茂盛控股有限公司
MS HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 201414628C)

RESPONSES TO QUESTIONS FROM SHAREHOLDERS AND SIAS

1. INTRODUCTION

MS Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Notice of Annual General Meeting, dated 12 August 2021 in respect of the Company's annual general meeting for the financial year ended 30 April 2021 ("**AGM**"). The AGM will be convened and held by electronic means on 27 August 2021 at 3.00 p.m. (Singapore time).

2. RESPONSE TO QUESTIONS FROM SHAREHOLDERS AND SIAS

The Company has received questions from Shareholders and SIAS in relation to the resolutions to be tabled for approval at the AGM. The Company appreciates the questions raised by shareholders and is releasing with this announcement, the responses to the said questions.

BY ORDER OF THE BOARD

Yap Chin Hock
Executive Director and Chief Executive Officer

25 August 2021

*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Ms Charmian Lim (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

1. **What are MS Holdings future plans and CAPEX budget for 2022?**

   The Group has not planned for any significant CAPEX for the financial year ended 30 April 2022 (“**FY2022**”) given the evolving pandemic situation and economic uncertainty. The Group will remain cautious with the CAPEX planning/spending.

2. **Is the current dividend payout sustainable?**

   The current dividend payout of S$0.01 per share was declared having considered, *inter alia,* the Group’s financial performance for the financial year ended 30 April 2021 (“**FY2021**”) and is not representative of future dividend payouts. Future dividend payout is largely dependent on the overall macro environment and economy for the industry in Singapore, as well as the performance of the Group.

3. **Moving forward, what are the distribution payouts that Shareholders can expect?**

   Please refer to the response to Question 2. The Board of Directors of the Company (“**Board**”) will consider, *inter alia,* the long-term interests of Shareholders and other stakeholders of the Group, the overall macro environment and economy for the industry in Singapore, as well as the performance of the Group and potential CAPEX requirements before making decision for any future distribution payouts.

4. **I notice that MS Holdings has low liquidity given that the counter trading volume on SGX is relatively low? Are there any strategies or plans to improve the trading volume?**

   The Group’s primary focus will be to lookout for new business opportunities to grow its business and profitability thereby enhancing shareholders’ value. The Group will also consider fund raising activities to shore up cash reserves for the expansion and growth of its business which will in turn hopefully improve the trading activity of the Company’s shares.

5. **Are there any intentions to privatize the company in the near future?**

   The Company has no such plans at this juncture.

6. **Reference is made to page 4 of the annual report under " Business Outlook"**

   (i) Management states that utilisation rate for mobile cranes has declined since April 2020.

   We notice that the Company’s core business had not been making commendable net profits even before the pandemic, does the management think that the business has the opportunity to turn around in the near future? If yes, why?

   (ii) The pandemic would continue to adversely affect the business.

   Can Shareholders assume that the Company would be expecting a net loss for the next financial year? If yes, what would be the range of net loss the management expects? (i) 0-1 million (ii) 1 to 3 millions (iii) more than 3 millions?

While the overall macro environment of the equipment leasing industry has evolved over the years, the present decline in utilisation rate largely stems from the COVID-19 pandemic, which has severely disrupted global economic activity and led to demand and supply chain disruptions. For the immediate future, any opportunity to turn the business around would depend on how Singapore and other jurisdictions manage the COVID-19 pandemic. While the Singapore Government plans the transition to treating COVID-19 as an endemic, there are still many uncertainties and unknown elements. As such, the Group is cautious of any improvement in the business and economic conditions in Singapore in the near future. Further, the Board is unable to comment on the expected financial performance of the Group and provide forward looking statements of this nature .

7. **What is the Company's employee attrition rate during the past 1 year?**

   Approximately 10%. Of which most are migrant workers.

8. **Reference to page 106 " Key management personnel remuneration"**

   (i) Short-term benefits amounting to S$1.5 million.

   Can the management clarify what are these benefits and the reasons for the increase from the previous financial year?

   The increase is in relation to the bonus pay-out to directors and key management personnel having considered the financial performance of the Group for FY2021.

9. **What amount and percentage of borrowings is associated with the Group's Pandan Road's property?**

   Approximately 38% of the total borrowings is pertaining to the property loan.

10. **Shareholders will definitely be surprised and happy that the board decides to generously distribute S$0.01 dividend for the current financial year.**
    (i) How does the board decide on this quantum?
    (ii) Will this dividend be a one-off or can shareholders expect for future dividends at least in the next financial year since the company lists this dividend under a <u>Final dividend</u> and not a <u>Special Dividend.</u>

    Please refer to the responses to Question 2 & 3.

11. **The Company's market float had been decreasing to 10.77% as stated in the annual report. This may cause the shares to be rather illiquid and undervalue the company as investors would find it hard to trade the company's shares in the exchange.**
    (i) Can the management share what can be done to address the issue during the next year?

    The management is constantly exploring various opportunities to improve the liquidity of the company's market float by various ways of corporate activities. Please refer to the response to Question 4.

