**TIONG WOON CORPORATION HOLDING LTD**
(Company Registration No. 199705837C)
Incorporated in Singapore

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# RESPONSES TO QUESTIONS RECEIVED FROM SHAREHOLDERS AND SIAS FOR ANNUAL GENERAL MEETING TO BE HELD ON 28 OCTOBER 2020

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The Board of Directors of Tiong Woon Corporation Holding Ltd (the "Company" or together with its subsidiaries, the "Group") refers to the announcement dated on 8 October 2020 on the LIVE Webcast of Annual General Meeting on 28 October 2020 (the "Announcement").

Further to the Announcement, the Board and Management had received questions from shareholders and Securities Investors Association (Singapore) ("SIAS'). The Company has responded substantially to all the questions from shareholders and SIAS except for issues which are commercially sensitive or which have already been covered elsewhere in this announcement or in the Annual Report.

The Company wishes to provide the below responses to questions that are substantial and relevant as follows:

## QUESTIONS FROM SIAS

1. The Group achieved the second highest turnover in the past five years but attained the highest gross profit of $43.0 million in FY2020. The gross profit margin of 34.5% is also the highest level attained in the past decade despite a challenging business environment that is experiencing unprecedented disruptions because of the pandemic. For the financial year ended 30 June 2020, the Group recognised profit after tax of $7.5 million which is the highest in the last 5 years.

(i) Would Management help shareholders understand the underlying reason(s) for the increase in its gross profit margin and profit especially when it achieved a lower utilisation rate and had a larger fleet of lifting and haulage assets?

(ii) What are the rental/services arrangements with the customers during the circuit breaker period when construction services were suspended?

(iii) How sustainable is the gross profit margin?

(iv) In addition, as noted in the chairman's message, the Group has been upgrading its fleets' capacity to meet the customers' heavy lifting and job requirements. The Group currently owns a fleet size of 537 cranes and 297 units of haulage assets. The average utilisation rate of the heavy lift assets dropped from 54% in FY2019 to 49% in FY2020. Could the Group elaborate further on how it balances its fleet upgrade and the utilisation rate? What are management's plans to right size its fleet according to changing customers' needs? Would it be prudent to slow down its upgrade while speeding up the disposal of under-utilised assets?

**Company's Response:**

In the current financial year ended 30 June 2020 ("FY2020"), the Group was able to attain better pricing from its rental and sale of equipment. In addition, the Group has been controlling its costs and has divested its non-core and non-profitable business in engineering businesses in FY2018. The Group's average fleet utilisation rate from the heavy lifting and haulage business for its financial period 1Q2020 to 3Q2020 was comparable to that in FY2019. There was a drop in utilisation rate in 4Q2020 as a result of COVID-19.

The Group has granted discounts to certain customers due to the suspension caused by circuit breaker ("CB") in Singapore. The Group continues to conduct its businesses in heavy lifting and haulage, marine transportation, plant maintenance work, project cargo transportation and storage services to the essential services sectors, especially the Oil and Gas, Marine and Logistics during the CB period.

The adverse impact of COVID-19 and the geopolitical tensions around the world have led to many uncertainties. The Group will be more prudent moving forward and will strive to deliver the best results to stakeholders.

The Management has been constantly engaging suppliers and customers to understand market trend. It enables the Management to make decisions on its re-fleeting plan. The Group has increased its crane fleet by 5 units in FY2020 due to new secured contracts and customers' requirements.

2. The Group generated 73% of its revenue in Singapore, with Brunei being the second largest contributor of revenue by country accounting for approximately 8%.

(i) Has the Group been able to consolidate its position in Singapore and gain market share?

(ii) In FY2019, the Group's revenue derived in Brunei (from heavy lift and haulage) was also the second largest contributor. How sustainable is the Group's growth in Brunei? Does Management have an estimate of the Group's market share in Brunei?

(iii) Would Management help shareholders understand its overseas expansion strategy?

