



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Global Dragon Limited

Security: Global Dragon Limited

Meeting details:

Date: 26 October 2018

Time: 9.00 a.m.

Venue: 456 Alexandra Road #02-09 Fragrance Empire Building Singapore 119962

Company Description

Global Dragon Limited engages in property development and property investment business. It is involved in real estate development, investment, and related activities. The company was formerly known as TMC Education Corporation Ltd. and changed its name to Global Dragon Limited in March 2018. Global Dragon Limited was incorporated in 1981 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=586)

1. Having completed the disposal of the education business in February 2018, the group has a new identity as 'Global Dragon Limited', with property development and property investment as the principal activities.

Currently, the group's property investment portfolio consists of 25 units of the 999-leasehold prime office located in Singapore's CBD. For the property development segment, the group acquired 4 few development properties in Singapore between March 2018 and September 2018, with a total purchase consideration of more than S\$100 million.

The company has stated that it will seek an optimal mix and capital allocation between two segments and balance the assets portfolio to achieve sustainable growth.

- (i) **Strategy: How does the group intend to differentiate itself as a developer in Singapore? What sets it apart from the numerous developers in the market?**
- (ii) **Development launch:** The group has moved swiftly to secure three sites for its development pipeline. Between March 2018 to June 2018, the group acquired the East Coast Road properties, the Jalan Demak property and the Lorong Mydin properties for a total consideration of \$57.84 million. Soon after, in July 2018, the government moved to cool the property market, raising the Additional Buyer's Stamp Duty (ABSD) rates and tightening loan-to-value (LTV) limits on residential property purchases. **Have the development plans for the three sites been further fine-tuned following the additional cooling measures? When will the properties be launched? What is the positioning of the group's property development? During management's budgeting and planning, what is the group's minimum/required developer's margin?**
- (iii) **Telok Blangah:** In September 2018, the group acquired the commercial site at Telok Blangah for \$45.8 million. **Can management update shareholders on the plan for this site?**
- (iv) **Investment properties:** The group generated \$497,000 in rental income from its investment properties (page 69). The direct operating expenses were approximately \$180,000, for the rental generating properties. With the properties being valued at more than \$22.1 million (page 86), the pre-tax net rental of \$317,000, the estimated yield on the group's investment properties is about 1.4%. **Has management evaluated the potential of the investment properties? What is the group's cost of capital? What are management's efforts to improve the yield of the portfolio (especially its occupancy rate)?**

2. Following the successful rights issue in April 2018, the group's financial position was strengthened with the injection of fresh capital of \$24.23 million. As at the end of the reporting period, the group's cash and bank balances stood at \$23.3 million although the group has total debt of \$23.2 million. The group's gearing ratio, which is net debt divided by total capital plus net debt, is at 0% at the end of the reporting period.

As shown in Note 32 (page 89 – Events occurring after the reporting period), the group made its drawdown of \$41.6 million for the development projects at East Coast Road and Lorong Mydin. This will bring the gearing ratio (as defined by net debt over total capital plus net debt) to an estimated 57%.

- (i) Can the board/management disclose the projected total development costs for the four projects in the group’s pipeline?**
- (ii) How does the group intend to finance the projects?**
- (iii) Does the board consider it prudent to pro-actively secure funding for its development projects (be it debt or equity) so that the group would not be exposed to fluctuations, shocks and adverse movements in the credit/equity market, especially if the launches of the projects are delayed or the impact from the cooling measure is greater than expected?**

3. The board was reconstituted in February 2018 following the mandatory unconditional cash offer by JK Global Assets Pte. Ltd. As at 30 June 2018, the board comprises 5 directors, three of whom are independent directors and two are executive directors.

Of the 5, the following 3 directors are first-time directors with no prior experience as a director of a listed company:

- Mr Koh Kian Soo, executive chairman, appointed on 14 February 2018
- Ms Pan Pei Say, independent director, appointed on 14 February 2018
- Mr Tan Chee Wee (Chen Zhiwei), executive director and chief operating officer, appointed on 1 May 2018

- (i) Have the directors had the opportunity to attend training courses to familiarise themselves with the roles and responsibilities of a director of a listed company?** Directors should understand and be proficient in the regulatory environment of a listed company in Singapore, with a focus on the Companies Act, the SGX listing manual and the Code of Corporate Governance.
- (ii) How effective have the board and the board committees been as three of the five directors do not have prior experience on the board of a listed company in Singapore?**