

Issuer: Ryobi Kiso Holdings Ltd.

Security: Ryobi Kiso Holdings Ltd.

Meeting details:

Date: 19 October 2017

Time: 10.00 a.m.

Venue: The Imagination Room, Level 5, National Library Building, 100 Victoria Street, Singapore 188064

Company Description

Ryobi Kiso Holdings Ltd., an investment holding company, provides ground engineering solutions in Singapore, Australia, Malaysia, Vietnam, Myanmar, and Indonesia. The company's Bored Piling segment offers piling works to carry heavy vertical loads from structures, such as buildings and bridges; and horizontal loads in earth retaining structures for deep excavation, including MRT tunnels and basements of buildings. Its Eco-Friendly Piling, Geoservices, and Others segment provides eco-friendly and low pollution piling, as well as soil removal/disposal services; and geo services, which include environmental protection engineering, micro-piling, ground anchoring, slope protection and stabilization works, soil investigation, geophysical surveying, and vibration/seismic monitoring, as well as sells motion seismic equipment, geophysical survey equipment, and geotechnical sensors. This segment also offers strutting systems and sheet piles; undertakes civil engineering works; and rents machineries. The company's System Engineering and Process Automation segment engages in truck body metal fabrication; liquid petroleum gas tank, high pressure vessel, chemical tank, aircraft refiller, and oil and gas refiller works; industrial machinery and equipment installation; and mechanical engineering works. Its Property Investment segment invests in, develops, and trades residential, commercial, and industrial properties. The company also provides soil improvement and diaphragm wall; and instrumentation and geotechnical engineering services, as well as general construction services in relation to civil construction, foundation work, and building completion work. In addition, it is involved in machinery and equipment trading; and real estate consultancy and management activities. The company was incorporated in 2008 and is based in Singapore. Ryobi Kiso Holdings Ltd. is a subsidiary of Tanglin Capital Pte. Ltd.

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



ENQUIRIES: 6227 2683



ADMIN@SIAS.ORG.SG



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Q1. As shown in the Financial highlights (page 9 of the annual report), the main contributor of the revenue drop in FY2017 was the Bored piling segment. Revenue has decreased from \$126.1 million in FY2015, to \$102.2 million in FY2016 (a 19% decrease) and to \$69.0 million in FY2017 (a 32% decrease). The Bored Piling segment has reported a drop of 45% in revenue from FY2015 to FY2017.

FINANCIAL HIGHLIGHTS

GROUP	FY2017 \$'million	FY2016 \$'million	FY2015 \$'million
Revenue			
Bored Piling	69.0	102.2	126.1
Eco-friendly Piling, Geoservices and Others	74.4	87.8	52.7
Property Investment	1.4	1.0	0.5
Total Revenue	144.8	191.0	179.3

(Source: Company annual report)

- a) Can management help shareholders understand the specific challenges in the Bored Piling segment that led to the drop in revenue over the past two years?**

In Note 38 (page 110 – Segment information), the segment results for Bored Piling for FY2017 shows a loss of \$(4.96) million. Since FY2014, the segment was profitable in one year. Bored Piling segment results were \$(14.9) million in FY2016, \$0.87 million in FY2015 and \$(9.55) million in FY2014.

- b) Would management update shareholders on their plans to improve the performance of the segment?**

In addition, the group had written down the goodwill of the Australian cash-generating unit amounting to \$(5.6) million in FY2016 (page 85). Since FY2015, the group has not reported meaningful revenue from Australia.

- c) Can management update shareholders on the status of its Australian operations? Is the Australian market still a key priority for the group?**

Q2. In FY2017, the net cash provided by operating activities is \$12.0 million (page 51 – Consolidated Statement of Cash Flows). As at 30 June 2017, the group has cash and cash equivalent of \$21.68 million (page 70), current ratio of 1.1x and gearing ratio of 1.0x (page 106).

As shown in Note 19 (page 86 – Borrowings), the company has received a loan of \$5.0 million from the holding corporation (\$3.55 million) and non-related parties (\$1.45 million). The loan from the holding corporation and non-related parties of the Group and the Company are unsecured, interest-bearing at 6% per annum and repayable within one year.

- a) Would management help shareholders the rationale of a \$5 million loan from the holding corporation and non-related parties?**

	Group	
	2017	2016
Bank borrowings	2.4% - 6.3%	2.1% - 6.7%
Finance lease liabilities	<u>1.1% - 3.7%</u>	1.1% - 6.0%

(Source: Company annual report)

As seen in Note 19b (page 87 – Borrowings), the group has obtained financing through bank borrowings and finance leases at rates of between 1.1% - 6.3%. The loan from the holding corporation is interest-bearing at 6% per annum and repayable within one year.

b) Could the company have sourced for cheaper financing if it is in need of funds?

Q3. Following the release of the FY2015 annual report, the company on 20 October 2015 responded to a query from the Exchange on the issue of the declaration of the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year.

As a reference, Guideline 9.4 of the 2012 Singapore Code of Corporate Governance (CG Code) issued by the Monetary Authority of Singapore states that:

For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000. The company need only show the applicable bands.

In the original FY2015 annual report, the company had disclosed that Mr Ong Yee Khong was in the remuneration band of “Below \$250,000”. In the company’s response to the Exchange dated 20 October 2015, it then disclosed that Mr Ong Yee Khong’s remuneration was “Above \$150,000 and below \$200,000”, thus meeting the requirements of Guideline 9.4.

In the FY2016 annual report, the company disclosed that Mr Ong Yee Khong’s remuneration was “Above \$200,000 and below \$250,000”.

In the FY2017 annual report, the company had the following disclosure in its Corporate Governance Report (page 29):

A breakdown of the remuneration of the employee who is immediate family member of a director or the CEO, and whose remuneration exceed \$50,000 per annum in percentage terms for the financial year ended 30 June 2017 is set out below:

Name of immediate family member	Remuneration Band	Salary	Bonus	Other Benefits	Directors' Fees	Total
		%	%	%	%	%
Ong Yee Khong	Below \$250,000	68.4	11.4	10.2	10.0	100.0

(Source: Company annual report)

- a) To comply with the requirements of the CG Code, specifically Guideline 9.4, can the company disclose the remuneration band of Mr Ong Yee Khong (in incremental bands of S\$50,000)?**
- b) Can the remuneration committee and the board help shareholders understand why it had met the disclosure requirement in FY2016 following the query by the Exchange in 2015 but had not done so for the FY2017 annual report?**