

CIRCULAR DATED 1 April 2021

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular, the notice of Extraordinary General Meeting and the attached proxy form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your ordinary shares in the capital of the Company by physical share certificate(s), you should immediately forward this Circular, the notice of Extraordinary General Meeting and the attached proxy form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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

The contact person for the Sponsor is Ms Tay Sim Yee (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

This Circular has been made available on SGXNet and the Company’s website and may be accessed at the URL <https://kimheng.listedcompany.com/> under the “Latest News” section. A printed copy of this Circular will NOT be despatched to Shareholders.

Due to the current COVID-19 restriction orders in Singapore, Shareholders will not be able to attend the EGM. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the EGM by (a) watching or listening to the EGM proceedings via “live” webcast, (b) submitting questions in advance of the EGM, and/or (c) voting by proxy at the EGM.

Please refer to paragraph 7 of this Circular and the Company’s announcement dated 1 April 2021 entitled “Live Webcast of Extraordinary General Meeting on 23 April 2021” which has been uploaded with this Circular on SGXNet for further information, including the steps to be taken by Shareholders to participate at the EGM. Such announcement may also be accessed at the URL <https://kimheng.listedcompany.com/> under the “Latest News” section.



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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- I. THE PROPOSED CHANGE OF NAME TO KIM HENG LTD**
- II. THE PROPOSED DIVERSIFICATION OF THE GROUP’S EXISTING BUSINESS TO INCLUDE THE NEW BUSINESS OF RENEWABLE ENERGY SUPPORT BUSINESS**

Important Dates and Times:

Last date and time for lodgement of Proxy Form	: 21 April 2021, 9.45 a.m.
Date and time of Extraordinary General Meeting	: 23 April 2021, 9.45 a.m. or immediately after the AGM (as defined herein)
Place of Extraordinary General Meeting	: The EGM will be held by way of electronic means

CONTENTS

	Page
DEFINITIONS	3
LETTER TO SHAREHOLDERS	6
1. INTRODUCTION.....	6
2. THE PROPOSED CHANGE OF NAME	7
3. THE PROPOSED DIVERSIFICATION OF THE GROUP'S EXISTING BUSINESS.....	7
4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	21
5. DIRECTORS' RECOMMENDATIONS	23
6. EXTRAORDINARY GENERAL MEETING.....	23
7. ACTIONS TO BE TAKEN BY SHAREHOLDERS	23
8. DIRECTORS' RESPONSIBILITY STATEMENT	23
9. DOCUMENTS AVAILABLE FOR INSPECTION.....	24
NOTICE OF EXTRAORDINARY GENERAL MEETING	<u>N-1</u>
PROXY FORM	<u>P-1</u>

DEFINITIONS

The following definitions apply throughout in this Circular except where the context otherwise requires or otherwise stated:

“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“AGM”	:	Annual general meeting of the Company to be held by way of electronic means on 23 April 2021 at 9.30 am
“Audit and Risk Committee” or “ARC”	:	The committee of the Board to whom the Board has delegated specific responsibilities of the Board, with the following members as of the LPD of this Circular: (a) Mr Ho Boon Chuan Wilson – Chairman; (b) Mr Ong Sie Hou Raymond – member; and (c) Mr Tan Chow Boon – member
“Board”	:	The board of directors of the Company as at the date of this Circular
“BWMT”	:	Bridgewater Marine (Taiwan) Limited
“Catalist Rules”	:	Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended, modified or supplemented from time to time
“CDP”	:	The Central Depository (Pte) Limited
“CEO”	:	Chief executive officer
“CFO”	:	Chief financial officer
“Circular”	:	This circular to Shareholders dated 1 April 2021
“Companies Act”	:	Companies Act (Chapter 50) of Singapore, as may be amended, modified or supplemented from time to time
“Company”	:	Kim Heng Offshore & Marine Holdings Limited
“Conflicted Individual”	:	Has the meaning ascribed to it in Section 3.9 of this Circular
“Constitution”	:	The constitution of the Company, as amended, modified or supplemented from time to time
“COO”	:	Chief operating officer
“Director(s)”	:	The director(s) of the Company as at the date of this Circular, and from time to time, as the case may be
“EGM”	:	The extraordinary general meeting of the Company to be held by way of electronic means on 23 April 2021, 9.45 a.m. or immediately after the AGM, the notice of which is set out on pages N-1 to N-3 of this Circular

DEFINITIONS

“EPS”	:	Earnings per share
“Existing Business”	:	Has the meaning ascribed to it in Section 3.1 of this Circular
“FY”	:	A financial year ended or ending 31 December
“Group”	:	The Company and its subsidiaries
“HDD”	:	Horizontal directional drilling
“HHC”	:	Hung Hua Construction Co. Ltd.
“interested person transaction”	:	A transaction between an entity at risk and an interested person
“Latest Practicable Date”	:	15 March 2021, being the latest practicable date prior to the issue of this Circular
“New Business”	:	Renewable Energy Support Business
“Notice of EGM”	:	The notice of the EGM which is set out on pages N-1 to N-3 of this Circular
“NTA”	:	Net tangible assets
“Project”	:	The submarine cable installation for an offshore wind farm project in Taiwan
“Proposed Change of Name”	:	The proposed change of name of the Company from “Kim Heng Offshore & Marine Holdings Limited” to “Kim Heng Ltd”
“Proposed Diversification”	:	The proposed diversification of the Group’s business to include the new business of renewable energy support business
“Proposed Renewable Energy Support Business”	:	Has the meaning ascribed to it in Section 3.2 of this Circular
“Proposed Resolutions”	:	Has the meaning ascribed to it in Section 1.1 of this Circular
“Proxy Form”	:	The proxy form in respect of the EGM which is set out on pages P-1 to P-2 of this Circular
“Register of Members”	:	The register of members of the Company
“SFA”	:	The Securities and Futures Act, Cap. 289, of Singapore, as may be amended, supplemented, or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Persons who are registered as holders of the Shares in the Register of Members of the Company except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose securities accounts are credited with Shares
“Shares”	:	Ordinary shares in the capital of the Company

DEFINITIONS

<i>“Substantial Shareholders”</i>	:	A person who has an interest or interests in one or more voting Shares (excluding treasury shares) in the Company, and the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the voting Shares (excluding treasury shares) in the Company
<i>“S\$” and “cents”</i>	:	Singapore dollars and cents, respectively
<i>“Taiwan Partner”</i>	:	蓮豪有限公司
<i>“TIPL”</i>	:	Thaitan International Pte Ltd (formerly known as Mazu Land & Marine Works Pte Ltd)
<i>“transaction”</i>	:	The acquisition or disposal of assets, or the provision of financial assistance, by an issuer or a subsidiary that is not listed on the SGX-ST or an approved exchange, including an option to acquire or dispose of assets. It excludes a transaction which is in, or in connection with, the ordinary course of its business or of a revenue nature. It also excludes the provision of financial assistance to the issuer, or its subsidiary or associated company
<i>“%”</i>	:	Per centum or percentage

The terms *“Depositor”*, *“Depository Agent”* and *“Depository Register”* shall have the meanings ascribed to them, respectively, in Section 81SF of the SFA.

The terms *“treasury shares”* and *“subsidiary”* shall have the meanings ascribed to them in Section 4 and Section 5 of the Companies Act, respectively.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine shall, where applicable, include the feminine and neuter gender and vice versa. References to persons shall, where applicable, include corporations.

