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Issuer: Tiong Woon Corporation Holding Ltd

Security: Tiong Woon Corporation Holding Ltd

Meeting details:

Date: 26 October 2018

Time: 9.00 a.m.

Venue: No. 15, Pandan Crescent, Level M1, Singapore 128470

Company Description

Tiong Woon Corporation Holding Ltd, an investment holding company, provides integrated services for the oil and gas, petrochemical, infrastructure, and construction sectors. The company operates through four segments: Heavy Lift and Haulage, Marine Transportation, Engineering Services, and Trading. It offers heavy lift and haulage, marine transportation, and inland transportation services; equipment installation services for trays and structures; project engineering services for heavy lifting and haulage requirements; maintenance and repair services; and wall tie installation, foundation anchor, and jacking up services. The company also leases prime movers, low beds, self-propelled modular trailers, tow trucks, and trailers; supplies various models of tower cranes for sale and rent; and refurbishes, delivers, maintains, jack downs, dismantles, and erects tower cranes. In addition, it provides tug and barge services for sea transportation projects; and trades in crawler, mobile, and tower cranes. Further, the company sells and hires cranes and transport; manages marine and industrial plant projects; sells, services, and leases equipment for the petroleum, construction, shipbuilding, and related industries; and repairs and up-slips/launches of ships. Additionally, it is involved in the provision of process and industrial plant engineering works for the marine, and oil and gas industries; mechanical infrastructure engineering, freight forwarding, and logistics related services; and structural works, as well as in renovation, dredging, and marine related and construction activities. As of June 30, 2017, the company had a fleet of 507 cranes and 278 haulage assets; and 5 tugboats and 10 barges. It operates in Singapore, the Middle East, India, Malaysia, Thailand, Indonesia, and China, as well as in Myanmar, the Philippines, Sri Lanka, Vietnam, and Laos. Tiong Woon Corporation Holding Ltd was founded in 1978 and is headquartered in Singapore.

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

1. Would the board/management provide shareholders with better clarity on the following matters? Specifically:

- (i) **Heavy lift and haulage:** As at 30 June 2018, the group's main physical assets are its 512 cranes and 281 units of haulage assets, comprising prime movers, low beds, trailers and tow trucks. The average utilisation rate for its heavy lift assets was 56% in FY2018, up marginally from 54% in FY2017. **What is the revenue split among the oil and gas, petrochemical, infrastructure and construction sectors? Can management help shareholders understand if the group's heavy lift and haulage assets can be optimised and moved around the region to different countries to support different projects? What are the major opportunities in the next 1-2 years?**
- (ii) **Marine transportation:** The segment reported a loss of \$(1.57) million on revenue of \$3.5 million. **Has management estimated the breakeven utilisation rate for the segment? Are there plans to streamline and further optimise the segment? Is the segment strategic to the group's long term growth plans?**
- (iii) **Engineering services:** With the completion of a project in the Middle East, the segment revenue fell by 91% to \$0.9 million. Following the disposal of Tiong Woon Oasis and Tiong Woon Oasis Marine & Engineering, the group has no substantial assets in the segment. **Has management decided to suspend all activities and investments in this segment to focus on its core businesses?**

2. The "Recoverability of trade receivables" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 46). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, as at 30 June 2018, the Group's net trade receivables amounting to \$32.5 million (2017: \$30.3 million), comprising gross trade receivables of \$53.1 million (2017: \$53.5 million) and a corresponding allowance for impairment of \$20.6 million (2017: \$23.2 million), accounted for 7.9% (2017: 6.8%) of the group's total assets.

Further, in Note 32 (page 94 – Financial risk management: Credit risk), it is shown that the bulk of the trade receivables past due but not impaired has been past due [for more than] 90 days, as follows:

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2018 \$'000	2017 \$'000
Past due 1 to 30 days	7,327	8,158
Past due 31 to 60 days	2,990	3,356
Past due 61 to 90 days	2,277	1,860
Past due 90 days	11,251	10,520
	23,845	23,894

(Source: Company annual report)

Despite the group reporting a drop in revenue by 15%, the amount of trade receivables has remained at approximately \$23.8 million. In particular, trade receivables past due [by more than] 90 days increased to \$11.3 million.

- (i) **Can management show a more meaningful analysis by providing an upper limit to the aging (with the appropriate breakdown)? Specifically, what is the amount that is past due by more than a year?**
- (ii) **What are the specific reason(s) for the sharp increase in trade receivables past due [by more than] 90 days but not impaired?**
- (iii) **What is the process by management to evaluate the collectability of these long outstanding debts?**
- (iv) **On 24 May 2018, the group filed a lawsuit against PAN Environmental Services Company Limited in Saudi Arabia for the non-payment of outstanding sums of SAR38,489,478 (approximately S\$13.8 million). How is this amount recorded in the group's statement of financial position?**
- (v) **The group wrote back an amount of \$1.489 million due to subsequent settlement of receivables that were previously impaired. Can management help shareholders understand its efforts in collecting these long outstanding debts?**

3. Guideline 2.2 of the 2012 Code of Corporate Governance states that independent directors should make up at least half of the Board where (a) the Chairman of the Board (the "Chairman") and the chief executive officer (or equivalent) (the "CEO") is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director.

In the **2016** Annual report, the company has 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.

The same paragraph has been repeated in the **2017** Annual report and in the **2018** Annual report.

The Monetary Authority of Singapore granted a longer transition period of five years to allow sufficient time for listed companies to make board composition changes to comply with Guideline 2.2 in the 2012 Code of Corporate Governance. Listed companies need to comply with the new Guideline 2.2 at the AGM following the end of the financial years commencing from 1 May 2016 onwards.

- (i) Can the board, especially the nominating committee (NC), help shareholders understand if they are aware that MAS had given a transition period of five years?**
- (ii) What were the recent deliberations by the NC on the appointment of independent directors?**
- (iii) Can the company/NC update shareholders on the near-term plans to reconstitute the board such that the company complies with the recommendations that independent directors make up at least half of the board if the chairman is not independent?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 and 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Tiong%20Woon%20Corporation%20Holding%20Ltd>

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