

Tat Hong Holdings Ltd
Annual General Meeting
27 July 2017

CELEBRATING 60 ELEVATING YEARS 1957-2017

TAT HONG

Tat Hong Holdings – The Three Pillars

Australia Group

Crane rental

General equipment rental

Distribution

Asean Group

Crane rental

Distribution

China Group

Tower crane rental

Review of FY2017 Performance

Capital Management

Update on Operations in Australia

Implications of Belt and Road Initiative

Outlook and Prospects

Summary of FY2017 Financial Performance

S$'m	FY2016	FY2017	Change +/- (%)
Revenue	528.2	**458.3**	*-13*
Gross Profit	159.5	**127.4**	*-20*
Gross Profit Margin (%)	30.2	**27.8**	*-2.4%pts*
Other Operating Income	42.5	**30.5**	*-28*
Operating Expenses	215.1	**166.2**	*-23*
Finance Cost	24.6	**23.0**	*-7*
Loss Before Tax (LBT)	(37.9)	**(30.5)**	*-20*
Loss After Tax and Minority Interests (LATMI)	(39.3)	**(38.0)**	*-3*

FY2017 Underlying Performance

S$'m	FY2016	FY2017	Change +/- (%)
PATMI/(LATMI)	(39.3)	**(38.0)**	*-3*
Add: Impairment of PPE	6.4	**2.5**	*-61*
Add: Impairment of goodwill	16.3	**-**	*NM*
Add: Impairment of investments in associates	10.0	**3.5**	*-65*
Attributable Loss excluding Impairment Charges	(6.6)	**(32.0)**	*+385*

Strengthening Operations and Balance Sheet

1) Reduced operating cost through continued cost containment measures
   - Achieved savings of S$10.9 million in wage cost, maintenance expenses and other selling and distribution costs
   - Continued wage freeze in Australia and Singapore
   - Reduction in Directors' Fees (16% in FY17; 18% in FY16) and Senior Management Basic Salary (overall 10% in FY17 and FY16 respectively)
   - Hiring freeze except in growing markets (reduction of 188 headcounts from ASEAN region and Australia)

Headcount at 31 March 2016	Headcount at 31 March 2017
4,254	4,234*

* includes 2,503 free-lance crane operators in China

2) Achieved a more optimum asset base
   - Stringent control on capital expenditure outlay – S$13.4 million compared with S$29.1 million in FY2016
   - Crawler and mobile crane rental fleet reduced by 33 units to 581 units*
   - Depreciation decreased by S$7.3 million from smaller asset base

*Excluding cranes used in facility management

Strengthening Operations and Balance Sheet

3) Improved operational efficiency
   - Intensive rationalisation programme by the General Equipment Rental division which included the closure and consolidation of several premises
   - Closure of special transport unit in Australia
   - Improvement in workflow processes

4) Strengthened balance sheet
   - Net gearing fell to 0.57 times from 0.71 times
   - Net repayment of S$160.4 million in bank loans and other financial obligations
   - Cash and cash equivalents of S$114.3 million as at 31 March 2017

5) Prudent Capital Management
   - Improved financial flexibility through rights issue which raised S$41.0 million of which S$16.4 million has been utilised for debt repayment

Segmental Highlights

TAT HONG

Crane Rental

- Revenue declined 30% to S$132.5 million due primarily to:
  - Lower utilisation rate in Singapore
  - Completion of projects in Singapore, Thailand and Hong Kong
  - Lower activity levels in Indonesia (Batam)
  - Lower utilisation rate coupled with the closure of the specialised transportation unit in Australia

  Partially mitigated by:
  - Improved performance from Malaysian arising from the commencement of new projects in the second half of FY2017
- Utilisation rate at year end: 56%

Tower Crane Rental

- Revenue grew 5% to S$98.1 million as a result of:
  - Commencement of new projects in the power generation, transport and commercial construction sectors in the first three quarters of FY2017, partially dampened by the delay in the commencement of projects in the fourth quarter
- Utilisation rate at year end: 76%

Comparisons are made against FY2016 ended 31 March 2016

Segmental Highlights

General Equipment Rental

- Revenue improved marginally by 1% to S$44.8 million due primarily to:
  - Weaker performance in the first half of FY2017 arising from the consolidation of branches and completion of projects was reversed by a recovery in demand in the second half FY2017 spurred by the commencement of new projects especially in the renewable energy and infrastructure sectors