Any reference to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Catalist Rules or any statutory modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Companies Act, the SFA, the Catalist Rules or any modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

LETTER TO SHAREHOLDERS

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201311482K)

Directors:

Tan Keng Siong Thomas (Executive Chairman and CEO)
Tan Chow Boon (Non-Executive and Non-Independent Director)
Ho Boon Chuan Wilson (Lead Independent Director)
Ong Sie Hou Raymond (Independent Director)

Registered Office:

9 Pandan Crescent
Singapore 128465

1 April 2021

To: The Shareholders of Kim Heng Offshore & Marine Holdings Limited

Dear Sir/Madam,

I. THE PROPOSED CHANGE OF NAME TO KIM HENG LTD

II. THE PROPOSED DIVERSIFICATION OF THE GROUP'S EXISTING BUSINESS TO INCLUDE THE NEW BUSINESS OF RENEWABLE ENERGY SUPPORT BUSINESS

1. INTRODUCTION

1.1 The Board of Directors is proposing to convene an EGM to seek approval from Shareholders for the:

- (a) (Special Resolution 1) Proposed Change of Name; and
- (b) (Ordinary Resolution 2) Proposed Diversification of the Group's Existing Business to include the New Business of Renewable Energy Support Business,

(collectively, the "**Proposed Resolutions**").

1.2 Purpose of the Circular

The purpose of this Circular is to provide Shareholders with information relating to the Proposed Resolutions and to seek Shareholders' approval at the EGM to be held by way of electronic means on 23 April 2021 at 9.45 a.m. or immediately after the AGM.

1.3 No Inter-conditionality

Shareholders shall note that Special Resolution 1 and Ordinary Resolution 2 are not inter-conditional. **This means that if any one of the Proposed Resolutions is not approved, this does not necessarily prevent the other resolution from being passed.**

1.4 The SGX-ST

The SGX-ST takes no responsibility for the accuracy or correctness of any statements or opinions made, or reports contained in this Circular.

1.5 Legal Adviser

For the purposes of this Circular, the Company has appointed Morgan Lewis Stamford LLC as the legal adviser to the Company as to Singapore law.

2. THE PROPOSED CHANGE OF NAME

2.1 Rationale for the Proposed Change of Name

The Directors are proposing to change the Company's name from "Kim Heng Offshore & Marine Holdings Limited" to "Kim Heng Ltd".

The Proposed Change of Name stems from the expansion of the Group's business segments beyond the offshore and marine industry. The Group intends to retain the brand "Kim Heng" which is the brand established by the Group since its listing on the SGX.

The Proposed Change of Name does not affect the legal status of the Company or any of the rights of Shareholders, and the existing Shares will continue to be traded on the SGX-ST.

2.2 Shareholders' Approvals

The Proposed Change of Name will be proposed as a special resolution and is subject to Shareholders' approval at the EGM.

The Company has sought approval from ACRA for the use of the name "Kim Heng Ltd". ACRA had on 16 March 2021 approved the application. Such reservation is valid for one-hundred and twenty (120) days until 14 July 2021.

Subject to Shareholders' approval and registration of the Company by ACRA, the Company shall change its name to "Kim Heng Ltd" with effect from the issue of the Certificate of Incorporation on Change of Name of the Company. The Company will make an announcement when the Proposed Change of Name takes effect.

2.3 Reflection of New Name in the Existing Constitution

If approved by the Shareholders, the name "Kim Heng Ltd" shall be substituted for "Kim Heng Offshore & Marine Holdings Limited" in the existing Constitution. The names of the existing performance share plan and employee share option scheme shall remain unchanged, which is "Kim Heng Employee Share Option Scheme 2013" and "Kim Heng Performance Share Plan 2013" respectively.

2.4 Existing Share Certificates

Shareholders shall note that, notwithstanding the Proposed Change of Name, the Company will not be recalling existing share certificates in respect of the Shares. Existing share certificates of the Company bearing the current name "Kim Heng Offshore & Marine Holdings Limited" issued prior to the date on which the Proposed Change of Name takes effect will continue to be prima facie evidence of legal title. **No further action is required to be taken on the part of Shareholders in respect of existing share certificates.**

3. THE PROPOSED DIVERSIFICATION OF THE GROUP'S EXISTING BUSINESS

3.1 Background

The Company's core business as disclosed in its offer document dated 14 January 2014 is for the following business:

1. *"Offshore Rig Services and Supply Chain Management*

(a) *Offshore Rig Services*

(i) *Construction and fabrication work of sections or components of drilling rigs*

(ii) *Installation of offshore production modules and systems*

LETTER TO SHAREHOLDERS

(iii) *Afloat repairs, maintenance and refurbishment of offshore rigs, platforms and vessels*

(iv) *Supply of offshore drilling and production equipment*

(b) *Supply Chain Management*

(i) *Provision of offshore supply vessels (including chartering of marine support vessels) and heavy-lift equipment*

(ii) *Provision of logistics, including freight forwarding and warehousing, and general shipping and crew management*

2. *Vessel Sales and Newbuild*

(i) *Purchase and refurbishment of on-sell vessels*

(ii) *Newbuild of offshore vessels and on-sell*

The Offshore Rig Services and Supply Chain Management segment comprises mainly engineering, procurement and construction projects for the offshore oil & gas sector and the provision of vessels and related logistics services. The Offshore Rig services typically include the construction and fabrication of sections of drilling rigs (such as jack-up rigs, tender rigs, semi-submersibles and drillships), installation of offshore production modules and systems, as well as offshore platform and vessel re-activation and maintenance projects. The Group also provides Offshore Supply Chain Management services to the offshore and marine industry, which includes, inter alia, rig towage, chartering of our fleet for marine installation and transportation purposes, inventory management, warehousing, supply of offshore consumables and expedited delivery services.

The Vessel Sales and Newbuild segment comprises the purchase of vessels from vessel owners, which the Group subsequently refurbish and on-sell to customers. Such activities are typically undertaken according to orders placed by the Group's customers. The Group may also from time to time undertake such acquisitions and refurbishment of vessels in anticipation of market demand. The Group is also engaged in the newbuild of offshore vessels, which the Group typically undertake according to orders placed by customers. From time to time, the Group may also embark on newbuild of offshore supply vessels, such as, pipe-laying barges, accommodation vessels, tugs and barges, in anticipation of project demands for subsequent chartering or sales."

(the "**Existing Business**").

Since then, the Group has been actively engaged in the Offshore Rig Services and Supply Chain Management business segments. As for the Vessels Sale and Newbuild segment, other than the purchase of vessels from vessel owners and refurbishment for on-sell to customers, there were no businesses from the Vessels Newbuild segment in recent years. As the Company's customers are mainly from the oil and gas sector and taking into consideration that the said sector is in a depressed state, the Company intends to reduce its reliance on the oil and gas sector. As such, the Company has been shifting its focus from the oil and gas industry to diversify into the Renewable Energy Support Business through its joint ventures with third parties.

The Group's 50% owned indirect subsidiary, Thaitan International Pte Ltd ("**TIPL**") (formerly known as Mazu Land & Marine Works Pte Ltd), made its foray into the New Business in February 2020, with an award of a contract for the installation of horizontal directional drilling ("**HDD**") conduits by Hung Hua Construction Co. Ltd. ("**HHC**") related to the submarine cable installation for an offshore wind farm project in Taiwan (the "**Project**"). The Group subsequently incorporated a joint venture in Taiwan with 蓮豪有限公司 ("**Taiwan Partner**"), Bridgewater Marine (Taiwan) Limited 成功海業台灣有限公司 ("**BWMT**") to provide the marine spread,

project management and support services for the purpose of HDD works. In addition, TIPL entered into a collaboration agreement with Thaitan Drilling Company Ltd to provide the design, engineering and drilling equipment for the HDD works. For more details of the Project, please refer to the Company's announcements dated 4 February 2020 and 27 March 2020. Since then, the Company has been providing renewable energy support services to the renewable energy sector through its subsidiaries and joint ventures.

