Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: ES Group (Holdings) Limited

Stock code: 5RC

Meeting details:
Date: 5 June 2020
Time: 2.30 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Would the board/management provide shareholders with better clarity on the group's new building and repair services? Specifically:

(i) **Revenue: What are the more significant projects taken on by the group? How does the group source for new projects?**

(ii) **Major customer:** The group's major customer accounted for $18.4 million of the group's $21.3 million segment revenue. **Is there capacity for the group to carry out more new building/repair services? If so, what are management's efforts to establish a bigger client base and to secure projects from other customers?**

(iii) **COVID-19: How has the group been impacted by the pandemic and what measures have been put in place by management?**

Q2. The "Impairment assessment of property, plant and equipment" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (pages 42 to 46). 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 mentioned in the KAM:

> *As at 31 December 2019, the Group's property, plant and equipment amounted to $14,146,215 which accounted for 31% of the Group's total assets. During the financial year, management carried out an impairment assessment on one of the Group's vessels as there were indicators that it may be impaired… Based on management's assessment, there is an impairment of $800,000 recognised on the vessel.*

As at 31 December 2019, the group has carrying value for vessels in its property, plant and equipment amounting to $4.57 million (page 83). This excludes the carrying value of ES Bristol.

Ship charter revenue was $5.2 million in 2019, declining from $5.4 million in 2018. In Segment information (Note 32 – page 99), the shipping segment gross profit slipped from $119,682 to a loss of $(210,019). The shipping segment consists of the group's ship chartering, marine supplies and related activities.

(i) **Can management confirm that the impairment was recognised for ES Aspire? After the impairment, what is the carrying value of ES Aspire?**

(ii) **What was the utilisation rate for ES Aspire?**

(iii) **What other vessel does the group own, if any?**

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(iv) Under the shipping segment, the marine supplies business has remained flat at $1.15-$1.20 million in the past two years. **Can management help shareholders understand the growth opportunities in the marine supplies business? With just ~$1.2 million in revenue, does the marine supplies business enjoy economies of scale?**

Q3. As noted in the Corporate Governance report, the group listed the following Interested person transactions (page 34):

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit and Risk Committee and that the transactions are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. All interested person transactions are subject to review by the Audit and Risk Committee to ensure compliance with established procedures.

The Company does not have a general mandate from Shareholders for interested person transactions pursuant to Rule 920 of the Rules of Catalist. The aggregate value of interested person transactions entered into during FY2019 as required for disclosure pursuant to Rule 1204(17) of the Rules of Catalist is as follows:-

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transaction during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000
Mr. Low Chye Hin - Provision of consultancy services and allowance	Mr. Low Chye Hin, the Group's consultant, is the father of Mr. Low Chee Wee (Executive Director, CEO and COO of the Company).	204	-
Mr. Eric Neo Chiang Yee - Insurance broker services	Mr. Eric Neo Chiang Yee is the brother of Mr. Eddy Neo Chiang Swee (Executive Director of the Company) and the cousin of Mr. Low Chee Wee (Executive Director, CEO and COO of the Company).	231	-
Total		**435**	-

(Source: company annual report)

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Mr. Low Chye Hin, the father of the executive director, CEO and COO of the company, provides consultancy services to the group in return for consultancy fees and allowance. The amount was $204,000 for FY2019.

(i) **Can the board help shareholders understand what are the roles and responsibilities of the consultant? What are the deliverables?**

(ii) **Does the consultant report to the executive director/CEO?**

(iii) **Can the board confirm that Mr. Low Chye Hin, as a consultant to the group, receives allowance?**

(iv) **Is there a fixed term to the consultancy agreement with Mr. Low Chye Hin?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

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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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)