



Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: TA Corporation Ltd

Stock code: PA3

Meeting details:

Date: 27 April 2023

Time: 3.00 p.m.

Venue: No. 1 Jalan Berseh #03-03 New World Centre Singapore 209037

Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) **Construction:** The construction segment continues to be loss-making. Segment losses were \$(21.7) million and \$(7.1) million in 2021 and 2022 respectively. In the sections on the construction segment from the chairman's statement and the operations review, only revenue, order book and projects were highlighted. **Can management help shareholders understand the focus placed on profits in the construction segment? What are management's priorities in 2023 that are aimed at driving profitability in the construction segment? What guidance has the board given to management to rein in costs, improve margins and maintain and improve its safety record?**
- (ii) **The Gateway:** What percentage of the iconic twin tower mixed-use development in the Central Business District of Phnom Penh has been sold? What are the profiles (including nationalities) of the buyers? What options are available to management for the unsold residential block?
- (iii) **Tuas South Dormitory:** Revenue at the 10,000+ bed dormitory has increased to \$26.4 million in 2022, up from \$22.2 million. **Is the dormitory fully occupied and can management update shareholders on the average monthly rent per bed?**
- (iv) **Real estate development:** What is management's view on the property market in Singapore? Is the group still on the lookout for residential development projects in Singapore and what is the strategy to acquire landbank?

Q2. The “Going concern” of the group is a key audit matter (KAM) highlighted by the independent auditors in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the group’s current assets amounted to \$341.8 million (2021: \$465.2 million) and its current liabilities amounted to \$271.0 million (2021: \$433.7 million). However, the Group’s current assets include development properties of \$199.6 million (2021: \$296.9 million) that may not be realisable within one year as the normal operating cycle for development properties exceeds one year.

The above indicates existence of events or conditions that may cast significant doubt on the group’s ability to continue as a going concern.

- (i) **Are there any major capital expenditure requirements expected in the next 18-24 months?**
- (ii) **What is the breakdown of development properties by value and by project?**
Note 11 shows that the group have \$155.7 million in completed properties held for sale, and a further \$34.8 million in unsold units.
- (iii) **Is the group also exposed to the foreign exchange risks associated with these overseas property development projects? Has management actively managed the foreign exchange risks?**

During the current year ended December 31, 2022, the group sought a consent solicitation to (i) suspend compliance with the financial covenant requirements for its term notes (Note 23) from July 26, 2023 to July 26, 2026, (ii) extend the maturity date of the term notes to July 26, 2026 (iii) amend the non-disposal provision under Trust Deed of the term note and (iv) waive non-disposal provision of the assets of its principal subsidiaries. The suspension of compliances with the relevant financial covenants, extension of maturity date, and the amendment and waiver were approved in November 2022.

- (iv) **What are the management’s plans to deleverage and to ensure that the group meets all its financial covenant requirements?**
- (v) **The group has a gearing of 3.0 as at 31 December 2022. Has the board set a limit to the group’s gearing given the high interest rates and the uncertainties in the market? If so, what is the limit on leverage?**

Q3. On 12 April 2023, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2022 following the finalisation of audit.

The announcement on the unaudited financial results was first released via SGXNet on 28 February 2023 while the announcement of material differences came 6 weeks after.

Following the finalisation of audit, revenue was \$5.1 million higher, while deposits and prepayments increased by \$8.9 million (or over 100%). Trade and other payables were also \$3.6 million higher.

Some of the reasons for the changes include:

- crystallisation of significant financing component under a point in time revenue recognition accounting policies from an overseas development project
- exchange differences
- additional accruals for outstanding tax concession
- reclassification from contract liabilities
- reduction in net cash used in financing activities is mainly due to lower pledged deposit upon refinancing of a facility

This is the second consecutive year that the company reported material variances between the unaudited and audited financial statements.

- (i) **Can the audit committee (AC) help shareholders better understand the underlying reasons for the material variances? Can management clarify if the overseas development project being referred to is The Gateway, Phnom Penh, Cambodia?**
- (ii) **What are the challenges faced by the company's finance and accounting staff in meeting the Singapore Financial Reporting Standards (International) (SFRS(I))?**
- (iii) **How can shareholders be assured that the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements? In addition, is there a local team in Cambodia and if so, what changes have been made to the team?**
- (iv) **What role did the AC play in the preparation of the financial statements? Was it adequate?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.



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