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Issuer: Vallianz Holdings Limited

Stock code: WPC

Meeting details:

Date: 29 July 2021

Time: 3.30 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.

Q1. As noted in the chairman’s statement, during FY2021, the group de-consolidated the financial results of Rawabi Vallianz Offshore Services Limited (“RVOS”), which is a company incorporated in the Kingdom of Saudi Arabia with effect from 1 October 2020.

- (i) **Can the board/management clarify the level of influence and control by the company over RVOS with the deconsolidation? What is the strategic value of RVOS in the group’s long-term plans given the deconsolidation?**
- (ii) **What were the utilisation rates of the group’s fleet in FY2021?**
- (iii) **Can management help shareholders understand the dynamics of the OSV market? How much idle capacity is there in the market? What are the key factors that will drive the utilisation and the charter rates of OSVs? How is the group positioned to capture that recovery, when it happens?**
- (iv) It is noted that the debt restructuring exercise, issuance of US\$125 million of convertible bonds to Rawabi Holding Company Limited, and the proposed settlement of amounts owing to the Swiber entities, should steer the group forward on firmer footing. Nevertheless, the group has been in a loss-making position for 4 out of the last 5 financial years. **What are some of the drivers that could return the group to profitability?**
- (v) **Can management also help shareholders understand the opportunities for the group in the offshore wind power segment? What is the group’s competitive advantage? Is there a risk that major players with idle capacity are rushing into the offshore wind power segment, thus the potential of oversupply?**

Q2. The remuneration of the directors is shown on page 33 of the annual report and reproduced below:

The following table shows a breakdown of the annual remuneration (in percentage terms) of Directors for FY2021:

Remuneration Band and Name of Directors	Salary ⁽¹⁾ %	Bonus ⁽²⁾ %	Directors' Fees %	Other Benefits %	Total %
S\$500,001 to S\$750,000 Yeo Chee Neng	88	1	4	7	100
S\$250,001 to S\$500,000 Ling Yong Wah	90	2	7	1	100
S\$250,000 and below Sheikh Abdulaziz Ali AlTurki	–	–	100	–	100
Bote de Vries	–	–	100	–	100
Yeo Jau Nam	–	–	100	–	100
Chong Chee Keong Chris	–	–	100	–	100

Notes:

(1) Salary is inclusive of allowances, CPF and other emoluments.

(2) Bonus is short term cash incentive plan and is a sum of money given in addition to the usual compensation, normally for outstanding performance and service for certain year.

(Source: company annual report)

The executive directors, namely Mr. Darren Yeo and Mr. Ling Yong Wah, are the executive vice chairman and “executive director and CEO” respectively. As shown above, their remunerations were in the bands of S\$500,001 to S\$750,000 and S\$250,001 to S\$500,000 respectively, with 88-90% as salary, 1-2% in bonus and the balance as fees and other benefits.

For FY2021, the executive directors received remuneration of between \$750,000 to \$1,250,000 in a year when the net loss attributable to owners of the company was US\$(23.0) million in FY2021. The operating profit/(loss) was US\$(16.5) million.

The executive directors received the same remuneration bands for the past three years, although they received 7-12% in bonuses in FY2019. Over the past three years, the executive directors’ remuneration added up to between \$2.25 million and \$3.75 million, while the net losses attributable to owners of the company totaled US\$(286.1) million.



(Source: company annual report)

- (i) **Has the board reviewed the remuneration framework of the executive directors? In particular, has the board, especially the remuneration committee (RC), considered if the level and structure of the remuneration of the executive directors are appropriate and proportionate to the performance, financial position and the market capitalisation of the group?** The remuneration of the two executive directors was between S\$750,000 and \$1,250,000 for FY2021 while the market capitalisation is just S\$34 million.
- (ii) **Can the RC explain how the current remuneration framework motivates and incentivises the directors to create long-term shareholder value?**
- (iii) **Is the group's remuneration framework robust enough to hold executive directors and key management accountable for the long-term performance of the group, over an entire business cycle, through the claw back of bonuses or with high water mark?** The executive directors have been on the board since December 2012 and March 2014 and have been charting the group's long-term strategy, overseeing the day-to-day operations and driving the corporate and strategic directions.

Q3. Would the board/management provide shareholders with greater clarity on the following governance matters? Specifically:

- (i) **Internal audit: Can the board clarify if an internal audit was carried out for FY2021?** On page 34, the company disclosed that it had appointed Virtus Assure Pte. Ltd. (“Virtus”) as internal auditor on 8 December 2020. **If so, what was the scope of the internal audit plan for FY2021? What were the key findings and recommendations made by the internal auditor?**
- (ii) **Board committee meetings:** The attendance of directors at board and board committee meetings is shown on page 23 and reproduced below:

During the financial year, the number of meetings held and the attendance of each member of the Board and Board Committees are as follows:

	Board	AC	NC	RC
Number of meetings held	4	4	1	1
Directors / Members	Number of meetings attended			
Sheikh Abdulaziz Ali AlTurki	4	4*	1*	1*
Yeo Chee Neng	4	4*	1*	1*
Ling Yong Wah	4	4*	1*	1*
Bote de Vries	4	4	1	1
Yeo Jeu Nam	4	4	1	1
Chong Chee Keong Chris	4	4	1	1

Note:

* Attended by invitation

(Source: company annual report)

The executive directors and the non-executive chairman attend the board committee meetings by invitation, making all of the board committee meetings essentially the same as board meetings.

Can the independent directors help shareholders understand if it is the usual practice for non-board committee members (especially the executive directors) to attend board committee meetings?

Are the independent directors able to function independently in the board committees?

What is the group dynamics at the board committee meetings when the independent directors on the board committee may be reviewing and discussing matters that are related to or affect the executive directors? Such board committee meetings would have included agenda items on interested person transactions, performance assessment, remuneration of the executive directors and on the audit/financial reporting/internal controls of the group.

Do the executive directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from board meetings? In particular, the Code of Corporate Governance 2018 specifically exclude executive directors from the remuneration and audit committees.

- (iii) Separately, the board has put forward the appointment of Mr. Poon Siew Loong as director of the company. The profile of Mr. Poon can be found on page 16. Mr. Poon has extensive experience in the real estate industry.

Has the NC 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?

Would the NC elaborate further on its search and nomination process for directors, especially independent directors?

At this point of the group's restructuring, would a first-time director with real estate experience and expertise be able to contribute to the effectiveness of the board?

- (iv) Mr. Bote de Vries would be retiring pursuant to Article 105 of the company's constitution and would be seeking his re-election at the annual general meeting. Mr. Bote de Vries was appointed to the board on 6 September 2010. Accordingly, given his long tenure, Mr. Bote de Vries would be seeking a two-tier vote on his continued appointment as independent director.

Can the director help shareholders understand his effectiveness as director in the past ~11 years? What were his contributions as a director to enhance the long-term value of the group for shareholders?

As the lead independent director, would Mr. Bote de Vries be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?

[^]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.

[^] 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>)

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

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.

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