

TIONG SENG HOLDINGS LIMITED
(Incorporated in Singapore)
(Company Registration No. 200807295Z)

RESPONSE TO SGX REGCO'S QUERY IN RELATION TO THE COMPANY'S ACQUISITION OF 51% INTEREST IN AMP SYSTEMS PTE. LTD.

The Board of Directors of Tiong Seng Holdings Limited (the "Company") would like to announce the following in response to the queries raised by Singapore Exchange Regulation ("SGX Regco") on 4 July 2022 in relation to the Company's acquisition of 51% interest in AMP Systems Pte. Ltd. (the "Announcement"). *Unless otherwise defined, all capitalized terms used herein shall bear the same meanings as ascribed to them in the Announcement.*

SGX's Query 1:

We note that the Company has through its wholly owned subsidiary, Tiong Seng Contractors (Pte) Ltd, entered into an agreement to acquire 51% of the issued and paid up share capital in AMP Systems Pte Ltd, for an aggregate consideration of S\$3.3 million.

Please disclose:

- (a) the parties to the agreement. In your response, please provide details of the vendor, including its business, shareholders and directors;
- (b) the date of the agreement and when is the expected date of completion of such acquisition; and
- (c) who is the party holding the remaining 49% interest in AMP Systems Pte Ltd ("AMP").

Company's Response

- (a) The parties to the agreement are (i) TSC; (ii) AMP; (iii) Moy Sin Pin; (iv) Kweh Kim Thor; and (v) Moy Sin Liang. AMP was incorporated in the Republic of Singapore with its principal business in the provision of electrical & mechanical engineering works. The directors and shareholders of AMP are Moy Sin Pin, Kweh Kim Thor and Moy Sin Liang. Collectively they hold 100% of the shareholding interest of AMP prior to the completion of the Acquisition.
- (b) The parties entered into the agreement on 2 July 2022 and the Acquisition is expected to be completed within 2 months.
- (c) Moy Sin Pin and Moy Sin Liang will be holding the 49% interest in AMP following the Acquisition.

SGX's Query 2:

We note that the completion of the acquisition is subject to "all necessary consents, approvals, and waivers having been obtained from AMP's bankers in respect of the change in the shareholding, control and management".

Please provide details of the relevant loans and conditions.

Company's Response

This refers to the bridging loan (S\$757,000 as at 31 December 2021) and hire purchase facility (S\$57,000 as at 31 December 2021) provided by the banks to AMP, of which any change in shareholding, control and management are subject to the relevant consents, approvals and waivers from the banks.

SGX's Query 3:

We note that "AMP was incorporated in the Republic of Singapore with its principal business in the provision of electrical & mechanical engineering works".

Please disclose:

- (a) when was AMP incorporated; and
- (b) what is the specific market segment that AMP currently caters to.

Company's Response

- (a) AMP was incorporated on 4th November 2000.
- (b) AMP is principally acting as a subcontractor for the provision of specialised electrical & mechanical engineering works to the main contractor in the building segment.

SGX's Query 4:

We note that "having regard to the strategic direction of the Group's business, the Board is of the view that the Acquisition will allow the Group to capitalize upon the existing business set up in AMP and further augment the Group's technical and technological competencies. Further, this will open the Group's construction arm to new Green & Sustainable opportunities in the Built Environment".

- (a) Please elaborate further on the strategic direction of the Group's business;
- (b) Please elaborate further on the existing business set up in AMP and how would this further augment the Group's technical and technological competencies; and
- (c) Please clarify what does "Green & Sustainable opportunities in the Built Environment" refer to and how does the existing business of AMP help to create more opportunities in this area.

Company's Response

- (a) The Group's core business is in the Built Environment, with a growing need to provide Green Solutions for Construction, Property Development or Engineering Solutions.
- (b) AMP is a Company providing specialised electrical and mechanical engineering works, which further adds to the Group's technical competencies as general contractor. This acquisition offers Tiong Seng Contractors the opportunity to integrate AMP's people and knowledge to strengthen our current Mechanical & Engineering ("M&E") capabilities, while exploring new opportunities to provide sustainable building solutions.
- (c) With the roll out of the Singapore Green Building Masterplan ("SGBMP"), the Group foresee significant Green & Sustainable opportunities in the Built Environment. With AMP's M&E knowledge, TSC is able to strengthen our design & build capabilities through internal resource realignment to encompass AMP, or to support AMP in securing projects of a larger contract sum in aid of their growth.

