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

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

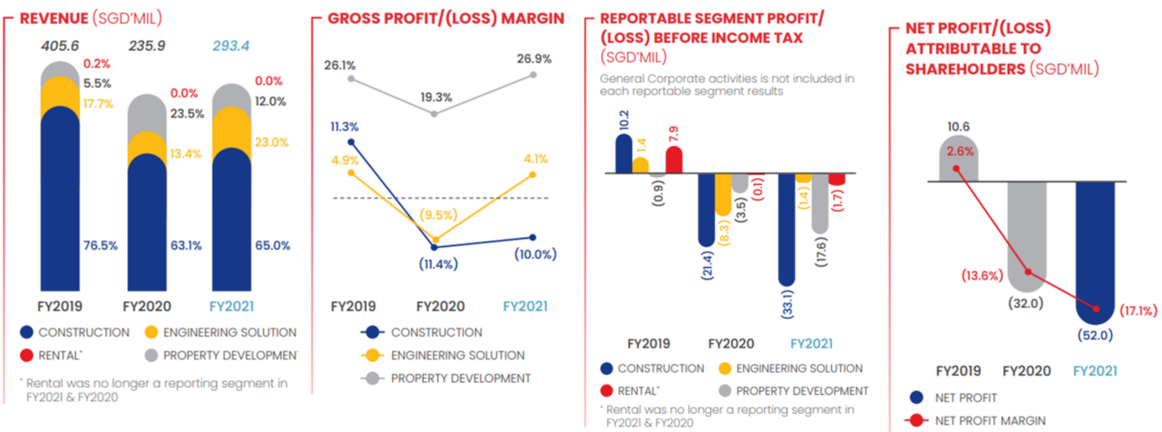
The Board of Directors (the "**Board**") of Tiong Seng Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to provide its responses to questions received from Securities Investors Association (Singapore) ("SIAS") in relation to the Company's Annual Report for the financial year ended 31 December 2021 ("FY2021"). Responses from the Company are appended below:

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?

The impact of the COVID-19 pandemic over the last 2 years were wide ranging. The disruptions and ramifications it has caused are still ongoing and recovery to pre-pandemic level could take a while to normalise.

Adoption of advanced technology and digitalisation in our operations have always been our strategy, without which the negative impact arising from COVID-19 would have been much far wide reaching. This can be seen in the breakdown of our results below. At the operating level, excluding the one-off items, government support and impairment/ provisions, the loss has reduced from $26 million in FY 2020 to $10 million in FY 2021.

(SGD m)	FY2021	FY2020
Operating Loss before net finance costs and taxes	(51.2)	(31.4)
Gain on disposal of Asset Held for Sale	-	(1.6)
Government Support	(5.4)	(14.4)
Impairment arising from property development business	20.2	5.6
Net Provision for onerous contracts	25.7	15.6
Operating Loss excluding one-off items	(10.7)	(26.2)

Notwithstanding so, the Group has adopted a prudence approach to manage the challenges by scanning the marco environment, reviewing the impact on our businesses and catering for the necessary provisions for onerous contracts and impairment over the last 2 financial years.

(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 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?

On an ongoing basis, management proactively scans the environment regularly and analyse the risks and impact on our operations from all angles, including raw materials, labour situation and costs, progress of projects, sub-contractors' financial situation, amongst others. Appropriate actions are then taken by management to mitigate the risks in a timely manner.

Notwithstanding that the increase in costs of construction materials in the second half of 2021 arose from uncontrollable factors, due predominantly to increase in energy costs and supply chain disruptions, management does negotiate and lock in key material prices for a certain mutually agreed period with suppliers to the extent possible as not all materials prices can be locked-in in advance.

(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.

The gross loss margin was predominantly driven by the COVID-19 impact. If the provision of onerous contract (net) of $25.7 million (2021) and $15.6 million (2020) were to be excluded the gross margin would be +3.5% (FY2021) and -0.9% (FY 2020) respectively.

(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?

To manage the challenges of rising costs and to achieve at least a breakeven going forward, the Group adopted a multi-pronged approach as follows:

1. Negotiate for lock in prices of key construction materials as much as practically possible;
2. Explore all avenues to bring in foreign workers to Singapore for deployment at projects in order to speed up work progress and hence collection of revenue;
3. Partner and provide assistance to subcontractors where possible so as to achieve a win-win situation for all;
4. Open discussions with clients for support to manage the rising costs; and
5. Curtail non-essential spending and postponement of CAPEX.

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?

For Sloane Residences, twenty out of a total of fifty-two units have been sold. Construction is well underway and expected to complete in mid-2022. With completion, the sales of remaining units is expected to pick up with units ready for buyers to move in.

For Cairnhill 16, none of the thirty-nine units have been sold. Sales and marketing activities commenced early 2022 and are on-going. Construction of the sub-structure is completed. Completion is targeted in 2H 2023.

