



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Boldtek Holdings Limited

Stock code: 5VI

Meeting details:

Date: 29 January 2023

Time: 10.00 a.m.

Venue: 72 Senoko Drive Singapore 758240

Q1. The company requested for a trading halt on 12 January 2023 at 11:09 am pending the release of an announcement. The company then requested for a suspension after announcing that the independent auditor had included a qualified opinion in its report on the audited financial statements of the group for the financial year ended 30 June 2022 and had indicated the existence of material uncertainties related to going concern.

An extract of the independent auditor's report on the material uncertainty related to going concern can be found here:

<https://links.sgx.com/FileOpen/Boldtek%20Ltd%20-%20SGX%20Announcement%20Material%20concern%2014%20Jan.ashx?App=Announcement&FileID=744157>

The company has also announced that it is now proactively:

- engaging all of its stakeholders for their continued support;
- identifying potential investors; and
- exploring the sale of the group's completed properties in Malaysia and Singapore to generate the necessary financial resources to improve the group's financial position.

- (i) **Given that a contractor has made a claim against the group in the High Court, and that the independent auditor has highlighted material uncertainty related to going concern, what is the impact, if any, on the group's operations (in general building, precast manufacturing, property development and soil investigation and treatment)? Please (re)state the current status and scale of the group's businesses.**
- (ii) **Are the group's suppliers and contractors requesting for payments on the outstanding payables or have they tightened their credit terms?**
- (iii) **Is the board/company aware of any other claims and/or disputes with its suppliers and contractors?**
- (iv) **How is management addressing the loan covenant breach?**
- (v) **What are the reasons for the significant declines in the fair values of investment properties (industrial land in Senai) from \$16.8 million to \$14.2 million and completed properties (17 units of three-storey terraced service industrial) from \$5.7 million to \$5.2 million? Have the units and land been left vacant and untenanted? What are the group's plans to monetise these assets?**
- (vi) **What are outstanding matters that need to be resolved before the company can submit an application for a resumption of trading?**
- (vii) **What roles are the independent directors playing to help the group to improve its financial position and to resolve the uncertainties related to going concern and with the resumption of trading?**

Q2. The basis for qualified opinion by the independent auditor can be found on pages 40 and 41 of the annual report. The extract of which is as follows:

Contract assets and revenue recognition: (a) Construction works

*“Based on the final payment certificates issued by the customers for certain construction projects, we noted that the contract sum amount stated in these final payment certificates were lower than the original contract sums. **Consequently, contract assets balances relating to these projects of \$8,577,000 as at 30 June 2022 were recorded in excess of the revised contract sum stated in the final payment certificates...** Management is still in the process of negotiation with the customers to claim for these contract assets balances of \$8,577,000.... As such, we were unable to obtain sufficient appropriate audit evidence as to the recoverability of these contract assets aggregating to \$8,577,000 as at 30 June 2022. Consequently, we were unable to determine whether any adjustments to these amounts were necessary in the current and prior financial periods.”*

Contract assets and revenue recognition: (b) Building and maintenance

*“... For significant projects identified by management, contract assets amounting to \$17,518,000 and revenue of \$18,806,000 were recognised under building and maintenance services in the consolidated statement of financial position as at 30 June 2022 and the consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2022 respectively in relation to work services carried out under these Term Contracts... the above-mentioned [percentage of completion (“POC”)] method is expected to result in over-recognition of revenue of \$10,809,000 in respect of the prior years, and an over-recognition of revenue of \$1,116,000 during the current financial year. **Consequently, the contract assets were also expected to be overstated by \$11,925,000 as at 30 June 2022...** In view of the above, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to accuracy of the carrying amount of the Group’s contract assets as at 30 June 2022 and the Group’s revenue for the current and prior financial periods.”*

- (i) **Can the directors, especially the audit committee, help shareholders better understand their involvement in the audit of the company’s financial statements? What assistance have they rendered to the external auditors given the auditors’ qualified opinion?**
- (ii) **In particular, how did the AC carry out its review of the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements, given that the external auditors have noted the misstatements in the financial statements?**
- (iii) **What corrective actions/remedy did the AC recommend? If none, why so?**
- (iv) **Did the AC discharge its duties objectively?**
- (v) **What are the AC’s plans to resolve this audit issue going forward?**

On page 35, in the directors' statement, the directors have declared that, in the opinion of the directors, the financial statements are drawn up so as to give a true and fair view of the financial position of the group and of the company as at 30 June 2022 and the financial performance, changes in equity and cash flows of the group for the financial year then ended in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International).

