

Issuer: TA Corporation Ltd

Security: TA Corporation Ltd

Meeting details:

Date: 27 April 2018

Time: 3.00 p.m.

Venue: 1 Jalan Berseh #03-03, New World Centre, Singapore 209037

Company Description

TA Corporation Ltd, an investment holding company, engages primarily in construction business in Singapore, the People's Republic of China, Thailand, and Cambodia. The company operates through Construction, Real Estate Investment, Real Estate Development, and Distribution segments. It constructs residential, commercial, and institutional projects for government bodies and real estate developers; invests in real estate; develops residential and commercial real estate properties; and provides project management services. The company also designs, installs, and maintains air-conditioning and mechanical ventilation systems for buildings and specialized users; and sells and distributes petroleum based lubricant products, automotive tires, and commercial vehicles. In addition, it is involved in structural works, and specialized construction and related activities; the manufacture of pre-cast and pre-stressed reinforced concrete products; and provision of general builders and construction contractors, workers training, and general engineering services. Further, the company sells construction materials. TA Corporation Ltd was founded in 1972 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=PA3)

1. The group's Tuas South Dormitory commenced with the first phase in January 2016 and second and final phase in May 2016. As disclosed in the Chairman's Statement, occupancy rate has grown significantly within two years of operations (page 4). However, given the weak business environment and the competition from other dormitories, rental rates continue to be disappointing.

In FY2017, the group recorded a loss in fair value of this investment property based on fair value accounting policy amounting to \$(25.0) million.

- (i) **What was the average occupancy of the Tuas dormitory given that the group was able to generate \$15.7 million in segment revenue (including the dormitories at Sungei Kadut) in FY2017?**
- (ii) **In view of the huge impairment on the Tuas dormitory, can management disclose the rental rates at the Tuas dormitory?**
- (iii) **In 2014 when the group and its partners participated in the land tender, what were the projected rental rates?**
- (iv) **In FY2016, the group had also recognised \$(16.3) million as fair value loss. How much of the \$(16.3) million in fair value loss was attributed to the Tuas dormitory? To provide better transparency on the valuation of the Tuas dormitory, can management disclose the carrying value of the Tuas dormitory?**

2. As disclosed in Note 11 (page 76 – Development properties), the group's carrying value of completed (unsold) development properties have increased from \$20.9 million as at 31 December 2016 to \$27.9 million.

- (i) **De Iyara Grande (Thailand):** The group just sold 149 sq. meters of the completed project in the financial year and has 2,173 sq. meters held by the group as completed properties. **Can management help shareholders understand what were their efforts at monetising the completed projects? How did the audit committee (AC) estimate the net realisable value of these completed units? What is the experience/expertise of the AC in terms of valuating real estate, especially in foreign countries? Can management disclose the carrying value of the balance units in this project?**
- (ii) **Ascent @ 456 (Singapore):** How is management going to maximise the value of the remaining units at Ascent @ 456?
- (iii) **12 on Shan (Singapore):** What is the status of the tender of 12 on Shan?
- (iv) **iResidence:** Given that the project will be completed in June 2018, please disclose the sales progress of the project.

3. The assessment of contingent liabilities related to the group's investment in the Dalian projects is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial

Statements (page 35). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As disclosed in the KAM, the group has not impaired receivables of \$20.9 million from the Chinese joint venture as it is the expectation that the receivables are recoverable.

As at December 31, 2017, the company and a joint guarantor have given joint and several corporate guarantees to a bank for loans to the Chinese entities that amounted to \$31.7 million at December 31, 2017 (2016: \$39.0 million).

In Note 3.2.5 (page 65 - Key sources of estimation uncertainty), the company has stated the following:

In assessing whether the Group needs to record any liability in respect of the above joint and several corporate guarantees, management engaged an independent professional valuer to estimate the gross development value ("GDV") of the properties of DSPDC as at December 31, 2017 which is the projected value upon full completion of development of units which are currently partially developed. The valuation also includes the market value in existing state at December 31, 2017 which is the GDV less all estimated cost to complete, marketing cost, sales tax and developers' profit and the value of the remaining land in respect of which there are no development plans.

- (i) Would management disclose the stage of completion of the underlying assets that would need to be sold to generate cash flow?**
- (ii) Are there sufficient funds to complete the development without further cash injection?**
- (iii) What is the percentage sold? What are the estimates of the selling price for the unsold units?**
- (iv) What are the key assumptions that have been made? Has management carried out a sensitivity analysis of these assumptions?**
- (v) Can the AC disclose the deliberations it has had with management and the auditors on the decision (a) to not impair the receivables of \$20.9 million and (b) to not record any liability in respect of the above joint and several corporate guarantees of \$31.7 million?**