



Securities Investors Association (Singapore)

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Issuer: Hiap Tong Corporation Ltd.

Security: Hiap Tong Corporation Ltd.

Meeting details:

Date: 25 July 2018

Time: 3.00 p.m.

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. The company operates through Leasing and Port Services segments. It offers rough terrain cranes, mobile tower crane, all terrain cranes, telescopic crawler cranes, crawler cranes, and lorry cranes; and haulage equipment comprising trailers, prime movers, and lorry cranes. Hiap Tong Corporation Ltd. also provides labor supply for container lashing/unlashing, prime mover driving services, and ancillary works at PSA Singapore. 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)

1. As announced on the 9 March 2018, the group has been awarded a long term main labour contract for the supply of labour for container lashing/unlashing, prime mover driving services and ancillary works at PSA Singapore for a period of 5 years, commencing April 2018.

- (i) Can management help shareholders understand the key attributes of its Port services segment that allowed it to secure the contract from PSA? What is the competitive advantage of the group that allowed it to stand out from its competitors?**
- (ii) Would management be leveraging the existing manpower/resources in the group to fulfill its obligation under the contract with PSA or would the group be employing additional resources?**
- (iii) In Note 20 (page 75 – Segment reporting), the revenue from Port services increased from \$4.9 million in 2017 to \$7.6 million in 2018 even before the contract with PSA started. What were the reasons for the revenue increase in the Port services segment? Can management provide shareholders with better clarity on the value of the PSA contract?**

In addition, the group has also newly incorporated a wholly-owned subsidiary to provide heavy lifting and haulage services, together with trading of cranes and heavy equipment in Vietnam. **Can management help shareholders understand its market entry strategy for Vietnam? What is the level of due diligence carried out prior to the entry? How does the group intend to compete against other service providers in the market?**

2. In Note 22(a) (page 83 – Commitments), the group has capital commitments of \$12.38 million as at 31 March 2018 that is not recognised in the financial statement. This is a significant increase from \$1.37 million a year ago.

As seen in the Statements of financial position (page 37), the group has cash and cash equivalents of \$3.45 million.

- (i) Can management elaborate further on the planned \$12.38 million in capital expenditure?**
- (ii) Given the level of cash and cash equivalent, how is the group going to fund the planned capital expenditure?**
- (iii) The gearing ratio of the group, as measured by net debt divided by total equity, stood at 0.41x, an improvement from 0.52x a year ago. Has the board set any limit on the gearing the group can employ to scale up its business?**

3. As at 31 March 2018, the carrying amount of the group's investment properties increased to \$10.55 million, following a net change in the fair value of \$1.4 million in FY2018. In FY2017, a revaluation gain of \$3.76 million was recognised (as seen from Note 5 – page 61; reproduced below).

5 Investment properties

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At 1 April	9,150	1,056	8,000	–
Additions	–	4,338	–	4,224
Net change in fair value	1,400	3,756	1,500	3,776
At 31 March	10,550	9,150	9,500	8,000

(Source: Company annual report)

The net change in fair value in the past two financial years accounts for nearly 50% of the carrying value of the investment properties (\$10.55 million as at 31 March 2018).

- (i) Can the company disclose the external independent valuer(s) used for the valuation of its investment properties?**
- (ii) As the two investment properties account for \$10.55 million or 13% of the group's total equity, would management consider disclosing the two investment properties as they constitute a material component of the group's financial position?**
- (iii) The fair value measurement for the investment properties of \$10.55 million has been categorised as a Level 2 fair value based on observable market sales data. What were the similar properties for comparison with the market comparison valuation method?**
- (iv) What was the rental income derived from the investment properties? What is the rental yield?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=223

The company's response could be found here: -----