

RESPONSE TO SGX QUERIES::

Issuer & Securities

Issuer/ Manager

TA CORPORATION LTD.

Securities

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Submitted By (Co./ Ind. Name)

Tam Siew Kheong

Designation

Chief Financial Officer / Company Secretary

Description (Please provide a detailed description of the change in the box below)

Please refer to the attached.

Attachments

[TACorp Announcement to SGX queries 15.03.2023.pdf](#)

Total size =423K MB



TA CORPORATION LTD

(Incorporated in the Republic of Singapore)

Co. Registration No. 201105512R

ANNOUNCEMENT

RESPONSE TO QUERIES RAISED BY SGX REGCO IN RELATION TO THE COMPANY'S UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR SECOND HALF-YEAR AND FULL YEAR ENDED 31 DECEMBER 2022 ("2H2022")

The Board of Directors (the "Board") of TA Corporation Ltd. (the "Company" and together with its subsidiaries, the "Group") refers to queries raised by The Singapore Exchange Regulation Pte. Ltd. ("SGXRegCo") dated 09 March 2023 in relation to the Company's 2H2022 results. The Company sets out below its response to SGXRegCo's queries relating to the 2H2022 results.

1. SGXRegCo's Query

Please disclose a breakdown of trade and other payables amounting to S\$109 million (amounting to around 30% of FY2022 Revenue) and contract liabilities amounting to S\$97.2 million as at 31 December 2022. For other payables and contract liabilities, please disclose their aging and nature and whether the counterparties are related parties.

Company's Response:

a) Trade and other payables breakdown

		Group			
		2022	2021	Nature	Related /
		S\$'million	S\$'million		Not – related
Trade payables:					
Third parties		58.5	55.6	Trade	Not-related
Companies in which certain directors have control		0.2	0.1	Trade	Related
Joint ventures		0.1	-	Trade	Related
Other payables:					
Third parties	(i)	8.0	4.8	Others	Not-related
Joint ventures	(ii)	1.1	5.2	Others	Related
Companies in which certain directors have control	(iii)	0.7	1.3	Others	Related
Non-controlling shareholders of subsidiaries		-	6.3	Others	Related
Accrued operating expenses	(iv)	5.9	5.3	Trade	Not-related
Accrued contract cost	(v)	0.8	1.1	Trade	Not-related
Retention payables	(vi)	25.8	22.1	Trade	Not-related
Deposits received	(vii)	7.9	6.2	Others	Not-related
Deferred grant		-	0.1	Others	Not-related
Total trade and other payables		109.0	108.1		

- (i) Other payables are mainly advances received from buyers of an overseas development project pending transfer of titles to the unit buyers who have completed their payment. Ageing profile is not applicable for these payables as these are amount collected for unit sold to buyers pending completion of transfer of titles to the units buyers. All development properties are under point in time revenue recognition accounting principle.
- (ii) Other payables to joint venture are mainly current account balances with joint venture entities and are repayable on demand.
- (iii) Other payables to companies in which certain directors have control are mainly balances which are non-trade in nature and are repayable within the next 12 months.
- (iv) Accrued operating expenses are related to accruals/ operating costs relating to the ordinary course of business and are payable within the next 12 months.
- (v) Accrued contract cost are mainly related to direct material incurred to construction cost and are payable within the next 12 months. None of the counterparties are related parties.
- (vi) Retention payables are mainly related to retentions due after the expiry of the retention period and defect liability period. Retention payables are classified as current liabilities because it is expected to be realised in the normal operating cycle of the Group.
- (vii) Deposits received were mainly from rental deposits from tenants which will be refundable at end of the lease terms within the next 12 months. These also include deposit received from customers for our distribution and precast businesses which revenue will be recognised when goods delivered to customers within the next 12 months. None of the counterparties are related parties

b) Contract liabilities breakdown

		Group	
		2022	2021
		S\$'million	S\$'million
Construction contracts	(i)	15.1	21.7
Amounts received in advance from development properties	(ii)	82.1	95.2
		<u>97.2</u>	<u>116.9</u>

- (i) Contract liabilities from construction contracts consist of progress billings that exceed revenue recognised under accounting principle. Ageing profile is not applicable for this nature of contract liabilities.
- (ii) Amount received in advance for development properties are advances received from unit buyers of an overseas development project under point in time revenue recognition accounting principle. Ageing profile is not applicable for this nature of contract liabilities.