On 23 October 2020, the Company further announced that TIPL has signed a share subscription and shareholders' agreement with Thaitan Drilling Company Ltd to establish a long-term business cooperation to seek more HDD projects in the Offshore Wind Farm renewable solutions sector and maximise usage of its offshore assets and technical knowledge in the offshore and marine sector. The Group also announced on 16 February 2021 its plans to expand the offshore and marine business into Taiwan to support the Offshore Wind Farm project in Taiwan by disposing vessels to BWMT. These vessels will provide support for the installation of HDD conduits for the Project.

As highlighted in the Company's annual report for the financial year ended 31 December ("FY") 2020, the Group whilst still engaged in its Existing Business, has expanded its presence in the renewable energy space. While the overall revenue of the Group decreased in FY2020, the Group generated new revenue from projects in the renewable energy space amounting to approximately S\$11.9 million from the Offshore Wind Farm projects in Taiwan, representing 31.3% of the Group's total revenue for FY2020. This provides strong validation for the Group to diversify its business and expand its presence in the clean energy space.

3.2 Proposed Diversification

The Group proposes to expand the scope of its Existing Business to include the new business of renewable energy support services (the "**Renewable Energy Support Business**" or the "**New Business**").

For the avoidance of doubt, the Group remains committed to the continuance of its Existing Business for so long as its Existing Business remains viable and its continuity is in the best interest of the Group.

3.3 About the Renewable Energy Support Business

It is intended that the Renewable Energy Support Business will encompass the following activities:

- (a) construction of trenches and fabrication of large steel structures and equipment;
- (b) engineering design for offshore turbine foundations;
- (c) provision of transportation and logistics services;
- (d) provision of wind farm components;
- (e) installation of HDD conduits, including a cable protector conduit connecting land to sea beneath the revetment and breakwater;
- (f) assembly and installation of pin piles, foundation jackets, towers, nacelles and blades;
- (g) provision of maintenance services for offshore wind farm facilities;
- (h) preparation and execution of the HDD in the subsea cable landfall area;
- (i) provision of marine spread of vessels; and
- (j) any other ancillary activities related to the New Business.

The Group has carried out several HDD constructions projects to lay cables under the sea to power the Offshore Wind Farm in Taiwan through its joint venture BWMT. Pursuant to the joint venture agreement in respect of BWMT, the Taiwan Partner shall support BWMT in obtaining and complying with any and all licenses, permits, and registration required for the business and support BWMT in marketing and promoting the business to potential clients or customers in the Taiwan market.

Presently, the New Business is carried out in Taiwan. In the future, the Group may also provide the Renewable Energy Support Business in new geographical markets, which will be in countries across Asia however there is no intention to restrict the New Business to any specific geographical market. The New Business's target customers are mainly in the renewable energy sector. It is envisaged that the New Business's potential customers will also be from other industries such as the marine construction and telecommunications industries.

In undertaking the New Business, the Company also proposes, as part of the New Business, that the Company will invest in, purchase or otherwise acquire or dispose of, from time to time any such assets, investments and shares/ interests in any entity that is in the New Business. The Group's initial focus will be on growing the New Business organically by bidding for more and bigger projects together with its joint venture partners.

3.4 Rationale for the Proposed Diversification

Notwithstanding the risks associated with the New Business as set out in Section 3.9 of this Circular, the Board believes that the Proposed Diversification is in the interest of the Shareholders for the following reasons:

(a) *The Proposed Diversification will reduce the Group's dependence on the Existing Business and provide a more diversified business and income base*

Given the current uncertainties prevailing in the global economy and the challenging market conditions in the offshore oil and gas sector, the Group believes it is more prudent not to rely solely on its Existing Business. The Proposed Diversification would reduce the Group's reliance on the Existing Business by diversifying its revenue stream, as well as improve future prospects and better support the growth of the Group, so as to enhance Shareholders' value.

(b) *The potential synergy between the Existing Business and the New Business*

The Group believes in the potential synergy that could be realized between the Existing Business and the New Business given that the New Business requires similar skill sets, machinery, and equipment to the Existing Business and utilizes the Group's vessels for additional purposes other than chartering. In addition to maximizing the usage of the Group's resources, the Proposed Diversification will add synergy to the Group's operations in terms of the utilisation of manpower and assets.

(c) *The Proposed Diversification is expected to provide additional and recurrent revenue streams with a view to achieving long-term growth*

The Proposed Diversification is expected to provide additional and recurrent revenue stream for the Group which may include, *inter alia*, profits and income from the contract for the provision of services to support the offshore wind farm and renewable energy space. The Group is leveraging on its competencies from the oil and gas sector to diversify into the Renewable Energy Support Business, which is a growing and thriving sector.

The Renewable Energy Support Business allows the Group to have a better prospect of profitability and ensure long-term growth by enabling the Group to have access to new business opportunities which in turn could potentially enhance the return on the Group's assets and improve Shareholders' value in the long term.

The market for wind energy in Taiwan is expected to grow by more than 10% annually in the period from 2020-2025 according to studies by the Mordor Intelligence.¹ Meanwhile, the global market for wind energy is expected to grow at a compound annual growth rate of 8.4% from 2020 to 2026² with Asia forecasted to be the leader in the global offshore wind market commanding a forecasted market share of 42% in 2025.³ Therefore, the Group would like to ride on the wave of growth in this market to achieve long-term growth of the Group.

(d) *The Proposed Diversification will give the Group the flexibility to enter into transactions relating to the Renewable Energy Support Business in the ordinary course of business*

Upon receipt of approval from Shareholders for the Proposed Diversification, the Group may, in the ordinary course of business, enter into transactions relating to the Renewable Energy Support Business without having to seek Shareholders' approval, subject to compliance with the relevant Catalist Rules. This can be done as long as such transactions do not change the Group's risk profile, and will eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders' approval as and when potential transactions relating to the Renewable Energy Support Business arise. This will allow the Group greater flexibility to pursue business opportunities relating to the Renewable Energy Support Business which may be time-sensitive in nature and will substantially reduce the expenses associated with the convening of general meetings from time to time.

3.5 Requirements Under the Catalist Rules

As the Renewable Energy Support Business is substantially different from the Existing Business, it is envisaged that the existing risk profile of the Group will be changed. Accordingly, the Company is convening the EGM to seek Shareholders' approval for the Proposed Diversification.

Upon receipt of the approval from Shareholders for the Proposed Diversification, any acquisition which is in, or in connection with, the Renewable Energy Support Business may be deemed to be in the Group's ordinary course of business and therefore not fall under the definition of a "*transaction*" under Chapter 10 of the Catalist Rules. Accordingly, the Group may, in its ordinary course of business, enter into transactions relating to the Renewable Energy Support Business which will not change the risk profile of the Group, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential transactions relating to the Renewable Energy Support Business arise, even where they cross the thresholds of a "major transaction". This will reduce substantially the administrative time and expenses associated with convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group. Pursuant to Rule 1014 of the Catalist Rules, a "*major transaction*" is a transaction (as defined in Rule 1014 of the Catalist Rules) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 75% but is less than 100% (for an acquisition) or exceeds 50% (for a disposal or the provision of financial assistance) and must be made conditional upon approval by shareholders at a general meeting.

¹ Mordor Intelligence. <https://www.mordorintelligence.com/industry-reports/taiwan-wind-energy-market>

² GM Insight. <https://www.gminsights.com/industry-analysis/wind-energy-market>

³ Global Wind Energy Council. [https://www.evwind.es/2020/09/09/asia-pacific-to-become-largest-offshore-wind-power-market-by-2030/77089#:~:text=Asia%20is%20set%20to%20become,the%20rest%20of%20the%20decade.&text=3%20offshore%20market%20in%20total,after%20the%20UK%20and%20Germany\).](https://www.evwind.es/2020/09/09/asia-pacific-to-become-largest-offshore-wind-power-market-by-2030/77089#:~:text=Asia%20is%20set%20to%20become,the%20rest%20of%20the%20decade.&text=3%20offshore%20market%20in%20total,after%20the%20UK%20and%20Germany).)

