Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Tiong Seng Holdings Limited

Stock code: BFI

Meeting details:
Date: 22 April 2022
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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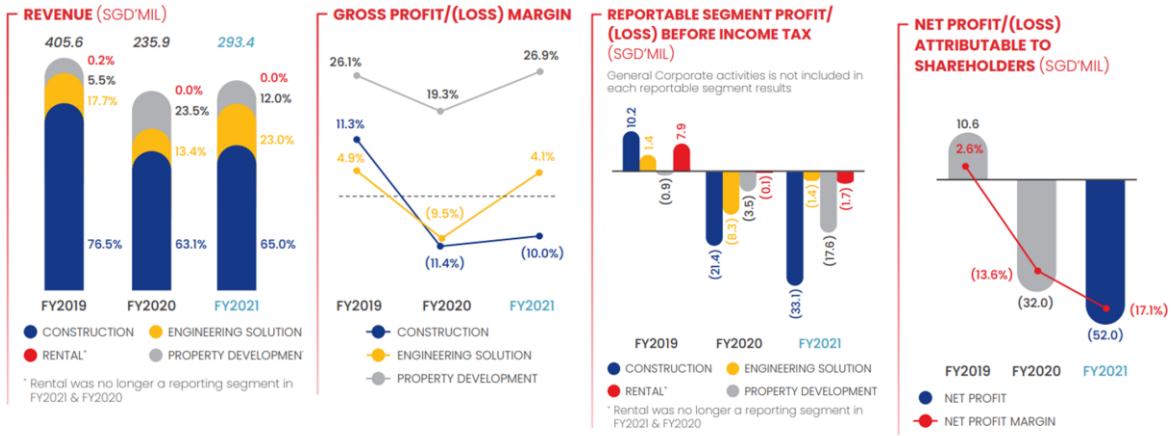
Q1. The theme of the annual report is "Forging ahead through digitalisation, and sustainability".

As detailed in page 2, the group has "successfully navigated and overcome a myriad of challenges" over the years to emerge stronger from each crisis.

- In the construction segment, the group will continue to embed digitalisation into its operations to achieve higher productivity and efficiency in the long term.
- For the engineering solution, it focuses on the industry's need to shift away from traditional, manpower intensive construction, e.g. DfMA (Design for Manufacturing and Assembly)
- The group is "actively exploring projects centred around sustainability" for the property development segment.

The group's financial highlights can be found on page 19 (selected items extracted and reproduced below).



(Adapted from company annual report)

The group recorded a "sobering net loss of S$52.7 million for FY2021", driven mainly by rising construction costs in manpower and materials in the second half of the year. As shown in the segment results above, segment profit from construction (before corporate costs) was $10.2 million in FY2019 but ballooned to losses of $(21.4) million and $(33.1) million in FY2020 and FY2021 respectively.

The group's construction order book amounts to $1.4 billion, with project deliveries stretching into 2024.

(i) **Can management help shareholders understand if it has reacted nimbly in response to the challenges caused by the COVID-19 pandemic?**

(ii) In the CEO's message, the loss was attributed to direct rising construction costs in 2H2021 which saw common construction materials such as steel and copper increasing by more than 50% compared to pre-pandemic levels. **Can the**

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board/management help shareholders understand if there are proper risk management systems in place? With a confirmed order book of $1.4 billion, does the group pro-actively lock in material costs to preserve/maintain its margin, especially in an inflationary environment?

(iii) **Please provide a breakdown to show the main factors that led to gross loss margins of (11.4)% and (10.0)% in the past two years in the construction segment.**

(iv) **Going forward, have management addressed the challenges of rising costs? What are the operational milestones required to allow the group to (at least) achieve breakeven going forward?**

Q2. In the Property development segment, the group's maiden development project in Singapore, Sloane Residences, is on track to receive its Temporary Occupation Permit (TOP)
in mid-2022. Cairnhill 16 was successfully launched in November 2021.

(i) **Can management provide shareholders with an overview of the projects and an update on the sales progress of Sloane Residences and Cairnhill 16?**

(ii) **How have the recent cooling measures affected the group's Singapore developments?**

The carrying value of the group's joint venture, TSky Development Pte. Ltd., is $0, with net liabilities of $(9.78) million.

(iii) **Can management help shareholders better understand the financial position of the joint venture and the prospects of the two residential developments in Singapore?**

For the group's development business in China, the group impaired $20.2 million in valuation of development properties. Note 24(b) (page 113 – Loss before tax: Other expenses) shows the breakdown of $17.5 million due to impairment loss in value of development properties and $2.7 million in impairment loss of amount due from non-controlling interest. In the consolidated statement of income, the recognised $35.3 million in revenue from the sale of development properties (in China).

(iv) **Similarly, please provide shareholders with an update on the sales progress of the development projects in China.**

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

	Group	
	2021	2020
	$'000	$'000
(b) Other expenses include		
Direct operating expenses arising from:		
- rental of investment properties	**6**	6
- investment property that did not generate rental income	**101**	103
Impairment loss arising from property development business		
- allowance for diminution in value of development properties	**17,541**	4,730
- impairment loss on amount due from non-controlling interest	**2,675**	873

(Source: company annual report)

(v) **Can management show the breakdown of the $17.5 million in allowance for diminution in value of development properties by the different projects? How much of the allowance is attributed to Tranquility Residences and/or other completed but unsold properties?** Tranquility Residences in Suzhou is a two-phase development project comprising terrace houses and apartments which was completed in 2017. The Equinox in Tianjin comprises landed and low-rise properties with project completion for the different phases from 2014 to 2025.

Q3. As noted in the corporate governance report, the board comprises 5 members, 3 of whom are independent, including the chairman of the board. The nominating committee (NC) is of the view that the directors bring with them a broad range of expertise in areas, such as, legal, accounting, finance, management experience, industry knowledge, customer-based experience and knowledge as well as familiarity with regulatory requirements.

The group has adopted a board diversity policy which recognises that a diverse board will enhance decision-making capability and is more effective in dealing with organisational changes.

(i) **Will the NC disclose in greater detail the board diversity policy, including its objectives (Provision 2.4 of the Code of corporate governance 2018)?**

(ii) **How is the board/NC measuring the progress made towards implementing the board diversity policy?**

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In addition, on 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning[1].

Both Mr. Ong Lay Khiam and Mr. Ang Peng Koon, Patrick who have first been appointed as independent directors on 24 February 2010, have sought for and obtained shareholders' approval in 2021 for their continued appointment as independent directors.

(iii) **Can the NC help shareholders understand if the continued appointments of the two long tenured independent director will delay the progressive renewal of the board?**

(iv) **What are the near-term plans to promote renewal and succession planning in view of the guidance from SGX RegCo?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

Join our mailing list here to receive latest news and upcoming events.

[1] https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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