



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Lian Beng Group Ltd

Security: Lian Beng Group Ltd

Meeting details:

Date: 27 September 2018

Time: 10.00 a.m.

Venue: 29 Harrison Road, Lian Beng Building, Singapore 369648

Company Description

Lian Beng Group Ltd, an investment holding company, engages in the construction business in Singapore and Australia. It operates in six segments: Construction; Dormitory; Engineering and Leasing of Construction Machinery; Property Development; Investment Holding; and Manufacturing of Concrete and Asphalt. The Construction segment constructs residential, institutional, industrial, and commercial properties; and undertakes civil engineering projects in private and public sectors. The Dormitory segment is involved in the rental of dormitory units; and provision of dormitory services. The Engineering and Leasing of Construction Machinery segment provides construction related services, such as scaffolding and electrical installations; and leases metal formworks, as well as construction machinery and equipment. This segment also manages a fleet of equipment for lease and sales, including generators, air compressors, gondolas, and other building materials, such as external scaffolds and metal forms; and provides services comprising erection and dismantling of external scaffolds, and the repair and maintenance of construction equipment and machinery. The Property Development segment develops, sells, and rents residential, commercial, and industrial properties, as well as offers property management services. The Investment Holding segment holds investments in quoted and unquoted securities, and properties. The Manufacturing of Concrete and Asphalt segment manufactures and supplies ready-mixed concrete and asphalt, as well as sells sand. The company also engages in trading construction materials; chartering ships; and the provision of training for construction workers. Lian Beng Group Ltd was founded in 1973 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=L03)

1. With the successful spin-off of the group's property development projects as SLB Development Ltd. on 20 April 2018, the group retains an equity stake of approximately 73.9% in the newly listed subsidiary.

With its listing, SLB has direct access to capital markets, its own executive team, a board of director and a set of new shareholders.

- (i) Can management help shareholders understand how the day-to-day running of the group, including development projects/SLB, has changed since the listing? How has the listing of SLB changed the decision making of the group's property development projects? What is the level of influence and control over the strategic direction of SLB (in particular, the group's development projects)?**
- (ii) How has the group's capital allocation strategy changed with the listing of SLB?**
- (iii) For the benefit of shareholders, can management confirm that, under the non-compete undertaking given to SLB, the group can continue with the development of workers' dormitories and the investment into commercial, industrial or hospitality assets for recurring income?**
- (iv) With the sale of the properties in Australia and the acquisition of Wilkie Edge and Sembawang Shopping Centre, can management provide shareholders with better clarity of its investment strategy?**

As shown in the Note 38 (pages 156 & 157 – Segment information), the group's main operating segments of construction, dormitory, property development and investment holding all reported segment profits. Although the performance of the manufacturing of concrete and asphalt segment improved and total segment revenue increased from \$60.6 million to \$70.5 million, the segment still recognised a loss of \$(1.6) million, an improvement from a loss of \$(5.6) million in 2017 and \$(6.7) million in 2016.

- (v) What are the key challenges in the concrete/asphalt segment?**
- (vi) What is the estimated market share?**
- (vii) Has the group evaluated the breakeven volume? What are management's strategies to further improve the performance of the concrete/asphalt segment?**

2. In August 2018, local news media reported an unfortunate worksite accident at Defu Industrial City which claimed the life of a construction worker and injured another.

- (i) Would management confirm that the accident happened at the group's ongoing construction project at Defu Industrial City?**

- (ii) Did the board consider if it was appropriate to communicate the worksite accident to shareholders and other stakeholders through a SGX announcement?**
- (iii) The words “Workplace safety and health” only appeared once in the annual report, as part of the profile of a key executive officer. Would senior management address the issue of workplace safety directly so that shareholders and stakeholders are assured that top management is dealing with the issue of workplace safety and is committed to achieving the highest safety standards?**
- (iv) Can management update shareholders on the improvements made to the group’s safety awareness and training (including that of its sub-contractors)?**
- (v) Has the board/management assessed how the worksite incident will affect the company’s ability to win new contracts?**

In addition, also in August 2018, there were reports of workers asking for their salaries at an unidentified worksite with a sign that reads “Lian Beng Construction (1988) Pte Ltd”.

- (vi) Would management help shareholders understand how it manages its construction projects, especially on the selection and monitoring of its subcontractors?**
- (vii) Would the board consider it appropriate to review how the group communicates with its stakeholders?**

3. With the listing of SLB, the CEO of SLB stands to receive between 2.00% to 2.50% of the audited consolidated profit before tax of SLB.

In the company’s Corporate Governance report, under Principle 8: Level and mix of remuneration (page 37), the company has stated the following:

The Company has entered into separate service agreements with Mr Ong Pang Aik, Ms Ong Lay Huan and Ms Ong Lay Koon, effective from 1 June 2015, each of which is valid for an initial three year period and subject to automatic renewal every 3 years.

- (i) Would the remuneration committee (RC) confirm that the company has renewed the service agreements with each of Mr Ong Pang Aik, Ms Ong Lay Huan and Ms Ong Lay Koon on 1 June 2018, following the expiry of the service agreements dated 1 June 2015?**
- (ii) Did the RC review the terms of the service agreements?**
- (iii) As the development profits under SLB will be subject to a “profit-share incentive” with the CEO of SLB, how will it affect the “profit-share”**



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arrangement of the executive directors of Lian Beng Group under the service agreements?

- (iv) Can the RC confirm that the development profits of the group (now under SLB) will not be subject to two levels of “profit-sharing” by the CEO of SLB and then by the executive directors of Lian Beng?**

A copy of the questions for the Annual Report for the financial years ended 31 May 2017 and 31 May 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Lian%20Beng%20Group%20Ltd>

The company's response could be found here: -----