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: Kim Heng Offshore & Marine Holdings Limited

Stock code: 5G2

Meeting details:
Date: 23 April 2021
Time: 9.30 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.

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Q1. As noted in the company's profile, the group has over 50 years of experience in the offshore and marine value chain. The group is an established integrated service provider offering a one-stop comprehensive range of products and services that caters to different stages of marine infrastructure projects and offshore oil & gas projects from oil exploration to field development and oil production.

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.

(i) **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?**

(ii) **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?**

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

Q2. Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

(i) **Performance indicators:** The group's financial highlights are shown on page 4 of the annual report. In particular, the performance indicators are reproduced below:

PERFORMANCE INDICATORS

	FY2020	FY2019	FY2018
Net Asset Value per Share (cents) ***	8.39	8.73	9.73
Loss per Share (cents) ****	-0.44*	-0.66	-1.91
Return on Equity	-8%*	-6%	-20%
Return on Total Assets	-4%*	-1%	-9%
Return on Capital Employed	-5%*	-2%	-11%

(Source: company annual report)

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?**

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(ii) **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?** The aggregate consideration of $3 million will be satisfied via a loan extended by the group to the joint venture company.

(iii) **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?**

Q3. 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 [emphasis added].

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

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.

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On page 28, 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 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.

(ii) **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?**

(iii) **How does the board encourage constructive debate, draw out differing views and avoid groupthink?**

(iv) **Can the independent directors help shareholders understand their familiarity with the group's core businesses?** The profile of the directors can be found on pages 10 to 13 of the annual report.

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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