



TA CORPORATION LTD

(Incorporated in the Republic of Singapore)

Co. Registration No. 201105512R

ANNOUNCEMENT

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019.

Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed to them in the annual report issued to shareholders on 6 April 2020 (the "Annual Report").

The Board of Directors of TA Corporation Ltd (the "Company" and together with its subsidiaries, the "Group") wishes to announce the following information in response to questions from the Securities Investors Association (Singapore) ("SIAS").

Q1. On pages 2 to 4 of the annual report, the chairman provided a comprehensive overview of the developments of the group in 2019 and briefly touched on the financial performance of the group.

Some of the observations, highlights and achievements included:

- TA Corporation has established itself as a reputable property and construction group, backed by over 40 years of track record in the construction business.
- ... commitment to grow recurring income streams has also yielded results... the real estate investment segment has improved by 15.1% in FY2019, contributing \$22.5 million.
- ... revenue improved by 47.0% to \$198.2 million in FY2019... narrowed its loss attributable to owners of the company by 25.9% from \$14.9 million in FY2018 to \$11.1 million in FY2019.

- Despite headwinds in the operating environment and higher manpower costs, the Group had an active pipeline of construction projects with a strong order book of \$461.0 million, to be progressively delivered over the next few years.
- With its proven track record and reputation as a reliable building contractor... the Group's construction segment is well-placed to ride the demand, given its capability of taking on large scale commercial, industrial, institutional, and residential projects in Singapore.

It is puzzling that the executive chairman stressed on the group's 40+ years of track record, its capability and order book when the group has reported 5 years of losses. As seen in the Financial highlights (page 7, reproduced below), net asset value per share has dwindled from 46.5 cents to 31.3 cents and the group's gearing ratio has increased from 1.7x to 2.5x.



(Source: adapted from company annual report)

The accumulated losses over the period amounts to 15.3 cents per share. In particular, the losses from the construction segment was \$(7.8) million in FY2019 and \$(9.9) million in FY2018 (page 120 and 121).

- (i) Has the group maintained its competitiveness in the construction sector given the influx of large, foreign construction companies into the local market?

Company's response

As at December 31, 2019, the Group has an order book of S\$461 million, which will be progressively delivered over the next few years. These include construction projects for residential developments, and a mixed-use industrial building project, the manufacture and supply of concrete precast components and Air-conditioning and Mechanical Ventilation Systems ("ACMV") projects.

The Group had also recently completed the construction of an educational development, the German European School Singapore.

The Group has continually upgraded its construction capabilities and improved its productivity through adoption of advanced technologies and innovations. As a testament to its efforts to cater to higher productivity solutions, the Group has successfully set up a precast manufacturing plant in Johor, Malaysia since 2015 to manufacture and supply concrete precast components to the Singapore and Malaysia market.

In 2017, the Group set up a 80%-owned subsidiary which has received in-principle acceptance from BCA and relevant government agencies for the use of its steel prefabricated prefinished volumetric construction – ADD Modular (2016) (“PPVC System”). PPVC is a game-changing technology that supports the Design for Manufacturing and Assembly (DfMA) concept that BCA encourage the construction sector to embrace, and which can significantly speed up construction works and increase productivity. Room-sized units complete with internal finishes, fixtures and fittings are prefabricated in factories and then transported to construction sites for installation and assembly to form modular apartments. Together with the precast component manufacturing capabilities, this added PPVC System competency will enable the Group to further enhance its productivity in construction and scale up its competitiveness.

The Group has continuously upgraded its workforce through training programmes on the use of digital technologies to boost labour productivity and operational efficiency. Integrated Digital Delivery (“IDD”) is one such initiative that we have adopted. Together with the integration of Building Information Modeling (“BIM”), these technologies have enabled us to streamline processes, automate repetitive workflows, reduce risk of errors and improve collaboration among the working groups to increase productivities and boost efficiency.

The Group also has the competency to design, install and maintain ACMV systems for residential, commercial, and industrial buildings.