12. **It will be very wasteful of resources that those warrants issued by the company will likely expire unexercised as the market price of the shares trades below its exercise price at this point in time.**
    (i) Can the management clarify and share their views on the decision on its exercise price and to go ahead with the rights cum warrants only to know that the warrants would not be able to be traded at the last minute.
    (ii) Is the management optimistic that the warrants issued will be exercised before the expiration?

    The Group completed the rights cum warrants issue in October 2018. For every 4 rights share, shareholders would be entitled to 1 free detachable warrant. The issue price of S$0.062 for each rights share and the exercise price of S$0.13 for each new share pursuant to the exercise of the warrants represented a discount of approximately 16.2% and a premium of approximately 75.7% respectively to the closing price of S$0.074 per share on the Catalist board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist**") on 21 August 2018 (being the full market day the shares were last transacted prior to the release of this announcement on the rights cum warrants issue).

    The Board had, in determining the warrants exercise price had considered the trading price of the Company's shares then, the issue price of the rights shares and the period prior to the exercise date. The rights cum warrants issue was undertaken to strengthen the balance sheet of the Group at that point in time.

    In respect to (ii), the Board and management are unable to provide speculative statements of such nature.

13. **The theme of the 2021 annual report is "Building our capabilities". It builds on past themes in the annual reports such as:**
    2020 annual report – Building your future together
    2019 annual report – Ascending to a brighter future
    2018 annual report – Providing solutions, delivering value
    2017 annual report – Creating sustainable growth and value
    As noted in the letter to shareholders, the group has a lifting fleet of 30 mobile cranes and lorry cranes that have with lifting capabilities ranging from 25 tonnes to 750 tonnes. The group typically rents cranes to customers on a daily or short-term basis which increases the deployment flexibility and thus enabling the group to optimise the utilisation of its fleet. The group has established a wide customer base operating within the construction, marine, logistics, oil and gas as well as infrastructure industries in Singapore.

    As reported in the first annual report after the group's successful IPO in November 2014, the group then had a fleet of 32 mobile cranes and lorry cranes.
    (i) Does management have an estimate of the group's market share in Singapore?
    (ii) Can management help shareholders understand the competitive landscape in the crane rental business in Singapore?

    There is no known market share data for the Group's business in Singapore.

    The Group focuses on providing mobile cranes and lorry cranes that eliminate the requirement of a dedicated transport vehicle to transport them to the job sites. The Group typically rent out the cranes on a daily basis or short-term basis, thereby increase the flexibility of crane deployment.

Majority of the share in the crane rental business in Singapore remain concentrated among well-established companies with full swing of equipment range for oil refinery shutdown, construction and/or heavy-lift projects. i.e. crawler cranes, tower cranes, construction equipment.

In FY2021, revenue decreased by $4.2 million or 29.7% to $9.8 million due to challenges brought about by the COVID-19 pandemic, leading to lowered utilisation rates of cranes (page 3).

(iii) What were the utilisation rates of the Group's fleet of mobile and lorry cranes? How does that compare to the average utilisation rates before the pandemic, i.e. FY2019?

(iv) How has management finetuned the Group's operations to adapt to the new operating environment due to COVID-19? Is the Group affected by manpower constraints?

(v) Has the Board/management reviewed its business model given the challenges brought about by the pandemic? In particular, did the Board/management consider longer-term rental of its fleet to provide greater stability to the Group's revenue?

The COVID-19 pandemic has severely disrupted global economic activity and led to demand and supply chain disruptions. The market is soft compared to pre-Covid. The management team has been working closely with customers to keep our customers engaged and to develop customer loyalty and retention by reviewing and improving on customer insights and valuable feedbacks received.

The management takes care of customers' engagement while rapidly addressing the needs of employees. Foreign workers are one of our important workforces to help the business and stay competitive. Government implemented movement restrictions and border controls has resulted in shifts to the Group's manpower schedule. However, the Group has sufficient manpower at present for the running of its crane business. As an employer, putting stringent infection-control measures for workers residing at our dormitory and taking care of their mental well-being are of utmost priority.

The Board and management have considered the need for flexibility in the current economic climate as well as the potential margins of the crane rental business and will continue its business model of supplying of cranes on ad-hoc or short-term basis.

At its IPO, the Group achieved revenue of approximately $17 million in FY2015. Revenue increased to $17.5 million in FY2016 and has been mixed:
FY2017 - $15.1 million
FY2018 – $10.5 million
FY2019 - $14.5 million
FY2020 - $14.0 million
FY2021 - $9.8 million

(vi) Please help shareholders better understand the growth prospects of the Group in the next 5-10 years. It is observed that revenue has decreased to $14.0-$14.5 million prior to the pandemic and that the Group's fleet has plateaued at 30-32 in the past 6-7 years since IPO.

(vii) Can management update shareholders on the progress made by Vanda Logistics Pte. Ltd.?

