction was placed under PL on 17 July 2023 and Tiong Aik Resources (S) was placed under PL on 5 September 2023.

As announced by the Company on 17 July 2023, TA Construction resolved to appoint PL after having assessed that the financial condition of TA Construction was unable to pay its debts as and when they fall due and was experiencing an acute tightening of cash-flow arising from difficulties in collecting payments and retention monies (partly due to potential liquidated damages claims), while at the same time faced with increasing demands for additional costing and funding to address labour and material price hikes. Heightened interest rates have led to higher borrowing costs and an unfavourable financing environment, which when coupled with a slower-than-expected take up of available-for-sale properties developed by the Group, have limited the extent to which the Group is able to continue supporting the cash-flow requirements for TA Construction and its ability to secure new projects in light of its current financial condition.

On 5 September 2023, Tiong Aik Resources (S) was placed under PL due to operation difficulties related to TA Construction's liquidation.

Adopting SFRS(I) 1-10 Events after the Reporting period, both events do not relate to conditions that existed at the date of the financial statements and as such the Company's 1H2023 consolidated financial statements are not prepared on a liquidation basis relating to these events. However, disclosure of the events was made in note 2.2 under critical judgement in preparing these financial statements as well as a subsequent event disclosure note 20 detailing the fact of the events subsequent to reporting period.

3. SGXRegCo's Query

The Company stated in its announcement dated 15 March 2023 that, to recover its investment and receivables from DSPDS and SZI, it will be required to realise unsold units and remaining land bank above the current valuation. Management had appointed an external management consultancy company in PRC to explore and propose improvements to the operations, sales and marketing strategy to sell of remaining completed properties. Please provide an update to these efforts, detailing the steps that have been taken thus far and upcoming plans.

Company's Response:

DSPDS' Management had cooperated with an external management consultancy company to strategize marketing campaign to market the unsold units, as a result, the new marketing plan was rolled out in end July 2023 with local property agent on board. DSPDS' Management intends to step up on its marketing efforts to improve sale amid the soft property market conditions in People Republic of China ("PRC"). In October 2023, DSPDS had also set up a joint venture with Sieco Investment Pte Ltd to source for potential working opportunities with established local companies to make effective use of DSPDS' land bank. SIECO is an investment holding company incorporated in Singapore and has a team with considerable local network and working experience in PRC.

4. SGXRegCo's Query

The Company stated at page 9 of its 1H2023 financial statements that it expects DBOP's receivables of S$9.8 million from DSPDC related to the refund (following the cancellation of the sale and purchase agreement relating to residential units in the Development) to be recoverable. Please explain how DSPDC will be able to repay this amount to DBOP if the Company had assessed that DSPDS (of which DSPDC is a subsidiary) will not be able to repay its obligation to the Group after paying its bank borrowings (as the Company stated in its announcement dated 15 March 2023).

Company's Response:

The Company had considered the financial position of DSPDS Group as at 30 June 2023 and estimated the net cash flows from the future sales of properties based on valuation by an external professional valuer to determine that it will be able to raise sufficient proceeds to pay the S$9.8 million payables to DBOP and the bank borrowings barring unforeseen circumstances. However, the Company had to fully impair its advances to DSPDS group for its running expenses due to significant cumulative operating losses incurred by DSPDS group.

5. SGXRegCo's Query

The Company had stated at page 9 of its 1H2023 financial statements that "on 27 July 2023, the bank loan [of DSPDS of S$10.0 million] was fully paid off by a related company jointly controlled by the Company and the Joint Guarantor. The related corporate guarantee provided by the Company is to be discharged in due course". Please disclose the identity of the related company and the Company's shareholding, as well as the source of funds for the repayment of the S$10.0 million loan and, in connection to that, any corporate guarantees given by the Company. Please disclose all other corporate guarantees provided by the Company on behalf of DSPDS, DSPDC and the SZI Group, whether the Group has recorded any loss provisions and why or why not.

Company's Response:

The related company is Meadows Bright Development Pte Ltd ("Meadows") which the Company holds 50% shareholding. The funds used for the loan repayment were funded through internal resources of Meadows.

As at 30 June 2023, the Company and a Joint Guarantor provided joint and several corporate guarantees for the outstanding bank loan of DSPDS amounted to $10,000,000. The bank loan was fully paid on 27 July 2023. Other than this bank loan, there are no other corporate guarantees provided by the Company on behalf of DSPDS, DSPDC and SZI group. Accordingly, the Group was not required to record any further loss provisions.

6. SGXRegCo's Query

The Company stated that "for the Construction segment, the Group remains focused on executing its order book of S$53.9 million as at 30 June 2023 to be delivered progressively over the contract period." Given that TA Construction has ceased operations effective 17 July 2023, please disclose how the Group intends to execute its order book and which entities will be taking over these contracts.

Company's Response:

The construction segment under the Group consist of TA Construction, as well as other entities performing construction related businesses namely, general construction, precast manufacturing, steel fabrication, air condition installation and servicing and etc.

The order book of S$53.9 million as at 30 June 2023 was in respect of contracts awarded to these other entities (which includes Prime Industries Precast Pte Ltd, Pure Genesis Sdn Bhd, Aston Air Control Pte Ltd, Alpha Air (Cambodia) Ltd, Credence Engineering Pte Ltd and etc) under the construction segment of the Group. These entities are not affected by the cessation of operations by TA Construction and are continuing their business operations. The Group is therefore able to execute its order book and the relevant contracts, and intends to do so by way of internal funding and drawing on available banking facilities.

BY ORDER OF THE BOARD

Foo Soon Soo / Tam Siew Kheong
Company Secretaries
Date: 19 October 2023