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

Issuer: Tiong Seng Holdings Limited

Stock code: BFI

Meeting details:
Date: 19 June 2020
Time: 9.30 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. As noted in the annual report, 2019 was the company's 60th year anniversary and the group conducted a corporate rebranding exercise to realign its brand identity and refocus on the long-term goals. The group had also carried out a reorganisation of the management structure to establish Tiong Seng Engineering Solutions ("TSES") as its third business pillar.

The group had leveraged its Prefabricated Prefinished Volumetric Construction ("PPVC") capabilities to secure a 20-storey 4-star hotel project with over 1,000 rooms at Club Street worth $130.5 million. This was the first time a hotel development utilises a full concrete PPVC method, allowing the group to showcase its strength in Design for Manufacturing & Assembly ("DfMA") approach.

As shown in the financial highlights (page 20), gross profit margin for Engineering solution was 8.4%, (5.6)% and 4.9% in FY2017-2019, or a simple average of 2.6% per annum over the past three years.

(i) **As the group scales up its DfMA business, how does management improve the profit margin from the segment to ensure that the group gets a fair and sustainable return for its investments and expertise in this area?**

(ii) **Would the profit margin of DfMA be higher than the profit margin from the general construction segment?**

In its business update for the period up to 31 March 2020, the group announced that the construction segment achieved an order book of $1.06 billion while the engineering solutions segment had an order book of $139.8 million.

(iii) **Given the level of competition in the construction segment, what is management's strategy to maintain/improve its gross margin?**

(iv) **How has the group been housing its foreign workers?**

(v) **Have any of the group's projects been severely impacted, in terms of budget and/or timeline?**

Q2. The group has a "second engine of growth" in its niche real estate developments in the People's Republic of China and Singapore (page 1 – Corporate profile). In Singapore, the ongoing projects are Sloane Residences and Cairnhill Rise. These are joint ventures where the group's stakes are between 31% and 42%.

(i) **Can management help shareholders understand its role and value-add to the joint venture companies for the Singapore projects? How much influence and control of the strategic and day-to-day issues does management have?**

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In addition, for its China projects, the first phase of The Equinox in Tianjin was launched in 2014 and the entire project is expected to be completed in 2025. For the group's other development projects, namely Sunny International in Cangzhou and Tranquility Residences in Suzhou, the former is almost sold out whereas the latter has fewer than 4% of units unsold (24 units).

(ii) **Would management help shareholders understand the annualised return/return on investment on the Cangzhou and Suzhou projects?**

(iii) **On a risk-adjusted basis, does the PRC development projects provide the group with better returns than the Singapore projects?**

(iv) **What are the plans for the plot of land at Zizhulin, Tianjin? What is the group's competitive advantage in the PRC development projects?**

(v) **Is the group able to easily remit its realised profits and capital back from the PRC?**

Q3. At the annual general meeting scheduled to be held on 19 June 2020, Mr Ang Peng Koon, Patrick will retire by rotation pursuant to Regulation 89 of the company's constitution and will be seeking his re-election.

Additional information on Mr Ang, as required under Appendix 7.4.1 of the Listing Rules, can be found on pages 29 to 32. The profile of Mr Ang can be found on page 14 of the annual report.

As noted in the Corporate Governance report, both independent directors, namely Mr. Ong Lay Khiam and Mr. Ang Peng Koon, Patrick, have each served on the board for more than nine years. Mr. Ong and Mr. Ang were each first appointed on 24 February 2010. Both directors have each served on the board for more than 10 years.

The nominating committee comprises three members, namely Mr. Ang Peng Koon, Patrick (chairman), Mr. Ong Lay Khiam and Mr. Pek Lian Guan.

(i) **Given that both independent directors are members of the NC, how effective was the NC in discharging its responsibilities, especially at reviewing the independence of directors?**

(ii) **Can the company help shareholders recall if the company has appointed any new independent directors since its listing in 2010?**

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In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code") and the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022.

Under the revised Listing Rules, 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.

(iii) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

(iv) **Can the NC help shareholders understand how the current search and nomination process supports the board diversity policy? Would the board be using a professional search firm to better support its board diversity policy?**

^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)