LETTER TO SHAREHOLDERS

For the avoidance of doubt, notwithstanding that Shareholders' approval of the Proposed Diversification has been obtained, in respect of transactions involving the Renewable Energy Support Business:

- (a) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeding 100% or results in a change in control of the Company, Rule 1015 of the Catalist Rules will apply to acquisitions of assets (including options to acquire assets) whether or not in the ordinary course of business of the Group (which will include the New Businesses) and such acquisitions must be, *inter alia*, made conditional upon approval by Shareholders at a general meeting;
- (b) which result in a change of risk profile in the Company (other than as detailed in this Circular), such as a significant expansion of the Group's business to a new geographical market and/or a new business sector, the Company will make the relevant announcement and seek the approval of Shareholders at a general meeting; and
- (c) which constitutes an "*interested person transaction*" as defined under the Catalist Rules, Chapter 9 of the Catalist Rules will apply to such transaction and the Company will comply with the provisions of Chapter 9 of the Catalist Rules.

The Company will also be required to comply with any applicable and prevailing Catalist Rules as amended, modified or supplemented from time to time.

3.6 Management of the Renewable Energy Support Business

It is currently envisaged that the setting up of the Renewable Energy Support Business will be spearheaded by Mr Justin Tan, the COO – Offshore & Marine of the Company. Mr. Justin Tan joined the Company in August 2014, spearheading the corporate and business development segments of the Group under the tutelage of the senior management. He was appointed as a general manager of the Company in October 2015. Currently, he is overseeing the shipyard operations, its heavy equipment business, the marine and offshore vessel charter and operations and HDD. He spearheaded the project involving marine civil engineering contract valued at approximately S\$3.5 million as announced by the Company on 11 April 2019, the project relating to the installation of the HDD conduits for Hung Hua Construction Co. Ltd. as announced by the Company on 4 February 2020, and other projects on HDD installations through the year 2019 and 2020 valued at approximately S\$3.8 million. Thus, Mr. Justin Tan has adequate experience and expertise to spearhead the setting up of the Renewable Energy Support Business.

The Group also has hired professionals and consultants in the Renewable Energy Support Business to provide their expertise and operate in joint ventures with the business partners. As and when the need arises, these professionals and consultants are hired on a project basis based on the specific project requirements and the deliverables of the project and taking into account of their relevant experience and expertise. With a strong resource base, the Group believes that it will be able to draw a wealth of expertise throughout the organisation and develop a comprehensive range of service capabilities.

3.7 Funding for the Renewable Energy Support Business

The Proposed Diversification will be funded primarily through internal funds and/or external borrowings. The Board will determine the optimal mix of internal funding and external funding, taking into account the financial position and cash-flow requirements of the Group and the prevailing financing costs.

As and when necessary and deemed appropriate, the Company may explore secondary fund-raising exercises by tapping the capital markets through, amongst others, rights issues, share placements and/or issuance of debt instruments.

The Group will remain prudent and take into account the financial condition of the Group in deciding the transactions it undertakes under the New Business and the fund requirements thereof.

3.8 Internal Controls and Risk Management Procedures

Presently, the Group has commenced the Offshore Renewable Solutions Business and will continue to grow its activities in this New Business.

To address the risks presented by the New Business and the Proposed Diversification, the Company has and will continue to rely on the existing risk management system which the Company believe is relevant to the Renewable Energy Support Business. Where necessary to better manage the Group's external and internal risks from the Proposed Diversification, the Group will implement a set of policies and procedures to govern the New Business.

The company will endeavour to ensure that these risk management systems implemented commensurate with the risk and business profile, nature, size and complexity of operations and business activities of the Renewable Energy Support Business and will include policies and procedures such as internal accounting controls, segregation of duties, risk management controls and periodic reporting. The Board will review such risk management systems periodically to assess their adequacy and effectiveness.

The Board currently does not have a separate risk committee as it is currently assisted by the Audit and Risk Committee ("**ARC**"), internal auditors and external auditors in carrying out its responsibility of overseeing the Group's risk management framework and policies.

The ARC has and will continue to be tasked with, amongst others:

- (a) the responsibility of being involved in identifying and managing the various risks associated with the Renewable Energy Support Business;
- (b) approving appropriate risk management procedures and measurement methodologies and overseeing the risk management activities of the Company in relation to the New Business following the Proposed Diversification;
- (c) undertaking periodic reviews at least annually, together with the persons involved in the management of the Renewable Energy Support Business, external and internal auditors, of the adequacy and effectiveness of the Group's internal control procedures;
- (d) conducting annual reviews of the Group's exposure in relation to the Renewable Energy Business;
- (e) overseeing and advising the Board on the current risk exposure and future risk strategy of the Group in relation to the Renewable Energy Business;
- (f) reviewing and assessing, at least annually, the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;
- (g) reviewing and recommending new policies or changes to policies and to consider their risk implications; and
- (h) advising the Board on proposed strategic transactions, focusing in particular on risk aspects and implications for the risk tolerance of the Group, and taking independent external advice where appropriate and available.

3.9 Conflict of Interest

When the Company identifies a potential opportunity in respect of the New Business, each of the Directors and key management personnel will be obliged to disclose to the Board where he and/or his Associates have an interest (and the full extent thereof) in the transaction ("**Conflicted Individual**").

A Conflicted Individual shall not (i) vote in respect of matters in relation to the New Business; (ii) will not, directly or indirectly, make any executive decisions in respect of the New Business; and (iii) will not, directly or indirectly influence or participate in the operations and management of the New Business.

3.10 Risk Factors

To the best of the Directors' knowledge and belief, all the pertinent risk factors that are material to Shareholders in making an informed judgement on the Proposed Diversification have been set out below. The risks described below are not intended to be exhaustive and are not presented in any order of importance. There may be additional risks not presently known to the Company or that are currently not deemed to be material, which could turn out to be material. Should these risks occur and/or turn out to be material, they could materially and adversely affect the Renewable Energy Support Business as well as the Group's financial performance, financial condition and prospects. New risk factors may emerge from time to time and it is not possible for management to predict all risk factors, nor can the Group assess the impact of all factors on the Proposed Diversification or the extent to which any factor or combination of factors may affect the Group.

Shareholders should carefully consider and evaluate the following risk factors and all other information contained in this Circular before deciding on whether to vote in favour of the Proposed Diversification.

This Circular may contain projections or other forward-looking statements regarding future events or financial performance relating to the New Business. Such projections and statements are only predictions and actual events or results may differ materially. Such projections and statements may be subject to various risks and uncertainties. Accordingly, there may be factors that could affect actual outcomes or cause results to differ materially from those indicated in these statements. These factors should be read in conjunction with other cautionary statements included in this Circular and other filing by the Company.

RISKS ASSOCIATED WITH THE RENEWABLE ENERGY SUPPORT BUSINESS

(a) *The Group may not be able to attract and retain highly skilled personnel with the relevant skill sets for the New Business*

There can be no assurance that the Group will be able to attract and retain suitable individuals with the appropriate qualifications, skill sets and experience to set up and manage the New Business and to be able to compete effectively with existing and future competitors. If the Group is unable to attract, motivate and/or retain the necessary highly skilled personnel, there may be a material adverse impact on the performance of the New Business.

While the Group may appoint third-party professionals and consultants to assist in its management of the New Business, there is no guarantee that these third-party professionals and/or consultants will be able to deliver or perform satisfactorily.

(b) *The Group may not have the ability or sufficient expertise to execute the Proposed Diversification into the New Business*

The Group's ability to successfully diversify into the New Business is dependent on the ability of its management to adapt its existing knowledge and expertise to the New Business. There can be no assurance that the Group's existing knowledge and expertise will be relevant to the New Business or that management will be able to adapt their

knowledge and expertise to the New Business. While the Group intends to hire suitable candidates with the requisite experience and expertise for the New Business, there can be no assurance that it will be able to do so successfully. Further, the Group may not be able to successfully implement the New Business, and this will adversely affect the Group's financial performance.