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

The price and transaction volume of non-landed private homes have declined in the first quarter of 2022 after the announcement of cooling measures by the Government in December last year. In particular, homes in the Core Central Region (CCR), where our two projects are located, were the hardest hit by the cooling measures with higher additional buyer's stamp duty rates for foreigner buyers. Nevertheless, the return of international travel coupled with the attractive locations close to good schools and amenities for the 2 projects may encourage more sales.

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

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

As at 31st December 2021, the carrying value of the group's joint venture, TSky Development Pte Ltd, is $0, with net liabilities of $(8.51) million, as compared to $(9.78) million as at 31st December 2020.

It is the group's decision to finance the joint venture's operation and investment with shareholder loans amounting to S$31.0 million (as per note 9 to the audited financial statements) and with minimal equity capital. The shareholder loan of S$31.0 million is recoverable and form part of the investment in the joint venture.

Sloane Residences is close to completion and projects typically see a pick-up in sales after completion.

For Cairnhill 16, based on recent transactions at similar newly-launched projects in the vicinity, the target selling price represents a good value opportunity for buyers.

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

During the 3 months ended 31 March 2022, 8 units of Equinox were sold. As at 31 March 2022, approximately 73.6% of the total 565 units launched for Equinox have been sold. Based on current phased development plan, the Group is currently carrying out construction for two of its phases, E3 and G1, with expected completion and handover in mid 2023.

During the 3 months ended 31 March 2022, 2 units of Tranquillity Residences were sold. As at 31 March 2022, approximately 99.7% of the total 646 completed units have been sold for the project.

(v) 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).

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)

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.

Allowance for diminution in value of development properties of $17.5 million arose from undeveloped land in the Equinox project, Tianjin PRC.

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)?

Please refer to our Annual Report 2021 page 24 "Provision 2.4: Board Composition and Diversity" for greater detail which we reproduce below:

Provision 2.4: Board Composition and Diversity

The size and composition of the Board are reviewed by the NC on an annual basis to ensure that the Board has the appropriate diversification of expertise and experience and collectively possesses the necessary skills sets and core competencies for effective decision making. The Board is of the opinion that its current board size of six Directors is appropriate, taking into account the nature and scope of the Group's operations.

The Company recognizes the benefits of having a Board with diverse backgrounds and experience. As a group, 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 diversity of the Directors' experience allows for the useful exchange of ideas and views. It has adopted a Board Diversity Policy which recognize that a diverse Board will enhance decision-making capability and is more effective in dealing with organizational changes. Diversified views enhance Board discussions and ensure that the decisions made by the Board have been considered from all points of view.

The Board is of the view that, while it is important to promote boardroom diversity in terms of gender, age and ethnicity, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority. The current Board comprises six members who are corporate leaders, and are professionals with varied backgrounds, expertise and experience including in finance, banking, legal, civil engineering, business management and consultancy, building and estate management investment and knowledge of risk management, audit and internal controls. The Company does not set any specific target for female directors or boardroom age diversity but will work towards having female directors or having appropriate age diversity in the Board, if the opportunity arises.

Information on each Director's academic and professional qualifications, industry knowledge, shareholdings, relationships (if any) and, directorship is presented in the sections entitled "Board of Directors" and "Directors' Statement" of this Annual Report.

Non-executive Directors contribute to the Board process by involving in the Group's strategic proposals and monitoring and reviewing Management's performance against agreed goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management proposals or, decisions, they will bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

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

As stated in our Annual Report page 24 "Provision 2.4: Board Composition and Diversity", the board/NC does not set any specific target but will work towards having appropriate diversity in the Board, if the opportunity arises. In relation to competency diversity, this is demonstrated through the appointment of Dr. Teo Ho Pin as Independent Director who brings with him extensive expertise and track record in implementing Green and Smart City initiatives for sustainable buildings and communities. Furthermore, the Board has admitted Mr Pek Zhi Kai as executive director of the company, who is at his early 30s, as part of the succession plan to bring in new ideas and views which will be relevant in dealing with the fast changing environment.

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.

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?

The board believes that board stability is important in progressing the rejuvenation agenda of the board. The two independent directors have over the years actively participated in the proceedings and decision-making processes of the Board meetings. They have constructively challenged and reviewed the performance of Management in achieving agreed goals and given impartial advice and insights in these proceedings and meetings. These two directors have developed substantial insight of the Group's business and operations and will continue to value-add to the Board and the Group.

While recognising the value and importance of these two directors to the Group especially during this challenging time, the Board’s effort on progressive and appropriate renewal will continue. This can be seen from, as mentioned, the new additions of Dr Teo Ho Pin and Mr Pek Zhi Kai. As such, the NC and the Board do not consider the continued appointments of the two independent directors 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?

Please refer to our response in (ii).

BY ORDER OF THE BOARD
TIONG SENG HOLDINGS LIMITED

Pay Sim Tee
Executive Director and CEO
17 April 2022