

HOCK LIAN SENG HOLDINGS LIMITED
(Company Registration No. 200908903E)
(Incorporated in the Republic of Singapore)

**RESPONSES TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) AND SHAREHOLDERS ON THE ANNUAL GENERAL MEETING (“AGM”)
TO BE HELD ON 22 APRIL 2021**

The Board of Directors of Hock Lian Seng Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised from Securities Investors Association (Singapore) and the shareholders of the Company in relation to the Company’s AGM for the financial year ended 31 December 2020 (“**FY2020**”) and appends the replies as follows:

Question 1:

Would the board/management provide shareholders with greater clarity on the following operational matters? Specifically:

- (i) Tuas Terminal: The group is banking on the commercial activities in the Tuas South area to pick up after the commencement of the first phase of Tuas Terminal mega port in 2021. Are there signs/evidence that the mega port will open on schedule?
- (ii) COVID-related compliance costs: Has management estimated the increase in manpower costs due to additional health and safety measures and safe distancing precautions? Presumably, these have led to lower efficiency and additional overheads. What can management do to maintain/improve the group’s margins, especially for projects that are ongoing?
- (iii) Civil engineering: As at 31 December 2020, the group’s order book for ongoing projects in the Civil Engineering segment was approximately \$380 million, mainly due to the Maxwell station and the Changi Airport joint venture project. Does management have an estimate of the delays in the projects? Will the projects suffer from significant costs overrun?

Company’s responses

- i. According to an interview with Channel New Asia in April 2019, Maritime and Port Authority (MPA) has revealed that the Tuas Terminal mega port will commence its first phase of operations in 2021 with two berths for ships (<https://www.channelnewsasia.com/news/singapore/tuas-mega-port-to-open-in-phases-from-2021-video-11472246>). We did not see any further update on the opening schedule by MPA.
- ii. There is no increase in manpower in 2020 as workers who returned to their home countries were not allowed to return to Singapore that easily. In fact there is a shortage of manpower in the whole industry. There is certainly lower efficiency but the COVID-19 support measures of the Singapore Government will help to defray some of the increase in operating costs. To protect our workers and to manage overheads, we set up a number of Temporary Living Quarters in our factories and on project site last year. The permits for most of these have ended in March 2021 and we have relocated our workers to dormitories closer to project site. The Company will continue to monitor closely and adjust the strategy and operations dynamically to mitigate the effects of the COVID-19 pandemic. The Company has always been prudent in cost management.
- iii. The Company monitors and reviews the project cost regularly. Expected additional cost for completion of ongoing projects as at 31 December 2020, has been included in the revised project’s margin for the FY2020 financial statement.

Question 2:

As noted in the letter to shareholders, the chairman and the executive director/CEO have noted that the 265-unit leasehold development at Mattar Road, known as The Antares, experienced tepid sales with 52 units sold as at the end of 2020 (page 3 of the annual report; emphasis added). Based on latest fillings obtained from URA on 11 April 2021, there were 15 sales in January-April 2021. The group recorded loss of \$2.6 million from its share of results of joint ventures in FY2020 mainly due to slower sales and financing costs incurred for the Mattar Road residential project.

- (i) Has management gathered feedback from visitors to the showroom to understand the views of these potential buyers? If so, what are the common concerns or positive/negative feedback?
- (ii) What are the options available to the group for The Antares?
- (iii) Is management exploring ways to achieve better sales to de-risk the group? Although sales have been “tepid”, the joint venture has been able to increase the average selling price slightly in 2021 based on data from URA. Page 3 of 4 It was disclosed that the group will continue to adopt a cautious approach when evaluating suitable property development opportunities.
- (iv) Keeping in mind the pandemic and the nascent signs of economic recovery, and based on the group’s track record in property development, how has the group’s property development strategy changed? In particular, how will management finetune its development criteria (including location, pricing, design, functionality, marketing efforts) for any future development so as to further improve the attractiveness and hence the pace of its sale after the project launch? As at 31 December 2020, the group's completed development properties held-for-sale amounted to \$99.7 million representing 34% of the group's total assets.

Company’s responses

- i. The Antares project has engaged marketing consultants and agents in promoting the project. The marketing consultant will provide feedback to the management on customers responses.
- ii. Sales has always been on-going although at a slower pace. The management will continue to work closely with the marketing agent to attract potential buyers.
- iii. The units sold earlier were mostly lower floor units with lower PSF. Towards the end of 2020 and this year, more high floor units were sold and hence push up the average PSF. The management believes the sales of the project will pick up as the buildings come off the ground and potential buyers can better understand the development on the actual site.
- iv. The Group intends to leverage on the economic recovery and the impending opening of Tuas Mega Port to focus on the sales of the remaining factory units. Land acquisition for the short to mid term will not focus on industrial assets unless these are business parks or are on freehold land. The Group will continue to be selective and cautious in selecting future residential development projects; we believe good location, quality design and attractive pricing are key success factors for the development projects. Our strategy will however need to retain some flexibility to deal with the stiff competition in Singapore’s small market and the cooling measures that can be introduced unexpectedly.

Question 3:

On 1 March 2021, the company announced that the MCST of Ark@KB has initiated legal proceedings against the company's subsidiary, Hock Lian Seng Properties Pte. Ltd. and Hock Lian Seng Infrastructure Pte. Ltd., which were the developer and the main contractor respectively. This relates to the alleged defects of the development which incurred \$0.55 million in repair costs. The project was completed in 2015.

- (i) Can management help shareholders understand if it had been in negotiations with the MCST of Ark@KB prior to the legal proceedings?
- (ii) Has the board, including the independent directors, considered an internal evaluation to review the group's build quality and safety standards?

Company's responses

- i. We wish to clarify that \$0.55m is the total repair cost expected/claimed by the MCST. Our legal team is in the process of obtaining clarifications on the claims hence it is not appropriate for us to provide any comments or information at this point in time. We will provide an update when there is material development in the legal proceeding.
- ii. Our projects are constructed to professional consultants' specifications and approved quality.

Question 4:

Can the Company elaborate on the prospective order book for 2021 / 22. Seems like the only major item is Maxwell MRT.

Company's responses

The group's order book for ongoing projects in the Civil Engineering segment is approximately \$380 million, mainly due to the Maxwell station and the Changi Airport joint venture project. Maxwell Station Project is expected to be completed by end of 2021 and the Changi Airport joint venture project is expect to be completed by 2023. Most of 2020's tender closures and evaluations had been postponed to 2021 and it is as yet unclear when the results will be released. We continue to actively participate in government tenders.

By Order of the Board

Siau Kuei Lian
Company Secretary
21 April 2021