



## TA CORPORATION LTD

(Incorporated in the Republic of Singapore on 7 March 2011)  
(Company Registration No. 201105512R)

### NEWS RELEASE

#### TA CORPORATION REPORTS 1H2020 FINANCIALS

- ***Impacted by the COVID-19 Circuit Breaker measures and movement control measures in countries where the Group operates***
- ***Focus on execution of order book of S\$423.4 million as at June 30, 2020, to be delivered progressively over the next two years***
- ***Ensure the smooth completion of development projects on hand in Singapore, Cambodia and Thailand***

**Singapore, August 13, 2020** – TA Corporation Ltd (“TA Corporation”, and together with its subsidiaries, the “Group”) (长益集团有限公司), an established property and construction group, reported its financial results for the six months ended June 30, 2020 (“1H2020”), with revenue declining 2.2% to S\$76.7 million and loss attributable to Owners of the Company of S\$27.9 million.

The escalation of the COVID-19 outbreak led to the implementation of the Circuit Breaker (“CB”) period from April 7, 2020 to June 1, 2020 in Singapore, which resulted in the suspension of non-essential services and closure of most workplaces. The temporary suspension of the Group’s construction activities in compliance with the CB measures resulted in lower revenue recognition. In 1H2020, the Group’s construction revenue decreased to S\$52.3 million compared to S\$54.8 million a year ago (“1H2019”). There is gradual re-opening of the Singapore economy since the start of Phase 2 on June 19, 2020, but construction activities are still very low due to shortage of workers and implementation of stringent safe management measures.

The Group’s real estate investment revenue increased to S\$11.8 million in 1H2020, compared to S\$10.8 million in 1H2019. This is mainly due to an increase in bed rate and higher occupancy rate from Tuas South Dormitory.

Distribution of lubricants generated revenue of S\$12.4 million for 1H2020, higher than S\$11.5 million in 1H2019 due to higher revenue contribution from the Group's lubricants business in Myanmar.

As a result of higher material costs and labour costs, as well as provision for costs due to disruptions and delays in construction progress, the Group's cost of sales for 1H2020 was S\$83.7 million, an increase of S\$21.0 million compared to S\$62.7 million in 1H2019. Correspondingly, the Group recorded a gross loss of S\$7.0 million in 1H2020, compared to a gross profit of S\$15.7 million in 1H2019. The Group's loss attributable to Owners of the Company stood at S\$27.9 million.

Mr. Neo Tiam Boon (梁添文), Chief Executive Officer and Executive Director of TA Corporation said, "The COVID-19 pandemic exacted an enormous toll on the economy in Singapore and globally. The Circuit Breaker measures in Singapore halted almost all economic activities, including construction and real estate development. Due to the Group's business diversification efforts, distribution of lubricants in Myanmar has reaped encouraging results which helped to partially mitigate the unfavorable impact on the Group's core construction and property development revenue.

"As Singapore enters into a recession, we will stay extra vigilant and agile in navigating market challenges. The Group's dormitory business is expected to face challenges going forward in view of the Singapore government's new stringent measures for dormitories resulting from COVID-19. For the construction sector, which will continue to be impacted in the near term, there are additional safety and precautionary measures to fulfill at each construction site before resumption of work. Notwithstanding the headwinds in the construction sector, we will continue to focus on the smooth execution of our S\$423.4 million order book as at 30 June 2020, to be delivered progressively over the next two years."

## BALANCE SHEET HIGHLIGHTS

As at June 30, 2020, the Group's net asset value per share was 26.1 Singapore cents, compared to 31.3 Singapore cents as at December 31, 2019.

The Group's cash and bank balances stood at S\$40.0 million as at June 30, 2020. The Group's gearing ratio as at June 30, 2020, stood at 2.95 times.