(iv) In particular, which are the key markets and which are the nonperforming overseas markets that the Group will be scaling back from?

(v) In FY2011, the Group generated 60% of its revenue in Singapore, and approximately 11% and 10% from India and the Middle East respectively. Would Management help shareholders understand if it is seeking to build on its track record in a country and to establish a more permanent operations in certain countries? Or would it be more efficient to allocate its resources based on adhoc projects in different countries?

**Company's Response:**

There is no known market share data for the Group's business. The Group's full year fleet utilisation has been affected by the impact of COVID-19. However, based on the Group's fleet utilisation till 3QFY2020, its market share in Singapore is not worsened.

COVID-19 has turned the world upside down. Many countries are still recovering from its impact. Management will focus on the markets in which the Group currently has operations, except Myanmar. The Group has replied to a question below raised by a shareholder regarding an upcoming project where China's Hengyi Petrochemical Co Ltd plans to spend US$13.65 billion to build the second phase of a refinery and petrochemical complex in Brunei. The Group believes that with its proven track record as a strong integrated services in heavy lifting and haulage; and marine transportation and its participation in the 1st phase of the project in Brunei, its Brunei subsidiary stands a good chance for the next tender. The Group will build on its track record and to grow its business further. From time to time, the Group will deploy its resources to different countries for ad-hoc projects if it is commercially viable to do so.

3. The Board has stated that it is firmly committed to ensuring a high standard of corporate governance Currently, the Board comprises five directors, two of whom are independent directors. The board has an executive chairman, Mr Ang Kah Hong, and the other two executive directors are Mr Ang Guan Hwa (also chief executive officer) and Mr Ang Kha King. Mr Ang Kah Hong is the sibling of Mr Ang Kha King and the father of Mr Ang Guan Hwa. In the 2016 to 2018 annual reports, before the new Code of Corporate Governance 2018 took effect, the Company had stated the following:
*Currently, the chairman of the board and the managing director of the group is the same person. In addition, the chairman is not an independent director. As a longer transition period has been provided for board composition changes needed to comply with the requirement for independent directors to make up at least half of the board, the company will refresh its board at the appropriate time*.
Last year, in the 2019 annual report, the Company reported that the independent and non-executive directors make up 40% of the Board. Under Provision 2.2 of the 2018 Code, it provides that independent directors shall make up a majority of the board where the chairman is not independent; whereas under Provision 2.3 of the 2018 Code, it provides that non-executive directors shall make up a majority of the board. The Company further stated that, as the 2018 Code is only effective for the Company's financial year commencing 1 January 2019, the Board will meanwhile deliberate whether the company will make any changes to the board's composition. On 1 September 2020, Mr Ang Kah Hong relinquished his position as managing director and Mr Ang Guan Hwa was promoted to chief executive officer on the same day as part of the Company's management succession plan. Mr Ang Guan Hwa has been the deputy chief executive officer since 13 May 2019.
(i) With the 2018 Code coming into effect since 1 January 2019, can the board/nominating committee (NC) disclose the deliberations it has had on refreshing the board's composition and on the Company's "firm commitment" to ensure a high standard of corporate governance?

Pursuant to Rule 710 of the SGX Listing Manual, where there are variations from the Provisions of the CG Code, the issuer must explicitly state the provision from which it has varied, provide the reason(s) for the variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

Provision 2.2 and 2.3 of the Code of Corporate Governance 2018 states the following:

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| Provision 2.2 | Independent directors make up a majority of the board where the chairman is not independent. |
| Provision 2.2 | Non-executive directors make up a majority of the board. |

(ii) Would the Board help shareholders understand if the Company's disclosure in the 2020 annual report has met the requirements of Rule 710 of the SGX Listing Manual?

The Company has also stated that there is a clear division of roles and responsibilities between the chairman, CEO and the executive directors which ensures an appropriate balance of power between the board, the chairman, CEO and the executive directors, thereby enhancing accountability and greater independent decision making ability.

