Issuer: MS Holdings Limited
Security: MS Holdings Limited

Meeting details:
Date: 29 August 2017
Time: 3.00 p.m.
Venue: Raffles Marina, 10 Tuas West Drive, Singapore 638404

Company Description
MS Holdings Limited, an investment holding company, provides crane rental services in Singapore. It operates through three segments: Leasing, Trading, and Project Management. It rents mobile cranes and lorry cranes; trades in mobile cranes and related equipment, as well as spare parts; and provides value added logistics services and engineering services. The company has a fleet of approximately 31 mobile cranes and lorry cranes with lifting capacities ranging from 25 tons to 750 tons. It serves customers in the construction, marine, logistics, oil and gas, and infrastructure industries. The company was incorporated in 2014 and is headquartered in Singapore. MS Holdings Limited is a subsidiary of Loke Investments Pte. Ltd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=40U)

Q1. As noted in the "Letter to Shareholders" (pages 2 to 4 of the annual report), the group's revenue "*decreased by 13.5% to S$15.1 million in FY2017 due to a decrease in average rental rates of cranes which reflected the challenging market conditions faced by our customers in construction, marine, logistics, oil and gas as well as infrastructure industries*".

a) **What is the utilisation rate of the group's fleet of 31 mobile cranes and lorry cranes?**

In Note 28 (page 89 - Segment information), the external revenue from the leasing segment was $10.8 million.

b) **Can management provide some visibility into the breakdown of external revenue generated from the leasing of the fleet to the customers by industries (construction, infrastructure, logistics, marine and oil and gas)?**

c) **What are management's plans to increase revenue and profit margin? How does management differentiate the company from the other competitors in the industry?**

Q2. In Note 28 (page 89 – Segment information), the group has, for the first time, disclosed three reportable segments, namely leasing, trading and project management. The group has secured multiple distribution agreements since 2015 (the latest agreement signed with JMG Cranes S.r.l. in July 2016) while the project management services segment was started by the group after its listing in November 2014.

a) The trading segment recognised $1.5 million in external sales. **Can management elaborate further on how they intend to scale up the distribution business? Are there plans to develop a network of sales offices in the region?**

b) The project management recognised $2.8 million in external revenue. **Can shareholders get better visibility into the nature of the project management segment (including type of clients, type of projects, project scope, industries)?**

Q3. The impairment of Property, plant and equipment is highlighted in the Independent Auditor's Report as one of the key audit matters which were of most significance in the audit of the financial statements of the current period. It was disclosed that:

> *"As at 30 April 2017, the carrying amount of the Group's property, plant and equipment ("PPE") amounted to S$56.14 million, representing 87% of the Group's total assets. The Group's net asset value exceeds its market capitalisation as at 30 April 2017. In addition, the decrease in leasing rate contributed to the Group's loss after tax for this financial year. Management has performed an annual impairment assessment on the PPE due to presence of these impairment indicators. Based on their assessment, no impairment charge is recognised as at 30 April 2017".*

In particular, the group's fleet of mobile cranes and lorry cranes are recognised as "plant and equipment" and its recoverable amount was estimated based on value-in-use calculation.

In Note 11 (page 70 - Property, plant and equipment), it was further disclosed that:

> *"During the year, the Management performed an impairment assessment on the property, plant and equipment as a result of the industry slowdown using the assumption that the weighted-average cost of capital would be 8.4% and future revenue growth from continued use of the assets to be 2%".*

a) **What is the group's average cost of capital? If the average cost of capital is higher than 8.4%, can management elaborate further on why they had used the average cost of capital of 8.4% in the estimation of the value-in-use calculation?**

Total leasing revenue for 2017 was $11.4 million (based on a net carrying amount of $39.2 million in "Cranes and motor vehicles"), down from $17.5 million in 2016 (net carrying amount of $41.8 million in "Cranes and motor vehicles"). The segment reported a segment loss of $(2.85) million. It was disclosed that management has deemed that no impairment was necessary as "continued positive future cash flows are expected to be generated from the plant and equipment".

b) **Would management elaborate further on the scenarios that would lead them to conclude that an impairment of the plant and equipment might be prudent?**