TIONG SENG HOLDINGS LIMITED
(Incorporated in Singapore)
(Company Registration No. 200807295Z)

RESPONSES TO QUESTIONS POSTED BY SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS")

The Board of Directors (the "**Board**") of Tiong Seng Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to provide its responses to questions received from Securities Investors Association (Singapore) ("SIAS") in relation to the Company's Annual Report for the financial year ended 31 December 2019 ("FY2019"). Responses from the Company are appended below:

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?

- Being at the forefront of innovation, the Group has built up its capabilities over the years in niche technologies surrounding the DfMA concept. These include, among others, Prefabricated Prefinished Volumetric Construction ("PPVC"), Structural Steel and Mass Engineered Timber ("MET").
- The Group will further enhance efficiency to improve profitability by embracing digitalisation to facilitate seamless information flow throughout the entire workflow process e.g. information from the use of Building Information Modelling ("BIM") flows directly to production, thus increasing the precision level and having the workflows optimised.
- Working along with the use of advanced technology is a team of competent manpower, including the recruitment of talent from other industries e.g. the manufacturing industry, so that the relevant expertise and production know-how can be brought into the production process to bring inefficiencies to a minimum, thereby improving the margins.
- Governed by a dedicated and seasoned management team and Board, which includes former Deputy CEO of BCA, Mr Lam Siew Wah, Tiong Seng Engineering Solutions ("TSES") will harmonise these technologies and engineering know-how to offer clients more holistic solutions and handle more technically challenging specifications in return for a higher margin as compared to just plain vanilla products.

- To ensure a sustainable return on the longer term, TSES endeavours to expand its market share by coordinating all its marketing efforts of these technologies and packaging it as a complete solution to further cement our leadership position locally and penetrate into new overseas markets.

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

- With the government targeting to increase the adoption rate (in terms of Gross Floor Area) of DfMA to 70.0% by 2025 (Adoption rate in 2019: 31.0%), the demand for solutions in this space is expected to rise significantly. As one of the pioneering leaders of the DfMA approach, the Group is well-positioned to capture market share and increase its margin in the process. With economies of scale, production costs would be reduced, thereby providing good support for the margin.
- On the other hand, the construction segment is faced with a competitive bidding landscape, coupled with expected increased costs arising from various compliance costs along the whole value chain. Profit margin will continue to be under pressure and comparatively likely to be trailing behind that of the engineering solution 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?

- The Group preserves its profit margins by adopting a prudent and disciplined approach when bidding for projects. This strategy is balanced with the objective of ensuring a steady flow of new projects to support order book growth.
- Internally, the Group continues to incorporate Integrated Digital Delivery ("IDD") systems within its operations to enhance process automation and increase operational efficiency. In addition, the use of digital tools in our operations allows greater visibility to better control costs and improves productivity through employment of data analytics.
- The Group will continue to build on its capabilities in DfMA to create value-added solutions for customers, while maximising profits through value engineering and cost optimisation.

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

- The Group's foreign workers are currently being housed within their respective dormitories across the island, including a purpose built dormitory, factory-converted dormitories, temporary quarters at construction sites as well as temporary occupation licence ("TOL") sites.

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

- In compliance with the Singapore government's Circuit Breaker ("CB") measures, the Group had temporarily ceased operations of its construction and engineering solutions projects at the various sites resulting in no revenue except from some essential works during the CB.
- While the government has provided support to the business community through various temporary relief measures, they were not adequate to defray salaries of staff & workers

and other operating overheads that are required to be incurred during this period. Consequently, this has weighed on the budgets of ongoing projects as well as the overall performance of the Group.

- Due to the mandatory temporary cessation of construction and engineering solutions activities during this period, the Group has also recorded delays in relation to the contracted timelines of its various ongoing projects. However, the Group will avail itself to the relief as provided under the COVID-19 (Temporary Measures) Bill to temporarily protect businesses from being unable to fulfil certain contractual obligations because of COVID-19. Concurrently, we are applying for extension of time with our clients to extend the contractual period.
- While the road to recovery is expected to be long and challenging, the Group's investments in various construction technologies over the years, including its in-house prefabrication production facilities in Singapore and Malaysia, will enable the Group to quickly mobilise its resources to cope with the ramp up in construction activity as operations gradually resume.

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?

- For two of its property development joint venture projects in Singapore, the Group leverages on its unique position as an integrated player to adopt an Integrated Project Delivery ("IPD") approach. IPD is a holistic approach to property development, whereby all stakeholders along the development value-chain are brought together at the inception of each project to synchronise project deadlines, manpower and resource planning.
- Through the IPD approach, Tiong Seng is able to value-add in terms of increasing the efficiency of the development process, shorten the development cycle and lower overall costs. Furthermore, IPD can provide more flexibility for delivery of units and better facilitate the management of capital.
- Tiong Seng has three out of five members in the joint venture Board of Directors and collectively the Board charts its strategic direction of the company. Both the Group and our partner combine resources and expertise, and share the risks associated with the projects. On the day-to-day matters, Tiong Seng will conduct any due diligence and feasibility studies of potential projects, management of project financing and execution as well as sales and marketing activities.

