



Amcorp Global Limited

Incorporated in the Republic of Singapore
Company Registration No: 201230851R

RESPONSE TO SIAS' QUERIES ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

The Board of Directors (“**Board**”) of Amcorp Global Limited (the “**Company**”) refers to the queries raised by SIAS in its email dated 12 July 2021 in relation to the Company’s Annual Report for the financial year ended 31 March 2021 (“**AR2021**”) and wishes to provide the following information in response to the queries:

Question 1

Amcorp Supreme Pte Ltd, which is a wholly owned subsidiary of Amcorp Group Berhad, became the new controlling shareholder of the company in February 2020 when it acquired a majority stake from the former controlling shareholder. The trading of the company’s shares resumed following the lifting of the suspension on 21 October 2020 after a minimum 10% of free float was restored.

The corporate profile (page 1 of the annual report) still states that the group holds income generating assets such as short-term accommodation in New Zealand even though the group has already liquidated all its New Zealand subsidiaries.

- (i) Has the board engaged the new controlling shareholder and updated the group’s strategic objectives?
- (ii) Can the board (re)state the group’s long-term strategy especially as the COVID-19 pandemic has disrupted businesses and day-to-day lives?
- (iii) Given the group’s track record, the uncertainties in the global economy and the group’s financial position, would the group be focusing more on property development in Singapore and reducing or ceasing its overseas expansion?

Our Response to Question 1

The corporate profile in the AR2021 was intended to provide the readers with an understanding on the business activities of Amcorp Global Limited (“**Company**”) and together with its subsidiaries (“**Group**”) during the financial year ended 31 March 2021 (“**FY2021**”). We take note of your feedback.

Following the change in the controlling shareholder of the Company in February 2020, two representatives of the new controlling shareholders have been appointed to the Board in March 2020. At the end of each financial year, the Board meets to discuss on the Group’s strategic objectives and in setting the annual budget for the new financial year taking into consideration the economic factors, the Group’s financial position and level of operations. The Board also meets each quarter to review the Group’s performance against the set budget.

In the near term, given the uncertainties surrounding the property market and the effects of the pandemic, the Group will remain cautious in making any new investments or land acquisitions. The Group will focus on selling its existing inventory and disposing non-core investments with a view of strengthening the Group's financial position including reducing borrowings. The Group will also continue its efforts to lease the remaining vacant retail units and make asset enhancements where necessary to make these assets more appealing to purchasers or investors, and to sell and complete its two ongoing development properties, namely Lattice One and 35 Gilstead. Over the longer term, the Group will continue to look out for real estate developments and investments opportunities that are able to generate reasonably attractive returns to the shareholders, both locally and overseas.

Question 2

As noted in the letter to shareholders, the chairman highlighted that the group will focus on liquidity and costs management and, given the uncertain outlook, it will remain cautious in making any new investments or land acquisitions.

To improve the group's liquidity, Workotel and Thistle Guesthouse in New Zealand and TEE Industrial Pte Ltd (which holds TEE Building at 25 Bukit Batok Street 22) were sold. As at 31 March 2021, the group still has total debt of \$159.2 million (page 148) and a total debt-to-total equity ratio of 1.74 times.

Would the board/management provide shareholders with greater clarity on the following operational matters? Specifically:

(i) Development: The construction progress of Lattice One and 35 Gilstead was 23% and 21% respectively as at 31 March 2021 and the expected completion of 35 Gilstead has been pushed back to 2023. Can management help shareholders better understand the challenges in the construction of the remaining development projects and how it is actively managing the projects to minimise delays and cost overrun?

(ii) Sales: Can management disclose the sale progress for Lattice One and 35 Gilstead? Based on URA's website, the numbers of transactions are 33 units out of 48 units for Lattice One and 34 units out of 70 units for 35 Gilstead.

(iii) Associates: What are the level of influence and the efforts by management in the day-to-day running of the associated companies which developed Hexacube and TRIO? Hexacube and TRIO were completed in March 2017 and January 2018 respectively. The number of units for sale as at 31 March 2021 remains relatively high with 23 retail, F&B and office units in Hexacube and 25 retail and F&B units for TRIO. How will the group monetise its past investments in the associates?

(iv) TEE Building/TEE Industrial Pte Ltd: On 8 July 2021, the company announced that the purchaser (TEE International) has not paid the first tranche of not less than \$500,000 due on or before 30 June 2021. The purchaser and its subsidiaries have received letters of demand amounting to \$3.2 million from a bank and over \$35.6 million from other creditors. To facilitate the completion, the company had also provided a joint and several corporate guarantee to a bank in respect of the obligations of TEE Industrial owing to the bank under the outstanding mortgage loan in relation to TEE Building. Can the board help shareholders understand the options available to the company to protect its interests? What is the potential negative impact arising from the corporate guarantee given to the bank in respect of the obligations of TEE Industrial?

(v) Third Avenue: Can management confirm that the office building in Cyberjaya has been vacant since its completion in October 2018? The Third Avenue freehold project has a land area of 24,085 sqm, with 701 residential units, 31 retail shops and an office building. Can management disclose the total investments (before impairment) in Third Avenue? What is the return on the project after

factoring the rental guarantee given to the buyers of the shop units? What are management's plans to realise the value of this project?

(vi) Similarly, can management provide greater clarity to its strategy to optimise the returns from the 10 unsold units at 183 Longhaus? The Certificate of Statutory Completion for 183 Longhaus was obtained in February 2021.