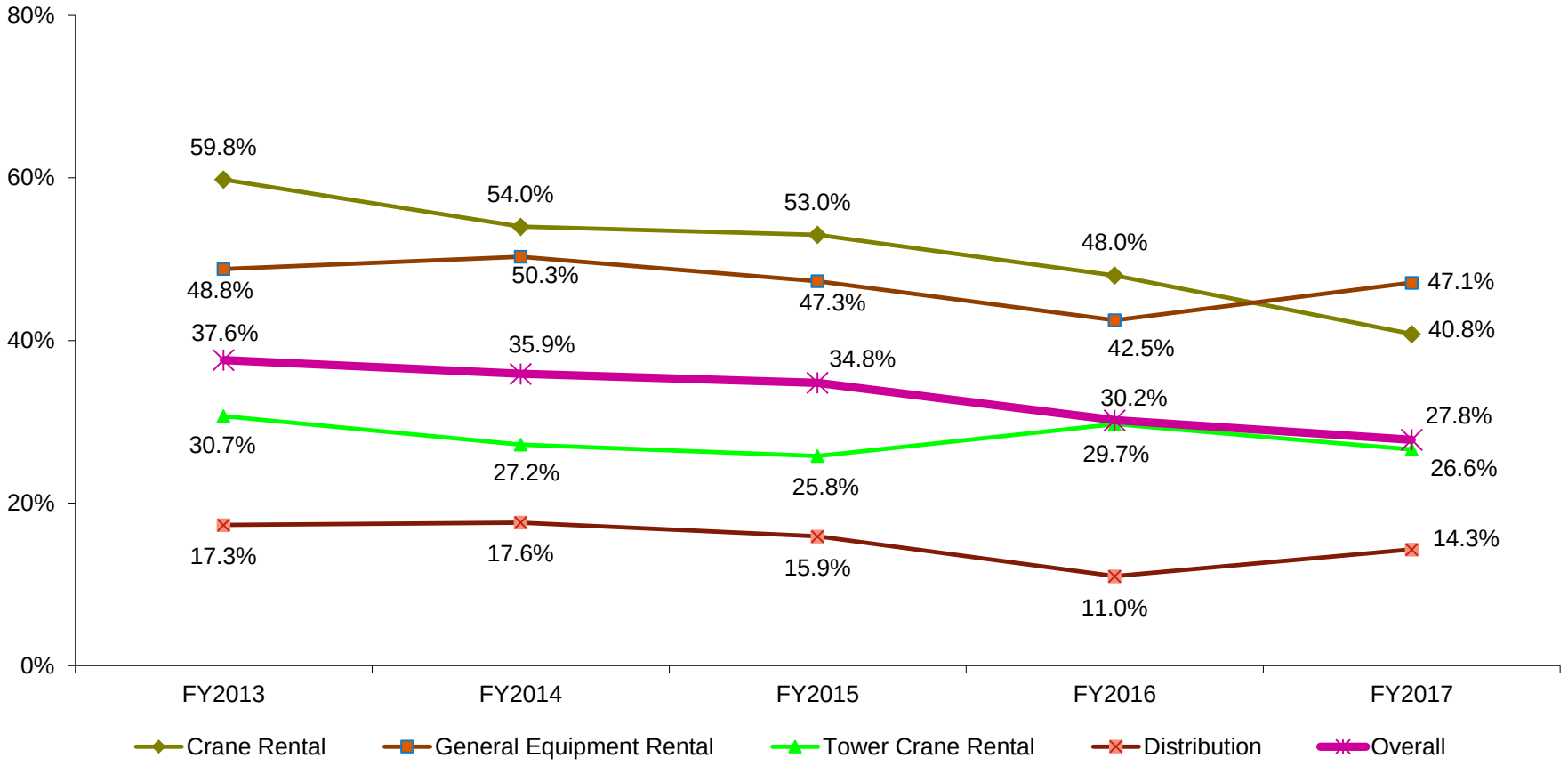
Distribution

- Revenue declined 9% to S$182.9 million primarily attributable to:
  - Weaker sales in Singapore and to overseas markets such as Hong Kong and Middle East partially compensated by higher sales to Malaysia, Thailand and Japan
  - Cessation of excavator sales business in Indonesia

