

Issuer: Asian Micro Holdings Limited

Security: Asian Micro Holdings Limited

Meeting details:

Date: 20 October 2017

Time: 10.00 a.m.

Venue: Orchid Country Club, Sapphire, 1 Orchid Club Road, Singapore 769162

Company Description

Asian Micro Holdings Limited, an investment holding company, provides compressed natural gas (CNG) supply and related products and services to customers in the oil and gas, marine and offshore, aviation, shipyard, and manufacturing industries primarily in Singapore and Thailand. The company operates through Tray Washing and Recycling, Trading, and Natural Gas Vehicle Related Business segments. It supplies CNG skids, which are used for storing and transporting CNG to local industries for gas cutting, heat treatment, and power generation, as well as for powering of natural gas engines and off-the-road vehicles. The company also provides clean room grade plastic packaging bags and materials for packaging cleaned finished products in the hard disk drive and semiconductor industries, as well as engages in the recycling and precision cleaning of packaging trays and media/disk cassettes used in these industries. In addition, it offers precision parts cleaning and parts visual inspection, as well as clean room laundry cleaning services; and trades in natural gas vehicle related products. Asian Micro Holdings Limited was incorporated in 1997 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=585)

Q1. In the group's Natural gas business, the company disposed its Compressed Natural Gas ("CNG") business in Thailand while the company's wholly owned subsidiary in Singapore, AM NGV (S) Pte Ltd, is primarily involved in the supply and transportation of CNG and maintenance of the Rolls-Royce CNG yard. The contract with Rolls-Royce Singapore Pte Ltd ends on 31 March 2018.

- a) **Can the company provide shareholders with better visibility of the long term prospects of CNG in Singapore?**
- b) **When would the company know if Rolls-Royce Singapore Pte Ltd would sign the option for an extension of the contract?**
- c) **Are there any other clients that the group is serving in Singapore in the CNG/NGV segment? What are the challenges of acquiring new customers?**

In October 2016, the company announced that, starting January 2017, it would go into a new business of providing LNG distribution and trucking services, sales or leasing of ISO LNG cryogenic storage systems and LNG vaporizers to promote the use of LNG for powering natural gas engines, natural gas power generators, and LNG boilers/heaters and usage in gas cutting.

- d) **Would the company provide shareholders with an update on the new business?**
- e) **What is the level of commercial due diligence that the company has carried out on the prospect of LNG in Singapore? Specifically, what is the addressable market and who are the potential customers of this new LNG business?**
- f) **What is the group's strategy to grow this new LNG business?**

Q2. In Note 31 (page 93 - Events occurring after the reporting date), the company reported that a subsidiary has completed the acquisition of two plots of land in Pulau Pinang, Malaysia in July 2017 and the title deeds have been officially transferred in August 2017.

- a) **What are the development plans for the newly acquired land?**
- b) **How does the group intend to develop and market the site?**
- c) **What due diligence has the group carried out prior to the acquisition of the land in Pulau Pinang?**
- d) **How familiar is the group with the real estate market in Pulau Pinang?**
- e) **How is the group going to fund the development of the newly acquired land?**

Q3. The following financial highlights are extracted from pages 10 and 11 of the annual report:

FINANCIAL HIGHLIGHTS

	2013	2014	2015	2016 Restated	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
RESULTS OF OPERATION					
Revenue	6,695	6,545	6,047	4,132	4,149
Net (Loss)/Profit from continuing operations after taxation but before NCI	(1,290)	(445)	263	83	191
Attributable to :					
Owners of the Company	(1,031)	(602)	609	109	(176)
REPRESENTING					
Equity attributable to owners of the Company	649	2,487	2,679	3,133	1,803

(Source: Company annual report)

Based on the disclosure in Note 26 (page 81 – Related party disclosures), the compensation of directors (excluding key management personnel who are not directors) is \$628,983.

Since 2013, the executive directors are Lim Kee Liew @ Victor Lim, Ng Chee Wee and Lin Xianglong Winchester (resigned as an Executive Director of the Company with effect from 3 August 2016). Mr Lin Xianglong Winchester is the son of the Executive Chairman, CEO and Group Managing Director, Victor Lim.

The remuneration of the executive directors, relative to the group's performance and equity base, is compiled from past annual reports and is shown below.

	2013	2014	2015	2016	2017
Directors of the Company	\$585,809	\$976,386	\$531,377	\$582,913	\$628,983
Directors' fees for non-executive directors	\$48,000	\$48,000	\$48,000	\$48,000	\$55,000
Estimated remuneration for executive directors	\$537,809	\$928,386	\$483,377	\$534,913	\$573,983
Remuneration for Mdm. Leong Lai Heng, spouse of Mr. Lim Kee Liew @ Victor Lim, Executive Chairman, CEO	\$150,000 to \$250,000	\$300,000 to \$350,000	\$150,000 to \$200,000	\$200,000 to \$250,000	\$200,000 to \$250,000
Revenue (\$ '000)	6,695	6,545	6,047	4,132	4,147

Executive directors' remuneration as a percentage of revenue	8.0%	14.2%	8.0%	12.9%	13.8%
Equity attributable to owners of the company (\$ '000)	649	2,487	2,679	3,133	1,803
Executive directors' remuneration as a percentage of shareholder's equity	82.9%	37.3%	18.0%	17.1%	31.8%
Net (loss)/profit attributable to owners of the company (\$ '000)	(1,031)	(602)	609	109	(176)
Executive directors' remuneration as a percentage of net (loss)/profit attributable to owners of the company	-52%	-154%	79%	491%	-326%

Over the past 5 years, the cumulative net (loss) attributable to owners of the company is \$(1.091) million while the estimated total remuneration to the Executive directors is \$3.06 million.

As at the end of FY 2013, shareholders' equity was \$649,000, and the company increased its share capital by \$2.9 million (from a private placement, a debt conversion and the exercise of employee share options in 2014). As at 30 June 2017, shareholders' equity stands at just \$1.803 million.

As disclosed in the Report on Corporate Governance (page 19), the responsibilities of the remuneration committee (RC) includes, inter alia:

- To review and recommend to the Board an appropriate and competitive framework of remuneration for the Board and key management personnel of the Group to attract, retain and motivate employees of the required caliber to manage the Company successfully;
- To determine and recommend to the Board specific remuneration packages for each Executive Director, taking into account factors including remuneration packages of Executive Directors in comparable industries as well as the performance of the Company and that of the Executive Directors;
- To ensure that the remuneration policies and systems of the Group supports the Group's objectives and strategies;

The RC comprises Mr. Cheah Wee Teong (as chairman), Mr. Chue Wai Tat and Mr. Lee Teck Meng Stanley (who is a Non-Executive and Non-Independent Director).

- Can the RC explain if it has reviewed its remuneration policies and systems and evaluated if it has supported the group to meet its objectives and deliver on its strategies?**
- In view of the performance of the group, has the RC evaluated how it could revise the remuneration framework to better align the interests of executive directors/employees and shareholders?**
- The estimated compensation to executive directors has been between 17%-83% of shareholders' equity. Has the RC evaluated if the remuneration packages of executive directors are comparable to other listed companies with small market capitalisation, and taking into account the performance of the company and that of the executive directors?**

- d) From FY2013-FY2017, the estimated remuneration of Mdm. Leong Lai Heng, spouse of Mr. Lim Kee Liew @ Victor Lim, Executive Chairman, CEO is estimated to be about \$1.1 million. **Can the board disclose the job scope and level of responsibilities of Mdm. Leong?**