The overall macro environment of the equipment leasing industry has evolved over the years. The Group has, in recent years shifted away from the declining Oil & Gas industry, and is moving towards the supplying of cranes on land and for the construction industry. Having considered the current economic climate amidst the global pandemic, the Group will be prudent in its fleet renewal/additions.

The business of Vanda Logistics Pte Ltd is dealing with movement and flow of goods. As the outbreak caused disruptions to the supply chain, the logistics and transportation industries were hampered in various ways across air, freight, and sea segments.

14. With the disposal of the property at 11 Gul Drive, the group's gearing ratio improved from 1.09 times to 0.76 times as at 30 April 2021. Gearing ratio is measured by total bank borrowings divided by tangible net worth (page 117 – Note 25: Capital management).

In the letter to shareholders, it was mentioned that the group remains on the lookout for new business opportunities to grow its profitability. In 2018, the group entered into a non-binding memorandum of understanding ("MOU") with a third party to develop a casino amenity, residential, commercial and tourism complex in Incheon Free Economic Zone of Korea. Negotiations were subsequently terminated in December 2018.

(i) Can the Board/management elaborate further on the Group's efforts and approach to acquiring new businesses? It would appear that the prior MOU had no synergy with the Group's existing business.

(ii) Has the Board provided guidance to management on the sector, geography and size of any potential acquisitions or joint ventures?

(iii) How is the Group carrying out its deal sourcing?

The Group has been focusing on enhancing operational efficiency to improve the profitability of its existing core business while remaining on the lookout for new and complementary business opportunities.

The MOU presented a strategic opportunity for the Group to diversify into a new business in Korea. The MOU may also bring about opportunities for the Company to supply its mobile cranes for other projects in Korea. The aim was to tap on the business opportunity and take advantage of the resulting synergies.

The members of the Board come from various backgrounds with experience in diverse industries and have developed a wide network of contacts. The Board does not specifically exclude or seek any investment opportunities based on sector, geography or size considerations. Given the competitive landscape, all potential investment opportunities are presented to the Board and are given their due consideration.

The Board led by the Executive Directors, collectively, is leading the deal sourcing and deal structuring together with its professional consultants and brokers.

15. The Board comprises the following members:
Mdm Ng Chui Hwa (executive chairman)
Mr Yap Chin Hock (executive director and CEO)
Mr Tan Jia Hui Clarence (executive director and investment director)
Mr Lim Kee Way Irwin (lead independent director)
Mr Lau Yan Wai (independent director)

Mr Kho Kewee (independent director)

In the report on corporate governance (page 13), the Board has stated that it is committed to maintaining a high standard of corporate governance to ensure greater transparency and to protect the interests of the company's shareholders. While the board is cognisant of the provisions in the Code of Corporate Governance 2018 ("Code"), it has deviated from the following:

Provision 2.2	**Independent directors make up a majority of the board where the chairman is not independent.**
Provision 2.3	**Non-executive directors make up a majority of the board.**

The justifications for the deviation can be found on pages 19 and 20 of the annual report.

Listing Rule 710 of the SGX Rulebook also requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018, the provision from which it has varied, <u>the reason(s) for the variation</u>, and the explanation(s) on how the practices it had adopted are consistent with the intent of the relevant principle [emphasis added].

(i) Can the Board elaborate further on the underlying reasons for the deviations from Provisions 2.2 and 2.3? What were the deliberations by the Board in trying to meet Provisions 2.2 and 2.3 of the Code?
(ii) The Board has stated that it will keep these matters "under regular review". Has the Board considered appointing an independent chairman? Doing so would help the Company meet Provision 2.2 of the Code while keeping the same board composition.

Please refer to pages 18 to 20 of the annual report explaining the reasons and deliberations of deviating from the said provisions of the Code.

Having considered the current scope and size of operations of the Group, as well as the current economic climate where cost considerations and agility in decision making are critical to the Company, the Board are of the view that its present composition and size is adequate to facilitate effective decision making and that no individual or small group dominates decision making.

Separately, it is observed that the independent directors have audit, finance and legal experience.

(iii) Can the Board help shareholders understand if the independent directors have the appropriate balance and mix of skills, knowledge, experience, especially in the construction industry, to engage in effective and constructive debate with the executive directors?
(iv) How effective are the independent directors at providing guidance and leadership on operational matters?

The Independent Directors are well-experienced in their various fields of expertise and do possess the requisite accounting, legal and financial management skills and knowledge across a wide range of industries. More importantly, they are business leaders and professionals in their own right with diverse qualifications and backgrounds that the

Company and Board requires. The Board is of the view that this diversity provides the Group with new insight and fresh perspectives, which in turn contributes to critical and constructive discussions at the Board level, including but not limited to matters in relation to the construction and heavy equipment leasing businesses. The executive directors and independent directors work together as a whole, hence the Board, in collectively providing guidance and leadership in all facets of operating a publicly listed Company.

Their respective profiles are reflected on Pages 9 to 10 of the Annual Report 2021.