  Whilst
  - Equipment and spare parts sales in Australia remained stable

Comparisons are made against FY2016 ended 31 March 2016

Gross Profit Margin Trend

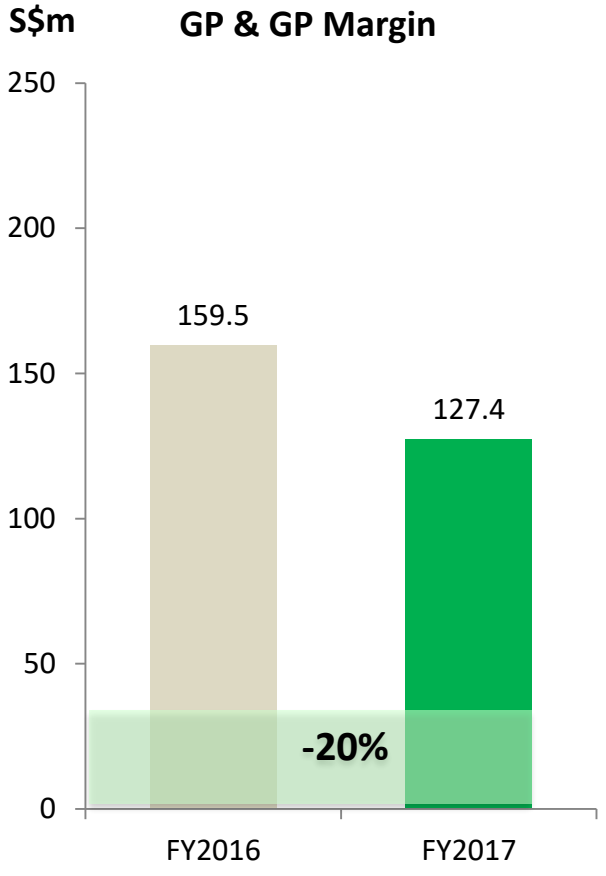


FY2017 Gross Profit and Gross Profit Margin

Gross profit fell 20% to S$127.4 million whilst Gross Profit Margin (GPM) declined 2.4% pts to 27.8% in FY2017

Lower GPM in Crane Rental and Tower Crane Rental and higher GPM in General Equipment Rental and Distribution:

- Crane Rental: Declined to 40.8% from 48.0% primarily due to lower revenue and utilisation rates primarily in Australia and Singapore
- Tower Crane Rental: Decreased to 26.6% from 29.7% arising from lower rental rates and additional costs incurred to complete projects on schedule
- General Equipment Rental: Improved to 47.1% from 42.5% aided by savings in rental expenses, depreciation and operator costs following an intensive rationalisation programme
- Distribution: Increased to 14.3% from 11.0% primarily due to margin improvement in the ASEAN region coupled with stable margin in Australia.