- (vi) **Would the directors, especially the independent directors who are also audit committee members, help shareholders understand the basis of their opinion (as shown above) given the significance of the matters described in the basis for qualified opinion by the independent auditors (including overstatement of contract assets by as much as \$11,925,000 as at 30 June 2022)?**

Q3. The profiles of the directors can be found on pages 4 and 5 of the annual report. In the corporate governance report, the company has stated its commitment to maintaining good corporate governance to enhance and safeguard the interest of its shareholders. However, the company has deviated from Provision 2.3 of the Code of corporate governance 2018 which requires non-executive directors to make up a majority of the board.

The company stated the following:

Although the Company has deviated from Provision 2.3 of the Code, with Non-Executive Directors making up half of the Board instead of majority, the Board believes that the two Independent Directors have many years of experience and are able to serve the present needs of the Group, having served on other listed companies. In addition, the Board Committees are chaired and/or comprises Independent Directors. The Board has taken into account the scope and nature of the operations of the Company as well as the corporate transactions undertaken and considers its current size to be adequate for effective decision making. In addition, the Chairman of the Board is also an Independent Director. The composition of the Board will be reviewed regularly and changes will be made as and when appropriate. Post FY2022, Mr Sim Mong Keang Kenny was appointed as Non-Executive and Independent Director with effect from 1 September 2022. Key information regarding the Directors are set out below:

(Source: company annual report)

- (i) **Can the board/nominating committee (NC) help shareholders better understand the challenges in meeting Provision 2.3? What efforts, if any, were taken by the board/NC to reconstitute the board to meet Provision 2.3?**

In addition, it is noted that the chairman has served on the board since 24 December 2012. SGX has moved to limit the tenure of independent directors serving on the boards of listed companies to 9 years.

- (ii) **Has the NC evaluated the impact of the change on the board?**

On page 21 of the annual report, the company disclosed the following:

Set out below are the names, designations, dates of appointment and last re-election of each Director of the Company:

Name	Designation	Date of First Appointment	Date of Last Re-Election
Mr Pao Kiew Tee	Non-Executive Chairman and Independent Director	24 December 2012	20 October 2018
Mr Phua Lam Soon	Chief Executive Officer	5 October 2012	24 October 2019
Ms Ong Siew Eng	Executive Director	31 October 2012	26 November 2020
Mr Ng Kok Seng	Executive Director	31 October 2012	24 October 2019
Mr Foo Shiang Ping	Non-Executive Director	24 December 2012	26 November 2020
Mr Sim Mong Keang Kenny	Non-Executive and Independent Director	1 September 2022	-

(Source: company annual report)

In the biography of Mr Pao Kiew Tee, it was also stated that:

[Mr. Pao] is our Non-Executive Chairman and Independent Director. He was appointed as our Director on 24 December 2012 and was last re-elected on 29 October 2018. He is also the Chairman of the Audit Committee and a member of both the Nominating Committee and Remuneration Committee of our Company.

- (iii) **Can the company/director clarify if the director was last re-elected on 29 October 2018? If not, when was the last date of re-election?**
- (iv) **Can the directors, especially the independent directors, help shareholders better understand their efforts in reviewing and approving the company's communications with shareholders and the capital market?**
- (v) **Given the 9-year limit on the tenure of independent directors, what are the near-term plans for board renewal?**

[Additional question: It is noted that the annual general meeting will be held on 29 January 2023, Sunday, at 10.00 a.m. Would the board help shareholders better understand the reasons for holding the shareholder meeting on Sunday?]

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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