- (ii) Have the newly appointed independent directors, namely Mr Fong Heng Boo (also lead independent director and chairman of the audit committee and remuneration committee) and Mr Pang Teng Tuan, reviewed the performance of management?**

Company's response

The Board Charter as disclosed on page 21 of the 2019 Annual Report sets out the principal responsibilities of the Board, which includes the review of management performance. The Board is accountable to the shareholders and the Directors are aware of their duties at law which requires them to act in good faith and the best interests of the Company and to comply with the Listing Rules of the SGX-ST.

Mr. Fong Heng Boo ("Mr. Fong") was appointed as the Company's Lead Independent Director since December 1, 2017 and was last re-elected as a Director on April 27, 2018. He is the Chairman of the Audit Committee and the Remuneration Committee and is a member of the Nominating Committee ("NC").

Mr. Pang Teng Tuan ("Mr. Pang") was appointed as an Independent Director on December 3, 2018 and was last re-elected as a Director on April 25, 2019. He is a member of the Audit Committee and the Remuneration Committee.

As disclosed under Board Performance on pages 27 and 28 of the FY2019 Annual report, the NC have evaluated the performance of the board of directors as part of the NC annual performance evaluation of the Board, Board Committees and individual directors, results of which are shared with the entire Board. Mr Fong is a member of the NC. Mr Mervyn Goh Bin Guan, who is an Independent director, is the Chairman of the NC. The NC has evaluated that the Board collectively and the individual directors have performed their duties.

Mr Fong and Mr Pang, as members of the Board collectively with the Board have reviewed management performance as one of the principal responsibilities of the Board under the Board Charter on page 21 of the 2019 Annual Report.

- (iii) What are management's immediate plans to improve the group's profitability? FY2020 will likely be a challenging year for the construction sector given the COVID-19 pandemic.**

Company's response

The escalation of the COVID-19 outbreak in Singapore led to the government implementing a Circuit Breaker period from April 7, 2020 to May 4, 2020, which has since been extended to June 1, 2020. During this period, the Group temporarily ceased construction activities of its ongoing construction projects in compliance with the regulatory measures.

The Circuit Breaker period has impacted supply chains, caused shortage of foreign workers and escalated costs for the whole construction industry amongst others.

Subsequent to June 1, 2020, when the Circuit Breaker period is scheduled to end, it is still highly uncertain construction activities can resume to normal pre COVID-19 level quickly. In view of the impact to the construction industry, the relevant government ministries are in discussions with the Singapore Contractors Association Ltd to explore various financial and other supports for the construction sector, having already provided grants including Job Support Scheme payout and Foreign Worker levy rebates and waivers to the sector.

The Group therefore expects its construction business to be impacted in the near term but with some cushioning accorded by strong support measures from the Government.

The outlook for the local construction industry in the near to mid term is expected to be challenging with precautionary measures to minimize infection to be strictly enforced on foreign workers, raising cost of materials as a result of supply chain disruption and delay in project schedules. Despite these challenges, the Group remains focused on managing its labour force to maximize productivity, minimize costs, adopt all necessary precautionary measures to ensure the well-being of its workers and enhance work coordination to ramp up construction activities when the Circuit Breaker is lifted.

The Group is committed to complete the development of its real estate development project, *The Gateway* in Cambodia, and targets to handover sold units to buyers in 2H2020. The targeted completion date for *The Gateway* has been delayed due to the impact on supply chain by the COVID-19 outbreak. Building activities of the Group's development projects in Thailand has been scaled down in anticipation of the softer market in the near term and to conserve the Group's resources. The Group will restore its activities level when the market and pandemic situation improved.

For the Group's dormitory business, the occupancy and rental rates have not deteriorated significantly from the impact of COVID-19, hence there is no material financial impact on this business to date. However, we expect the landscape of dormitory operation to change and more policies will be introduced to improve the standard and condition of the dormitories in Singapore. The Group shall evaluate the impact and opportunity of the new policies and will ensure full compliance when the new policies are introduced.

The Group has an order book of construction projects, amounting to S\$461 million as at December 31, 2019, which is expected to be delivered over the next few years. As mentioned above, the Group will strive to ensure the execution and completion of its ongoing construction projects in these challenging times.