GPM (%)	30.2	27.8

Comparisons are made against FY2016 ended 31 March 2016

Review of FY2017 Performance

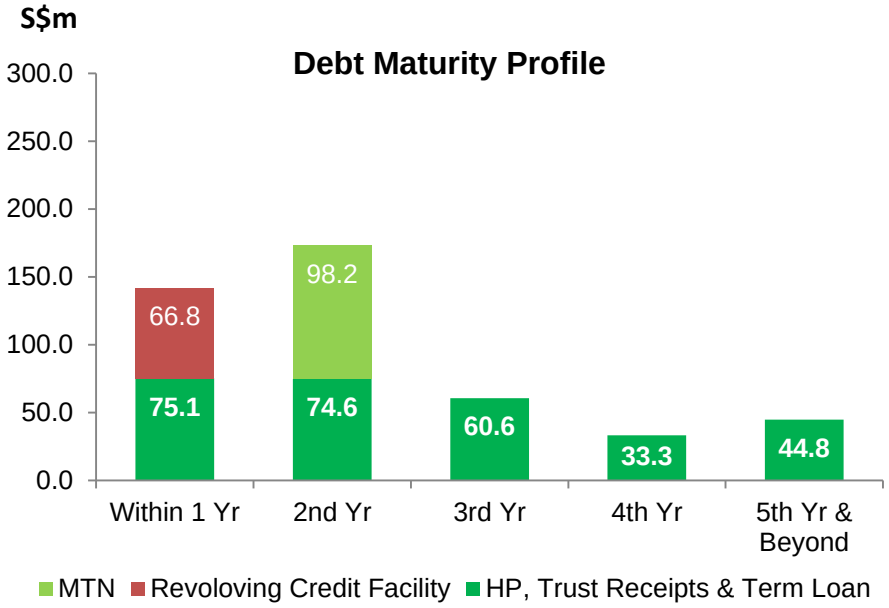
Capital Management

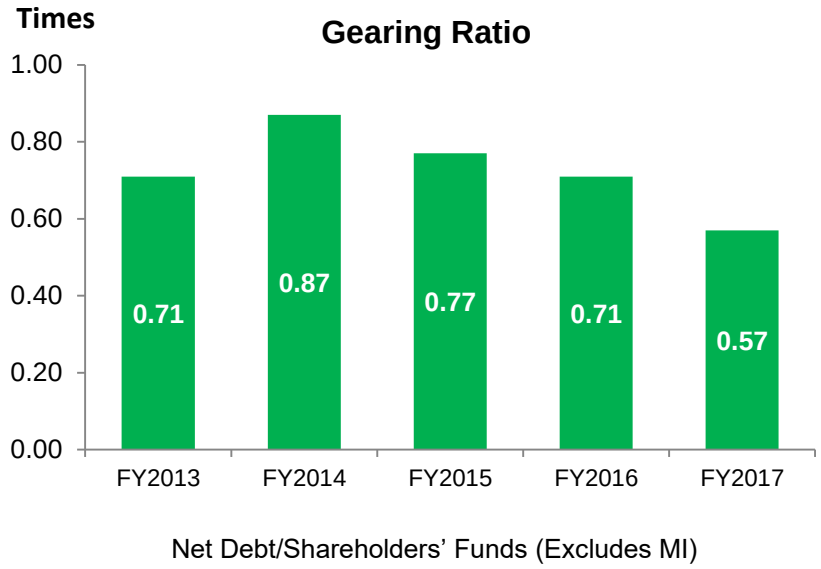
Update on Operations in Australia

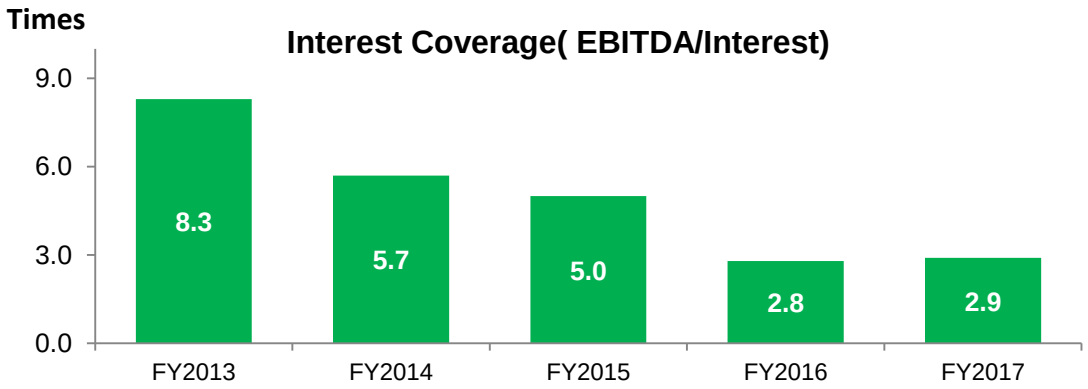
Implications of Belt and Road Initiative

Outlook and Prospects

Capital Management (as at 31 March 2017)







Capital Management (as at 31 March 2017)

- Generated free cash flow of S$73.8 million aided by:
  - Cash flow from operations of S$85.2 million
  - Stringent curbs in capital expenditure
- Repayment of S$160.4 million in bank borrowings and other financial liabilities
- Improved financial flexibility through rights issue which raised S$41.0 million
- Cash and cash equivalents of S$114.3 million as at 31 March 2017
- Net gearing fell to 0.57 times compared with 0.71 times a year ago