(c) The Group may be affected by the actions of its employees and/or the professionals it engages

Employee misconduct and/or negligence may result in legal liability, regulatory sanctions and unquantifiable damage to the Group's reputation, and may materially and adversely affect the Group's business operations and financial performance. Notwithstanding that the Group intends to put in place internal policies and guidelines to manage risks and mitigate liabilities relating to employee misconduct or fraud, such policies and guidelines may not be effective in any or all cases, and it may not always be possible to detect employee misconduct or fraud.

Furthermore, the laws, rules and regulations applicable to the professionals engaged by the Group to manage the New Business may also impose restrictions and/or penalties on the Group in the event such laws, rules or regulations are breached, or alleged to be breached, by these professionals, and the Group's competitiveness and financial performance may consequently be materially and adversely affected.

(d) Reliance on third-party contractors

The Group may occasionally rely on third-party contractors for the operation of the Renewable Energy Support Business. Accordingly, the Group would have limited control over the day-to-day activities of such third-party contractors and will be reliant on the ability of such third-party contractors to carry out their contractual obligations.

While the Group shall (a) put in place internal processes for the engagement of such third-party contractors, having regard, amongst others, for the specific expertise and competencies required for the project in question and their experience, historical track record and financial standing; and (b) have a management team to closely monitor the work of such third-party contractors, to the extent that such third-party contractors fail to perform their contractual obligations in accordance with their respective contracts, there may be a loss of revenue from the Renewable Energy Support Business. Even if the Group were to take legal action against such third-party contractor for such breach, the Group may not be able to recover the losses incurred. In such an event, this may materially and adversely affect the financial performance of the Group.

(e) The Group is reliant on its partners to ensure compliance with the various local regulations in Asia

The Group intends to rely on its local partners to ensure compliance of its joint ventures with the local regulations pursuant to the joint venture agreements. While the Group intends to retain the control of the board of directors and management powers of the joint ventures who will closely monitor the work of the local partners, to the extent that the local partners fail to perform their contractual obligations in accordance with the joint venture agreements, there may be a risk of non-compliance of the joint ventures with the applicable local regulations. Even if the Group were to take legal action against such local partners for such breach, the Group may not be able to recover the losses incurred. In such an event, this may materially and adversely affect the financial performance of the Group.

(f) The Group may not be able to find partners to work with for future collaborations or joint ventures or be successful in working with such partners

From time to time, depending on available opportunities, feasibility and market conditions, the Group may consider that it would benefit from the entry into collaborations or joint

LETTER TO SHAREHOLDERS

ventures with third parties in Singapore or overseas in connection with the New Business. There is, however, no guarantee as to whether the Group would be able to find partners to work with at such time or, even if the Group were able to find partners to work with, whether the Group would be successful in working with such partners. Accordingly, even if the Group identifies strategic business opportunities with potential for growth that, in its view, would complement the Group's business, there is no assurance that these opportunities would be successfully executed and the Group may from time to time have to forgo potential business opportunities.

(g) *The Group may not be able to successfully integrate future collaborations or acquisitions with the New Business*

Further to the Proposed Diversification, the Board and management may consider it to be in the best interests of the Company and the Group to enter collaborations or make acquisitions. The success and profitability of such collaborations and acquisitions may depend on the Group's ability to successfully integrate such collaborations or acquisitions with the Group's business at the respective point in time, including to employ cost-cutting measures and to derive synergies. There is, however, no assurance that the Group would be able to successfully integrate such collaborations or acquisitions with the New Business. In the event the Group is not able to successfully integrate such collaborations or acquisitions effectively, the overall financial position and profitability of the Group may be materially and adversely affected.

(h) *The New Business is generally project-based, and the Group faces the risk of any delay or premature termination of the secured projects and/or the Group may not be able to secure new projects*

It is an industry norm for a company providing services to Offshore Wind Farm operators to render its services on a project basis. Works outsourced to external service providers by Offshore Wind Farm operators will usually be done on a tender basis. Upon completion of the project, there is no guarantee that the relevant operator will continue using the same service provider. The Group therefore has to continuously and consistently secure new customers and/or new projects.

Customers may also postpone the handover and delivery of the projects due to unforeseen circumstances. Such delays in project timing may affect the Group's ability to efficiently manage workspace and allocate resources for the execution of subsequent projects. In such situations, the contracts generally provide for the Group to be compensated for the costs of demobilization. However, the amount of compensation may not be adequate for the Group to offset the costs incurred, including costs payable to the Group's suppliers and subcontractors.

The Group's revenue and profit may therefore be subject to some degree of volatility if the Group is unable to secure new projects and/or if the Group's secured projects are delayed or prematurely terminated because of factors including changes in the customers' businesses, a reduction of the number of customers, poor market conditions, and/or lack of funds on the part of the Offshore Wind Farm operators or operators of projects. In such an event, the Group's business and financial performance will be materially and adversely affected.

(i) *The Group may be subject to potential litigation or the Group may need to incur additional costs or liquidated damages in the event of disputes, claims, defects or delays*

The Group typically provides warranty periods ranging from one to two years for Offshore Wind Farm projects. During this warranty period, the Group is required to rectify defects at no cost to the customers. If the Group is required to rectify defects during the warranty

LETTER TO SHAREHOLDERS

period which result in substantial additional costs being borne by the Group, the profitability of the relevant project will be reduced.

The Group may encounter disputes with the customers and/or subcontractors in relation to, *inter alia*, non-compliance with contract specifications, defects in workmanship and materials used, or non-fulfilment of contracts. In such an event, the Group's customers may demand for compensation and the Group may be required to pay liquidated damages. There can be no assurance that any of such disputes and claims will not result in protracted litigation. In the event the Group is unable to reach a settlement with the customer and/or the subcontractor, the Group may have to incur additional expenses related to such claims and compensation, which will have a negative impact on the Group's profits, cash flow and financial position. In the event of such occurrence, the Group may have to incur expenses related to such claims and compensation, thereby adversely affecting the Group's financial performance.

As at the Latest Practicable Date, there are no pending litigation between the Group and any of its subcontractors. However, there is no guarantee that there will not be any contractual disputes with its subcontractors in the future which may result in the Group engaging alternate subcontractors to complete the subcontracted work scope and/or result in delays in the completion of the projects.

Customers may require the Group to perform certain works not specified in the contract or to carry out changes not in the agreed specifications. In order to facilitate the completion of a project within stipulated deadlines, these variation orders may need to be carried out before the additional charges for these variation works are agreed between the customers and the Group. In the event that disagreements arise or litigation occurs over the additional charge to be levied for the variation works, and should the Group have to bear a portion of the additional costs incurred or waive certain charges, the profits will be materially and adversely affected. Further, in the event that such disputes or disagreements result in litigation, the Group may incur additional legal costs without achieving a successful claim. If these develop into actual events or litigation becomes protracted, the Group's business and financial performance may be adversely affected.

(j) *The Group may be affected by project cost overruns*

In the Group's preparation for tender submissions for projects, we carry out internal costing and budgeting estimates based on the scope of work, labour and material costs and third-party costs. The accuracy of the internal costing and budgeting estimates is subject to the Group's experience and expertise in understanding and accessing the complexity and engineering challenges of each project. However, unforeseen circumstances such as unanticipated price fluctuations of raw materials, changes or damages during fabrication processes, increases in labour costs and omissions in estimation in the Group's internal costing may arise. As these circumstances may require additional costs and work which were not factored in the contract value, they may lead to cost overruns that may erode the Group's profit margin for the project. If these develop into actual events, the Group's financial performance will be adversely affected.

