

Issuer: Boldtek Holdings Limited (fka Logistics Holdings Limited)

Security: Boldtek Holdings Limited (fka Logistics Holdings Limited)

Meeting details:

Date: 27 October 2017

Time: 3.00 p.m.

Venue: 24 Kranji Raod, Singapore 739465

Company Description

Boldtek Holdings Limited, through its subsidiaries, provides building construction and interior decoration/fitting-out services. The company operates through General Building, Precast Manufacturing, Properties Investment, and Soil Investigation segments. The General Building segment undertakes construction and building, and maintenance works, such as excavation, piling, sub-structures, and superstructures works; architectural works; aluminum cladding and curtain walling; mechanical and engineering works; supply and installation of furniture or interior fitting-out works; external works; and landscaping activities in Singapore. The Precast Manufacturing segment manufactures and trades in concrete precast products in Malaysia. The Properties Investment segment is involved in the investment in, development, and trading of residential and industrial properties in Singapore and Malaysia. The Soil Investigation segment is involved in soil investigation treatment and stabilization; and research and experimental development on engineering. It also holds investments in land; and manufacture of articles of cement and plaster products. The company was formerly known as Logistics Holdings Limited and changed its name to Boldtek Holdings Limited in August 2017. Boldtek Holdings Limited was founded in 1985 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5VI)

Q1. Revenue dipped by 50.8% in the financial year to \$75.2 million and the loss attributable to equity holders of the company was \$(1.1) million. Equity attributable to equity holders of the company decreased by 7% to \$24.9 million.

To better understand the performance and prospects of the group, can management elaborate on the following questions:

- Place-8: The Temporary Occupation Permit (TOP) for the 8 freehold cluster houses at 21 Paya Lebar Crescent was delayed from December 2016 to December 2017, due to “changes in project specifications” (page 11). The delay in the TOP has also led the group to not meet the bank’s covenant clauses (page 89).
 - a) **Can management elaborate further on the “changes in project specifications”?**
 - b) **With a long track record of more than 30 years in the construction business in Singapore, how did the TOP of Place-8 slip by about a year?**
 - c) **What are the efforts by management to prevent such construction delays from happening again?**
- Le Premier Industrial Park: Phase 1 consisting of twenty units of service industry shops has been substantially completed (page 3).
 - d) **Please update shareholders on the sales progress of this project.**
 - e) The group is currently reviewing the construction schedule for the Phase 2 and 3 (comprising the balance of 72 units of factories). **Is the group considering delaying the construction? Has the board evaluated other options available?**
- Precast manufacturing: The group is said to be “exploring strategic alliances and joint-venture opportunities with local and overseas parties to better utilise our precast plant”.
 - f) **What is the utilisation rate of the group’s precast plant?**
 - (i) **Does management have an estimate of the group’s market share in the Prefabricated Prefinished Volumetric Construction and Prefabricated Bathroom Unit segments?**

Q2. The remuneration committee (RC) comprises Chen Timothy Teck-Leng (as Chairman), Pao Kiew Tee and Foo Shiang Ping.

As disclosed in the Corporate Governance Report, the RC “has reviewed and is satisfied that the performance conditions (save for the performance conditions in respect of the profit sharing element of Mr Phua Lam Soon’s remuneration which is based on the Group’s PBT in respect of each financial year, as disclosed under Principle 9.6 above) were met for FY2017” (page 34).

The qualitative and quantitative performance conditions for short-term incentives (such as performance bonus) are as follows (page 34):

Qualitative	Quantitative
1. Leadership	1. Relative financial performance of the Group (e.g. in terms of net profit margin) to its industry peers
2. People development	2. Positive sales growth
3. Commitment	3. Productivity enhancement
4. Teamwork	
5. Current market and industry practices	
6. Macro-economic factors	

As noted above (in Question 1), revenue dipped by 50.8% in the financial year to \$75.2 million and the loss attributable to equity holders of the company was \$(1.1) million. The remuneration breakdown of Mr Phua Lam Soon (CEO) shows a bonus component of 17.66% in the annual remuneration package.

Table 9.2 – Remuneration of the Directors

Directors/Chief Executive Officer	Fees %	Salaries ⁽¹⁾ %	Bonus ⁽²⁾ %	Other Benefits ⁽³⁾ %	Total %
S\$500,001 to below S\$750,000					
Phua Lam Soon	–	72.45	17.66	9.89	100.00
Ong Siew Eng	–	70.31	17.00	12.69	100.00

(Source: Company annual report)

As noted on page 45, the RC has “reviewed and is satisfied that the performance conditions (save for the performance conditions in respect of the profit sharing element of Mr Phua Lam Soon’s remuneration which is based on the Group’s PBT in respect of each financial year, as disclosed under Principle 9.6 above) were met for FY2017”.

- a) Can the RC elaborate further on the performance review process and share how it is satisfied that Mr Phua Lam Soon has met the 6 qualitative performance conditions?
- b) Can the RC elaborate further on how it is satisfied that Mr Phua Lam Soon has met the 3 quantitative performance conditions? Please provide the figures and comparisons for the performance metrics.
- c) Similarly, for Ong Siew Eng who received 17.00% in bonus as part of the annual remuneration package, please help shareholders understand the RC’s review and the justification for the bonus.

Q3. The group has a 60% indirect interest in New Soil Technologies Pte. Ltd. (“New Soil”) which undertakes soil investigation and treatment activities. In Note 33 (page 101 – Segment information), the “Soil investigation and treatment” is identified as a reportable segment as it is a “potential growth operating segment and is expected to contribute to the Group revenue in the future”.

In 2016, New Soil reported \$622,000 in external revenue, and recognised a gross profit of \$388,000. In 2017, there was no revenue.

- a) Can management update shareholders on the status of New Soil? Is the subsidiary still active? If so, what is the growth prospect of the soil investigation and treatment activities?
- b) If the segment remains a potential growth area for the group, what are management’s plans to scale up and grow this business? What is the level of investment required to support the growth of this new segment? How is the group going to fund this?

Questions 1 and 2 are adapted and expanded from the questions sent to the company based on the 2016 Annual Report for the financial year ended 30 June 2016 as the 2017 Annual Report still lacks the visibility on these issues.

A copy of the questions for the Annual Report for the financial year ended 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Boldtek%20Holdings%20Ltd>

The company's response could be found here: -----