



KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED
(Company Registration Number: 201311482K)
(Incorporated in the Republic of Singapore on 29 April 2013)

RESPONSES TO QUESTIONS RECEIVED FOR EXTRAORDINARY AND ANNUAL GENERAL MEETING FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**” or “**Directors**”) of Kim Heng Offshore & Marine Holdings Limited (the “**Company**” and together with its subsidiaries, collectively the “**Group**”) refer to its annual report for the financial year ended 31 December 2020 (“**2020 Annual Report**”) and the related documents published on 1 and 8 April 2021. The Company has received several queries from the shareholders of the Company and Securities Investors Association (Singapore) and the Company wishes to provide the Company’s responses to the queries raised as follows:

Unless otherwise defined, all terms and references used herein shall bear the same meaning ascribed to it in the 2020 Annual Report and the related documents published on 1 and 8 April 2021.

Question 1

As mentioned in the 2020 Annual Report, the Company is working with the Yunlin offshore wind farms:

- a) Has the construction of offshore wind farms off Yunlin been completed? If not, what is the expected date of completion (as publicly announced by the Taiwan government and/or the wind farms operators)?**

Company’s response: The Yunlin Offshore Windfarm is currently undergoing construction and is expected to be commissioned by the end of 2021.

- b) Is the Company currently involved in the operations and maintenance business of the operational Taiwanese wind farms?**

Company’s response: We are currently not involved in the operations and maintenance business of wind farms in Taiwan. The Company is currently involved with the construction & installation phase of the Taiwanese windfarms. The Company will look towards expanding into the operation & maintenance business of the windfarms in the near future, if there are suitable opportunities which arise.

c) How many vessels does our Company have working in TW Offshore Wind Farms?

Company's response: We currently have a marine spread of 3 construction barges and 2 tugs working in the Taiwan Offshore Windfarms assisting with the cable laying, horizontal directional drilling and towage transportation.

d) Are we fabricating any wind turbines structures (monopiles, jackets etc) in Singapore?

Company's response: No, as the space requirements for such fabrication exceed our current shipyard space.

Question 2

Have the construction of Changhua offshore wind farms started? If so, is our Company involved in any of the projects?

Company's response: The Company's subsidiary, Thaitan International Pte Ltd is involved in an offshore windfarm project in Changhua but due to confidentiality reasons, we are unable to comment further.

Question 3

Given that the wind farms construction and operations/management in Taiwan have local content requirements, how is the Company managing this aspect of this business?

Company's response: We have established a local joint venture as announced on 27 March 2020 and the local partners have assisted on meeting the local content requirements based on their familiarity with the local market in Taiwan.

Question 4

Besides Taiwan, what other Asian countries have confirmed renewables energy projects in the next 3 years?

Company's response: We believe that Vietnam, Japan & Korea are looking at renewable energy as an alternative source of energy in the next few years. The Company is open to opportunities available in the renewables energy projects across Asia.

Question 5

In view of the higher oil prices, has oil and gas exploration and production activities in South East Asian countries picked up? Are we seeing higher utilization rates for our vessels, as compared to 2020?

Company's response: There are signs of Oil & Gas activities picking up. Vessel utilization rates have been increasing subsequent to the end of FY2020. We are also seeing a shortage in supply of operationally ready vessels.

Question 6

Did the Company lay up any vessels in 2020? If so, have these vessels been redeployed?

Company's response: The Company did not lay up any vessels in 2020. Its current fleet was maintained as operational whilst the vessels purchased in 2020 were reactivated to become operational.

Question 7

The Company's Pandan Crescent property lease will be expiring by 31 Dec 2021. Does the Company intend to renew the lease or to return the property to the government?

Company's response: We are currently engaging JTC Corporation on this matter to extend the lease of the Pandan Crescent premises.

Question 8

Will there be any need for funds raising e.g. rights issue or placements to fund the diversification?

Company's response: There is currently no immediate plans to raise funds via right issue or placements to fund the Proposed Diversification. As mentioned in the Circular, the Proposed Diversification will be funded primarily through internal funds and/or external borrowings.

Question 9

The Company is proposing to change its name to "Kim Heng Ltd" and to add the renewable energy support as one of the group's core activities. The rationale for the proposed diversification is shown in the Circular on pages 10 and 11.

- a) Would the board elaborate further on the expected synergies between the new business and its existing businesses? What is the level of capital expenditure required to support the new business?**

Company's response: The Company refers to the Circular in relation to the Proposed Diversification to renewable energy support business paragraph 3.4 (b), where we have stated that the new business requires similar skill sets, machinery and equipment and utilizes the Group's vessels.

Currently, the level of capital expenditure required is deemed to be low as we will be utilising our existing assets.

- b) Will the group be building up a core team with the necessary expertise in house to carry out the new business? Other than the chief operating officer for offshore & marine, how strong is the current management and technical bench strength to support this new business?**

Company's response: The Company refers to section 3.6 in the Circular on the Proposed Diversification, as mentioned, the Group will hire consultants and professionals to tap on their expertise and work together with the joint venture's partners in the projects. With a strong resource base, the Group is able to draw from a wealth of expertise throughout the organization and consultants in the industry to develop a comprehensive range of service capabilities.