In the event that any of the above circumstances shall occur and if the Group is unable to manage such cost overruns, the Group's profitability and financial performance will be adversely affected.

(k) *The Group may not be able to meet its delivery schedules*

A number of factors may affect the Group's ability to deliver its products and services on the contractual delivery dates, including significant weather conditions. The Group is also dependent on its suppliers for the timely delivery of certain key materials, equipment and components which are of suitable quality.

Prior to contracting a new order, the Group typically secures binding offers for some of the main components which require a long lead time. However, the Group may encounter

LETTER TO SHAREHOLDERS

situations where the Group is unable to deliver its products and/or services on schedule due to, amongst other reasons, late delivery or shortage of materials, equipment and components from our suppliers, as well as design or scope adjustments. There is no assurance that the Group will not experience significant delays in delivery in the future. In the event that the Group is not able to meet its delivery schedules, the Group may be liable to pay the customers certain liquidated damages. The customers may also elect to terminate their contracts with the Group, which will adversely affect the Group reputation and financial performance.

(l) The Group is dependent on its major customers

For the Renewable Energy Support Business, the Group is dependent on our major customers, such as HHC. The Group has been awarded a contract by HHC for the installation of the submarine cables for the Offshore Wind Farm in 2020. However, there is no assurance that our major customers will continue to engage the Group's services at current levels. Although the Group has enjoyed long-standing relationships with many major customers, in the event where the major customers cease or significantly reduce engaging the Group for their projects, or if the contracts which we have entered into with the customers are terminated, and the Group is unable to secure projects of comparable size and project margins from other customers, the Group's business and financial performance and condition may be materially and adversely affected. In addition, there is no assurance that the terms of any renewal of the contracts will not be less favourable to the Group than the existing terms. In the event that the contracts are not renewed, or if the terms of renewal are not commercially viable to the Group, the Group's business and financial performance may be materially and adversely affected.

(m) The laws, governmental regulations and policies supporting renewable energy are subject to change, and such change may materially and adversely affect the Group's business, results of operation and growth strategy

Renewable energy generation assets currently benefit from various national, provincial, state and local governmental incentives. The local laws, rules and regulations applicable to renewable energy assets in some of the markets in which the Group operates could be in the process of being developed or newly implemented. Governmental regulations, policies and the administration of such regulations and policies could be changed to provide for a new tariff that reduces the economic returns of the Group.

Further, if any of the laws or governmental regulations or policies that support the renewable energy industry change or are terminated, the Group would be subject to new and more onerous laws or regulations, or greater costs of compliance with such changes in laws or regulations or interpretations thereof, or if such changes have retrospective effect, such changes could have a material adverse impact on the Group's business, financial conditions and results of operations.

(n) Changes in technology may render the Group's technologies obsolete or require it to make substantial capital investments, and failure to respond to technological changes effectively and in a timely manner may adversely affect its business and results of operations

Although the Group attempts to maintain the most up-to-date technology with its adoption of the HDD rigs and cable-laying marine assets, the technology requirements for businesses in the wind sector is subject to continuing change of development. Some of its existing technologies and processes in the wind energy business may become obsolete or perform less efficiently compared to newer and better technologies and processes.

The cost of upgrading or implementing new technologies, upgrading the Group's existing equipment or expanding capacity could be significant and may adversely affect the Group's results of operations if it is unable to pass on such costs to its customers. Failure to respond to technological changes effectively and in a timely manner may adversely affect its business and results of operations.

(o) The New Business is subject to competition risks

The success of the New Business will, to a large extent, depend on the Group's ability to establish itself in the renewable energy sector and industry on an economically viable scale and in line with the Group's business objectives. The Group will have to compete with existing and new competitors operating in the same field. There is no assurance that the Group's plan to penetrate these markets will be commercially successful. The Group will need to increase its marketing activities to develop market awareness and relationships with potential clients and/or investee companies. Such activities will increase the Group's expenses, and such expenditure without a corresponding increase in revenue may have an adverse impact on the Group's growth prospects and financial performance.

GENERAL RISKS

(p) The Group may be exposed to a range of economic risks relating to the Proposed Diversification in the countries in which the Group may operate

The performance of the proposed New Business depends largely on the economic situation in the geographical markets which the Group proposes to enter. There is no assurance that the renewable solutions sector in such other geographical markets will continue to grow. This may affect the demand for the Group's provision of project management, engineering, design and support services for the Renewable Energy Support Business. Other geographical markets in which the Group seeks to operate may be adversely affected by political, economic, regulatory, social or diplomatic developments. Changes in inflation, interest rates, taxation or other regulatory, economic, social or political factors affecting such other geographical markets, or adverse developments in the supply, demand and prices of resources in such countries, may have an adverse effect on the Group's business. This may also materially and adversely affect the Group's business operations, financial condition, results of operations and prospects.

(q) The Group is susceptible to fluctuations in foreign exchange rates relating to the Proposed Diversification

A significant portion of the Group's revenue and expenses from operating the New Business may be denominated in the foreign currencies of the respective countries in which it is involved. While care may be taken to hedge against foreign exchange risks, any unforeseen fluctuations against the reporting currency of the Group that are unfavourable to the Group may affect the Group's profitability and financial position.

(r) The Group is subject to risk of insufficient insurance coverage

The Group has taken up various insurance policies for various risks including public liability insurance, burglary and theft insurance, fire insurance, equipment insurance, motor insurance, vessel insurance and insurance for workmen's compensation claims. In addition, the Group has taken up group hospitalisation and surgical, medical, personal accident and travel insurance for its employees. However, there can be no assurance that all risks can be adequately insured against or at all or that any insured sum will be paid. There are also certain types of risks that are not covered by the Group's insurance policies because they are either uninsurable or not economically insurable. In addition, the Group is not insured against loss of key personnel and business interruption. In the event that such events were to occur, the Group will incur additional expenses and the Group's operations and financial position may be adversely affected.

(s) The Group may be subject to general risks associated with operating businesses outside Singapore

The Group intends to expand its operation of the New Business in countries across Asia but does not plan to restrict the New Business to any specific geographical market. There are risks inherent in operating businesses overseas, which include unexpected changes in

LETTER TO SHAREHOLDERS

regulatory requirements, difficulties in staffing and managing foreign operations, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainties regarding liability and enforcement, changes in local laws and controls on the repatriation of capital or profits. Any of these risks could adversely affect the Group's overseas operations and, consequently, its business, financial performance, financial condition and operating cash flow. In addition, if the governments of countries in which the New Business operates tighten or otherwise adversely change their laws and regulations relating to the repatriation of their local currencies, it may affect the ability of the Group's overseas operations to repatriate profits and, accordingly, the cash flow of the Group will be adversely affected.

(t) *The Group may be faced with limited availability of funds and is subject to financing risks*

The availability of financing may be essential to the Group's ability to undertake and/or expand the New Business.

However, the Group cannot assure that it will have sufficient funds at its disposal for the operations and expansion of the New Business, be able to secure adequate financing, if at all, or obtain or renew credit facilities granted by banks and financial institutions for the projects in question when the need arises. Furthermore, the incurrence of debt will increase the Group's financing costs and obligations and could result in operating and financial covenants imposed by financial institutions that restrict its operations and its ability to pay dividends to Shareholders. In such event, the Group's business, financial condition and performance may be materially and adversely affected.

(u) *The Group is subject to risks relating to the economic, political, legal or social environment in the overseas market that the Group may operate in, such as in Taiwan*

The Group's business, earnings, asset values, prospects and the value of the Shares may be materially and adversely affected by developments with respect to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxation, expropriation, social instability and other political, legal, economic or diplomatic developments in or affecting the overseas markets that the Group may operate in, such as in Taiwan, where applicable. The Group does not have control over such conditions and developments and can provide no assurance that such conditions and developments will not have a material adverse effect on the Group's business operations.

