Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Vibrant Group Limited

Stock code: BIP

Meeting details:
Date: 29 Aug 2023
Time: 10.00 a.m.
Venue: 51 Penjuru Road, #04-00, Singapore 609143

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Q1. For the financial year ended 30 April 2023, the company reported a net profit attributable to shareholders of $175,000. Total revenue fell 15.6% to $170.4 million from the prior year's $201.8 million, mainly due to a significant drop in the freight and logistics segment, which accounted for 95.6% of the group's total revenue.

A review of the group's operations can be found on pages 12 to 14 of the annual report.

The Freight and Logistics segment (International Freight Forwarding, Warehousing and Logistics and Chemical Logistics) reported higher net profit of $14.1 million in FY2023 (FY2022: $12.2 million) even as revenue declined 16.6%.

(i) **Can management help shareholders better understand whether the group has consolidated its market position in the freight and logistics segment over the past 3-4 years since the onset of the pandemic?**

(ii) **What are the increases in its productivity levels in the freight and logistics services segment? Are there any planned major capital expenditures in the next 18-24 months?**

In the Real Estate segment, revenue was higher by 13.5% (to $7.4 million) while net profit rose to $3.2 million compared to $2.5 million in the previous financial year.

(iii) **What is the carrying value of the Palas Condominium project in Kuala Lumpur, Malaysia?**

There was no rental income from the residential property in FY2023 (FY2022: Nil).

(iv) **What is the condition of the condominium, and can management elaborate on the plans for the project? Is there an oversupply of condominium units in Kuala Lumpur and is the group considering a bulk sale of the project?**

For FY2023, the group recognised translation losses of $(10.3) million relating to its investment properties in China and Malaysia (FY2022: $804,000).

(v) **What is the level of natural hedging for the group's investment properties and is the group exposed to significant foreign currency risks? How is the group managing these foreign exchange risks?**

The Financial Services segment reported revenue of $0.06 million in FY2023 compared to $0.02 million in the corresponding period last year. Net loss for the year was $(7.9) million, compared to the previous year's net loss of $(8.7) million, due to higher impairment loss on trade and other receivables recognised during the year and higher fair value loss on equity investments.

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(vi) **What are the underlying securities recognised as unquoted equity investments at fair value through profit or loss ("FVTPL")?** The fair value loss on financial instruments at FVTPL was $(1.8) million in FY2023.

(vii) **What are the reasons that the group recognised an impairment loss on trade and other receivables amounting to $(1.6) million in the financial services segment? Who are the customers with impaired receivables, and how robust is the risk management framework for the financial services segment in safeguarding the group's interests?**

The group's 5-year financial summary is shown below (page 10 of the annual report):

GROUP
FINANCIAL HIGHLIGHTS

5-YEAR FINANCIAL SUMMARY

	FY2019	FY2020	FY2021	FY2022	FY2023
OPERATING RESULTS					
Revenue ($'000)	281,737	146,501	162,853	201,820	170,353
EBITDA ($'000)	41,309	63,168	40,581	43,276	35,287
Pretax profit/(loss) ($'000)	25,955	13,004	5,873	17,007	2,479
Net Profit ($'000)	7,758	5,466	3,149	9,295	175
EBITDA margin (%)	14.66	43.12	24.92	21.44	20.71
Pretax margin (%)	9.21	8.88	3.61	8.43	1.46
Net margin (%)	2.75	3.73	1.93	4.61	0.10
FINANCIAL POSITION					
Cash and Bank balances	44,195	61,907	54,812	57,078	58,174
Total assets ($'000)	721,761	621,170	573,038	561,497	505,997
Total debt ($'000)	330,233	268,423	232,654	209,264	186,786
Debt/Assets (%)	45.75	43.21	40.60	37.27	36.91
Current assets	348,304	193,233	163,516	167,036	127,612
Current liabilities	298,217	179,116	139,420	141,022	108,135
Net current assets/liabilities ($'000)	50,087	14,117	24,096	26,014	19,477
Shareholders' equity ($'000)	206,383	222,564	227,695	235,414	224,597
Return on Assets (%)	1.07	0.88	0.55	1.66	0.03
Return on Equity (%)	3.76	2.46	1.38	3.95	0.08
Net debt: Equity (times)	1.39	0.93	0.78	0.65	0.57

(Source: company annual report)

(viii) **Has the board/management estimated the cost of capital?**

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(ix) **In addition, has the board critically reviewed the group's financial performance, including the 5-year average return on assets, which is 0.84%, and the average return on equity of 2.33%? Is the group's overall financial performance negatively impacted by the performance in the financial services segment?**

Q2. On 31 May 2023, the company announced that it has entered into a third supplemental agreement to extend the longstop date to 30 November 2023 for the group's conditional subscription for new shares in Hiap Seng Engineering (if the transfer listing is not completed) or Hiap Seng Investment (if the transfer listing is completed) for a consideration of $6 million (by Vibrant Equities).

Hiap Seng Engineering is currently under judicial management and is going through a debt restructuring.

(i) **Can the company help shareholders better understand the rationale for being the lead investor in the restructuring of Hiap Seng Engineering? What, if any, are the synergies with Hiap Seng Engineering/Investment?**

(ii) **Who is leading the group's negotiation with Hiap Seng, the judicial managers and other stakeholders? What is the board/management's experience in debt restructuring and business turnaround?**

(iii) **What was the investment hurdle rate used by the board/management in the approval process?**

Q3. Would the board/management provide greater clarity to shareholders on the following governance matters? Specifically:

(i) **Internal audit:** As disclosed in the corporate governance report, the internal audit function of the group is outsourced to CLA Global TS Risk Advisory Pte Ltd. **What were the scope, key findings and recommendations by the internal auditor for FY2023? Can the audit committee confirm that all the foreign operating entities in Malaysia, China, Thailand and Myanmar were included in the internal audit? How was the internal audit carried out for these foreign subsidiaries?**

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(ii) **Board renewal:** Mr Derek Loh Eu Tse and Mr Sebastian Tan Cher Liang were each appointed as an independent non-executive director on 5 November 2003. The two directors have each served on the board for close to 20 years. On 11 January 2023, Singapore Exchange Regulation (SGX RegCo) announced that it will limit the tenure of independent directors (IDs) serving on the boards of listed issuers to nine years[1]. This stemmed from recommendations by the Corporate Governance Advisory Committee (CGAC). There was broad market support for this change during the public consultation carried out by SGX RegCo. Mr Tan Boon Gin, CEO of SGX RegCo, also noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term. **Has the nominating committee (NC) reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments? Will the proposed re-election of Mr Derek Loh Eu Tse potentially impact the renewal of the board? What progress has the board/NC made in the search for new independent directors?**

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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[1] https://www.sgxgroup.com/media-centre/20230111-sgx-regco-caps-independent-directors-tenure-enhances-remuneration