None of the counterparties are related parties.

2. SGXRegCo's Query

Given the Group's significant current liabilities of S\$265.8 million and current assets of S\$336.6 million of which S\$203.3 million are attributable to development properties that may not be realisable within one year, please disclose the Board's assessment (i) whether the Company's current assets are adequate to meet the Company's current liabilities, including its bases of assessment; and (ii) details of how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's Response:

The Board has assessed that the Group is on track to fulfill its significant payment obligations in the next 12 months by assessing the cashflow forecast based on following options and assumptions : -

- (i) the forecasted cashflow from the Group including the expected cashflow from existing customers and contracts and the expected successful conversion of current tendering opportunities into future revenues and cashflows;
- (ii) the Group's S\$203.3 million development properties consist of land bank, completed and substantially completed developments, therefore, no significant additional cost required to market the developed properties. With the recent reopening of boarders in the region of the Group's development properties are located, the Group expects the marketing activities to improve and generate cashflow to the Group;
- (iii) potential divestment of assets to extinguish the Group's debt obligations and generate potential cashflow; and
- (iv) continued support from the Group's existing bankers in rolling over the existing revolving credit facilities as and when they fall due and potential gearing up of the current debt facilities due to improvement in loan to valuation ratio.

3. SGXRegCo's Query

We refer to the Company's assessment of the recoverable amounts from associates/joint ventures at page 10 of your financial results.

- a) Please disclose details relating to the basis of Management's assessment on the recoverable amounts from the "Singapore Garden" properties and the reasons for the full impairment of the Company's investment in DSPDS.
- b) Please disclose a breakdown of the receivables of S\$28.5 million from DSPDS including details relating to their nature and aging. Please also disclose the Company's basis for the full impairment of these receivables as at 31 December 2021.
- c) The Company disclosed that right of use carparks bought by DBOP have not been transferred to DBOP from DSPDC as at 31 December 2022 since 2015. Please disclose reasons for the delay and what are the actions taken to effect the transfer as soon as possible.
- d) Please disclose a breakdown of the non-current receivables of S\$24.2 million from SZI including details relating to their nature and aging.

- e) Please explain in detail why management has determined that the non-current receivables of S\$24.2 million from SZI is recoverable, considering the Company's representations that DBOP's financial position is dependent on DSPDC (according to the Company's representations, DSPDC owes DBOP S\$10 million and DBOP is pending transfer from DSPDC of its rights of usage of carparks) and the Company has fully impaired its own investment and receivables from DSPDS (parent company of DSPDC) after factoring the market value of properties of DSPDC.
- f) Please explain in detail the basis of management's assessment that DSPDC will be able to raise sufficient proceeds to its loan from DSPDS and in turn for DSPDS to repay its bank loan of S\$10 million, considering that the Company has fully impaired its own investment and receivables from DSPDS after factoring the market value of properties of DSPDC.
- g) Please disclose the Company's efforts and plans to recover its investment and receivables from DSPDS and SZI.

Company's Response:

- a) The Group had fully impaired its investment in DSPDS and advances to DSPDS as DSPDS is in net liabilities position due to significant cumulative operating losses incurred by DSPDS.
- b) S\$28.5 million is made up of S\$26.4 million loans, S\$2.0 million interests payable and S\$0.1 million expenses paid on behalf of DSPDS by the Group. S\$0.2 million aged less than a year and S\$28.3 million aged more than a year.

