Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Heatec Jietong Holdings Ltd

Stock code: 5OR

Meeting details:
Date: 20 April 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Company Description

The company was incorporated in Singapore on 26 September 2007 as a limited private company named Heatec Jietong Holdings Pte Ltd. On 23 June 2009, the company was converted to a public limited company and changed its name to Heatec Jietong Holdings Ltd. The group is one of the leading solution providers of Heat Exchangers, Piping, Pressure Vessels and modular structure for the marine, process oil & gas industries, industrial buildings, process plants, supporting both onshore and offshore energy needs. The group specialized in Heat Exchangers, are able to design and manufacture heat exchangers such as Air Coolers, Shell & Tube Heat Exchangers as well as conduct after sales maintenance services such as ultrasonic cleaning, retubing and etc. The group provides piping services such as pipeline structure, restoration and installation work for all types of pipes and piping systems to the shipyards and the oil & gas industries. The group has participated in process piping work, including fabrication for Floating Production Storage and Offloading (FPSO) turrets.
(Source: https://www.sgx.com/securities/equities/5OR)

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Q1. The group reported a net loss of $(2.4) million for the financial year ended 31 December 2019. In the past three financial years, losses ranged from $(4.3) million to $(2.4) million. While the loss in FY2019 has narrowed, total losses over the three years add up to $(10.4) million. FY2020 will likely be another challenging year due to the impact of the COVID-19 pandemic and the oil supply shock.

(i) **Can management describe in greater detail the efforts by the group to secure more for Floating, Production, Storage and Offlanding ("FPSO") projects?**

(ii) **What are the major opportunities in the onshore segment?**

(iii) **Does the group have the appropriate cost structure to allow it to achieve profitability given the current market conditions?**

Q2. The group's working capital has also slipped from $15.4 million as at 31 December 2016 to $6.1 million as at the end of the last financial year. Over the same period, equity has dropped from $24.3 million to $13.9 million.

As disclosed on page 111 of the annual report (Note 21 – Borrowings), the group breached certain financial covenants on its loans for the second year running.

(i) **What are management's plans to address the breach of the financial covenants?**

(ii) **Does the group have the financial resources to survive an extended downturn due to the double whammy of the COVID-19 pandemic and low oil prices?**

Q3. The group has identified Occupational Health and Safety as one of the group's material aspects in its sustainability report (page 139). The company has stated that it is committed to creating and maintaining an Occupational Health and Safety (OH&S) system where management and staff work together to ensure a safe and healthy workplace for all employees, contractors, visitors and relevant interested parties.

Regrettably, the group experienced 4 cases of Ministry of Manpower ("MOM")-reportable incidents in FY2019. In FY2018 and FY2017, there were 3 and 5 cases respectively.

While the company set a target of zero MOM reportable cases for FY2019, it has changed its target to "less than 3 MOM reportable incidents for FY2020" in the latest report.

(i) **Would the board help shareholders understand the group's commitment to occupational health and safety for its stakeholders, especially its employees? Should the target for MOM-reportable cases be zero?**

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(ii) **What are management's immediate plans to improve the OH&S system and to reduce the number of MOM reportable cases?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)