Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: BBR Holdings Ltd

Stock code: KJ5

Meeting details:
Date: 23 June 2020
Time: 4.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. 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.

(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?**

Q2. 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?**

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

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

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Q3. [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?**

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

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.

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(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?**

Q4. 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"?**

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?**

(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.

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)