Issuer: Gaylin Holdings Limited
Security: Gaylin Holdings Limited

Meeting details:
Date: 21 July 2017
Time: 10:00AM
Venue: Raffles Country Club, Albatross Room, 450 Jalan Ahmad Ibrahim, Singapore 639932

Company Description

Gaylin Holdings Limited, an investment holding company, manufactures and supplies rigging and lifting equipment for the oil, gas, shipbuilding, marine, civil engineering, and renewable energy markets. The company operates through Rigging and Lifting, and Ship Chandling segments. It offers rigging and lifting equipment, including heavy lift slings and grommets, crane ropes, synthetic slings, synthetic fibers, wire ropes, wire rope accessories, and mooring equipment and related accessories. The company also provides wire rope management, spooling, lubrication and non-destructive testing (NDT), and other fabrication services; winch systems; and mooring components and systems. In addition, it is involved in the rental or sale of lifting, and mooring and marine products. Further, the company offers training courses and competency assurance services for the lifting and marine industry; ship chandler's supplies and services; and general merchandise. It has operations in Singapore, the Middle East, Malaysia, Australia, rest of Asia, Europe, and internationally. The company was founded in 1974 and is headquartered in Singapore. Gaylin Holdings Limited is a subsidiary of Keh Swee Investment Pte. Ltd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=RF7)

Q1. As noted in the Independent Auditors' Report (pages 37 to 43 of the annual report), the group's ability to continue as a going concern is a key audit matter (page 38). The auditors have noted that "excluding its inventories, the group is in a net current liability position of $66,363,156 as at 31 March 2017". Based on the group's 12-month cash flow forecast drawn up by management, the board of directors "has concluded that there is no material uncertainty regarding the group's ability to continue as a going concern".

a) **Can the board of directors elaborate further on how it arrived at its conclusion that there is "no material uncertainty regarding the group's ability to continue as a going concern"?**

In Note 18 (page 84 – Bank Borrowings), it was disclosed that:

> *"During the year, the group did not repay the debts due to a bank in March 2017 of $1,069,167. As a result, certain outstanding facilities with the bank became due immediately. Notwithstanding this, no facilities were recalled by the bank as at 31 March 2017 and at the date of the financial statements, the amount outstanding as at 31 March 2017 have been settled and all facilities continue to remain available".*

b) **Can management explain why the debt of $1,069,167 was not repaid on time?**

As disclosed in Note 3(a)(i) (page 63 – Going concern), management is of the view that the group will be able to meet its obligations in the foreseeable future as a result of the following:

- the group has unutilised available credit facilities as disclosed in Note 4(c)(iv) and it has also restructured certain of its credit facilities to free up cash resources; and
- there are positive cash inflows from management's cash flow projections of the group over the next 12 months, which will be sufficient to meet the group's working capital and operational needs.

c) **What are the new terms of the credit facilities?**

d) As disclosed in Note 18 (page 84 – Bank borrowings), of the total bank borrowings of $83.0 million, $38.4 million is due within 12 months and a further $39.5 million is due after 12 months but classified as current. **Can management provide shareholders with more assurance that the group will be able to meet its obligations in the foreseeable future and it will be able to pay its debts when they fall due?**

Q2. Following the group's acquisition of Rig Marine Holdings FZE and its subsidiary corporations ("Rigmarine") in 2015, the group has integrated Rigmarine "into the Gaylin family as well as tap on their niche capabilities to market higher value services to our overseas markets" (page 5).

a) **Can management provide shareholders with better clarity on the strategic value of Rigmarine to the group?**

As noted in Note 3a(iii) (page 63 – Acquisition of Rig Marine Holdings FZE and its subsidiary corporations), the group had paid $8.4 million in 2015 under the first tranche out of the total consideration of $17.6 million. As the profit targets were not met, the contingent consideration of $9.2 million was remeasured down to $0 in 2016 (page 64). The goodwill that arose mainly from the acquisition of Rigmarine (of about $2.2 million) was also fully impaired in 2016.

b) **Can shareholders understand how Rigmarine performed in the financial year?**

Notwithstanding the financial position of the group, and the state of the sector, the group has added $10.6 million and $6.2 million to its property, plant and equipment over the last two financial years.

c) **How much of these were capital investment for the new Aberdeen facility?**

d) What is the group's investment hurdle for new facilities/capital investment?

e) Are there plans to further expand the group's network? If so, what is the expected capital expenditure? How would the group fund its expansion?

Q3. During the financial year, the group has received a loan from the holding company of $1.5 million and has tapped into bank overdrafts of $1.2 million. Total equity decreased to $93.9 million while total liabilities amounted to $102.5 million (comprising $96.4 million in current liabilities and $6.1 million in non-current liabilities). The group's net cash from operating activities was $12.9 million (boosted by monetising inventory of $16.5 million) while the group used up $2.4 million and $9.4 million in investing and financing activities respectively.

Can the board help shareholders understand the group's capital management policies? Would the current capital structure be sustainable given that the financial position of the group appears to be stretched and that the global O&G industry is expected to remain soft?