



Securities Investors Association (Singapore)

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Issuer: Heatec Jietong Holdings Ltd.

Security: Heatec Jietong Holdings Ltd.

Meeting details:

Date: 30 April 2019

Time: 10.00 a.m.

Venue: 10 Tuas South Street 15, Singapore 637076

Company Description

Heatec Jietong Holdings Ltd. offers piping and heat exchanger services for the marine and oil and gas industries. The Company's segments include Piping, Heat Exchanger, Chemical cleaning and Others. The Piping segment is engaged in fabrication and installation of various types of piping. The Heat Exchanger segment is engaged in servicing and fabrication of heat exchangers. The Chemical cleaning segment is engaged in the provision of chemical cleaning services to ships and marine vessels. The Others segment includes blasting and other immaterial businesses. Its piping services include restoration and installation of various types of pipes and systems, including marine piping. Its heat exchanger services include engineering consultancy services, on-site inspection, heaters, condensers, main engine charged air coolers and fresh water generators. It provides land-based heat exchanger services to the process and chemical plants conducting routine shut-down maintenance.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=50R)

Q1. Would management provide shareholders an update on the following operational matters? Specifically:

- (i) Heat exchanger: Could management elaborate further on the execution challenges the group faced in one of its major heat exchanger project (as mentioned in the CEO's statement)? What were the lessons learnt? What was the impact of this financially for the group? Has management updated the relevant technical/operational manual so that the issue will not be repeated?**
- (ii) Foreign labour quota: Has the group resolved its issue with its foreign labour? How will the lower foreign worker dependency ratio affect the group's manpower costs? Are there avenues to upskill and increase the productivity of the labour force?**

Q2. As seen in the Financial review (C. Cashflow analysis), the group has net cash and cash equivalents at the end of the year of \$2.38 million. In the year, net cash used in operating activities was \$(2.25) million. The summary of cash flow is shown below:

C. CASHFLOW ANALYSIS

	FY2018	FY2017	Variances	
	S\$	S\$	S\$	%
Net cash (used in) from operating activities	(2,251,605)	550,904	(2,802,509)	n.m.
Net cash used in investing activities	(233,279)	(703,524)	470,245	(66.8)
Net cash from (used in) financing activities	2,278,842	(685,667)	2,964,509	n.m.
Net cash and cash equivalents at end of the year	2,384,415	2,601,077	(216,662)	(8.3)

(Source: Company annual report)

- (i) Can the board elaborate further on the group's financial position? Specifically, how can the group better manage its working capital and cash flow such that it has the necessary funds to support new projects?**
- (ii) In addition, inventories have increased to \$1.17 million as at 31 December 2018. This was mainly due to a batch of materials purchased for a project in the Heat Exchanger segment that were in transit as at 31 December 2018. Can management help shareholders understand how long a typical heat exchanger project would take?**
- (iii) In Note 17 (page 121 – Bank loans), the group disclosed that it did not fulfil certain financial covenants on its loans with a carrying amount of \$6,622,996. What were the financial covenants? How much debt headroom is available to the group, if required?**

Q3. Mr Chong Eng Wee (Zhang Yingwei) was appointed to the board as independent director on 16 April 2018. He has been appointed as the lead independent director and chairs the nominating committee and is a member of the audit and risks management committee.

Ms Lie Ly @ Liely Lee, also an independent director, was appointed on 28 July 2018 and chairs the audit and risks management committee and is a member of our remuneration committee.

The profiles of Mr Chong and Ms Lee can be found on pages 3 and 4 of the annual report respectively.

- (i) Would the nominating committee (NC) help shareholders understand the search and nominating process for directors, especially independent directors? How did the NC shortlist Mr Chong and Ms Lee?**
- (ii) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed by future director appointments?**
- (iii) Has the NC also let shareholders know the reason for the non-independence of Mr Lim Soon Hock?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 and 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Heatec%20JieTong%20Holdings%20Ltd&cid=6696,4464,4232>

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