HOLDINGS (S) LTD
Registration No.: 199304349M

RESPONSE TO QUESTIONS FROM SIAS AND A SHAREHOLDER

The Board of Directors of BBR Holdings (S) Ltd (the "Company", and together with its subsidiaries, the "Group") refers to the questions received from the Securities Investors Association (Singapore) ("SIAS") and a shareholder ahead of the Company's Annual General Meeting to be held on 23 June 2020 at 4.00 p.m. via live webcast. The Company wishes to provide its response below.

SECTION A – QUESTIONS FROM SIAS

Question 1

In the message from the chairman and the CEO (pages 5 and 6 of the annual report), the group's achievements, which included new contract wins and a 8.3% year-on-year revenue increase, were highlighted. The company also stressed that it will continue to diversify in the region by pursuing more projects outside of Singapore and Malaysia.

However, the chairman and CEO did not elaborate on the reasons for a net loss attributable to shareholders of $12.8 million in FY2019 other than to say that the group's performance was "moderated by a rise in other operating and finance costs, as well as loss from share of results of joint ventures".

One of the main reasons for the $12.8 million net loss in FY2019 is the $5.0 million impairment loss on trade receivables, contract assets and other receivables. This was due to a Prefabricated Prefinished Volumetric Construction ("PPVC") customer defaulting on their payment.

(i) **Would the chairman and CEO provide shareholders with more candour and a balanced view of the group's performance, especially on the issues faced by the groups so that shareholders can have a better understanding of the group's performance and risks?** This would also give the assurance that the board and management are pro-actively addressing the issues.

Company's Response

The Group provided a detailed and comprehensive analysis on the Group's performance in the Financial Review section (pages 8 and 9) of the FY2019 Annual Report, which includes reasons for the net loss attributable to shareholders of S$12.8 million. These include:

- increase in other operating costs by S$3.2 million or 16.8%, as the Group provided for impairment loss on trade receivables and contract assets of S$5.0 million, arising from the default payment from a Prefabricated Prefinished Volumetric Construction debtor;
- increase in finance costs by S$0.8 million or 25.2%, with more borrowings for the financial year mainly for the Group's development property project; and
- share of results of joint ventures for FY2019 amounting to a loss of S$0.1 million, in contrast to S$8.6 million reported in FY2018.

The Chairman's and CEO's message also included a paragraph on Business Prospects which outlined the challenges faced by the Group.

(ii) Given the weak global economic outlook due to the pandemic and that the group is looking for more projects in the region, would the board be reviewing the robustness of the group's credit risk framework? What improvements have the board/management made to the monitoring and assessment of credit risk?

Company's Response

The Group's exposure to credit risk arises primarily from trade receivables, contract assets and loans to a joint venture. The management has put in place a robust and proactive credit risk management framework across the Group of companies to respond to changing market conditions.

The Group's receivable balances are monitored closely on an ongoing basis to ensure the exposure to bad debts is not significant. Additionally, the Group conducts business only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

With the current Covid-19 pandemic crisis, many companies are facing unprecedented challenges. Construction sector is among one of the hardest-hit sector. Construction activities were suspended during the circuit breaker period causing delays to the project timeline. Re-opening of construction sector will take a phased approach and be subject to regulatory approvals and requirements for safe work sites, safe workers and safe accommodation/transport. Hence it is expected that the re-start of project works will take some time. With the government subsidies and temporary relief to financially distressed businesses to protect them against their creditors, the true measure of financial distress that the global pandemic has had on Singapore companies has yet to be determined. As the Covid-19 pandemic remains volatile and its effects are rapidly evolving, the Group will take extra steps to monitor its debtors collection vigilantly to minimise its credit exposure.

In addition, as the Group is looking for more projects in the region, the Group will adopt more stringent review of credit standing of the customers and review of payment terms and retention sum. All these will have to be balanced against the Group's objective to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

Question 2

The group acquired the mixed-use development, then known as the Goh & Goh building, at Upper Bukit Timah in September 2017 for a sum of $101.5 million. As disclosed on page 5, preparation for the redevelopment is still underway and it is "approaching its final stages".

It has been 2.5 years since the group acquired the site and the project has not been launched. It is noted that the projected launch in the second half of 2020 may be further delayed given the COVID-19 situation.

(i) What is the holding cost to the group?

Company's Response

The holding cost is mainly interest cost, which amounted to approximately $3 million in FY2019.

(ii) Did the group under-estimate the difficulties of redeveloping the site?

Company's Response

After the acquisition, the government imposed additional requirements related to regulatory permits and approvals, leading to delays in the project. These additional requirements protracted the timeline of the site redevelopment process.

Following the acquisition of the Goh & Goh Building by Alika Properties Pte. Ltd. ("Alika"), a 62% subsidiary of the Company, it was proposed by Urban Redevelopment Authority to realign the Goh & Goh building site ("G & G site") through a land exchange of a land lot within the G & G site and an alienation of state land lots. The purpose was to enable the Urban Redevelopment Authority to enhance the utilisation of the land in the vicinity of the G & G site. The completion of the exercise resulted in an enlarged land parcel that is more regular in shape and this will certainly enhance the potential of the development site.