The Group has fully impaired these receivables as at 31 December 2021 and 31 December 2022 as based on the financial position of DSPDS group and independent valuation of the unsold units and land bank in Dalian Shicheng Property Development Co., Ltd ("DSPDC"), a fully owned subsidiary of DSPDS in Dalian, PRC, the Group assessed that DSPDS will not be able to repay its obligation to the Group after paying its bank borrowings.

- c) The car parks bought by DBOP have not been transferred to DBOP from DSPDC as at 31 December 2022 as there are outstanding works including the removal of ground water well from the car parks and rectification works to be performed.

As disclosed in 31 December 2022 unaudited condensed interim financial statements, the Group has considered the financial position of SZI group and the valuation of the properties in the Development by an independent valuer, management expects the amount of S\$24.2 million (2021: S\$23.7 million) to be recoverable from SZI. The fair values of the properties are determined using direct comparison method (2021: Direct comparison method). Accordingly, the Group shall not effects the transfer of the car parks but to recover the amount from SZI group.

- d) S\$24.2 million was made up of S\$20.3 million loans, S\$3.9 million interests payable. S\$0.5 million aged less than a year and S\$23.7 million aged more than a year.
- e) Management considered the financial position of SZI group and the valuation of the unsold units in SZI group by an independent valuer and determined that the S\$24.2 million due from SZI is recoverable. The fair values of the unsold units by the independent valuer are determined using direct comparison method.

- f) Management had considered the financial position of DSPDS and the unsold units' valuation in DSPDC by an independent valuer and determined that it will be able to raise sufficient proceeds to repay its loan to DSPDS upon realising the unsold units based on the market value and in turn for DSPDS to repay its bank loan.
- g) To recover the Group's investment and receivables from DSPDS and SZI, the Group is required to realise the unsold units and remaining land bank above the current valuation. Based on this consideration, the Management had appointed an external management consultancy company in PRC to explore and propose improvements to the operations, sales and marketing strategy to sell off the remaining completed properties of the development. Management will review the proposals to be proposed by the management consultancy company and will implement based on the prevailing market condition and overall company strategies.

4. SGXRegCo's Query

The Company stated that page 23 of its financial results that its subsidiary, Sino Holding (S'pore) Pte Ltd, has subscribed for S\$0.125 million of rights shares thereby increasing the Group's shareholding from 25.4% to 42.97%. Please explain the basis for the Group's decision to increase its investment in DSPS even though the Group has fully impaired its investment and receivables from DSPS and disclose the intended use of proceeds and the total funds raised by Dalian Shicheng Property Development (S) Pte Ltd.

Company's Response:

The Group's decision to subscribe the rights shares of DSPDS is to provide operation fund to DSPDS to continue its operations and to continue to conduct marketing to sell off its completed development. DSPDS had raised total S\$0.25 million funds in January 2023 and these proceeds will be used to meet DSPDS' operating cash flow requirement.

5. SGXRegCo's Query

We refer to the interest person transactions at page 28 of the Company's financial results. Please disclose the nature of the management services provided by Prestige Resources Pte Ltd and TAC Alliance Pte. Ltd., the difference between the 2 types of management services provided and the reasons for the services to be provided by these two entities.

Company's Response:

The management service contracts provided by TAC Alliance Pte Ltd and Prestige Resources Pte Ltd to the Group are for the purpose of dormitory management including management and supervision over the maintenance and cleanliness of the dormitories as well as implementing measures to ensure compliance to prevailing rules, regulations and laws relating to dormitory accommodation imposed by relevant authorities.

During the financial year 2022 until 31st August 2022, TAC Alliance Pte Ltd and Prestige Resources Pte Ltd were both appointed by the Group to provide management services for 2 different worker dormitories in 2 different premises.

The management service contracts with 2 different companies were due to 2 different locations and there were 2 separate operating teams.

From 1st September 2022, the Group terminated the management service contract with Prestige Resources Pte. Ltd. and streamlined the operation of the 2 premises under one service contract with TAC Alliance Pte. Ltd. in order to achieve cost saving on overall management fee.

BY ORDER OF THE BOARD

Tam Siew Kheong
Company Secretary
Date: 15 March 2023