Review of FY2017 Performance

Capital Management

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Outlook and Prospects

Update on operations in Australia

- TBG's performance has been under pressure since FY2014 when the resources construction boom came to an abrupt halt following a slump in global commodity prices
- A housing boom in Australia over the last 3 years has supported the economy, but delivered little to TBG (mainly in smaller sized equipment sales and rental)
- Policy makers are now focused on infrastructure investments to sustain the economy as housing construction slows
- On the supply side, much of the capacity built up during the resources construction boom have been removed through defleeting and non-replacement
- Recent trends show improving utilisation and rental rates in certain segments

Update on operations in Australia

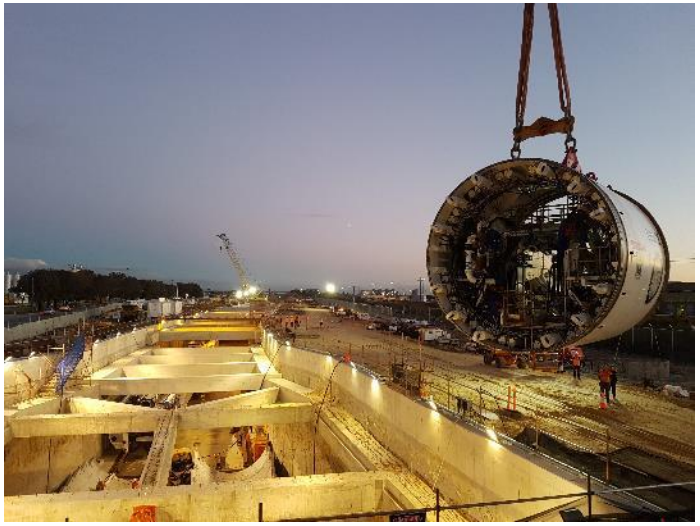
- Since second half of FY2017:
  - General equipment rental business has lifted its performance as infrastructure construction, particularly in the East Coast, picks up pace
  - Order book for equipment distribution has built up steadily following the extended period of under-investment
  - Crane rental utilisation has shown early signs of recovery from historical lows but rental rates remain depressed
- The projected wave of infrastructure projects will be positive for TBG especially for the general equipment rental and equipment distribution businesses
- While the crane rental business will also benefit from increased infrastructure activity, the sector is still grappling with excess capacity / surplus cranes following the completion of the mega-sized LNG projects
- The expected “catch-up” following years of maintenance capex deferment by mines has not yet materialized, but it remains a likely prospect as production volumes continue to be at record levels

