



HIAP TONG CORPORATION LTD

Registration No. 200800657N GST No. M90362102
22 Soon Lee Road, Singapore 628082
TEL: (65) 67795050 FAX: (65) 67770841

Response to Substantial and Relevant Questions by Shareholders on Hiap Tong's Annual Report for the financial year ended 31 March 2020

Q1. Can the management provide an update on the impact of COVID-19 on the Group lifting and haulage services?

With the commencement of the Circuit Breaker (“CB”) in April 2020 and the gradual easing of the CB measures in June 2020, the Company and its subsidiaries (the “Group”) continues to service the essential sectors such as the petrochemical as well as the marine industry subject to the constraint on the number of workers approved by the Ministry of Manpower and Ministry of Trade and Industry for the Group which is in line with the directives from the government.

Most of the Group’s support staff in finance, human resources and administration continue to work from home.

Please refer to our Chairman’s message on pages 5 and 6 of the FY2020 annual report, which covers the financial review and business review of the Group for FY2020.

With the uncertainty as to how the COVID-19 pandemic will evolve, it will be difficult to perform any meaningful forecast of the impact on the Group’s lifting and haulage services.

Nevertheless, our Group has a long history of providing lifting and haulage services to a diversified Group of customers which we believe will place us in a better position for recovery once the pandemic is over.

Q2. What is the impact of COVID-19 on overseas business including Malaysia and Vietnam?

The Group’s operation in Malaysia also faces COVID-19 travel and movement control measures from the Malaysian government similar to the situation in Singapore. As for Vietnam, the impact of the COVID-19 on the Group’s operation is minimal as our investment in Vietnam is not significant.

The Company will be providing any material updates and guidance as and when appropriate, in its future announcements and/or commentary to its financial statements.

Q3. What is the utilisation rate for the fleet in FY2020?

The haulage fleet generally provides logistical support to our crane leasing business. The average utilisation rate of the cranes for FY2020 is about 80% as compared to FY2019 of about 74%, an increase of about 6%. It is computed based on the number of hours utilised per day against a base of 8 hours per day.

Although the average utilisation rate of the cranes has increased, leasing revenue for FY2020 has decreased by approximately S\$0.4 million or 1.2% mainly due to the competitive environment as well as lower utilisation rate for certain category of cranes in particular the higher tonnage cranes.

Q4. Can the board elaborate further on the Group's strategy?

The Group business consists of the 2 following segments.

Lifting & Haulage

COVID-19 has impacted this business segment as orders from customers in the construction, petrochemical and shipyard slowed significantly during the circuit breaker period. Subsequently dormitories lock down continue to affect projects restart.

The management expects this business segment to gain momentum from the month of September as COVID-19 cases in the dormitories decline and as customers begin restarting their projects with more worker availability. Management's strategy post COVID-19 is to implement more digital solutions into our workflow to increase efficiencies and productivity. With more stringent work site and work place requirements, management believes the ability to work remotely will empower our employees to gain more efficiency.

Port Services

As an essential service, our port services continue to operate during the COVID-19 lock down. Strict measures were taken during lock down to keep our essential workers safe. Post COVID-19, we continue to build up our manpower and capabilities to ensure the fulfilment of our contract with PSA Singapore.

The Group was awarded a long-term Port Services contract by PSA Corporation Limited for a period of 5 years commencing from 1 April 2018 with an option to extend for another 5 years. Management expects this segment to continue its growth trajectory with new contracts from PSA and other customers.

Q5. Can management elaborate on the key assumptions and adjustments if any used to calculate the carrying value of the fixed assets?

As at 31 March 2020, the carrying value of the Group's property, plant and equipment ("PPE") amounts to about S\$126.7 million.

The carrying value was calculated after recognizing an impairment loss of S\$8.0 million.

The impairment assessment on the PPE included key assumptions such as the discount rate, the revenue compound annual growth rate and the EBITDA compound annual growth rate (please refer to page 68 of the FY2020 annual report for the details).

By Order of the Board

Lo Swee Oi
Company Secretary
Singapore, 21 September 2020

This document has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. This document has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The contact persons for the Sponsor are Mr Yee Chia Hsing, Head, Catalist, Investment Banking and Mr Ken Lee, Associate Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.