Issuer: ASL Marine Holdings Ltd
Security: ASL Marine Holdings Ltd

Meeting details:
Date: 28 November 2016
Time: 14:00H
Venue: 19 Pandan Road, Singapore 609271

Company Description

ASL Marine Holdings Ltd., an investment holding company, provides marine services primarily in the Asia Pacific, South Asia, Europe, Australia, and the Middle East. The company operates through five segments: Shipbuilding, Shiprepair and Conversion, Shipchartering and Rental, Engineering, and Investment Holding. It constructs vessels, such as offshore support vessels, dredgers, tugs, barges, and tankers. The company also offers ship repair and conversion services, including retrofitting and conversion, steel renewal, blasting and painting, electrical and electronic works, and mechanical works for the repair and life extension of various types of vessels. In addition, it owns and operates a fleet of vessels consisting of hopper barges, work barges, tugs, workboats, grab dredgers, anchor handling tugs, anchor handling towing/supply vessels, tankers, and landing crafts; provides transportation services; and rents plant and machinery. The company provides shipchartering services primarily for marine contractors in the offshore oil and gas, marine infrastructure, dredging, land reclamation, marine construction, and marine transportation industries. Further, it offers dredging engineering products and services, including cutter suction dredgers, trailing hopper suction dredgers, pumping systems, cutting systems, dredger automations, dragheads, dredge line components, and other components. ASL Marine Holdings Ltd. owns and operates five shipyards in Singapore; Batam, Indonesia; and Guangdong, China. It operates a fleet of approximately 200 vessels. The company was founded in 1974 and is headquartered in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=A04)

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Q1. The Company's auditors have included an emphasis of matter in the Independent Auditor's Report (page 62 of the annual report). The auditors drew attention to Note 2.1 to the financial statements, which states that:

> *As at 30 June 2016, the Group's and Company's total borrowings amounted to $592,186,000 and $150,000,000 of which $362,920,000 and $100,000,000 were classified as current. As disclosed in that Note, the Group's loans and borrowings that are due for repayment in the next 12 months exceed its cash and bank balances of $24,710,000 as at 30 June 2016. This factor together with the others disclosed in that Note indicates the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns.*

As announced on 29 August 2016, the company is undertaking a rights issue to raise up to $24.95 million. This was followed by an announcement on 11 November 2016 that the company has "signed a commitment letter with various lenders for a 5-year club term loan facility amounting to S$99.9 million (the "Club Term Loan Facility")." The company is also required to seek "to extend the tenor of the full principal amount of the fixed rate notes by 3 years or more and seek any other waivers required for the extension of the fixed rate notes amounting to S$100 million maturing on 28 March 2017 and S$50 million maturing on 1 October 2018 (the "Notes") prior to the first drawdown of the Club Term Loan Facility…. The Company believes that it will have a reasonably good chance of obtaining the required approvals from noteholders so that it can access new monies by drawing down from the club term loan facility."

(a) Can the company let shareholders know the number of noteholders holding the two fixed rate notes of $100,000,000 due in March 2017 and $50,000,000 due in October 2018?

(b) What is the basis of the company's confidence that "it will have a reasonably good chance of obtaining the required approval"?

(c) What is the threshold needed to establish a quorum for a noteholders' meeting to approve a tenure extension? And what is the level of threshold (simple majority/supermajority?) required to approve the extension at such a noteholders' meeting?

(d) What is the board/management's plan for the rest of the total borrowings in the group that are classified as current? As at 30 June 2016, less the $100 million at the company's level, the group still has total borrowings amounting to $263 million that are classified as current.

Q2. In view of the emphasis of matter, shareholders would like to ask the company for more visibility into its cash flow. In particular:

(a) A completed vessel with a carrying value of $52 million (page 121 – Inventories) was recognised as inventory ("Finished Goods"). **What type of vessel is this and what does management intend to do with the vessel?**

(b) Under the Built-to-Stock ("BTS") program, three anchor handling towing/ supply vessels ("AHTS") are expected to be added to the group's inventory when they are completed in March 2017. **Shareholders would like to know if they are any other vessels being built under the BTS program. Given the supply glut, what are the chances that the group will be able to find a buyer or a charterer for these three AHTS?**

(c) In the Chairman's message (page 17), it was disclosed that the group's "222 non-OSV fleet comprises mainly of towing tugs, flat top work barges, crane barges, split hopper barges, dredge workboats, grab dredgers, landing crafts and tankers". **Could management disclose a more detailed breakdown of the fleet to show the number of vessels, utilisation, percentage under long-term contract and deployment area?**

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(d) Can shareholders get an update on the status of the 2 OSVs that had their contracts rescinded in FY2015? For the 3 PSVs under the earlier contract rescissions, would it be prudent to impair their value? What are the cash costs, if any, to upkeep and maintain these PSVs as the group looks for buyers/charterers?

(e) On page 123, the trade receivables that are past due but not impaired maintained at about $115 million for 2016. The amount past due for more than 1 year is $67 million. **Can management provide an upper limit to the aging and to break down the $67 million past due into shorter time periods (e.g. 6-month blocks)?**

Q3. In 2013, the company's then-independent director resigned to relinquish the directorship "in support of good corporate governance practice on Board renewal and rejuvenation" as the director had, at that point in time, served the board for more than 10 years. In the 2016 Corporate Governance Report, it was disclosed that a special review was undertaken to review the independence of directors (page 33). Currently, two of the three directors have served on the board for more than 10 and 13 years respectively.

(a) Can the company explain what a rigorous review of the independence of a director entail? Was this carried out internally or with the help of a consultant?

(b) Would this rigorous review be carried out every year for independence directors who have served on the board for more than 9 years?

(c) Can shareholders understand the board's plan for renewal and rejuvenation?

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