

Issuer: Lian Beng Group Ltd
Security: Lian Beng Group Ltd

Meeting details:

Date: 27 September 2017

Time: 10.00 a.m.

Venue: 29 Harrison Road, Lian Beng Building, Singapore 369648

Company Description

Lian Beng Group Ltd, an investment holding company, engages in the construction business in Singapore and Australia. It operates in six segments: Construction; Dormitory; Engineering and Leasing of Construction Machinery; Property Development; Investment Holding; and Manufacturing of Concrete and Asphalt. The Construction segment constructs residential, institutional, industrial, and commercial properties; and undertakes civil engineering projects in private and public sectors. The Dormitory segment is involved in the rental of dormitory units; and provision of dormitory services. The Engineering and Leasing of Construction Machinery segment provides construction related services, such as scaffolding and electrical installations; and leases metal formworks, as well as construction machinery and equipment. This segment manages a fleet of equipment for lease and sales, including generators, air compressors, gondolas, and other building materials, such as external scaffolds and metal forms; and provides services comprising erection and dismantling of external scaffolds, and the repair and maintenance of construction equipment and machinery. The Property Development segment develops, sells, and rents residential, commercial, and industrial properties, as well as offers property management services. The Investment Holding segment holds investments in quoted and unquoted securities, and properties. The Manufacturing of Concrete and Asphalt segment manufactures and supplies ready-mixed concrete and asphalt, as well as sells sand. The company also engages in trading construction materials; chartering ships; transporting raw materials; and providing formwork services and training for construction workers. Lian Beng Group Ltd has strategic partnerships with LaSalle Investment Management Pte Ltd and Duke Development Pte Ltd. The company was founded in 1973 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=L03)

Q1. Following up from last year's questions on the investment strategy of the group, shareholders would like the company to provide better visibility on the strategies for the new investments that the group has made in FY2017. Specifically:

- a) **HDB properties:** In November 2016, the group acquired a portfolio of four properties located at Ang Mo Kio Central, Bukit Merah Central, Clementi Central and Toa Payoh Central for an aggregate consideration of S\$151 million. **Can shareholders understand the long term plans for these assets? What is the current yield of the HDB portfolio? Please disclose the major tenants and the lease expiry profile.**
- b) **Quoted non-equity investments (SGD & USD):** The group's exposure to quoted non-equity investments increased from \$68.5 million as at 31 May 2016 to \$105.7 million as at 31 May 2017. **Would management disclose the reasons for increasing its exposure in non-equity investments to \$105.7 million? How much of this investment is in plain vanilla corporate bonds? Can management also provide an overview of the profile of the bond issuers and the bond ratings?**
- c) **Other investment securities:** **Can shareholders understand the rationale of investing in derivative instruments such as Quoted index linked notes and Structured notes (SGD & USD)?**
- d) **Foreign currency risk:** The group already has core investments mainly in Australia, Malaysia, China and United Kingdom. With the \$43.4 million investments into quoted non-equity investments (USD), the group has increased its foreign currency risk (to the USD). **Can management elaborate further on its investments into USD-denominated bonds? Would this be speculative in nature since the group has no significant exposure to USD in its core business?**

Q2. In the group's operations, shareholders would like to ask about:

- a) **Property development – Hexacube:** In March 2017, the group's 40%-owned commercial development Hexacube obtained its Temporary Occupation Permit (TOP). As at 31 May 2017, the development is 61.6% sold (page 24), an improvement of 1.6% from a year ago. **Can the company provide a breakdown of the sale progress of the retail and office components separately? What are management's plans for the remaining units?**
- b) **Property development – T-Space @ Tampines:** **When is the expected TOP of T-Space @ Tampines? How does management intend to achieve better sales for T-Space?**
- c) **Manufacturing of concrete and asphalt:** The segment has reported segment losses of \$(6.7) million in 2016 and \$(5.6) million in 2017 (page 155). **Can shareholders understand the competitive landscape and the key challenges faced by the group in the concrete and asphalt segment?**

Q3. In the Corporate Governance report (page 39), the company has disclosed the following:

"For the financial year ended 31 May 2017, the total remuneration paid to the top eight key executives (who are not Directors or the CEO) of the Company was S\$3,114,751".

While the board has decided not to disclose the remuneration of the top eight key executives in remuneration bands of S\$250,000 as doing so "may affect the retention or recruitment of competent personnel in a highly competitive business environment the Company operates in as well as the competitive pressures in the talent market due to limited talent pool", Guideline 9.3 of the 2012 Code of the Corporate Governance (Code) issued by the Monetary Authority of Singapore states that "there should be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives".

- a) **Would the board and the remuneration committee consider providing a breakdown of each key management personnel's remuneration as stated in Guideline 9.3 of the Code?**

Revenue for FY2017 was S\$281.7 million, a 36.8% decline year-on-year and net profit attributable to equity holders of the company for 2017 was \$53.2 million, a 48% drop from \$102.9 million. In the annual report for the financial year ended 31 May 2016, it was disclosed that the total remuneration paid to the top eight key executives (who are not Directors or the CEO) of the company was S\$3,155,331. In 2017, the top eight key executives were paid an aggregate of \$3,114,751, a decline of 1.3%.

On page 38, the company has disclosed that:

“The remuneration of the top eight key executives comprises of fixed and variable components. Fixed component is in the form of fixed monthly salary whereas variable component is linked to the performance of the Group’s businesses and individual performance”.

- b) Can the remuneration committee elaborate further on the extent of its review of the remuneration of senior management?**
- c) Can the remuneration committee elaborate further on how the remuneration policy for senior management is linked to the performance of the group’s businesses and of individual performance? Please help shareholders understand why the remuneration of the top eight key executives declined by 1.3% while revenue and net profit attributable to equity holders dropped by 37% and 48% respectively.**