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

ANNOUNCEMENT

RESPONSE TO QUERIES RAISED BY SGX IN RELATION TO THE COMPANY'S UNAUDITED FULL YEAR RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 ("FY2020 RESULTS")

The Board of Directors of TA Corporation Ltd. (the "Company" and together with its subsidiaries, the "Group") refers to queries raised by The Singapore Exchange Regulation ("SGXRegCo") dated 6 April 2021 in relation to the Company's FY2020 Unaudited Results ("FY2020 Results"). The Company sets out below its response to SGXRegCo's queries relating to the FY2020 Results.

1. **SGXRegCo's Query**

With reference to page 1 of the financial statement, please explain why income tax expense increased by 152.5% period on period for 2H2020 and by 129.1% for FY2020 despite the fall in revenues and profits of the Group.

Company's Response:

Income tax expense increased by 152.5% for 2H2020 compared to 2H2019 and by 129.1% for FY2020 compared to FY2019 mainly due to increase in chargeable income for one of the Company's subsidiaries involved in dormitory business. Income tax expense for this subsidiary increased by 94.9% for 2H2020 compared to 2H2019 and by 117.8% for FY2020 compared to FY2019. The Company owns less than 75% equity interest in this subsidiary and hence was unable to utilise group relief to offset with this subsidiary's chargeable income.

2. **SGXRegCo's Query**

With reference to page 3 of the financial statement, please disclose:

a. **The breakdown of the Group's non-current trade and other receivables amounting to $47.6 million;**
b. **The nature of the non-current trade and other receivables; and**
c. **The Board's assessment of the recoverability of the non-current trade and other receivables.**

Company’s Response:

a. Breakdown	S$' million	b. Nature	c. Assessment of recoverability by the Board
1. Amount due from associates	24.4	Mainly due to working capital advances provided to a 20% owned associate undertaking a property development project, The Antares at Mattar Road and interest charged thereon.	The Board has considered the market value of the unsold units in The Antares assessed by an independent valuer as at 31 December 2020 and budgeted costs to completion for the development project and has assessed that the joint venture will be able to pay off the advances and interest when the remaining units are sold and the market values crystallise.
2. Amount due from joint venture	23.2	Working capital advances provided to the joint venture involved in property investment in China and interest charged thereon.	The Board has considered the valuation of property units owned by this joint venture which were assessed by an independent valuer as at 31 December 2020 and assessed that the amount due from this joint venture is recoverable.
Total	47.6		

3. **<u>SGXRegCo's Query</u>**

We note that other operating expenses increased by $23.2 million in 2H2020 to $33.6 million in FY2020 from $10.8 million in FY2019. The Company explained on pages 12 and 13 of the financial statement that this is due to "higher impairment loss in investment properties and foreign exchange loss". Please provide:

a. The breakdown of the amount of $33.6 million and explain the material items;

<u>Company's Response:</u>

Other operating expenses	**FY2020 S$'million**	**Note**
Depreciation expenses	6.8	1
Fine and penalty	2.4	2
Impairment loss of investment properties	19.1	3
Legal and professional fees	1.1	4
Foreign exchange losses, net	1.3	5
Loss on disposal of investment property	0.6	
Property tax, net	0.5	
Rental of premises, office equipment and vehicles	0.5	
Others	1.3	
	33.6	

Note:

1. Depreciation expenses mainly comprise of depreciation for leasehold properties, motor vehicles and plant and equipment.

2. Mainly due to penalty of S$2.3 million for non-compliance of certain conditions of a qualifying certificate for one of the Group's properties. The quantifying certificate condition was subsequently waived by the authorities.

3. Impairment loss of investment properties mainly comprised S$15 million from loss in fair value of the Group's dormitiory in Tuas and S$3.6 million from loss in fair value of its commercial properties.

4. Legal and profesisonal fees comprised mainly professional and legal fees and other expenses incurred for the consent solicitation exercise to inter alia, extend the S$27 million 6% notes due 2021 to 2023, and other consultancy fees.