## OUTLOOK

Singapore entered into a recession following the second quarter of consecutive decline in its gross domestic product ("GDP"). According to statistics from the Ministry of Trade and Industry ("MTI"), Singapore's GDP contracted 13.2% year-on-year ("y-o-y") in the second quarter of 2020 ("2Q2020"), worsening from the 0.3% decline in the previous quarter. This is due to implementation of CB measures as well as weak external demand amidst a global economic downturn precipitated by the COVID-19 pandemic<sup>1</sup>.

Singapore's construction output were significantly weakened on account of the CB measures, exacerbated from additional measures to curb the spread of COVID-19 which includes movement restrictions at foreign worker dormitories. Almost all construction activities stopped during the CB period. As a result, the construction sector contracted by 59.3% y-o-y in 2Q2020, a drastic drop from the 1.2% contraction in the previous quarter<sup>1</sup>.

Most of the Group's construction activities have been suspended during the CB period. While construction work is gradually restarting at a slow pace, the Group expects the outlook for its construction business to remain very challenging amid the continued shortage of workers, higher material costs, additional costs to comply with safe distancing measures and continued delay in construction progress.

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<sup>1</sup> *MTI Narrows 2020 GDP Growth Forecast to "-7.0 to -5.0 Per Cent"– Ministry of Trade and Industry Singapore, August 11, 2020*

The Group's dormitory business is expected to face challenges going forward in view of the Singapore government's new stringent measures for dormitories resulting from COVID-19.

Prices of office space and retail space decreased by 4.3% and 1.5% in 2Q2020. Rental index for office space remains constant, but rental index for retail space dropped 3.5% in 2Q2020<sup>2</sup>. Accordingly, the Group expects its other investment properties to be impacted by the deteriorating rental market in Singapore in the near to mid-term.

Mr. Neo added, "We expect the very challenging economic conditions in Singapore and in the markets we operate regionally, to continue. As construction work starts to gradually resume following the second phase of Singapore's economy reopening, there remain additional costs with the shortage of workers, supply chain disruption, compliance with safe distancing measures and delay in construction progress."

"The government has provided support with a S\$1.36 billion Construction Support Package<sup>3</sup> to help firms in the construction sector. We have also received certain grants thus far, and we will look towards utilising these aids to mitigate pandemic-related costs. We will also continue to remain financially prudent while monitoring market and macro developments, adapting and taking appropriate measures to mitigate any risks."

Regionally, the Group's property development segment in Thailand and Cambodia are both affected by the disruption caused by COVID-19 in the respective locations and completion of both projects have been delayed. Construction work has gradually restarted in both locations but has recorded slower progress due to supply chain disruption.

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<sup>2</sup> Release of 2nd Quarter 2020 real estate statistics – Urban Redevelopment Authority, July 24, 2020

<sup>3</sup> \$1.36b Construction Support Package to help firms resume work quickly and safely – Building and Construction Authority, June 27, 2020

On July 18, 2018, the Company launched its S\$27,000,000 6.00 per cent notes due July 2021 (the “Series 3 Notes”) issued under its S\$300,000,000 multicurrency medium term note programme (the “MTN Programme”). The Series 3 Notes have been reclassified as current liability in 1H2020 due to the breach of the negative pledge and financial covenant clause of the term note. The Group will conduct a Consent Solicitation Exercise to seek approval of the noteholders to waive the breach and extend the term of the Series 3 Notes. Details will be disclosed via SGXnet.

## **ABOUT TA CORPORATION**

With a history that can be traced back to 1972, TA Corporation is an established property and construction group, with a growing suite of businesses in distribution as well as the provision of workers training and accommodation in Singapore and across the region, including Thailand, Cambodia, Malaysia, China, and Myanmar.

### **Real Estate Development**

Backed by its strong competencies in the construction business since the 1970s and in-depth experience in working with established real estate developers, the Group has established a reputation as a developer of quality well-located residential developments, targeting the middle to upper middle markets since more than 15 years ago. Some of its completed residential developments in Singapore include *Leonie Hill Residences*, *The Citrine*, *Parc Seabreeze*, *Auralis*, *Coralis*, *Starlight Suites*, *Gambir Ridge*, *The Cristallo*, *The Skywoods*, *Terra Villas* and *Ascent@456*, as well as a serviced apartment, *12 on Shan*.