SGX's Query 5:

We note that “the consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, amongst other things, the book value of AMP as of 31 December 2021 (“Book Value”) as well as the valuation report issued by KPMG (the “Valuation”) done on the basis of the discounted cashflow methodology & market comparable approach”.

- (a) As required under Rule 1010(5), please disclose the book value, net tangible asset value and latest open market value in respect of AMP. Please also disclose the latest valuation, the party who commissioned the valuation and the date of such valuation; and
- (b) As required under Rule 1011, please disclose whether a copy of the valuation report is available for inspection.

Company's Response

- (a) Based on the unaudited accounts of AMP as at 31 December 2021, the book value and net tangible asset value of AMP was approximately S\$3.7 million. Following the subscription of new shares pursuant to the Acquisition, the enlarged book value and net tangible asset value of AMP will be increased to approximately S\$6.2 million. As AMP is a private limited company, there is no available open market value for AMP. The value of AMP based on valuation report commissioned by TSC and issued by KPMG on 23 March 2022, before subscription of new shares pursuant to the Acquisition is approximately S\$3.7 million.
- (b) A copy of the valuation report is available for inspection during normal business hours at the registered office of the Company at 21 Fan Yoong Road Singapore 629796, for a period of (3) months from the date of the Announcement.

SGX's Query 6:

We note that “the net loss attributable to the 51% interest being acquired for the financial year ended 31 December 2021 is S\$140,000/-”.

Please elaborate further on the Company’s rationale for acquiring a loss-making asset and explain in detail how such acquisition will benefit the Company and enhance shareholder value.

Company's Response

The loss was heavily impacted by Covid 19 pandemic. Pre-Covid 19, AMP was generally profitable. The acquisition of AMP, which has been performing well in our projects since year 2010, reinforces the Group’s technical competencies in electrical and mechanical engineering. AMP is an asset to TSC as a strategic partner to provide competitive design & build solutions. This will allow the Group to pursue new opportunities in sustainable building solutions such as Green Additions and Alterations, which further expands the Group’s business portfolio.

SGX's Query 7:

We note that "relative figures for the Acquisition, as computed on the bases set out in Rule 1006 of the Listing Manual, are all less than 5% except that the aggregate consideration given, compared with the Group's market capitalisation based on the total number of issues shares excluding treasury shares, is 6%".

As required under Rule 1010(13), please disclose the computation of the relative figures on the bases set out in Rule 1006.

Company's Response

RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

Based on the audited consolidated financial statements of the Group for FY2021, the relative figures computed pursuant to Rule 1006 of the Listing Manual in respect of the Acquisition are set out below:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable ⁽¹⁾
(b)	Net loss ⁽²⁾ attributable to the assets acquired of S\$140,000, compared with the Group's net loss of S\$51,830,000	0.3%
(c)	Aggregate value of the consideration given of S\$3,331,000, compared with the Group's market capitalization based on the total number of issued shares excluding treasury shares of S\$56,502,000	5.9%
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽³⁾
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable ⁽⁴⁾

Notes:

- (1) This is not applicable as the Group is not disposing of any assets pursuant to the Acquisition.
- (2) Net loss means loss before income tax and non-controlling interests.
- (3) No equity securities of the Company were issued pursuant to the Acquisition.
- (4) This is not applicable as the Company is not a mineral, oil and gas company.

SGX's Query 8:

Please disclose the gearing before and after the completion of the acquisition.

Company's Response

The gross gearing* before and after the completion of the Acquisition are 47% and 49% respectively.

The net gearing# before and after the completion of the Acquisition are 18% and 17% respectively.

* Gross gearing represents total borrowings divided by total equity.

Net gearing represents net borrowings divided by total equity

**BY ORDER OF THE BOARD
TIONG SENG HOLDINGS LIMITED**

Pay Sim Tee
Executive Director and CEO
6 July 2022