



HIAP TONG CORPORATION LTD

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Response to questions received from the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 22 September 2020 relating to Hiap Tong Corporation Ltd (the “Company”) Annual Report for the financial year ended 31 March 2020

Q1. Given the impact the COVID-19 outbreak, which impacted the construction industry in Singapore and Malaysia, what pro-active actions did management take to ensure that the group’s financial position remains strong? (As at 31 March 2020, the Group has net debt of \$48.8 million (page 73) with cash and cash equivalents of \$6.7 million. Gearing has increased to 0.62x as at 31 March 2020, from 0.51x a year ago.

The Company and its subsidiaries (the “Group”) generate its lifting and haulage services revenue from a diversified group of customers mainly from the Petrochemical, Construction and Marine industries (refer to page 1 of FY2020 annual report). For FY2020, the construction industry contributed about 30% of the lifting and haulage services revenue.

As per the announcement by the Company dated 21 September 2020 on its response to questions from shareholders, 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 Singapore government.

In view of the COVID-19 pandemic, the Group has pro-actively managed its costs and monitored its cashflow closely to ensure that there are sufficient financial resources available for its business needs. It has also maintained sufficient banking facilities to meet its short-term and long-term financing needs (please refer to page 90 of FY2020 annual report).

The increase in gearing ratio (page 73 of the FY2020 annual report) was mainly due to the adoption of SFRS(I)16 Leases in FY2020 using the modified retrospective approach, with no restatement of comparative figures for the year prior to the first adoption. Excluding the effect on the adoption of the new SFRS in FY2020, the gearing ratio would have decreased to 0.40x as at 31 March 2020 as compared to 0.51x a year ago.

Q2. Can management help shareholders to understand the progress it has made in Vietnam in the past two years?

The main purpose of our subsidiary in Vietnam is to facilitate the disposal of our used cranes which are still in good condition and permitted to be used in Vietnam. These mainly consist of cranes and equipment within the group that no longer meet the statutory age or customer’s specification requirements to be used in Singapore.

The subsidiary in Vietnam also uses the old cranes to take on lifting jobs to showcase their lifting capabilities as well as to cover the running cost of the operation in Vietnam.

So far, 6 units of the used cranes were disposed by the subsidiary and there are currently 8 units of used cranes in Vietnam.

Q3. Considering the dual roles held by the founder and CEO and also the Chairman of the Board, and that the other two executive directors are related to him, please elaborate whether the Board, especially the Nominating Committee, if it had considered and deliberated how the Group could better meet the intent of the Principle 3 of the Code of Corporate Governance 2018, which calls for a clear division of responsibilities between the leadership of the Board and management.

The Company is aware that it has deviated from Provision 3.1 of the Code of Corporate Governance 2018 ("Code") which states that "The Chairman and Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making." The responsibilities of the Chairman and CEO of the Company are described on page 18 of the Annual Report 2020. Mr Ong Teck Meng is the Executive Chairman and CEO of the Company. Mr Ong is also the founder of the Group. He plays an instrumental role in the development of the Group's business and is personally involved in the day-to-day operations of the Group. Mr Ong not only has extensive and in-depth knowledge of the cranes industry but also provides the Group with strong leadership and vision. As such, the Board is of the view that it is in the best interests of the Group to adopt a single leadership structure as the current size and scale of the Group's business and operations does not warrant a division of duties.

In order to address the deviation from Provision 3.1 of the Code, all major decisions made by the Chairman are discussed and reviewed by the Audit Committee ("AC"). Mr Ong's performance and re-appointment to the Board is reviewed by the Nominating Committee ("NC") and his remuneration package is reviewed by the Remuneration Committee ("RC") periodically. The three Board Committees are chaired by independent directors. Hence the Board believes that there are adequate safeguards and checks in place to ensure decision making process by the Board is independent and based on collective decision making of all Directors.

The NC, RC and AC comprise either fully (in the case of the RC and AC) or a majority of Independent Directors. The Board believes that there are therefore adequate safeguards in place to prevent an uneven concentration of power and authority in a single individual. In line with Provision 3.3 of the Code, the Board has appointed Mr Tito Shane Isaac as the lead independent director to provide leadership in situations where the Chairman and CEO is conflicted and to avail himself to address stakeholders' concerns for circumstances in which contact through the normal channels of communication with the Chairman and Management are inappropriate or inadequate.

Based on the foregoing, the Board and NC are of the opinion that there is sufficient independence in its exercise of objective judgment on business affairs of the Group, in compliance with the intent of Principle 3 of the Code. No one individual has unfettered powers of decision-making, notwithstanding that the roles of Chairman and CEO are not separate.

By Order of the Board

Lo Swee Oi
Company Secretary
Singapore, 24 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 Catalyst. 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, Catalyst, 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.