



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Nordic Group Limited

Security: Nordic Group Limited

Meeting details:

Date: 29 April 2019

Time: 10.00 a.m.

Venue: 8 Wilkie Road #03-01 Wilkie Edge Singapore 228095

Company Description

Nordic Group Limited is a systems integration solutions provider serving the marine, offshore, and oil & gas industries. Its Systems Integration division turns systems into solutions by providing Flow, Automation and Navigation solutions that includes valve remote control systems, tank gauging systems, and integrated monitoring and alarm control systems. Its Precision Engineering division designs and builds tooling systems provide production solutions to a customer in the aerospace, marine, medical and oil & gas, and electronic manufacturing industries. Its Scaffolding Services division provides a safety-certified metal scaffolding systems, including design, erection, modification, dismantling, sales and rental, servicing the onshore oil & gas, petrochemical and marine industries. Its Insulation Services division specializes in supplying thermal acoustical insulation, passive fireproofing and industrial coatings to the marine, oil & gas, petrochemical and pharmaceutical industries.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=MR7)

Q1. Would the board/management provide shareholders with better clarity on the following operational matters? Specifically:

- (i) Project margin:** For FY2018, the group reported a gross profit of \$23.3 million, down from \$30.4 million a year ago. Gross profit margin decreased from 33.3% in FY2017 to 25.4% in FY2018 mainly due to “specific projects of lower margins” during the year (page 15 of the annual report). **Can management help shareholders understand if the lower margins were a result of competitive pressure or the nature/scope of project?**
- (ii) Maintenance services: What are the major opportunities to grow the maintenance services segment further in the next 18-24 months?** Revenue has been steady at ~\$37 million in the past two years.
- (iii) 2 Tuas Avenue 10: With the group consolidating its operations at the new site, how much cost savings will the group be able to achieve? Has management also taken the opportunity to further streamline its workflow and processes?**
- (iv) Carbon allowance: Following the sale of the balance carbon emission trading units, can management elaborate further on the plans for this segment?**

Q2. In the past years, the group has made strategic acquisitions to gain a foothold in new sectors. For example, with the acquisitions of Multiheight Scaffolding and Austin Energy Group, the group scaled up its exposure to the petrochemical and to the pharmaceuticals segments.

In 2017, the group acquired Ensure Engineering Pte Ltd (“Ensure”) for approximately \$16 million. Ensure specialises in engineering repairs, maintenance, plant turnaround services as well as decontamination and recovery services. Ensure also expanded the group’s clientele base from serving private sector into government agencies like Public Utilities Board and National Environment Agency.

- (i) Has Ensure been fully integrated with the rest of the group?**
- (ii) Are there any synergies between the group’s subsidiaries? How are the subsidiaries incentivised to work together?**
- (iii) Has Ensure performed up to management’s expectations?**
- (iv) In the acquisition of Ensure, a contingent liability payable consideration of \$7.81 million was structured into the deal as an “earn-out” agreement. This represents 50% of the future profit performance from 2017-2020. The carrying amount was lowered to \$4.5 million as 31 December 2018. **Has the group paid out on the earn-out or was the earn-out amount reduced?****

- (v) The group has executed well on the Merger and Acquisition strategy to expand the group's product range and services, acquire new customers and deliver higher earnings. **Is the group still looking to make strategic acquisitions? Are there any other complementary sectors or services that could be added to the group?**

Q3. The board comprises of five members, of which three are independent, namely Juliana Lee Kim Lian, Ong Hua and Hew Koon Chan.

All three independent directors were appointed 16 September 2010. As such, all three independent directors have served over 8 years 7 months, i.e. 5 months short of the 9 year period.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("2018 CG Code"). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

It was disclosed that Mr Hew Koon Chan will not be seeking re-election as a director of the company due to the 9 year rule. A one-off director's fee of \$15,000 has been proposed for Mr Hew Koon Chan which is subject to approval by shareholders at the AGM on 29 April 2019.

- (i) **Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) **Can the board help shareholders recall if it has appointed an independent director since its listing?**
- (iii) **What is the search and nominating process for appointing new directors, especially independent directors? Has the nominating committee (NC) evaluated if the use of a professional search firm for independent directors may enable the board to cast its net wider and further improve the diversity and possibly the quality of the candidate pool?**
- (iv) **Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (v) **Given that all the independent directors were appointed on the same day, what are the company's other near term plans to refresh the membership**

of the board progressively to comply with the new 2018 Code in good time?
Doing so would avoid undue disruption and maintain institutional knowledge and continuity in the board.

- (vi) **Would the company also clarify on the proposed one-off director's fee of \$15,000 for Mr Hew Koon Chan?** No reason has been provided for the proposed fee.