



Securities Investors Association (Singapore)

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Meeting details:

Date: 25 April 2019

Time: 3.00 p.m.

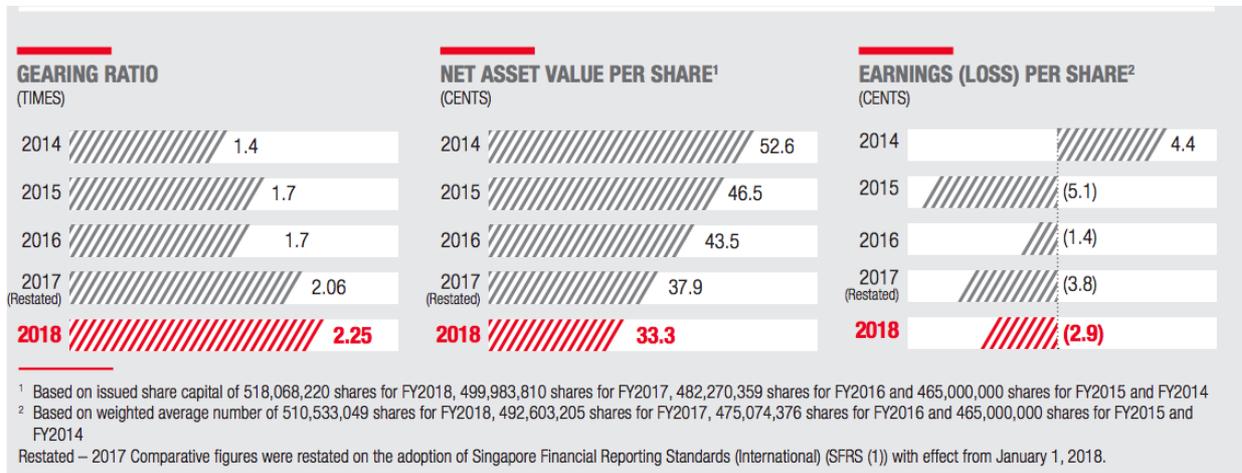
Venue: 1 Jalan Berseh #03-03, New World Centre, Singapore 209037

Company Description

TA Corporation Ltd is a Singapore-based investment holding company. The Company is engaged in property, construction, distribution and provision of workers training and accommodation in Singapore. Its segment includes construction, real estate development and investment, distribution and others. The Construction segment includes general builders and construction contractors, training of workers, general engineering, sale of construction materials and design, installation and maintenance of air conditioning and mechanical ventilation systems. Real estate development and investment segment includes development of residential and commercial projects, investment in real estate and project management services. Distribution segment includes sale and distribution of petroleum-based lubricants products and automotive tires. Others segment consists of management and administration services. Its subsidiaries include Aston Air Control Pte Ltd and Credence Engineering Pte. Ltd., among others.

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

1. On page 7 of the annual report, the group reported on some of its financial highlights, including the following on the group's gearing ratio, net asset value (NAV) per share and earnings/(loss) per share:



(Source: Company annual report)

As can be seen from the charts above, the group's leverage is at a high level of 2.25x and the NAV per share has declined steadily by more than 37% over the period to just 33.3 cents per share. The group has made losses in the past four years with EPS as high as (5.1) cents.

- (i) **What guidance has the board provided in terms of entrepreneurial leadership and how did the board guide management by setting appropriate strategic directions?**
- (ii) **Has the board evaluated if the group has the necessary human resources in place to meet its objectives?**
- (iii) **For the benefit of new and long standing shareholders, please elaborate on the business model for each segment and identify the key value drivers in the segment.**
- (iv) **Is there a systematic approach to its capital allocation based on the long-term targets set by the board after careful consideration of opportunities and long term growth trends?**
- (v) **Please also help shareholders understand the strength of the management team and the bench depth for the different segments.**
- (vi) **Given the sustained losses in the past four years and the increasing leverage, would the board consider it prudent to carry out a strategic review of the group's operations, including the business models, the group's competitiveness, management's strength and quality of the group's assets?**

2. Would the board/management provide shareholders with better clarity on the various operational matters? Specifically:

- (i) **Construction:** As noted in the chairman’s statement, the group has a construction order book of \$615 million as at 31 December 2018. However, as noted in the segment information, for FY2018, the construction segment lost \$(9.9) million. **What were the reasons for the significant losses in the segment? Has management addressed the issues?**
- (ii) **12 on Shan:** In the real estate development segment, the group obtained TOP for 12 on Shan and has converted it to serviced apartments to capitalise on its close proximity to Health City Novena. It was reported that the group had put up the project for sale via tender in March 2018. **Would management update shareholders on the outcome of the tender? Please update shareholders on management’s plans for the project.**
- (iii) **Tuas South Dormitory:** The group’s 62% owned 9,180 bedded Tuas South Dormitory is one of the largest purpose-built dormitories in Singapore. While management had disclosed that the occupancy rate improved, and the dormitory segment recorded a revenue of \$19.5 million in FY2018, an increase of \$3.8 million from FY2017. **Would management disclose the occupancy rate of Tuas South and state the revenue and net property income of the dormitory? What are the levers available to the group to improve the rates and occupancy of Tuas South other than competing on prices?**

3. In a year when the loss attributable to owners of the company amounted to \$(14.9) million, the compensation of directors and key management increased from \$2.944 million to \$3.853 million (page 81; as shown below):

Compensation of directors and key management personnel

The remuneration of directors and other key management personnel during the year was as follows:

	Group	
	2018 \$'000	2017 \$'000
Short-term benefits	3,853	2,944

The remuneration of directors and other key management personnel is determined by the Remuneration Committee having regard to the financial performance of the Group, the performance of individuals and market trends.

(Source: Company annual report)

The short-term benefits given to directors and key management personnel and the profit/(loss) after tax since FY2014 are shown below:

	Remuneration of directors and KMPs	Profit/(loss) after tax
FY2014	\$4,621,000	\$21.7 million
FY2015	\$3,139,000	\$(24.0) million

FY2016	\$3,063,000	\$(14.6) million
FY2017	\$2,944,000	\$(27.3) million
FY2018	\$3,853,000	\$(13.1) million

Over the last 5 years, directors and KMPs have received over \$17.6 million in remuneration while the total loss reported by the group amounted to \$(57.0) million.

- (i) Can the remuneration committee (RC) help shareholders understand how they have reviewed remuneration taking into consideration of the financial performance of the group, the performance of individuals and market trends?**

Guideline 8.1 of the 2012 Singapore Code of Corporate Governance states that:

A significant and appropriate proportion of executive directors and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive directors and key management personnel's performance.

- (ii) Would the RC help shareholders better understand how Guideline 8.1 has been met?** Guideline 8.1 calls for the structuring of a significant and appropriate proportion of the remuneration of executive directors and key management to commensurate with corporate and individual performances. In FY2018 when the company recognised its fourth year of losses, the KMPs received between 9.1% to 16.3% in Performance-Related bonuses while the total remuneration to directors and KMPs amounted to \$3.85 million.
- (iii) Can the RC explain and quantify how it has evaluated the performance of the executive directors and the performance of the group and also explain how the remuneration commensurate with their performance and that of the company?**
- (iv) Would the RC consider how it could finetune the compensation structure of the group to ensure better alignment with the minority shareholders?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=TA%20Corporation%20Ltd&cid=6457,4629>

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