To meet stiff challenges from the COVID-19 outbreak, the Group will enhance its financial prudence and operation agility to conserve essential resources to prepare for post pandemic recovery process.

(iv) With the group's high gearing, has management evaluated its financial position and assessed if it has sufficient liquidity to tide it over the pandemic?

Company's response

The Group's borrowings are mainly in relation of its real estate development, both local and overseas, and real estate investment business, both of which are capital intensive. The Group will continue to actively market unsold units of its development projects and aims to reduce gearing from such sales. Borrowings for its real estate investment properties are progressively reduced with cash flow generated from the properties.

Notwithstanding, the Group remains prudent in managing its expenses and has taken measures to conserve cash to ensure adequate liquidity during this very challenging times. The Group has continued to enjoy strong support from its main bankers.

The Group's financial position remains sound, with cash and bank balances of S\$32.9 million as at December 31, 2019.

The Group will also tap on the temporary relief packages provided by the Singapore government to partly defray expenses and manage its cash flow. The Group will embark on cost cutting measures when necessary and appropriate.

As developments surrounding COVID-19 remain fluid and uncertain, the Group will monitor the situation closely and keep shareholders updated on material developments, if any, via SGXNet.

- Q2. The group's 9,180-bed Tuas South Dormitory is one of Singapore's largest purposebuilt workers' accommodation facilities. On 23 April 2020, five blocks in the 62%-owned Tuas South Dormitory at Tuas South Street was declared as isolation areas under the Infectious Diseases Act by the Ministry of Health (MOH).**
- (i) Can management help shareholders understand if the group had put in place the proper crisis/pandemic management plans prior to the outbreak in the dormitory?**

Company's response

The Group has implemented, way before the pandemic, for its dormitory a comprehensive "Quarantine Contingency Plan & SOP for Infectious Disease Outbreak" developed with close reference to relevant government guidelines, which include Ministry of Health ("MOH") Pandemic Readiness and Response Plan for Influenza and Other Acute Respiratory Diseases; and Ministry of Manpower ("MOM") Foreign Employee Dormitory Act licensing requirements.

(ii) In particular, what were the precautionary measures taken by management to prevent the spread of COVID-19 in the dormitory?

Company's response

Following the COVID-19 outbreak in Singapore in January 2020, the management further enhanced its established Quarantine Contingency Plan & SOP for Infectious Disease Outbreak to include additional precautionary measures in line with the protocols by MOH and MOM. More precautionary measures were implemented progressively during this period and immediately after the start of the Circuit Breaker Period on April 7, 2020.

The list of enhanced precautionary measures include enhanced cleaning and sanitation of all common areas, establishing and enforcing of safe distancing restrictive measures, increased temperature checks and the setup of isolation facilities, including quarantine order rooms. The management also ensured deep disinfection of rooms affected by confirmed COVID-19 cases.

The management team has been actively managing COVID-19 situation with the best practices on precautionary measures and actively implementing new measures together with the government inter-agency taskforce to respond to the COVID-19 situation.

(iii) What was the level of oversight on the day-to-day running of the dormitory prior to the pandemic and now?

Company's response

Tuas South Dormitory is owned and operated by Nexus Point Investments Pte Ltd ("NPI") – a 62%-owned subsidiary of TA Corporation. NPI's operation team is headed by a general manager and supported by the operations, administration and marketing as well as sales teams. This team manages the day-to-day running of the dormitory.

The General Manager reports to the CEO and executive management team.

The Operation team and the General Manager of *Tuas South Dormitory* regularly meets and provides operational updates to the CEO and executive management team since its commencement. With the outbreak of COVID-19, the CEO and executive management team have enhanced their oversight to provide necessary supports to the operation team and General Manager as often as needed, and have continued to do so during these challenging times.

- (iv) **Would management be providing shareholders with timely updates of material development at the dormitory and in all of the group’s operations as part of the company’s continuous disclosure obligations?**

Company’s response

Yes, the management at TA Corporation will provide timely announcements on SGXnet relating to developments of material financial impact in all of the Group’s operations, including the dormitory business, as part of the company’s continuous disclosure obligations.

- Q3. As disclosed in the Statement of corporate governance, there are three employees who are related to a Director or the CEO as immediate family members whose remuneration each exceeds \$100,000 for FY2019. The table can be found on page 30 of the annual report and is reproduced below.**

Remuneration Bands	Relationship to Directors or the CEO
<u>\$200,001 to \$300,000</u> Liong Cailin, Wendy	Daughter of Mr Liong Kiam Teck, and niece of Mr Neo Tiam Boon, Mr Neo Tiam Poon @ Neo Thiam Poon and Mr Neo Thiam An
<u>\$100,001 to \$200,000</u> Nelson Neo Tiam Chuan Liong Chai Yin, Fiona	Brother of Mr Liong Kiam Teck, Mr Neo Tiam Boon, Mr Neo Tiam Poon @ Neo Thiam Poon and Mr Neo Thiam An Daughter of Mr Liong Kiam Teck and niece of Mr Neo Tiam Boon, Mr Neo Tiam Poon, @ Neo Thiam Poon and Mr Neo Thiam An

(Source: company annual report)

The company has deviated from the Code of Corporate Governance 2018 in its remuneration disclosure and has not named the 5 executives who are key management personnel (who are not directors nor the CEO). The top three executives each received remuneration packages between \$250,001 to \$500,000.

It is not clear if Ms Liong Cailin, Wendy is in the \$250,000 to \$500,000 remuneration band as her remuneration was disclosed as \$200,001 to \$300,000.

- (i) Would the company disclose the job scope and responsibilities of Ms Liong Cailin, Wendy?**

Company's response

As mentioned in page 30 of the Annual Report, due to highly competitive conditions in the local and foreign market place in which the Group operates in and the sensitive nature of such information, the Board believes that full detailed disclosure of each key executive as recommended by the Code would be prejudicial to the Group's interest and impedes its ability to retain and grow its talent pool in an industry with many competitors.

Ms Liong Cailin, Wendy ("Ms Liong") is one of the top five key management personnel (who are not directors nor the CEO) who received a remuneration package up to \$250,000.

She is the General Manager (Business Development/ Real Estate Development) at TA Corporation Ltd.

Ms Liong joined the Group in 2005 and oversees the management, operations and strategic planning for the Real Estate Development (Singapore & overseas) and Real Estate Investment (including dormitory management) segments of the Group's business. Ms. Liong is part of the senior management team and assists the Board in strategizing the Distribution segment of the Group's business. In addition, she participates in all management meetings and contributes on a strategic level for all Business Units under the Group.

Ms Liong graduated from the Curtin University of Technology, Western Australia in 2002 with a Bachelor of Commerce (Banking & Finance).

In addition, as shown on page 36, the group carried out interested persons transactions with Prestige Resources Pte Ltd, Tac Alliance Pte. Ltd. and Matsushita Greatwall Corporation Private Limited totally \$1.03 million in FY2019.

The interested persons are associates of Mr Liong Kiam Teck, Mr Neo Tiam Boon, Mr Neo Tiam Poon @ Neo Thiam Poon and Mr Neo Thiam An.

(ii) Would the audit committee elaborate further on the nature of the transactions?

Company's response

According to Principle 13 "Engagement with Stakeholders" in TA Corporation's Statement of Corporate Governance, the Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company has established review and approval procedures to ensure that interested person transactions ("IPT") entered into by the Group are conducted on normal terms and are not prejudicial to the interest of the shareholders. For the year under review, the Board meets quarterly to review if the Company will be entering into any IPT.

The Audit Committee has reviewed the rationale and terms of the Group's IPT and is of the view that the IPT are on normal commercial terms and are not prejudicial to the interests of the shareholders.

The IPT in respect of Prestige Resources Pte Ltd and Tac Alliance Pte Ltd were commercial transactions entered at arms' length basis involving management service contracts for the Group's factory premises. The IPT for Matsushita Greatwall Corporation Private Limited were in respect of arms' length transactions for purchase of bedding and furnishing materials for one of the Group's property development projects.

BY ORDER OF THE BOARD

Foo Soon Soo/Yap Ming Choo
Company Secretaries

Date : 22 May 2020