Our Response to Question 2

Response to question 2(i) and (ii) - As of to-date, the Group only has two ongoing development projects in Singapore, namely, Lattice One and 35 Gilstead. Due to the COVID -19 pandemic, the construction industry in Singapore faces multiple challenges in progressing construction activities, and we are not spared. These challenges include increased cost pressures due to extended construction period, safe management measures, higher finance costs, lower productivity, amongst others. Our dedicated project development team is working closely with our consultants and main-contractors to expedite the construction progress which are expected to be well within the government stipulated deadlines. As of to-date, we have sold 34 out of 48 units for Lattice One and 34 out of 70 units for 35 Gilstead. We will continue to actively engage our appointed real estate agencies to push for the sales of these two projects.

Response to question 2(iii) and (vi) - We hold 30% and 35% shareholding interests in Hexacube and TRIO, respectively. In accordance with the shareholders' agreements for all our joint ventures, we have board representations and one of the joint venture partners will be appointed to manage the project. We are the manager for TRIO. Both projects consist of strata commercial units (i.e. retail and F&B) where tenants have been affected by the COVID-19 pandemic. The joint venture partners are actively working with various real estate agencies for leasing which will make the unsold units more appealing to potential buyers and investors. For 183 Longhaus, the Group holds a 100% equity interest and will adopt the same strategy for the 10 unsold commercial units.

Response to question 2(iv) - As mentioned in our SGX-ST announcement on 24 March 2021 on the completion of the disposal of TEE Industrial Pte Ltd, under paragraph 6(b), the Group has an assignment of the sale proceeds over the TEE Building and other securities which we can call upon to protect our interests. The market value of the building and other securities is also higher than the outstanding mortgage and amounts due to us. In the meantime, we will continue to actively engage TEE International on matters which will affect the Group, including options to dispose the building, and SGX-ST announcements will be made as and when appropriate.

Response to question 2(v) - The office building in Cyberjaya, Malaysia has been vacant since its completion in October 2018. The current carrying value of the office building was RM\$61.8 million (approximately S\$20.1 million) as at 31 March 2021 and an impairment loss of RM\$20.0 million (approximately S\$6.6 million) was made in financial year ended 31 March 2020. The Group has engaged a reputable real estate agency to assist us in the marketing and we are continuing to engage with an interested buyer. The rental guarantees, which have been fully accounted for in the financial statements, only relate to the shop units and they expire in the current financial year.

Question 3

There are five directors on the board, of whom three are independent directors, and two are non-independent and non-executive directors.

The group has also identified three key management personnel, namely Mr. Toh Leng Poh, Lawrence (chief operating officer), Mr. Ng Tah Wee, David (financial controller and company secretary) and Mr. Wong Chee Meng, Raymond (project director). The chief executive officer (CEO) role has been vacant since 3 August 2020.

(i) Is the board looking for a chief executive officer to lead the group in this challenging period?

(ii) With no executive director on board nor a CEO to lead the group, is the group able to execute its strategy effectively?

In addition, two of the independent directors, namely Dr. Tan Khee Giap and Mr. Chin Sek Peng, would be retiring by rotation at the annual general meeting and would be seeking their re-election. Both directors were first appointed on 15 May 2013. The board has accepted the nominating and remuneration committee's (NRC)'s recommendation to reappoint the retiring directors after assessing the directors' "contributions and performance". The NRC comprises Dr. Tan Khee Giap (chairman), Mr. Chin Sek Peng and Mr. Shahman Azman (non-independent non-executive director).

The biographies of the directors can be found on pages 11 and 12 of the annual report. Additional information on the directors seeking re-election can also be found on pages 33 to 37 of the annual report.

(iii) How did the NRC carry out its assessment given that both retiring directors are also members of the NRC (including Dr. Tan Khee Giap as the chairman of the NRC)?

(iv) Can the directors help shareholders understand their effectiveness as directors and "contributions and performance" given that the group's accumulated profit position of \$7.76 million as at 31 May 2013 has turned into an accumulated loss position of \$(44.98) million (page 65) as at 31 March 2021?

(v) Has the NRC reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?

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

Our Response to Question 3

Response to question 3(i) and (ii) - The Board is not currently looking for a CEO. The Group Executive Committee (the "EXCO"), a Board Committee, comprising of two Board members and four other key executives nominated by the Company's major shareholder, helps formulate strategic direction and initiatives, and provides direction, guidance and oversees management's performance of the Group's businesses. Regular meetings are held with the local management in Singapore. Duties of the EXCO is set out on page 27 of the AR2021.

Response to question 3(iii) - In compliance with SGX-ST rules, the NRC comprises 3 directors, all of whom are non-executive directors and of which two are independent directors. As per its terms of reference, the NRC assesses the performance of the retiring individual director and makes the appropriate recommendation to the Board based on his/her contributions and performance. Any NRC member who is the subject of reappointment will not be involved in the decision in respect of his/her own reappointment recommendation and will be assessed by the other 2 NRC members.

Response to question 3(iv), (v) and (vi) - The Group's strategy is determined by the Board as a whole and not by any individual director with input from its stakeholders, including major shareholders. While the Board as whole determines the strategy, the execution and results of that strategy is subject to the vagaries and a multitude of business risk including economic, financial and regulatory. There were various reasons, including economic conditions and government introduced measures, affecting the performance of the Group over the years which have been disclosed in the respective annual reports.

As part of its terms of reference, the NRC reviews annually the Board's size, structure and composition, including the required mix of skills, knowledge and experience. This will include consideration for progressive board renewal in line with the nature and size of the Group's operations.

By Order of the Board

Ng Tah Wee
Financial Controller and Company Secretary
19 July 2021