

Issuer: BBR Holdings (S) Ltd

Security: BBR Holdings (S) Ltd

Meeting details:

Date: 23 April 2018

Time: 10.00 a.m.

Venue: 50 Changi South Street 1, BBR Building, Singapore 486126

Company Description

BBR Holdings (S) Ltd, an investment holding company, engages in general construction, specialized engineering, property development, and green technology businesses in Singapore and Malaysia. The company's General Construction segment offers designing and building services; general building construction services; civil and structural engineering services; and building conservation and restoration services. Its Specialized Engineering segment is involved in the construction engineering activities, including piling and foundation systems, post-tensioning, stay cable systems, heavy lifting, bridge design and construction, and maintenance repair and retrofitting, as well as prefabricated pre-finished volumetric modular construction activities. The company's Property Development segment develops residential properties; and mixed commercial and residential developments. Its Green Technology segment engages in the system integration and distribution of renewable energy; and supply, installation, and lease of solar panels and grid connected systems. The company also provides healthcare products and services. BBR Holdings (S) Ltd was founded in 1993 and is headquartered in Singapore. (Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=KJ5)

1. The group announced the proposed acquisition of Goh & Goh Building with the exercise of a call option to purchase the 4-storey mixed-use development on 25 May 2017. The \$101.5 million purchase was completed on 21 September 2017.

In the Chairman’s Message (page 9), it was disclosed that the group is “on track to re-develop the 2,868.3 sqm freehold property into a mixed commercial and residential development project... in discussions with the relevant authorities to optimise the potential of the development site.”

- (i) **Can management disclose the development plans and launch date of the project? Given the recent “enbloc fever”, what is management’s strategy to maximise the value of this redevelopment?**
- (ii) **What is the development charge payable for land use intensification?**
- (iii) **Can management help shareholders understand the profile of the partner(s) who hold the 38% non-controlling interest in Alika Properties Pte. Ltd? Do they bring any real estate development experience to the team?**
- (iv) **Will the group be looking to sell the commercial units in the project?**

2. As shown in the Corporate Profile (page 2), the group is one of Singapore’s leading construction groups with more than 20 years of industry experience, spanning 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 is shown in the table below:

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

(Source: Company annual report)

The profitability of the General Construction segment has deteriorated since 2014 with accumulated losses totally more than \$(22.4) million.

- (i) **Can management elaborate further on the specific reasons for the prolonged sub-performance of the General Construction segment?**
- (ii) **Has the group reacted fast enough to adapt to changing market conditions? Are contracts and/or tenders priced reasonably to allow the group to be fairly compensated for their work/services?**
- (iii) **Given that activities in General Construction has slowed down (as seen by the drop in revenue of over \$100 million from 2016 to 2017), would the board take this opportunity to carry out a strategic review of the group’s core strengths and capability, management depth, cost structure and the competitive landscape of the General Construction segment and further finetune its strategy?**

3. On 21 June 2017, the company announced that Mr Voon Yok Lin joined the board as an executive director together with Mr Voon Chet Chie acting as his alternate director.

Mr Voon would be the company's second alternate director. Mr Romano William Fanconi was appointed an alternate director to Mr Marcel Poser, a non-executive director of the company, on 24 April 2015.

Principle 4 of the 2012 Code Of Corporate Governance states that there should be a formal and transparent process for the appointment and reappointment of directors to the Board.

In particular, Guideline 4.5 recommends that “[b]oards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency”.

In the company's Corporate Governance Report, the following was disclosed:

Alternate Directors

Mr. Marcel Poser has appointed Mr. Romano William Fanconi as his Alternate Director on 24 April 2015 to facilitate full board attendance and representation by the controlling shareholder, BBR Holding AG, Switzerland at each Board meeting. Mr. Marcel Poser is a foreign Non-Executive Director and his alternate shall attend Board meetings should he be unable to do so. Mr. Romano William Fanconi was appointed after the NC and the Board had reviewed and concluded that he would similarly have qualified as a Non-Executive Director. He bears all the duties and responsibilities of a Director.

Similarly Mr. Voon Yok Lin has appointed his son, Mr. Voon Chet Chie as his Alternate Director on 21 June 2017. Mr. Voon Chet Chie has building and construction experience in both public and private sectors in Malaysia and is currently the Manager for Special Task in the Malaysia subsidiary, BBR Construction Systems (M) Sdn. Bhd. With his qualification, experience and the industry knowledge that he possesses, the NC and the Board had approved his appointment as an Alternate Director.

(Source: Company annual report)

- (i) **How will the appointment of Mr. Romano William Fanconi as the alternate director to Mr. Marcel Poser greatly facilitate full board attendance and representation by the controlling shareholder given that Mr. Fanconi's country of principal residence is also Switzerland?**
- (ii) In addition, Mr Bruno Sergio Valsangiacomo, chairman of BBR Holding AG, is already representing the controlling shareholder on the board. **How critical is it to appoint an alternate director to Mr. Marcel Poser to “facilitate full board attendance and representation” at each board meeting?**
- (iii) **How effective is the appointment of an alternate director given that Mr. Marcel Poser/Romano William Fanconi still only attended 4 out of 5 board meetings?**
- (iv) **In addition, would the nominating committee (NC) like to elaborate further and provide the reasons for appointing Mr. Voon Chet Chie as an alternate director to Mr. Voon Yok Lin?**
- (v) **Can the NC and the board provide further justification for the company to deviate from the 2012 Code of Corporate Governance on the appointment of alternate directors to the board? Would the NC consider carrying out a review of this practice?**