

Issuer: Hiap Tong Corporation Ltd
Security: Hiap Tong Corporation Ltd

Meeting details:

Date: 26 July 2017

Time: 2.30pm

Venue: SAFRA Jurong Club, Evergreen Room 4 (Level 3), 333 Boon Lay Way, Singapore 649848

Company Description

Hiap Tong Corporation Ltd., together with its subsidiaries, provides hydraulic lifting and haulage services to marine, petrochemical, and construction industries in Singapore. It rents cranes, prime movers, and heavy machinery and equipment, as well as trades in cranes and heavy equipment. The company offers rough terrain cranes, mobile truck cranes, all terrain cranes, telescopic crawler cranes, crawler cranes, and mobile tower crane; and haulage equipment comprising trailers, prime movers, and lorry cranes. As of March 31, 2016, it operated a fleet of 120 cranes and 165 haulage equipment units. The company was founded in 1978 and is based in Singapore. Hiap Tong Corporation Ltd. is a subsidiary of Tembusu Asia Holdings Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5PO)

Q1. Despite the challenges in the offshore sector, the group reported an increase in revenue to \$41.6 million for FY2017 and the group achieved a gross profit of \$8.0 million.

The group's lifting fleet decreased from 120 cranes as at 31 March 2016 to 116 cranes as at 31 March 2017 while the group's haulage fleet increased from 165 units to 178 units. As noted on page 37, the group acquired property, plant and equipment totalling \$9,321,000 during the financial year. Presumably, the \$9.3 million increase in property, plant and equipment was for the group's haulage fleet.

- a) **Can the company help shareholders understand the utilisation rate of the group's lifting fleet and the haulage fleet?**
- b) **What are the key drivers of the lifting and haulage segments?**
- c) **Does the group have long-term service contracts with its customers? If so, can the group disclose its "order-book"?**

Q2. As disclosed in Note 5 (page 54 – Investment properties), the group's investment properties comprises "two commercial properties held by the Group with the intention to hold for long term, capital appreciation or rental". In the previous financial year, the group had already committed \$1.056 million and was in the final stages of completing the acquisition of the first investment property. In 2017, the group "acquired investment properties totalling \$4,338,000" (page 37).

The net change (increase) in fair value of the investment properties during the financial year was \$3.756 million.

- a) **Can management provide more details of the investment properties? Shareholders would like to know the relevant information of the investment properties such as property type, the location, the tenure etc.**

The acquisitions were just completed during the financial year at a total cost of \$5.394 million. Within the same financial year, the group recognised a \$3.756 million increase in the fair value and the unrealised gains of \$3.756 million was recognised as gains in the P&L and included in "other income".

The fair value measurement of the investment properties has been categorised as a Level 2 fair value based on observable market sales data.

- b) **Who is the external independent valuer that carried out the valuation?**
- c) **Can management consider posting the valuation reports on SGXNET or the company's website?**
- d) **Would the company help shareholders understand how the fair value increased by \$3.756 million in such a short time frame?**

Q3. The responsibilities of the nominating committee (NC) (page 17) include, inter alia:

- Recommending to the Board the appropriate structure, size and composition of the Board, taking into account the size and needs of the Group, and the skill mix, qualities and experience required of Directors to advance the business interests of the Group and to promote long-term shareholders' value;

- Reviewing of Board succession plans for Directors, in particular, the Chairman and CEO

Currently, Mr Ong Teck Meng, the founder and CEO of the Group, also assumes the role of Chairman of the Board.

The NC has also disclosed that:

“Currently there is no succession plan for the Chairman and CEO. At the relevant time, the NC will look into drawing up a Board succession plan”.

- a) **Even though the review of the board succession plans is one of the terms of reference of the NC, would the NC explain why it had considered that a succession plan is not needed at the moment?**
- b) **What are the considerations that led to the NC to not draw up a board and CEO succession plan? When would the NC consider as a “relevant time”?**
- c) **Can the NC reconsider the need for succession planning as part of the group’s business continuity plans?**