(iii) Given that Mr Ang Kah Hong is the sibling of Mr Ang Kha King and father of Mr Ang Guan Hwa, and that the two senior Mr Angs are founders of the Group holding approximately 40.8% of the total shares, can the Board, especially the independent directors, help shareholders understand how the current composition achieves a balance of power and fosters constructive debate?

(iv) In particular, the two independent directors were first appointed in 1999 and 2009 and have served on the board for as long as 21 years. How does the Board avoid groupthink?

(v) Can the NC elaborate further on the board renewal plans?

**<u>Company's Response:</u>**

SGX Mainboard Listing Rule 210(5)(d)(iii) and SGX Catalist Rule 410(3)(d)(iii) will only come into effect on 1 January 2022. The Listing Rules were introduced in August 2018 and will take effect from 1 January 2019, but with a transition period for the third test (nine-year rule) to take full effect from 1 January 2022. Essentially, the revised rule, to be enshrined in the SGX listing manual, states that companies intending to appoint independent directors beyond nine years are required to have the independence of those directors approved by a two-tier voting process of (1) all shareholders and (2) shareholders excluding the CEO, directors and their associates.

The Company has disclosed and explained on pages 27 to 29 of its FY2020 annual report regarding the Board Composition and Guidance and explained appropriately where there are deviations from Code of Corporate Governance ("Code") 2018 in the Corporate Governance Report. In the meantime, the Nominating Committee and Board have provided in the Corporate Governance Report their explanations on why and how they assess a director to be independent. Prior to 1 January 2022, Guideline 2.4 in the 2012 Code of Corporate Governance will continue to apply. The Company will comply with the Listing Rules at the appropriate time.

The Nominating Committee and the Board have looked into board renewal matters and management succession plans. Announcement will be made when the plans are implemented.

## QUESTIONS FROM SHAREHOLDERS

### Questions Relating to COVID-19:

1. Due to COVID-19, does the Company suffer from contract cancellation from the customer?
2. The largest revenue come from heavy lift and haulage segment, can you provide separately percentage point from oil and gas, petrochemical, infrastructure and construction?
3. Kindly advise how has COVID-19 change the competitive/business landscape for our company in respect of Singapore and outside of Singapore, as well as by business segment, traditional construction vs projects that utilises our mega cranes (in petrochemical/refinery/heavy infrastructure etc).
4. Are most of the construction job sites that TWC services in full operation now? Has the Company's operation resumed to a level close to pre-pandemic level now?
5. The pandemic has also caused a significant downturn in the oil and gas industry. Is the Company also affected by this downturn? Roughly what proportion of sales is attributed to this industry?

### Company's Response:

To a certain extent, the Group has received some cancellations of contracts which have yet to commence. However, most customers were requesting for a delay in their project commencement dates or seeking for temporary suspension until further notice.

As the market is slowly re-opening, most projects have already resumed work. The demand is softer as compared to pre-COVID level. The Group faces delay for some secured projects. As announced on 8 October 2020, the Company's subsidiary in Singapore has been awarded two five-year contracts with our major customers in the Oil and Gas Sector for the provision of crane rental services since 1 September 2020. Due to the confidentiality of the contracts signed with the customers, the contract sums are not disclosed.

The Group does not segregate the business segments by industry. Instead, the business segments are segregated and reported by business functions in (1) Heavy Lift and Haulage (2) Marine Transportation (3) Trading and by geographical segments as disclosed on Pages 108 to 111 of the Company's FY2020 Annual Report.

The COVID-19 situation is unprecedented and has given rise to many uncertainties in the global economy. The road to recovery will be rough but we will continue to do our best with the interest of stakeholders at heart.

**General Questions:**

1. Is the Company a market leader in terms of sales of heavy lift specialist services in Singapore? Which other companies are serious competitors in Singapore?

