



RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Board of Directors of BBR Holdings (S) Ltd (the "Company", and together with its subsidiaries, the "Group") refers to the questions received from the Securities Investors Association (Singapore) ("SIAS") in respect of the Company's Annual Report for the financial year ended 31 December 2022 ("FY2022"). The Company's responses (in blue) to the questions are set out below:

- Q1.** The group is developing The LINQ @ Beauty World, a freehold mixed development with direct access to the Beauty World MRT station, through a 62% owned subsidiary. The 20-storey residential apartment tower with 120 apartment units has been fully sold. The project also includes a 2-storey commercial podium that has not been launched/sold.

Revenue from Property Development increased significantly from \$5.9 million in FY2021 to \$44.6 million in FY2022 as revenue was recognised on a percentage of completion basis. The temporary occupancy permit is expected to be obtained no later than July 2025 and the project is ahead of schedule.

- (i) **Can management provide an update on its plans for the 2-storey commercial podium, and elaborate on the insights gleaned from its experience owning and managing Wisteria Mall prior to its sale in February 2022?**

We intend to sell the 2-storey commercial podium as an entire mall as it appeals to most investors ranging from private real estate funds to family offices, which is growing steadily in recent times. We believe that the location (i.e. next to Beauty World MRT Station), freehold tenure and income growth potential of the mall will be attractive value propositions to such investors.

Nonetheless, the current high interest rates environment may dent buyer sentiment and we expect that it may take time to find buyers. Concurrently we are also exploring other options such as leasing out the units and operating the mall ourselves. We may then subsequently market a tenant-occupied mall as we did for Wisteria Mall.

Our experience from owning and operating Wisteria Mall has provided us valuable insights to formulation of leasing strategies, determining of tenant mix, running of mall events and activities, which we believe have put us in a good position to manage well the commercial podium of The LINQ and enhance its value.

- (ii) **What is management's outlook on the Singapore property market?**

High financing costs and inflationary pressures continue to be issues that we face. On the positive side, the inflow of foreign money into Singapore attracted to its business-friendly environment, good business infrastructure, an efficient government and political stability makes BBR cautiously optimistic on the property market.

- (iii) **What steps are being taken to replenish the group's land bank, if any? Can management share more details on its land acquisition strategy, including potential partnerships or joint ventures to facilitate land acquisition?**

It is more challenging to replenish our land bank now due to the high land prices and high cost of financing. However, the Group continues to look into possible land acquisition and when good opportunities arise, we may collaborate with other business partners.

Q2. The group's order book as at 31 December 2022 was \$407 million, up significantly from \$108 million at the end of the previous financial year. This includes the group's proportionate share of the Pasir Ris East Station contract which is a \$363 million contract for the design and construction of MRT station which comes under the first phase of the Cross Island Line by the Land Transport Authority ("Contract CR107").

- (i) **Can the company provide a detailed breakdown of the order book to show the orders by segment, i.e. general construction, specialised engineering, property development, and green technology?**

The order book includes only construction projects and the breakdown is as follows:

| | \$'million |
|-------------------------|--|
| General construction | 252 |
| Specialised engineering | 153 |
| Green technology | 2 |
| | <hr style="border-top: 1px solid black;"/> |
| | 407 |

- (ii) **Given the sizeable order book that stretches out years ahead and the current high inflation rate environment, could management provide further details on how the group has factored in a buffer for inflationary pressures on raw materials and manpower, and how a safety factor has been included to ensure an appropriate return commensurate with the risks involved in the projects?**

For the ongoing general construction contracts on hand, there are clauses in the contracts with customers to provide for fluctuation in the prices of key raw materials such as concrete and steel. Where feasible, we also entered into material supply contracts to fix the prices of certain materials over a certain time frame. For manpower issues we are continue to explore ways to do more with less manpower.

- (iii) **Can management provide details on any major capital expenditure plans expected in the next 18-24 months and how they plan to finance these expenditures?**

The major capital expenditure expected for the next 24 months will be plant and machineries and the plan is to finance through hire purchase and/or leasing arrangements.

- (iv) **How favourable or unfavourable is the overall manpower situation in Singapore? Does the group face any challenges in hiring, training and retaining skilled workers?**

We do face challenges in hiring, training and retaining skilled workers but these are the same challenges that all other construction companies are also facing. Hence from a business standpoint, it is not a factor that will affect much on our competitiveness.

- (v) **What specific strategies and initiatives is management implementing to improve the profitability of the specialised engineering segment? Given the segment's loss of \$(4.3) million in 2022, what steps will the group take to turnaround the segment?**

The projects executed in FY2022 for the specialised engineering segment were mostly contracted before COVID-19 pandemic times. Material supply chain disruptions and labour shortages caused by the pandemic and Ukraine war resulted in escalation in costs but contract sums were fixed.

Going forward, contract price of new projects has been reviewed and revised taking into consideration the movements in cost.

Another factor contributing to the losses in this segment is that the order book for this segment needs to be larger given its fixed overheads in order to enjoy economies of scale. We hope that with the passing of the COVID-19 era and the Singapore government's public infrastructure building program, we will see increased opportunities to increase the size of the order book.

- (vi) From FY2018 to FY2020, the losses attributable to owners of the company added up to \$(42.6) million. Profit attributable to owners of the company was \$7.3 million in the past two years. **Has the board provided guidance to management on the importance of prioritising efficiency and productivity in order to maximise profitability and deliver long-term value to shareholders?**

The Board has always been conscious on the need to prioritise efficiency and increase productivity in order to maximise profits for shareholders. The Board has emphasized the need to continually upgrade the skills of our staff and tap on technologies to enhance efficiency and productivity. Internally we conduct regular productivity study sessions as well as distribute material on how the construction industry in the developed countries have evolved to rely less on human labour. We also send suitable candidates for upskilling and upgrading in the technologies we use such as BIM (Building Information Modeling), IDD (Integrated Digital Delivery) and other relevant digital applications.

Q3. As disclosed in the corporate governance report, the internal audit function of the group is outsourced to One e-Risk Services Pte Ltd.

- (i) **Can the audit committee (AC) provide clarification on the criteria used to determine and approve the annual internal audit plan?**

The annual internal audit plan was determined taking into consideration the key business risks, precedent audit results, prevailing legal and regulatory regime and various other factors.

- (ii) **What were the scope, key findings and recommendations by the internal auditor for FY2022?**

Internal audit scope for FY2022 covers internal audit procedures performed for selected entities to address the key risks and controls for key operating processes which include revenue cycle, collection cycle, purchase cycle, payment cycle and project management controls to ascertain that key processes are in accordance with established policy and procedures and to identify areas for improvement. The internal auditor also performed follow-up review of past internal audit reports.

The key findings are all issues of moderate risks and mainly relate to documentation requirements as well as areas for improvements.

Recommendations include fine-tuning procedures and processes, enhance documentation and monitoring by management.

- (iii) **Can the AC confirm that all the foreign operating subsidiaries and entities in Hong Kong, Malaysia, the Philippines and Thailand were included in the internal audit?**

Not all foreign subsidiaries are active companies. The internal audit covers all significant foreign operating subsidiaries and entities.

- (iv) **What is the level of oversight by the AC on the actions taken by management to follow up on the recommendations?**

Follow up actions on recommendations by the internal auditor are generally done periodically and reported to the AC annually as issues highlighted were mainly of moderate or low risks. Review by the AC would be more rigorous for issues that involve high risks.

By Order of the Board
BBR Holdings (S) Ltd

Tan Kheng Hwee Andrew
Chief Executive Officer
21 April 2023