Specifically, the business, results of operations and financial condition may be materially and adversely affected by (a) changes in government regulations concerning restrictions on price controls, export controls, taxation, ownership and expropriation of property, and environmental and/or health safety; (b) imposition of additional restrictions on currency conversions and remittances abroad; (c) laws, regulations and policies; (d) industrial disruptions; and (e) economic growth or slowdown.

Terrorist attacks and other acts of violence or war may negatively affect those economies and may also adversely affect financial markets globally. In addition, any such activities in the overseas markets or their neighbouring countries might result in concerns about stability in the region, which may materially and adversely affect the Group's business, results of operations and financial condition.

(v) *The Group's operations may be subjected to disruptions caused by uncontrollable and unforeseen events and influences*

LETTER TO SHAREHOLDERS

The Group may face severe disruption in operations from events or circumstances not within its control which, sustained over time, may negatively impact the Group's financial condition and performance. Examples of these events or circumstances include conflicts, wars, terrorism, global pandemics (including the COVID-19 pandemic) and other social disruptions, adverse weather and natural disasters including floods and earthquakes, increased costs, unexpected delays from the engagement of third-party contractors and service providers, accidents or fires which may result in injuries, damages to critical equipment, power supply or infrastructure and disruptions caused by members of the local community. Any of these events or conditions could materially and adversely affect the Group's business, financial condition, financial performance, results of operations and prospects.

3.11 Financial Effects of the Proposed Diversification

As at the Latest Practicable Date, the Group has not made any substantial affirmative and binding investments in relation to the New Business that are expected to materially impact the EPS or NTA per Share of the Group.

The Company would make the necessary announcements as and when appropriate in the event that any further developments relating to the Proposed Diversification would have any material impact on the EPS or NTA per Share of the Group.

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

4.1 Directors' Interests

The interests of the Directors, direct or indirect, in the Shares as extracted from the Company's Register of Directors' Shareholdings, as at the Latest Practicable Date, are as set out below:

	Direct Interest		Deemed Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors				
Tan Keng Siong Thomas ⁽²⁾	100,000	n.m. ⁽⁴⁾	281,749,000	39.81
Tan Chow Boon ⁽³⁾	–	–	124,999,600	17.66
Ho Boon Chuan Wilson	125,000	n.m. ⁽⁴⁾	–	–
Ong Sie Hou Raymond	100,000	n.m. ⁽⁴⁾	–	–

Notes:

- (1) Based on 707,907,300 Shares in issue (excluding 2,092,700 treasury shares) as at the Latest Practicable Date.
- (2) Mr. Tan Keng Siong Thomas is deemed interested in the 281,749,000 Shares held by KH Group Holdings Pte. Ltd. by virtue of Section 4 of the SFA.
- (3) Mr. Tan Chow Boon is deemed interested in the 124,999,600 Shares held by Credence Capital Fund II (Cayman) Limited by virtue of Section 4 of the SFA.

LETTER TO SHAREHOLDERS

(4) Not meaningful.

4.2 Substantial Shareholders' Interests

The interests of the Substantial Shareholders, direct or indirect, in the Shares as extracted from the Company's Register of Substantial Shareholders, as at the Latest Practicable Date, are as set out below:

Names of Substantial Shareholders	No. of Shares registered in the name of Substantial Shareholders or nominees	No. of Shares in which Substantial Shareholders are deemed to be interested	Total	Percentage of issued Shares ⁽¹⁾
KH Group Holdings Pte. Ltd.	281,749,000	–	281,749,000	39.80
Tan Keng Siong Thomas	100,000	281,749,000 ⁽²⁾	281,849,000	39.81
Ng Chwee Lian Natalie – Amanda	–	281,749,000 ⁽³⁾	281,749,000	39.80
Credence Capital Fund II (Cayman) Limited	124,999,600	–	124,999,600	17.66
Tan Chow Boon	–	124,999,600 ⁽⁴⁾	124,999,600	17.66
Seow Kiat Wang	–	124,999,600 ⁽⁴⁾	124,999,600	17.66
Koh Boon Hwee	–	124,999,600 ⁽⁴⁾	124,999,600	17.66
Gavin Teo Hua-Xiong	–	124,999,600 ⁽⁴⁾	124,999,600	17.66
Ng Kim Haw	–	124,999,600 ⁽⁴⁾	124,999,600	17.66
Altara Ventures Pte. – Ltd.	–	124,999,600 ⁽⁴⁾	124,999,600	17.66

Notes:

- (1) Based on 707,907,300 Shares in issue (excluding 2,092,700 treasury shares) as at the Latest Practicable Date.
- (2) This represents Mr. Tan Keng Siong Thomas's deemed interest of 281,749,000 Shares held in the name of KH Group Holdings Pte Ltd.
- (3) This represents Mdm. Ng Chwee Lian Natalie Amanda's deemed interest of 281,749,000 Shares held in the name of KH Group Holdings Pte Ltd.
- (4) Credence Capital Fund II (Cayman) Limited is a private equity investment fund managed by Altara Ventures Pte. Ltd. on a discretionary basis in accordance with the operating and investment conditions and other terms of the management agreement under which Altara Ventures Pte. Ltd. is appointed. The shareholders of Altara

LETTER TO SHAREHOLDERS

Ventures Pte. Ltd. are Mr. Tan Chow Boon, Mr. Koh Boon Hwee and Mr. Seow Kiat Wang, Mr Gavin Teo Hua-Xiong and Mr Ng Kim Haw, who each have a shareholding of 20%.

Save for their respective interests in the Company, none of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Proposed Change of Name and Proposed Diversification.

5. DIRECTORS' RECOMMENDATIONS

Proposed Change of Name

The Directors, having reviewed, among other things, the rationale of the Proposed Change of Name and other information set out in paragraph 2 of the Circular, are of the view that the Proposed Change of Name is in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend that Shareholders **vote in favour** of the Proposed Change of Name at the EGM.

Proposed Diversification

The Directors, having reviewed, among other things, the rationale of the Proposed Diversification and other information set out in paragraph 3 of the Circular, are of the view that the Proposed Diversification is in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend that Shareholders **vote in favour** of the Proposed Diversification at the EGM.

6. EXTRAORDINARY GENERAL MEETING

The EGM will be held by way of electronic means on 23 April 2021 at 9.45 a.m. or immediately after the AGM for the purpose of considering and, if thought fit, passing with or without any modifications, the Proposed Resolutions as set out in the Notice of EGM.

7. ACTIONS TO BE TAKEN BY SHAREHOLDERS

7.1 No attendance at EGM

Due to the current COVID-19 restriction orders in Singapore, Shareholders can only participate via the "live" webcast. No physical attendance is permitted.

7.2 Alternative Arrangements

Alternative arrangements have been put in place to allow Shareholders to participate at the EGM by (a) watching or listening to the EGM proceedings via "live" webcast, (b) submitting questions in advance of the EGM, and/or (c) voting by proxy at the EGM.

Shareholders should refer to the Company's announcement dated 1 April 2021 entitled "Live Webcast of Extraordinary General Meeting on 23 April 2021" which has been uploaded together with this Circular on SGXNet for further information, including the steps to be taken by Shareholders to participate at the EGM. Such announcement may also be accessed at the URL <https://kimheng.listedcompany.com/> under the "Latest News" section.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Change of Name and the Proposed Diversification, the Company and

LETTER TO SHAREHOLDERS

its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 9 Pandan Crescent, Singapore 128465, during normal business hours:

- (a) the Constitution of the Company, from the date of this Circular up to and including the time and date of the EGM; and
- (b) the Annual Report of the Company for FY2020, from the date of issue of the Annual Report for FY2020 being 8 April 2021 up to and including the time and date of the EGM.