5. Foreign exchange losses arose from the strengthening of SGD against USD end of FY2020 compared with FY2019 by about 1.7% mainly from USD denominated loans to subsidiaries and joint ventures and USD transactions during the year.

b. **The reason why there was insignificant fair value loss recorded in the 1H2020 results announced on 13 August 2020. In this regard, we refer to our Regulator's Column dated 27 July 2020 which states "Boards and management should carefully assess if asset values are appropriately reported in the interim financial statements. They should review whether the effects of COVID-19 present any indication that the asset values as at the previous financial year-end have changed significantly. The assessment of the impact and its associated uncertainties should be clearly explained so that investors can better appreciate the significance of the numbers.";**

Company's Response:

The Company has announced a profit guidance for the first half year ended 30 June 2020 and full year ending 31 December 2020 on 3 August 2020, wherein the Company stated that the Group's businesses have been impacted by COVID-19 circuit breaker measures and movement control measures implemented in countries where the Group operates. The Company had in its 1H2020 unaudited results announcement made on 13 August 2020, indicated that the Group's dormitory business is expected to face challenges going forward in view of the Singapore government new stringent measures for dormitories resulting from COVID-19. The Group had further expects the returns and valuations of its investment properties to be impacted by the deteriorating rental market in Singapore in the near to mid-term and that outlook for rental rate, occupancy and valuation of its investment properties will be weak.

The Group had reviewed the valuations of its investment properties prior to its 1H2020 results, and in view of the COVID-19 situation which was highly fluid and rapidly evolving, the quantitative impact on the fair value of its investment properties cannot be reasonably assessed at that point in time, hence only a loss in fair value of S$0.25 million was recognised for investment properties of which fair values could be assessed with higher certainty. Further, the Singapore government's impending new stringent measures for dormitories have not been implemented at the time of our 1H2020 results announcement. However, due to various safe management measures implemented progressively by the government, there were impact to the financial results of the dormitory for FY2020. Coupled with the shortening of the lease duration on which the dormitory is sited, there was a loss on fair value of S$15 million for this dormitory as assessed by an independent valuer as at 31 December 2020.

c. Details of the properties over which the significant fair value losses were recorded and the respective values; and

Company’s Response:

Details of the properties over which the significant fair value losses were recorded and the respective values:

Type of properties	Properties value as at 31.12.2020 (S$'million)	Properties value as at 31.12.2019 (S$’million)	Fair value loss in FY2020 (S$'million)
1. Dormitory	150.0	165.0	(15.0)
2. Commercial	58.5	64.5	(3.6)
3. Residential	5.1	5.2	(0.1)
4. Industrial	-	0.4	(0.4)
	213.6	235.1	(19.1)

d. Elaboration on the underlying items and the factors which resulted in the foreign exchange loss of $2 million in 2H2020. Please quantify the values of the underlying items which resulted in the significant losses.

Company’s Response:

Foreign exchange losses were mainly due to the strengthening of SGD against USD by 5.2% end of 2H2020 compared to 1H2020. The underlying items were loans and interest charged to subsidiaries and joint ventures denominated in USD and USD transactions incurred during the period.

Underlying items (denominated in USD)	FY2020 US$'million	Foreign exchange losses 2H2020 S$'million
i) Loans and interest receivable from subsidiaries	11.7	1.0
ii) Loans and interest receivable from joint ventures	4.2	0.3
iii) USD transactions	11.6	0.7
		2.0

4. **<u>SGXRegCo's Query</u>**
With reference to page 19 of the financial statement, please disclose since which year has Liong Cailin, Wendy been a General Manager of the Company.

<u>Company's Response:</u>

Ms Liong Cailin, Wendy has been appointed as General Manager (Business Development/Real Estate Development) of TA Corporation Ltd. ("The Company") since 1 April 2018.

BY ORDER OF THE BOARD

Yap Ming Choo
Company Secretary

Date: 9 April 2021