The URA exercise led to a re-gazettement process to convert an additional area in front of the site from pedestrian land to commercial/residential land, and the land title from 99-year leasehold to grant in fee simple. This process required approval from numerous government agencies before the land could be alienated to Alika. Additionally, there was a delay in finalising the valuation of the land lots involved in the land exchange and alienation exercise.

This was further compounded by the deliberation process behind the latest Urban Redevelopment Authority's Master Plan 2019 ("URA Master Plan"). As the URA Master Plan does involve, among other areas of Singapore, the property's locality of the Upper Bukit Timah/Beauty World area, the Group felt it was prudent to work with the relevant authorities and anticipate the confirmation and release of the URA Master Plan in order to ensure continued smooth redevelopment. This process of anticipating the official URA Master Plan did somewhat prolong the redevelopment process.

Moreover, even as the delay in the development of the project was not due to any technical or financial constraints, the onset of Covid-19 outbreak has also caused the delay of the sales launch to the fourth quarter of 2020.

(iii) Would the board be reviewing the competitiveness of the group's property development division and evaluate its investment approach?

Company's Response

The Board regularly reviews the Group's strategy, competitiveness, and investment approach, which includes regular assessments of the Group's property development division.

Since our first property development project at 8 Nassim Hill, followed by Lush on Holland Hill, Bliss@Kovan, Lake Life Executive Condominium and The Wisteria & Wisteria Mall, our property development division has been delivering commendable results due to our prudent and well-conceived approach in targeting prime locations and identifying the best project designs to suit our target buyers' profiles.

Question 3

[A similar question was sent to the company based on the review of the 2017 annual report. The question has been updated following the review of the 2019 annual report as the issue remains and the company has not responded to the earlier question.]

In the Corporate Profile (page 2), the group prides itself as one of Singapore's leading construction groups with more than 25 years of industry experience that spans across General Construction, Specialised Engineering, Property Development and Green Technology.

Under the General Construction segment, the principal activities include design-and-build, general building construction, and civil structural engineering activities.

The results of the General Construction segment are shown in the table below:

FY	Revenue from General Construction ($'000)	Segment profit/(loss) before taxation ($'000)
2012	131,481	2,112
2013	273,055	5,308
2014	458,326	(5,828)
2015	215,458	(4,431)
2016	164,823	(8,916)
2017	60,547	(3,277)
2018	27,161	(2,517)
2019	31,985	(4,414)

(Source: Company annual reports)

The segment losses in the last 6 financial years amounted to more than $(29.3) million.

(i) Given the level of competition in the market, is the group still competitive in the segment?

Company's Response

The downturn in the general construction industry and challenging operating environment in the segment have resulted in losses for this division since 2014. Losses incurred were mainly due to keen competition as well as rising material and labour costs.

The Group expects the business outlook in FY2020 to remain challenging. We will continue to contend with increased competition from both local and overseas players, as well as pressure on margins stemming from rising labour and material costs. It is also inevitable that the Group will have to grapple with additional uncertainties arising from global trade tensions and the Covid-19 outbreak.

Moving ahead, the Group will leverage on its strong track record in building construction and civil engineering to secure more projects and continue to strengthen its order book. The Group will also be collaborating with strategic joint venture partners in project tenders to have a balanced view on it pricing and cost in order to stay competitive.

The Group regularly monitors the competitive landscape by conducting periodic market studies, pricing evaluation and performance review. Additionally, the Group strives to maintain its competitive edge through enhancing cost effectiveness and efficiency optimisation in the management of projects.

(ii) How does management price the contracts/tenders to allow the group to be fairly compensated for their work/services?

Company's Response

We are unable to share our price strategies as they are highly confidential and sensitive information. Our management reviews our price strategies in order to ensure that our pricing is fair and competitive.

In addition, the group also recognised segment losses (before taxation) from Specialised engineering of $(2.4) million in FY2019 and $(3.5) million in FY2018. In FY2017, the segment profit before taxation was $7.2 million.

Overall, the group's total losses amounted to $(12.8) million in FY2019 and $(3.4) million in FY2018. In 2018, the group recognised its share of results of joint venture of $8.6 million. This was mainly due to a $29.8 million non-cash fair value gain on its investment property held by its 25.05% joint venture.

(iii) Would the independent directors consider it opportune to carry out a strategic review of the group's core strengths and capability, management depth, cost structure and the competitive landscape in the general construction and engineering segments so as to safeguard shareholders' value?

Company's Response

The Board of Directors, including the Independent Directors and Non-Executive Directors, have reviewed and assessed the Group's operations and strategy. Additionally, the Board regularly conducts strategic reviews of the Group's operations and performance, including that of its subsidiaries.