Yours faithfully

For and on behalf of the Board of Directors of

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

Tan Keng Siong Thomas
Executive Chairman & CEO

NOTICE OF EXTRAORDINARY GENERAL MEETING

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201311482K)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholders**”) of Kim Heng Offshore & Marine Holdings Limited (the “**Company**”) to be held by way of electronic means on 23 April 2021 at 9.45 a.m. (or immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9.30 a.m. on the same day) for the purposes of considering and, if thought fit, passing (with or without modifications) the resolution set out below.

All capitalised terms used in this notice which are not defined herein shall have the meanings ascribed to them in the circular dated 1 April 2021 to the Shareholders.

SPECIAL RESOLUTION 1: THE PROPOSED CHANGE OF NAME

That:

- (a) subject to the approval of the Accounting and Corporate Regulatory Authority of Singapore (“**ACRA**”), the name of the Company be changed from “Kim Heng Offshore & Marine Holdings Limited” to “Kim Heng Ltd” wherever the former appears in the Constitution of the Company; and
- (b) the Directors be authorised and empowered, jointly and/or severally, to complete and do and execute all such things and acts (including, without limitation, executing all such documents as may be required) as they or he may think necessary or expedient to give effect to this resolution, with such modifications thereto (if any) as they or he shall think fit in the interests of the Company.

ORDINARY RESOLUTION 2: THE PROPOSED DIVERSIFICATION

That:

- (a) approval be and is hereby given for the diversification by the Company and its subsidiaries of its core business into the renewable energy sector, including the provision of renewable energy support business such as (i) construction of trenches and fabrication of large steel structures and equipment;(ii) engineering design for offshore turbine foundations; (iii) provision of transportation and logistics services; (iv) provision of wind farm components; (v) installation of horizontal directional drilling (“HDD”) conduits, including a cable protector conduit connecting land to sea beneath the revetment and breakwater; (vi) assembly and installation of pin piles, foundation jackets, towers, nacelles and blades; (vii) provision of maintenance services for offshore wind farm facilities; (viii) preparation and execution of the HDD in the subsea cable landfall area; (ix) provision of marine spread of vessels; and (x) any other ancillary activities related to the New Business; and
- (b) the Directors be authorised and empowered, jointly and/or severally, to complete and do and execute all such things and acts (including, without limitation, executing all such documents as may be required) as they or he may think necessary or expedient to give effect to this resolution, with such modifications thereto (if any) as they or he shall think fit in the interests of the Company.

BY ORDER OF THE BOARD

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

LOTUS ISABELLA LIM MEI HUA

Company Secretary

Singapore

1 April 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the EGM are set out in the Company's announcement dated 1 April 2021 entitled "LIVE WEBCAST OF EXTRAORDINARY GENERAL MEETING ON 23 APRIL 2021" which has been uploaded together with this Notice of Extraordinary General Meeting on SGXNet on the same day. This announcement may also be accessed at the URL: <https://kimheng.listedcompany.com/> under the "Latest News" section.

In particular, the EGM will be held by way of electronic means and a member will be able to watch or listen to the proceedings of the EGM through a "live" webcast via his/her/its mobile phones, tablets or computers. In order to do so, a member who wishes to watch or listen to the "live" webcast must pre-register by 9.45 a.m. on 21 April 2021, at the URL: <https://conveneagm.com/sg/kimheng>. Following authentication of his/her/its status as members, authenticated members will receive an email notification, and would be able to access the webcast of the proceedings of the EGM using the account credentials created upon completion of registration.

A member who pre-registers to watch or listen to the "live" webcast may also submit questions related to the resolutions to be tabled for approval at the EGM. To do so, all questions must be submitted at the URL: <https://conveneagm.com/sg/kimheng> or emailed to Proxy2021@kimheng.com.sg by 9.45 a.m. on 16 April 2021.

2. A member will not be able to attend the EGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the Chairman of the meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM. In appointing the Chairman of the meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of a proxy, failing which the appointment will be treated as invalid.
3. The Chairman of the meeting, as proxy, need not be a member of the Company.
4. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
5. The instrument appointing the Chairman of the meeting as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must be received via the following means:
 - (a) via the Registration Link (<https://conveneagm.com/sg/kimheng>);
 - (b) post to 9 Pandan Crescent, Singapore 128465; or
 - (c) electronic mail to Proxy2021@kimheng.com.sg;

not later than 48 hours before the time set for the EGM, which is by 9.45 a.m. on 21 April 2021.

In view of the current COVID-19 situation and the related precautionary measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms via electronic mail.

6. The Company shall be entitled to reject the instrument appointing the Chairman of the meeting as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the meeting as proxy (such as in the case where the appointor submits more than one instrument of proxy).
7. In the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 9.45 a.m. on 20 April 2021, as certified by The Central Depository (Pte) Limited to the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

PERSONAL DATA PRIVACY

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

PROXY FORM

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201311482K)

PROXY FORM

EXTRAORDINARY GENERAL MEETING

Important:

1. For investors who have used their CPF/SRS monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
2. CPF/SRS investors are requested to contact their respective Agent Banks for any queries they may have with regard to the appointment of the Chairman of the Meeting as the proxy.

*I / We, _____ (Name) _____ (NRIC/Passport no.)

of _____ (Address)

being *a member/members of Kim Heng Offshore & Marine Holdings Limited (the "**Company**"), hereby appoint the **Chairman of the Meeting** as my/our proxy to vote for me/us at the Extraordinary General Meeting of the Company (the "**Meeting**") to be held by electronic means on Friday, 23 April 2021 at 9.45 a.m. (or immediately following the conclusion or adjournment of the Annual General Meeting of the Company to be held at 9.30 a.m. on the same day) and at any adjournment thereof.

We have indicated with an "X" in the appropriate box against each item below how I/we wish the Chairman of the Meeting as my/our proxy to vote, or to abstain from voting.

In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.

No.	Resolutions	For#	Against#	Abstain#
1.	SPECIAL RESOLUTION The Proposed Change of Name			
2.	ORDINARY RESOLUTION The Proposed Diversification			

Note: Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of ordinary shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution.

Total number of Shares in:	No. of Shares held
(a) CDP Register	
(b) Register of Members	

Dated this _____ day of _____, 2021

.....
Signature(s) of Member(s)/ Common Seal

IMPORTANT: Please Read Notes before Completing this Proxy Form

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

Notes:

1. A member should insert the total number of ordinary shares in the capital of the Company (“Shares”) held. If the member has Shares entered against his name in the Depository Register, he should insert that number of Shares. If the member has Shares registered in his name in the Register of Members, he should insert that number of Shares. If a member has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members, he should insert the aggregate number of Shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this instrument appointing a proxy or proxies will be deemed to relate to all Shares held by the member.
2. A member will not be able to attend the EGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the EGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
3. Where a member appoints more than one proxy, he shall specify the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named or at the Company’s option to treat this proxy form as invalid.
4. This Proxy Form is not valid for use by members who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act (Chapter 50 of Singapore)), including CPFIS members and/or SRS investors, and shall be ineffective for all intents and purposes if used or purported to be used by them. Such members (including CPFIS members and/or SRS investors), if they wish to vote, should contact their respective relevant intermediaries as soon as possible to specify voting instructions. **CPFIS members and SRS investors should approach their respective CPF- and/or SRS-Approved Nominees at least seven working days before the EGM to specify voting instructions.**
5. This instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company)) must be deposited at the registered office of the Company at 9 Pandan Crescent, Singapore 128465 or electronic mail to Proxy2021@kimheng.com.sg; not less than 48 hours before the time appointed for the EGM.
6. **In view of the current COVID-19 situation and the related precautionary measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms via electronic mail.**
7. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of its attorney duly authorised.
8. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy.
9. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument of proxy lodged if the member, being the appointer, is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time set for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
10. **Personal data privacy:** By submitting an instrument appointing a proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM.