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

Stock code: MR7

Meeting details:
Date: 27 April 2020
Time: 10.00 a.m.

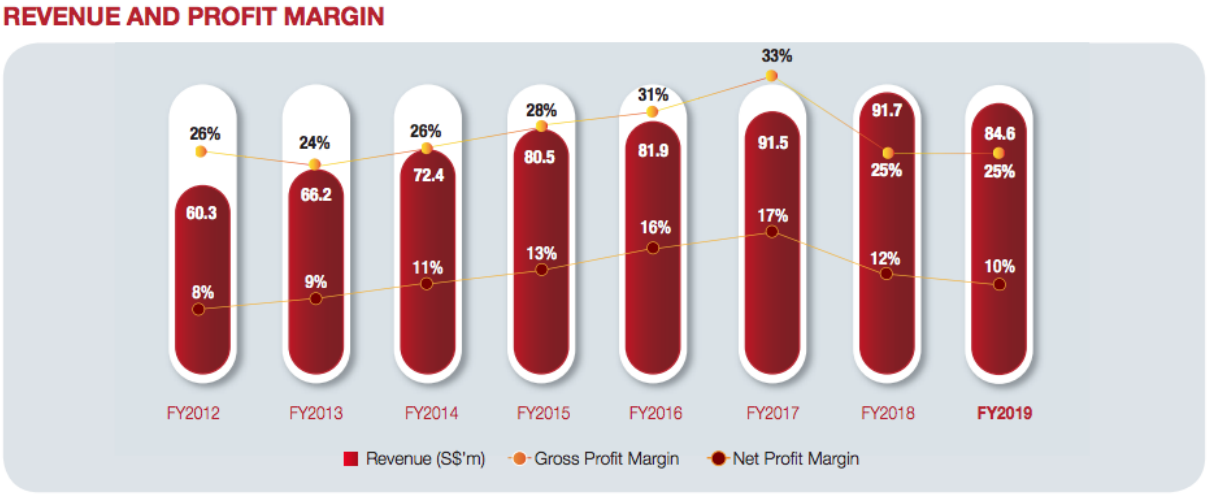
Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens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

Company Description

The Company was incorporated in Singapore on 8 April 2010 under the name Nordic Group Pte Ltd. The Company changed its name to Nordic Group Limited on 22 September 2010. Established in 1998, Nordic Group Limited is an automation systems integration solutions provider serving mainly the marine and offshore. The Group also designs and builds tooling systems, and provides turnkey production solutions to customers in the marine, oil and gas, aerospace, medical and electronic manufacturing services industries. Nordic Group Limited business are categories into three segments:- (i) systems integration (ii) precision engineering (iii) maintenance, repair and overhaul (MRO) and trading. Supplying to a diverse range of vessels across industries, the Group customers include ship owners, oil rig owners, shipbuilders and ship management companies such as Beihai Shipbuilding Heavy Industry Co Ltd, Keppel Singmarine Pte Ltd, STX Offshore and Shipbuilding, Shanhaiguan News Shipbuilding Industry Co Ltd, Yangzhou Dayang Shipbuilding Co Ltd, CAM Comopression Oklahoma City Cameron, Taizhou Sanfu Ship Engineering Co Ltd.
(Source: https://www.sgx.com/securities/equities/MR7)

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

Q1. As shown in the Financial highlights (page 15 of the annual report; reproduced below), revenue for the group dipped slightly by 4% to $84.6 million while the gross profit margin for FY2018 and FY2019 slipped to 25%. Net profit margin also dropped to 12% and 10% for FY2018 and FY2019 respectively.



(Source: Company annual report)

(i) **Going forward, with the current split of revenue from project services/maintenance services, would it be reasonable to expect that the group's net profit margin would be in the low double-digit level?**

(ii) In Note 7 (page 76 – Administrative expenses), only $8.857 million out of $12.0 million of total administrative expenses was accounted for. **Would the company disclose the rest of the administrative expenses?**

(iii) On page 14 (Financial highlights and investment scorecard), the company stated that it achieved a Return on invested capital (ROIC) of 15.7% in FY2019. In the footnote, it was explained that "for every $1 of capital invested in the business, the company earned about $15 in profit". **Would the audit committee and/or the auditors help shareholders understand if this is the correct interpretation of ROIC?**

Q2. In the Corporate governance report, the board has disclosed that there is a whistle-blowing framework in place ("Speaking Up Policy"), that has been endorsed by the audit committee (page 39). During the year, there was one reported incident pertaining to the Speaking Up Policy.

(i) **Can the audit committee ("AC") elaborate further on the nature of the reported incident? What investigative, follow-up and remedy actions did the AC take?**

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

(ii) **Has the AC fully resolved the incident and arrived at a satisfactory conclusion?**

Q3. On 4 September 2019, the company announced that the group had entered into a non-binding term sheet to acquire the entire issued and paid-up share capital of Envipure Pte. Ltd. for a purchase consideration of between $14.0 million and $15.5 million. The announcement was dated 3 September although the SGXNet announcement was posted in the early hours of 4 September 2019 at 12:05 am.

On 4 September 2019, at 10:05 pm, the company then disclosed that Ms Teo Ling Ling, executive director and Chief Executive Officer of Nordic Flow Control Pte Ltd, had acquired 180,000 shares via market transaction on 4 September 2019.

The proposed acquisition was then completed on 21 November 2019 at a consideration of $14.8 million to be paid fully in cash.

(i) **Would the company help shareholders understand if it would be possible that Ms Teo, in her position as executive director, would be in possession of price-sensitive information relating to the acquisition and thus should have been prohibited from dealing in the securities of the company while the proposed acquisition was being negotiated with the vendors?**

In addition, on 13 March 2020, the company announced that it had secured approximately $30.4 million worth of contracts. The following transactions by the company and directors were observed:

- 101,000 shares acquired by Mr Chang Yeh Hong via market transaction on 6 March 2020 and announced by the company on 8 March 2020
- 137,600 shares acquired by the company by way of market acquisition on 6 March 2020 and announced by the company on 8 March 2020
- 436,300 shares acquired by the company by way of market acquisition on 9 March 2020 and announced by the company on 9 March 2020

(ii) **Would the board, especially the independent directors, review the transactions and consider strengthening the group's policy and awareness of dealing in the securities of the company while in possession of price-sensitive information?**

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

^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

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US

^ 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)