Question 4

The board comprises seven directors and two alternate directors, with three directors deemed independent. The three independent directors are:

- Prof. Yong Kwet Yew, first appointed on 19 August 1997
- Ms. Luk Ka Lai Carrie, first appointed on 24 September 1997
- Mr. Soh Gim Teik, first appointed on 8 August 2008

The tenures of the independent directors range from approximately 12 years (Mr. Soh) to over 22 years for Prof. Yong and Ms. Luk. In addition, Prof. Yong Kwet Yew has been appointed as chairman of the board since 28 April 2008.

The nominating committee (NC) comprises of all three independent directors whose independence is to be reviewed by the NC. Following a rigorous review by the NC, all three long-tenured independent directors were deemed independent. More details can be found on pages 114 to 116 of the annual report.

The board is of the view that the independent directors have developed significant insights in the group's business and operations and can continue to provide significant and valuable contribution objectively to the board as a whole. In addition, the board has disclosed that it has weighed the need for board's refreshment against tenure and will review the need for progressive refreshing of its board.

(i) Would the independent directors help shareholders understand their individual and collective efforts at helping the group to turn around the general construction and engineering segments based on the significant insights in the group's business and operations developed over the years"?

Company's Response

Independent directors do not take part in the day-to-day operations of the business. The contribution of the independent directors is independence in their views and the ability to bring an outside perspective into the Board meetings. Further, their primary functions are to comment on corporate strategy, direct general policy, and provide overall supervision of the company. Independent directors also aid in the balancing of the interests of the shareholders, employees and creditors. The presence of independent directors brings about impartiality in the Board as a whole. Such impartiality effectively means that considered advice would be provided and developed for the purposes of steering the company strategy as a whole by the Board of Directors.

The construction industry has been challenging for the past few years. There is increased competition from both local and overseas players as well as pressure on margins stemming from rising labour and material costs. This has largely affected the financial performance of the general construction and engineering segments over the years. To help the Group to turn around, the independent directors have, through their participation in the setting of the corporate strategy and business direction of the Group, together with the rest of the Board members, collectively determined that the Group pursue geographical diversification by proactively exploring business opportunities in the region. This led the Group to incorporate subsidiaries in Thailand and Hong Kong in 2017 and 2018 respectively, and to actively pursue business through tenders in those regions. Currently we have established our foothold in Thailand and business there is growing. In Hong Kong, though the Group has not been successful in our previous tenders, we have increased our visibility in Hong Kong and opened up an avenue for future business.

With the revised Code of Corporate Governance ("2018 CG Code") issued by the Monetary Authority of Singapore in August 2018, and together with the amendments to its Listing Rules by SGX, the term of an independent director will be limited to nine years after which the long-tenured directors will be subject to a two-tier vote by shareholders, effective 1 January 2022. In addition, independent directors have to make up one-third of the board.

(ii) Has the board, especially the nominating committee, evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?

Company's Response

The Board of Directors and Nominating Committee have assessed the impact of the 2018 CG Code and the amendments to the Listing Rules on the Board. The Board is confident that it will be able to suitably comply with the requirements of the new 2018 CG Code in due course.

(iii) What are the company's near-term plans to refresh the membership of the board to comply with the new 2018 Code in good time? Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.

Company's Response

The Board of Directors and the Nominating Committee are aware of the requirement to be in compliance with the new 2018 CG Code, as well as the amendments to the Listing Rules with regard to independent directors who have served beyond nine years on the Board.

Currently, Executive Directors make up the minority of the Board, given that the majority are a mix of Non-Executive Directors and Independent Directors. The Nominating Committee regularly evaluates the composition of the Board in order to assess the continued suitability of current members, as well as of any new members. The Nominating Committee will review the size and composition of the Board annually and identifies any gap in the skills and competencies of the Directors. The Nominating Committee will consider recommendations for new directors and will review their qualifications such as age, experience, education, track record, capabilities and relevance before a decision is made.

These reviews are done with the Group's best interest in mind and with the goal of maintaining a solid Board of Directors with strong qualifications, expertise, and skill sets, that can safeguard the interests of the Group and of its shareholders.

SECTION B – QUESTIONS FROM SHAREHOLDERS

Question 1

Please update on the status as regards the new project at Beauty World Vicinity, as to: 1. What type of integrated projects it is: residential, office, retails, food? 2. Revised target completion date, given the current situation.

Company's Response

The new project is the development named The Linq @ Beauty World ("The Linq"). This is a mixed use integrated development with residential, F&B and office units. The Linq will have a site area of approximately 4,251 square metres comprising 120 residential units in one tower of 20 storeys and 53 commercial units on the 1st and 2nd storeys. Subject to approval by the authorities, it is estimated that the net saleable area for the residential units and commercial units is approximately 8,580 square metres and 2,757 square metres respectively. Currently we are targeting completion to be in the second half of 2024.

By Order of the Board
BBR Holdings (S) Ltd

Tan Kheng Hwee Andrew
Chief Executive Officer
22 June 2020