Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Chip Eng Seng Corporation Ltd.

Stock code: C29

Meeting details:
Date: 29 May 2020
Time: 10.00 a.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. Would the board/management provide shareholders with better clarity on the following operational/strategic matters? Specifically:

(i) **Infrastructure and civil engineering:** The group completed the acquisition of Sembcorp Design and Construction Pte. Ltd. (now renamed as CES_SDC Pte. Ltd.) for $50.1 million. The group has recognised a goodwill of $11.2 million associated with the acquisition. **How synergistic is CES_SDC and the group's construction business? How will CES_SDC operate differently under the new ownership? How will the group fund this capital-intensive business?**

(ii) **Property development:** After nearly a year from the launch in May 2019, the take-up rate for Parc Komo is 41.7%. **What are management's plans to improve sales at the project?**

(iii) **Education: What is the gestation period of the group's education business?** As seen in Note 34 (page 183 – Segment information), the segment recognised external revenue of $13.8 million and the segment loss was $(15.56) million.

(iv) **Divestment:** In the joint message (page 6), it was disclosed that the group will consider divestment of existing properties if the right opportunity presents itself. **Can management help shareholders understand which of the group's properties would be more mature/stabilised and thus more suited for divestment?**

Q2. As noted in Note 28 (page 168 – Related party transactions), the remuneration paid to directors of the company amounted to $4.73 million in FY2019.

28. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2019	**2018**
	$'000	$'000
Comprise amounts paid to:		
- Directors of the Company	4,733	9,972
- Other key management personnel	3,268	4,073
	8,001	14,045

(Source: adapted from company annual report)

As stated in the Corporate governance report, the company has deviated from Provision 8.1 of the Code of Corporate Governance 2018 and has not disclosed the remuneration of Mr. Raymond Chia and Mr. Tan Tee How in dollar terms.

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The company has instead stated in band with no upper limit (Above $1,000,000) in view of the sensitive and confidential nature of such information. The reason given was that the company operates in a highly competitive environment where poaching of employees by competitors is fairly common.

In 2019, the compensation packages of the two executive directors included 10 million and 5 million options granted to Mr. Raymond Chia and Mr. Tan Tee How respectively. In addition, Mr. Raymond Chia has 45 million options outstanding.

Mr. Raymond Chia has a long history with the group and is related to the founding family of the group. Not considering the outstanding options, Mr. Chia holds a total direct and deemed interests of 3.39%. In addition, as Group CEO, Mr. Chia gave his commitment to do his best to help the group reach a higher apex (page 4). Given the circumstances, it would appear that poaching of the Group CEO by competitors is fairly unlikely.

(i) **Would the remuneration committee consider how it could better comply with the intent of Principle 8 of the Code of Corporate Governance 2018 which is for the company to be transparent on its remuneration policies?**

Q3. At the annual general meeting scheduled to be held on 29 May 2020, the company is proposing to re-elect six directors who are retiring pursuant to Regulations 115 and 119 of the Constitution of the Company.

The four newly appointed directors who are seeking re-election are:
- Mr Yam Ah Mee
- Prof Low Teck Seng
- Dr Neo Boon Siong
- Prof Yaacob Bin Ibrahim

The nominating committee ("NC") comprises Prof. Yaacob Bin Ibrahim (chairman), Mr. Ang Mong Seng, Mr. Lock Wai Han and Prof. Low Teck Seng.

When looking for new directors, the NC has stated that it will first tap on resources such as directors' personal contacts and recommendations for potential candidates and goes through a short-listing process.

(i) **Would the NC consider making use of a professional search firm as the default practice to enable the board to cast its net wider and further improve the diversity of the candidate pool?** This will further avoid groupthink and possibly foster more constructive debate.

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Prof. Yaacob Bin Ibrahim was appointed on 20 February 2020 as an independent director. As noted in the appointment announcement, Prof. Yaacob Bin Ibrahim has no prior experience as a director of an issuer listed on the SGX. Accordingly, it was stated that Prof. Yaacob Bin Ibrahim will be attending training on the roles and responsibilities of a director of a listed company.

(ii) **Given that Prof. Yaacob Bin Ibrahim has no prior experience as a director of an issuer, can the board help shareholders understand the reasons for appointing Prof. Yaacob Bin Ibrahim as the chairman of the nominating committee?**

In addition, under Code of Corporate Governance 2018, an independent director is one who is independent in conduct, character and judgement and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.

Mr Abdul Jabbar is a partner of Rajah and Tann Singapore LLP. The firm provides corporate secretarial services on a retainer basis and legal services to the group. In addition, prior to his appointment as "independent" director, Mr Jabbar has been the company's joint company secretary from as early as 2004 based on a Bloomberg profile.

(iii) **Would the NC be evaluating how Mr Abdul Jabbar's close relationship with the company and its officers could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company?**

^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)

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