The Group has also successfully ventured overseas through joint ventures in property development projects in China, Thailand, and Cambodia. Its regional portfolio includes distinctive mixed-use developments such as *De Iyara*, *De Iyara Share* and *De Iyara Grande* in Thailand, and *The Gateway* – an iconic twin tower mixed-use development in Phnom Penh, Cambodia. The expected completion date for the development is extended till 2H2020, barring further escalations of the COVID-19 situation.

In September 2019, the Group's 20%-owned associate FSKH Development Pte. Ltd., launched its 265-unit 99-year leasehold residential development – *The Antares* on Mattar Road.

## **Construction**

TA Corporation's main construction business is principally undertaken through its wholly-owned subsidiary, Tiong Aik Construction Pte Ltd, which has a track record of more than 40 years in Singapore. Over the years, the Group has built a solid reputation as a reliable building contractor with the ability to undertake a wide spectrum of projects for both public and private sector clients. Most of its past and existing customers are reputable names, including government bodies such as the URA, HDB and JTC and established real estate developers such as Allgreen Properties Ltd, CapitaLand Residential Ltd, CapitaLand Commercial Ltd, The Ascott Group, Keppel Land Realty Pte Ltd, Wheelock Properties (S'pore) Ltd, Wing Tai Holdings Ltd, Ladyhill (Private) Limited, Harvestland Development Pte Ltd, German European School Singapore as well as Florence Development Pte. Limited (A unit of Logan Property Singapore).

Leveraging on the property and construction business demand for pre-cast components to enhance productivity, the Group's pre-cast concrete components factory in Johor, Malaysia started operations in the fourth quarter of 2015. Our customers for concrete pre-cast components include Samsung C & T Corporations, Samsung-Koh Brothers Joint Venture, LC & T Builder (1971) Pte Ltd, Chuan Lim Construction Pte Ltd, Woh Hup (Private) Ltd, China Communications Construction Company, Wee Hur Construction Pte Ltd, Lian Beng Construction (1988) Pte Ltd, Yee Hong Pte Ltd and Lian Ho Lee Construction Pte Ltd who are engaged in the construction business in the residential, commercial, industrial and infrastructure segments in Singapore and Malaysia.

In November 2017, its 80%-owned joint venture, TK Modular Pte. Ltd, received in-principle acceptance for the use of its Steel Prefabricated Prefinished Volumetric Construction (PPVC System) – ADD Modular (2016) for building projects in Singapore from the Building and Construction Authority and relevant government agencies.

Coupled with the existing pre-cast concrete component manufacturing capabilities, this added PPVC competency will enable the Group to further enhance its productivity in construction – both for its own property development and construction projects as well as to fulfill the growing demand for solutions to improve labour productivity and operational efficiency in the construction industry.

The Group is also involved in the design, installation and maintenance of Air-Conditioning & Mechanical Ventilation (“ACMV”) systems in Singapore and Cambodia.

### **Real Estate Investment**

The Group owns and operates over 10,000 dormitory beds, which cater to foreign workers working in Singapore. This dormitory business is part of the Group’s strategy to grow its recurring income streams. The Group also owns warehouses and commercial space in Singapore for the use of its businesses and as sources of rental income.

### **Distribution**

TA Corporation has expanded its distribution of high performance motor oil and lubricants beyond Singapore to include Myanmar and Thailand. The Group, through its subsidiaries and 50%-owned joint ventures, holds distributorships for well-known brands, comprising of *Shell*, and *GS Caltex* in Myanmar, *BP Castrol* in Singapore, and *Repsol* in Thailand. It also distributes passenger and light truck tyres under the *Continental* brand. In addition, the Group’s joint ventures distribute construction equipment, heavy commercial vehicles, trucks, buses, and automotive spare parts in Myanmar under the *CASE*, *IVECO ASTRA* brands.

TA Corporation was listed on the SGX Mainboard on November 21, 2011.

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