Update on operations in Australia









Location: Western Australia
Sector: Infrastructure

Update on operations in Australia



Location: Queensland
Sector: Defence

Update on operations in Australia



Location: South Australia
Sector: Infrastructure

Review of FY2017 Performance

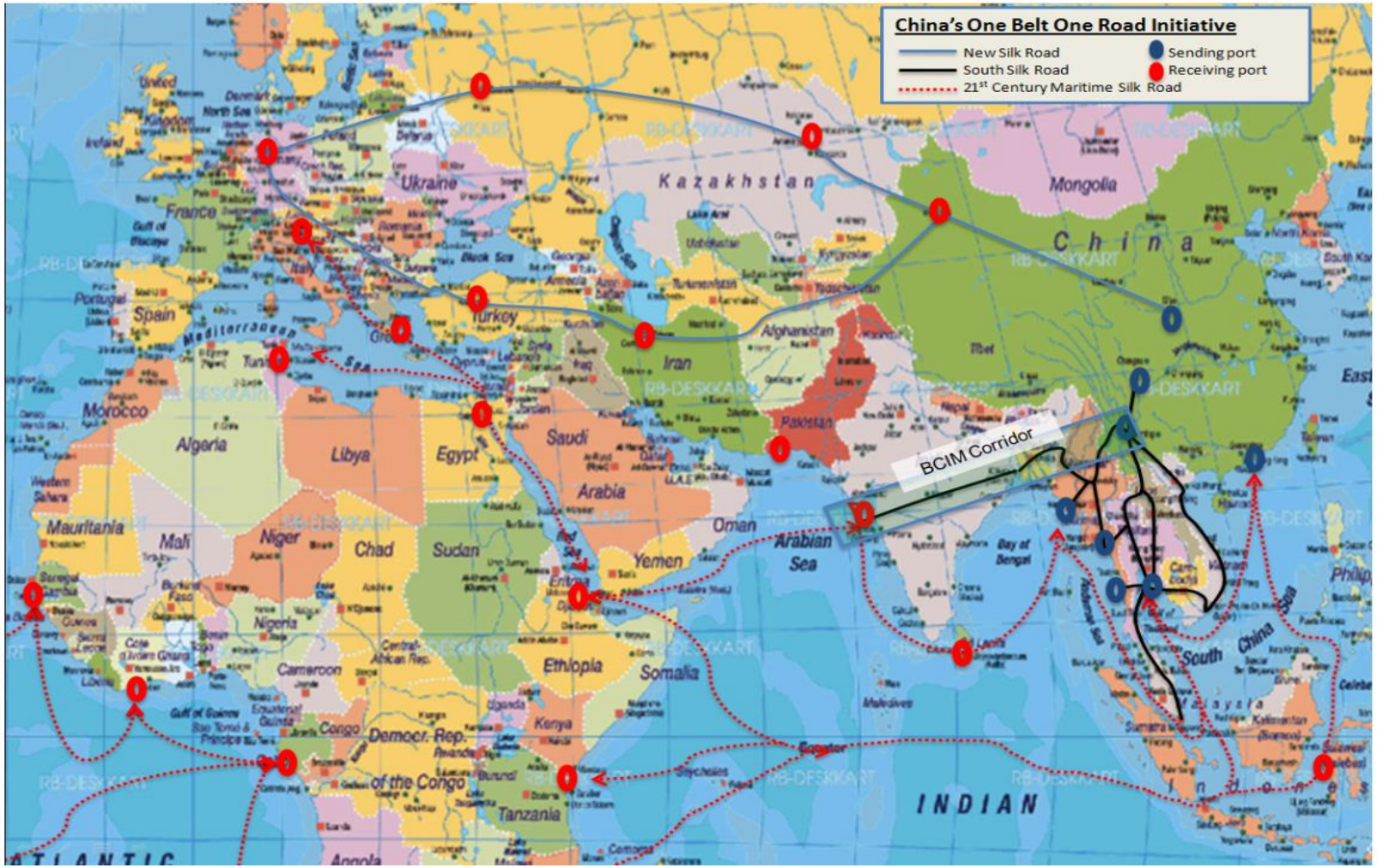
Capital Management

Update on Operations in Australia

Implications of Belt and Road Initiative

Outlook and Prospects

Belt and Road Initiative (BRI)



Source: East by Southeast

Implications of Belt and Road Initiative (BRI)

- Comprises the Silk Road Economic Belt and 21st Century Maritime Silk Route
- Traverse many countries that the Group has operations – China, Hong Kong, Vietnam, Singapore, Indonesia and Thailand
- Objective to enhance flow of goods and services between Asia and Europe, Middle East and Africa
- Initial stages involve massive infrastructure development such as power plants, roads, railways, ports, industrial parks, etc
- Construction of BRI infrastructure projects mostly undertaken by Chinese state-owned companies
- The Group is already involved in several BRI infrastructure projects such as railway and power generation projects

The Group is in a unique position to benefit from BRI projects due to its extensive footprint in China and South-east Asia and our long-standing relationships with major Chinese state-owned construction companies.

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Outlook

The Group anticipates that trading conditions will continue to be challenging in most of its key markets in FY2018.

The market weakness and competitive pricing pressures in the ASEAN countries and in Australia will continue to impact the Crane Rental Division.

The Tower Crane Rental Division in the People's Republic of China is expected to perform well on the back of a strong pipeline of committed projects in the building, infrastructure, transport and power generation sectors.

Australia's General Equipment Rental Division should see some improvement soon because of greater infrastructure spending.

Challenging trading conditions for the Distribution Division is expected to continue due to weak demand for heavy equipment in the ASEAN countries.

Notwithstanding that the net gearing ratio has improved markedly, the Group will continue its cost restructuring efforts and intensify its fleet rationalisation activities. The Group is also beginning to see initial results of its earlier efforts to use its strong China presence to participate in China's One Belt, One Road initiative.

THANK YOU