

**Issuer:** Kim Heng Offshore & Marine Holdings Limited  
**Security:** Kim Heng Offshore & Marine Holdings Limited

**Meeting details:**

Date: 25 April 2018

Time: 4.00 p.m.

Venue: Dyna-Mac Holdings Ltd, Corporate Office Building, 45 Gul Road, Singapore 629350

## Company Description

Dyna-Mac Holdings Limited, an investment holding company, engineers, fabricates, and constructs offshore floating production storage offloading (FPSO) and floating storage offloading (FSO) topside modules for the oil and gas industries. The company operates through two segments, Module Business and Ad-hoc Projects. It is involved in the engineering, procurement, and construction of specialized process and control equipment modules, including separators, separators, heat exchangers, coolers, pumps, electrical equipment, process piping, control valves and control panels that are installed on steel structural frames and connected as per the lay-out drawings of the specific FPSO and floating liquefied natural gas (F-LNG), as well as power generation and accommodation modules. The company also constructs modules for LNG liquefaction plants, refineries, and pharmaceutical and petrochemical plants. In addition, it engages in the offshore construction of hull of floating production units, turret mooring systems, sub-sea pipelines, self-installing platforms, and fixed platforms and jackets. Further, the company is involved in the fabrication, sale, installation, and repair of modules for oil rigs; the provision of land and marine services of engineering, project management, and other related services to the exploration and exploitation of oil and gas; and repair of ships, tankers, and other ocean-going vessels, as well as engineering, fabrication, and construction of onshore plants and other sub-sea products. Additionally, it manufactures and repairs marine engines and ship parts; and offers manpower resources for shipping-related projects. The company operates primarily in Japan, Singapore, Malaysia, Korea, China, Australia, Monaco, Switzerland, and the United Kingdom. Dyna-Mac Holdings Limited was founded in 1990 and is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=NO4](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=NO4))

**Q1.** As noted in the Executive Chairman & CEO Letter to Shareholders, revenue for FY2017 fell to \$31 million as compared to \$204 million a year ago. Consequently, loss after tax for the group widened from \$19 million to \$58 million in FY2017.

The higher losses were due to:

- impairment charge of \$2 million on Property Plant and Equipment
- under-absorbed overhead costs of \$18 million due to low utilisation of the main yard at Gul Road
- \$8m charge related to inventory write-off and overhead costs associated with idle facilities in the Malaysia yard

Despite the losses, the group managed to breakeven on its operating cash flow and the net order book has picked up to \$90 million at the end of the financial year, from just \$13 million as at end of 2016.

- a) **With the Strike Steel Ceremony held at the Gul Road main yard on 18 January 2018, when will the 12 topside modules for FPSO Liza Destiny be completed?**

The group generated 96% of its revenue from topside modules in both FY2016 and FY2017.

- b) **Is the expertise of the group so specialised that the group is limited to the construction of topside modules? Can the group leverage its expertise and expand to adjacent industries?**
- c) **Can management help shareholders understand the opportunities in “green technology, modular onshore plants and mobile power plants”?**
- d) **What are the other innovative/proactive plans by the group to increase revenue?**

**Q2.** As mentioned in Qn1, one of the reasons for the high losses in FY2017 was the overhead costs of \$18 million absorbed due to the low utilisation of the main yard at Gul Road.

- a) **Can management clarify if these are direct overhead costs of employee employed by the group?**
- b) **During this period of extremely low business activities, has the group carried out innovative cost cutting measures such as enforced leave etc?**
- c) **On the other hand, how does the group retain talent, upskill them and keep them motivated during this downturn so that the team will emerge stronger once business activities pick up again?**

**Q3.** In the section on the group’s “Approach to Sustainability”, the company disclosed that it has a zero tolerance stance for corruption. It has established Anti-Corruption/Anti-Bribery/Gifts, Hospitality and Entertainment guidelines and there is a whistle-blowing policy in place as well.

- a) **Can the board/management tell shareholders how they set the tone at the top?**
- b) **Have the board and the executive committee assessed if bribery and corruption risk is considered a key risk for the group?**
- c) **How was the risk assessment carried out and how robust was the assessment?**
- d) **How does the group manage such risks associated with third parties?**