



Securities Investors Association (Singapore)

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Issuer: Tiong Woon Corporation Holding Ltd

Stock code: BQM

Meeting details:

Date: 27 October 2022

Time: 9.30 a.m.

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

Q1. In the chairman’s message, it was noted that the group leveraged its capabilities and solid track and benefitted from the “*strong demand for its heavy lift and haulage services to the oil and gas, petrochemical, infrastructure and construction sectors, particularly in Singapore.*” The group also experienced an increase in demand in India, offset by lower demand in Brunei. However, despite the narrative of strong demand, the average utilisation rate for the group’s heavy lift assets decreased from 49% in FY2021 to 48% in FY2022.

- (i) **Can management elaborate further on the low utilisation rate of 48% despite the “strong demand” in FY2022? What challenges did the group face in improving the utilisation rate (and profitability) of the heavy lift and haulage services segment?**

In addition, the chairman disclosed that “activities in Brunei were *more muted* and there was no new project secured in FY2022” [emphasis added]. In the business review, the company further stated that “*lower* revenue [was] derived from Brunei” [emphasis added] (page 7). This gives shareholders the impression there were some tail-end activities in Brunei in FY2022.

However, based on Note 34 (b) (Segment information: Geographical information), it would appear that (revenue-generating) activities ceased in Brunei and no revenue was derived from Brunei in FY2022.

- (ii) **What were the reasons that the group was unable to secure new projects in Brunei?**
- (iii) **What is the nature of the project(s) carried out in India? Does the group have any competitive advantage in India? How long-lived will the Indian projects be?**
- (iv) **Separately, given the observations above, can the directors, especially the independent directors, help shareholders better understand their level of involvement in the preparation of the annual report?** Principle 11 of the Code of Corporate Governance 2018 requires the company to give shareholders a balanced and understandable assessment of its performance, position and prospects.

Q2. The “recoverability of trade receivables” 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 at 30 June 2022, the group’s net trade receivables amounting to \$37.1 million, comprising gross trade receivables of \$65.9 million and a corresponding allowance for impairment of \$28.8 million, accounted for 7.8% of the group’s total assets (page 59).

Further in Note 32 (b) (page 111 – Financial risk management: Credit risk), it was shown that the group recognised (gross) impairment of receivables of \$2.58 million (FY2021: \$1.97 million), offset by a reversal amount of \$355,000 (FY2021: \$392,000).

- (i) **Has the board reviewed the group’s credit risk framework? Is the board satisfied with the historical impairment of trade receivables?**
- (ii) **In addition, what is the oversight by the board/audit committee (AC) to ensure that the group obtains sufficient security from customers when appropriate to mitigate credit risk?**

As at 30 June 2022, the impairment loss allowance for trade receivables was \$28.8 million (2021: \$26.3 million). The group’s trade receivables included one debtor, whose debt amounted to \$12.0 million (2021: \$11.6 million) which is aged more than 365 days. Allowance for impairment of \$12.0 million has been made for this debt (2021: \$11.6 million).

- (iii) **Is the group still trading with the customer who has long-outstanding trade receivables of \$11.6 million from the previous financial year?**
- (iv) **What are the reasons that the group has allowed a single debtor to have outstanding trade receivables of \$11.6-\$12.0 million? How robust was the credit risk approval process (including credit approval, credit evaluation and review, setting credit limits and monitoring)?**
- (v) **What are management’s plans to recover the outstanding debt?**

In the heavy lift & haulage segment, the expected loss rate is 75% with loss allowances hitting \$24.5 million whereas in the marine transportation segment, the group has applied relatively high expected loss rate of 34% even for trade receivables that are current (see below):

		Past due				
	Current	Within 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

2022

Heavy Lift & Haulage

Expected loss rate	-	-	-	0%	75%	
Contract assets	1,784	-	-	-	-	1,784
Trade receivables	12,195	9,030	4,791	2,669	32,425	61,110
Loss allowances	-	-	-	2	24,465	24,467

2021

Heavy Lift & Haulage

Expected loss rate	-	1%	-	-	76%	
Contract assets	1,003	-	-	-	-	1,003
Trade receivables	10,845	11,990	5,194	1,988	30,853	60,870
Loss allowances	-	100	-	-	23,524	23,624

		Past due				
	Current	Within 30 days	30 to 60 days	60 to 90 days	More than 90 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

2022

Marine Transportation

Expected loss rate	34%	40%	95%	69%	97%	
Trade receivables	370	134	57	78	4,078	4,717
Loss allowances	125	54	54	54	3,973	4,260

2021

Marine Transportation

Expected loss rate	-	-	-	-	64%	
Trade receivables	186	172	1	12	4,180	4,551
Loss allowances	-	-	-	-	2,658	2,658

(Source: company annual report)

- (vi) **How does the group estimate its expected loss rate? How reasonable is it that the expected loss rate is 34% even when the trade receivables are current? Does it suggest that the group's credit evaluation process needs to be reviewed?**
- (vii) **Would the AC be reviewing and furthering tightening the group's credit risk management framework to ensure that the group collects on its receivables? In addition, would the AC be recommending a more robust system to ensure that the group obtains sufficient security to mitigate credit risks?**

Q3. As noted in the corporate governance report, two of the independent directors, namely Mr Wong King Kheng and Mrs Carrie Cheong, have served on the board for more than nine years from the dates of their first appointments in 1999 and 2009 respectively.

In particular, Mr Wong King Kheng was first appointed to the board on 23 August 1999. Mr Wong King Kheng has served on the board for more than 23 years. Mr Wong is also the lead independent director, chairman of the audit committee and a member of the nominating committee and remuneration committee.

On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning¹. On 13 September 2022, SGX RegCo further announced that it will consult on hard-coding the 9-year limit for independent directors².

- (i) **Would the proposed re-election of Mr Wong King Kheng be aligned with SGX RegCo's directive?**
- (ii) **Will the continued appointment of the long-tenured directors impede/delay the progressive renewal of the board? Are there any challenges faced by the board in identifying and onboarding of new board members?**
- (iii) **Should Mr Wong King Kheng, the lead independent director lead by example by setting the tone with regard to capping the tenure of independent directors?**

¹ <https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to>

² <https://www.sgxgroup.com/media-centre/20220913-sgx-regco-require-9-year-cap-id-tenure-disclosure-directors-and-ceo>

^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.

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.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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^ 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>)