Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Hor Kew Corporation Limited

Stock code: BBP

Meeting details:
Date: 28 April 2023
Time: 9.00 a.m.
Venue: 66 Kallang Pudding Road, #07-01 Hor Kew Business Centre, Singapore 349324

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Q1. Would the board/management provide greater clarity on the following operational and financial matters? Specifically:

(i) **Projects:** For FY2022, total revenue amounted to $76.5 million, the highest since 2015. **Can management provide shareholders with more information on the major prefabrication projects? Does management have an estimate of the group's market share in prefabrication?**

(ii) **Manpower: Does the group face any challenges in hiring, training and retaining skilled workers?**

(iii) **Order book: Has management considered providing regular updates to shareholders and the capital market on the outstanding order book?**

(iv) **Keyman insurance: Can the board explain the rationale of buying a single premium keyman insurance policy amounting to $560,000 for a director of the group, fully paid using a revolving credit loan? (See also question 1(v))**

(v) **Borrowings:** Total borrowings were lower at $61.0 million as at 31 December 2022, down from $64.9 million. However, with interest rates increasing significantly, interest expense for 2023 will likely be substantially higher. **What options are available to management to reduce the company's borrowings and minimise interest costs in light of the significant increase in interest rates, such as the increase from 1.5% to 5.23% for short-term loans (revolving credit loans) and the increase from 1.5% to 4.89% for the $25 million term loan?**

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Q2. The "impairment of trade receivables and contract assets" is a key audit matter (KAM) highlighted by the independent auditors in their report on the audit of the financial statements. 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, the net carrying amount of the group's trade receivables and contract assets totaling $37,896,000 (2021: $21,431,000), after deducting impairment losses of $18,798,000 (2021: $15,194,000), accounted for approximately 22% (2021: 14%) of the group's total assets as at 31 December 2022.

The provision matrix under the accounting rule SFRS(I) 9 for the year is shown below:

Trade receivables and contract assets (cont'd)

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 for the financial year are set out in the provision matrix below:

		Past due			
	Not past due	0 to 6 months	6 to 12 months	More than 1 year	Total
2022					
Expected loss rate	**4.83%**	**7.40%**	**71.55%**	**90.35%**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross receivables and contract assets	**15,656**	**22,299**	**2,861**	**15,878**	**56,694**
Loss allowance	**756**	**1,650**	**2,047**	**14,345**	**18,798**
2021					
Expected loss rate	4.25%	9.60%	34.35%	78.10%	
	$'000	$'000	$'000	$'000	$'000
Gross receivables and contract assets	10,687	7,761	460	17,717	36,625
Loss allowance	454	745	158	13,837	15,194

(Source: company annual report)

(i) **What are the reasons that gross trade receivables and contract assets past due have increased significantly?**

(ii) **What are the efforts by management to collect on the outstanding trade receivables?**

(iii) **What guidance has the board given to management to better manage its working capital and reduce the risk exposure of the group?**

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The company is also the subject of SGX RegCo's query regarding the outstanding receivables from Triton Metal Supplies Pte Ltd (Triton). Details of the queries can be found here:

https://links.sgx.com/FileOpen/Response_SGX_%20addtional_queries.ashx?App=Announcement&FileID=751810

https://links.sgx.com/FileOpen/HKC_ResponseSGXQueries_FY2022Results13.3.2023.ashx?App=Announcement&FileID=749725

(iv) **Can the audit committee (AC) explain why the company has taken on the credit risk of Triton even though the group does not stand to benefit from Triton's transactions with Amxon Constructors Pte. Ltd.?**

(v) **Did Triton meet the requirements of the group's credit risk assessment when the transactions were carried out in 2017?**

(vi) **Has the AC assessed the group's options to exercise its legal right to pursue litigation against Triton for the outstanding payments owed, with the aim of safeguarding the company's interests?**

Q3. On 11 January 2023, the SGX-ST removed the two-tier voting process used by SGX listed companies to retain independent directors who have served for more than nine years. With this change, a director will not be considered independent if he had been a director for an aggregate period of more than nine years, whether before or after listing.

As a transitional arrangement allowed by the SGX-ST, an independent director whose tenure exceeds the nine-year limit can continue to serve as independent director until the AGM held for the financial year ending on or after 31 December 2023.

With the above changes, Dr Low Seow Chay, Mr Lee Sen Choon and Mr William Chew Yew Meng will only serve as independent directors until the conclusion of the company's next AGM to be held in April 2024.

All three non-executive directors are members of the nominating committee (NC), with Mr William Chew Yew Meng serving as the chairman of the NC, and Mr Benjamin Aw Chi-Ken being the fourth member of the NC.

(i) **Can the NC help shareholders understand if there is a succession plan for directors in place (Provision 4.1 of the Code of Corporate Governance 2018)?**

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(ii) **Can the NC explain the rationale of retaining all three long-tenured non-executive directors until after the next AGM in April 2024? Would the cessation of all three long-tenured non-executive directors at the same time disrupt the proper functioning of the board?**

(iii) **Can the NC provide further details on the search and nomination process for directors, particularly independent directors? Will the NC be engaging a third-party search firm and/or professional organisation to broaden its search for potential candidates, especially those who have a proven track record in listed companies?**

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

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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