**Company's Response:**

The Group is a market leader in terms of integrated heavy lifting services for crane above 1600 tonnes in Singapore and is also ranked 19th largest crane owner in the world. Its competitors in Singapore include Mammoet Singapore Pte Ltd and Al Jaber Heavy Lift & Transport Pte Ltd.

2. Currently it appears that the utilization rate of the Company's heavy lift assets is low. Do the Company has a target utilization rate in the medium term to optimize the use of the assets so as to maximize its profit. How does it intend to achieve this goal?

**Company's Response:**

Longer period of planning and mobilization is required for heavy lifting services, hence this class of assets differs from the normal rental of equipment. The Group will always seek for opportunity in the region for heavy lifting works and tap on its integrated advantage for this purpose.

3. Our 49% owned associated company PDT Ascend Sdn Bhd was set up in September 2019 to provide services relating to the operation and maintenance of heavy lifting and heavy transport services at the RAPID project in Pengereng, Johor. Kindly advise when can we expect the start of meaningful operations in Johor by PDT Ascend Sdn Bhd.

**Company's Response:**

The Company's associated company, PDT Ascend Sdn Bhd has already commenced its operations in the financial year ended 30 June 2020. Accordingly, the results of the associated company has been accounted for by the Group.

4. As reported by Reuters, China's Hengyi Petrochemical Co Ltd plans to spend US$13.65 billion to build the second phase of a refinery and petrochemical complex in Brunei. Given our Company has recorded strong revenue in Brunei in FY2020 and FY2019 of > $9million, will our Company be in good standing to benefit from this project?

**Company's Response:**

The Company's subsidiary in Brunei has completed Phase One of the Hengyi project during the financial year ended 30 June 2020. The Phase Two project has yet to be released for tender. The Group believes that its strong integrated services in heavy lifting and haulage; and marine transportation will put the Brunei subsidiary in good stead for the next tender.

5. Our Company has made a further impairment loss of $1.8 million on a long outstanding trade receivable in Saudi Arabia. Kindly advise the full background behind this long outstanding trade receivable in Saudi Arabia, so that shareholders will be able to better understand the likelihood of the collectibility from a business perspective rather than from purely an accounting perspective.

**Company's Response:**

The Company's subsidiary in Saudi Arabia, TWC Arabia Ltd ("TWCA") has made additional impairment loss of SAR4.9 million (approximately S$1.8 million) for a debt owing by a customer, Pan Environmental Services Company Ltd ("PAN") in the financial year ended 30 June 2020. To date, full impairment loss for the debt owing by PAN of SAR32.3 million (approximately S$12.0 million) has been made. PAN is a main contractor engaged by Presidency of Meteorology and Environment ("PME") to perform a coastal remediation and restoration works in Saudi Arabia. PME is the government agency and owner of this project funded by United Nations Compensation Commission ("UNCC"). TWCA has initiated the lawsuit against PAN since May 2018. Based on the latest development and advice by our legal counsel, the Board is of the view that the outcome of the pending lawsuit is uncertain.

6. In previous years' AGM, it was mentioned that the desktop valuation of our HQ building is around $120 million, kindly advise if the recent desktop valuation reflect any significant drop in value due to COVID-19.

**Company's Response:**

The latest valuation report dated May 2020 for the Company's property at 15 Pandan Crescent Singapore 128470 was assessed at market value of S$113 million based on a balance lease term of about 23.4 years and excluding the value of all plant and machinery.

7. What is our planned capital expenditure in the next 1-2 years. What are the purpose and intent behind this planned capital expenditure?

**Company's Response:**

The Group's capital commitment has been disclosed on Page 98 of the Company's FY2020 annual report. Planned capital expenditure ("CAPEX") in the next two years is still geared towards renewing and improving the Group's crane fleets to keep up with market demand and to maintain its service quality. However, as the road to recovery from the impact of COVID-19 remains rough, the Group will remain cautious with its CAPEX spending.

By Order of the Board
**TIONG WOON CORPORATION HOLDING LTD**

Ang Kah Hong
Executive Chairman

27 October 2020