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?

- The return on the more recent projects like Sunny International project in Cangzhou and Tranquility Residences project in Suzhou are not spectacular in view of the tightening of the markets by the PRC government to rein in market speculations in its property market.

In terms of return, they pale in comparison to the earlier projects that we had completed and sold out where the annualised return was fairly attractive at double digits.

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

- The return on investment of our property development projects vary according to several factors such as prevailing government policies, market conditions, cost of financing, project profile and location, among others. Hence, the returns of each projects varied ranging from single digits to double digits. In our earlier days in PRC, the projects that we developed were well received by the market at fairly attractive returns averaging at double digits.
- While some PRC projects may generate favourable returns in absolute terms, timing is critical and the prevailing governmental policies affecting the property market will have a significant impact on the returns generated. In recent years, PRC government implemented a series of policies and measures to cool the over-heated property market as property prices increased exponentially. Consequentially, market demand was dampened which impacted the returns on subsequent projects.
- Having considered the risk profile differences between PRC and Singapore in recent years, spanning across geographical, policy, market, currency and other inherent risks, the risk-adjusted returns for the Group's developments in Singapore would comparatively be better. Hence, to better diversify the risks and returns of our property development portfolio, we expanded the geographical footprint to include our home base in Singapore, commencing with the two projects at Balmoral and Cairnhill localities.

(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?

- With regards to the future development plan for the plot of land at Zhizhulin, Tianjin, there has been change in the development parameter by the government and discussion with the Tianjin Authority is currently in progress.
- The Group has entered the PRC property market since early in year 2000 and has since built up a network of connections and business associates which complement its property development business. It was with this advantage that the Group was able to build up a strong localised team in PRC and brought the property developments from Suzhou and Yangzhou to now Tianjin and Dagang. We combined our construction know-how to that of property development to come up with a product that was well constructed in the most efficient and cost-effective manner.

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

- There has been no issue in remittance of profits and capital back from PRC so far.

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?

- For the purpose of determining independence, each director of the Company is required to complete a self-declaration checklist at the time of appointment, and annually, based on the guidelines of the 2018 Code of Corporate Governance (the "Code"). On an annual basis, the Board undertakes a review of the Board's performance to ensure that the responsibilities are adequately discharged.
- Given the current board size of five directors, where three are Independent and/or Non-executive, we are satisfied that the Board is comprised of a majority of non-executive directors and there is a strong element of independence within the Board. Accordingly, having two Independent Directors currently would be appropriate.
- Following a rigorous review of their continuing independence, notwithstanding that they have served on the Board beyond nine years, the Company would like to note that Mr Ong and Mr Ang continue to demonstrate strong independence in character and judgement in engaging and challenging Management in the interests of the Group at Board and Board committee meetings.
- There is more to be done to steer the growth and building of the Group and having someone on the board who understands our businesses and maintaining that continuity is essential. Meanwhile under the leadership of both gentlemen, we have also brought in three other independent directors, including Dr John Keung, Mr Lam Siew Wah and Mr Eddie Wong, to the board of our key subsidiaries to further strengthen operational governance.
- As a result, the Company is of the view that the NC remains effective in discharging its responsibilities including, inter alia, reviewing the independence of its directors.

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

- The Company has not appointed any new independent directors since its listing in 2010.

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?

- The Company has reviewed the revised 2018 Code of Corporate Governance, which denotes that the re-election of long tenured directors who have served for more than nine years ("9 years rule") will be subject to a two-tier shareholders' vote by all shareholders, and all shareholders excluding directors, CEO and associates.

- Other rule changes include moves to strengthen director independence by rationalising tests of independence and lowering the shareholding threshold from 10.0% to 5.0%.
- Both Mr Ong Lay Khiam and Mr Ang Peng Koon, Patrick, have served on the Board for a tenure of more than nine years. Notwithstanding this fact, the Company believes both Mr Ong and Mr Ang have developed substantial insight of the Group's business and will continue to add value to the Board.
- Overall, the Board is of the view that institutional memory and experience is essential for long-term stability of the Group, especially in the face of a challenging and competitive market landscape over the last few years.
- With reference to the 9 years rule that is coming into effect 1 Jan 2022, both Mr Ong and Mr Ang will deliberate their decision if to continue their appointment as Independent Director under the new regime. Should they decide to continue their appointment, the company shall fully comply with the requirements as stipulated under the 2018 Code of Corporate Governance.

(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?

- Given the directors are well connected and have extensive networks, they are able to solicit recommendations and shortlist potential board member candidates, with a view of the various guidelines as contained within the board diversity policy.
- While it is important to promote boardroom diversity in terms of gender, age and ethnicity, the Board is of the view that the selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority.
- If candidates identified from this process are not suitable, the Board will not rule out the appointment of executive recruitment agencies to assist in the search process.

BY ORDER OF THE BOARD
TIONG SENG HOLDINGS LIMITED

Pek Lian Guan
Executive Director and CEO
18 June 2020