- c) How will the group be acquiring new customers? What would be the Group's competitive advantage over existing operators?**

Company's response: We have marketing teams and continually engage with overseas contacts and associates for the new projects.

We have secured early positional advantage in Taiwan ahead of our competitors. We believe our competitive advantage lies in our rates and expertise.

Question 10

The group's equity has decreased from \$91.3 million (FY2016) to \$59.4 million as at 31 December 2020. Would the board consider it opportune to carry out a strategic review of the group's core strengths and capabilities, management depth, cost structure and the competitive landscape in the core business so as to refocus and reposition the group prior to the diversification?

Company's response: Since 2016, we have been carrying out strategic reviews of the group's core strengths and capabilities, management depth, cost structure and the competitive landscape in the core business.

In business, we see both opportunities and risk on the horizon to manage them by understanding how issues can affect the Company or to drive growth for shareholders.

Question 11

Vessel chartering: The Group had since late 2017 started to acquire offshore support vessel opportunistically. The group's AHTS & AHT fleet has expanded from 5 to 11 as at FY2020. On 16 February 2021, the Company announced that it will dispose three of its vessels namely Kim

Heng 186, Kim Heng 1860, and Kim Heng 85 to a 49%-owned joint venture company. Can management provide shareholders with greater clarity on the group's expansion into vessel chartering? What was the utilisation rate in FY2020? What is the contribution by the joint venture partner?

Company's response: We took advantage of low acquisition prices to expand our fleet of AHTS and AHT. Utilisation rate for the AHT & AHTS in certain periods reached 50% despite a very challenging FY2020. Contribution by the joint venture partner for the initial start-up share capital was via cash injection. Our joint venture partner's contribution was invaluable and we always strive to enhance shareholder value.

Question 12

Operating segments: As noted in the Chairman's message, the Group has changed its revenue reporting segments to better reflect the changes in its underlying business. In FY2020, the four revenue segments are Renewable Energy Support Services; Vessel Chartering; Heavy Equipment Sales and Rental; and Marine Offshore Support Services. Would the audit committee help shareholders understand if it would be reporting the segment results based on these operating segments?

Company's response: The Company will be seeking a mandate from shareholders at the upcoming extraordinary general meeting for the Proposed Diversification and subsequently will be streamlining the entire Group's structure so as to better reflect each of the revenue segments of the Group. This internal process of re-organisation is expected to be completed in the financial year ending 31 December 2021. With the completion of this exercise, the Company shall report the revenue segmental results based on the 4 business segments as identified earlier in the future results announcements.

Question 13

Provision 2.2 of the Code of Corporate Governance 2018 requires independent Directors to make up a majority of the board where the chairman is not independent.

On page 25, the board has stated that, inter alia, with independent directors making up half of the board, there is a strong independent element on the board and no individual or groups of individuals dominate the board's decision-making process.

Listing Rule 710 of the SGX Listing Manual requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018, the provision from which it has varied, the reason for the variation, and the explanation(s) on how the practices it had adopted are consistent with the intent of the relevant principle.

a) Would the board help shareholders understand the reason(s) that led the board to deviate from Provision 2.2?

Company's response: As stated on page 25 of the 2020 Annual Report, the Board is of the view that the current composition of the Board is consistent with the Provision 2.2 of the Code as three (3) out of four (4) directors are Non-Executive Directors and the Board has a Lead Independent Director. The Non-Executive Directors provide a check and balance to the Board as they are not involved in the day-to-day operations of the Group. Further, the Lead Independent Director plays an additional facilitative role within the Board, and where necessary, he also facilitates communication between the Board and shareholders of the Company.

In addition, Mr Tan Keng Siong Thomas is the Chairman of the Board and CEO of the Group. Provision 3.1 of the Code of Corporate Governance 2018 states the following:

Provision 3.1 The chairman and the chief executive officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the board for independent decision making.

b) Similarly, pursuant to Rule 710, can the board help shareholders understand the reason(s) for the deviation from Provision 3.1 and explain with greater clarity how the current practice of having an executive chairman and CEO results in a clear division of responsibilities between the leadership of the board and management?

Company's response: As stated on page 28 of the 2020 Annual Report, the Board has stated that it has taken into account the current corporate structure, size, nature and scope of the group's operations and is of the view that it is presently not necessary to separate the roles of the Chairman of the Board and CEO. It further added that there are sufficient safeguards and checks to ensure that the process of decision making by the board is independent, based on collective decisions without any individual or group of individuals being able to exercise considerable concentration of power or influence.

c) How does the board encourage constructive debate, draw out differing views and avoid groupthink? Can the independent directors help shareholders understand their familiarity with the group's core businesses?

Company's response: The board encourages constructive debate through active participation by board members, professionals and guests at the board meetings. Where there needs to be further deliberation, follow up meetings will be arranged. There are usually more than the mandatory number of board meeting held annually and there are ad-hoc meetings during the year involving board members.

The Board adopts a step-by-step deliberation of different views to decide on bigger steps forward to capitalise on the business before conditions changes.

BY ORDER OF THE BOARD

Tan Keng Siong Thomas
Executive Chairman & CEO
21 April 2021

*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.*

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