



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: ASL Marine Holdings Ltd.

Stock code: A04

Meeting details:

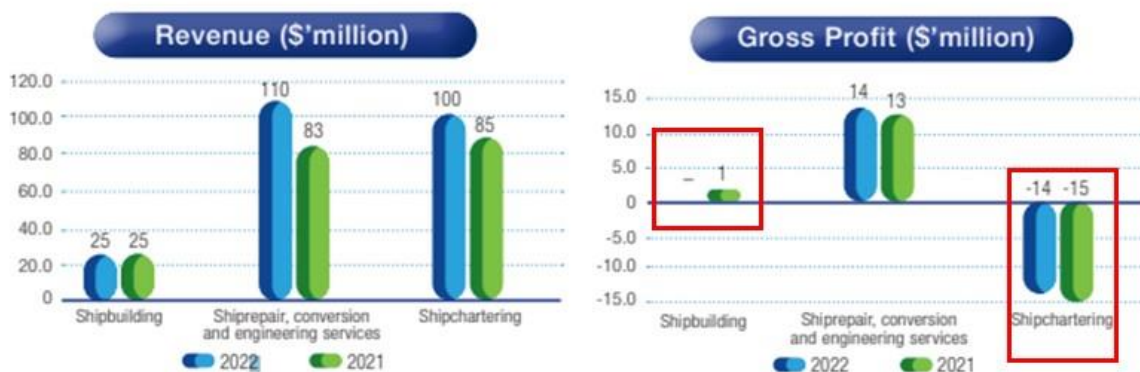
Date: 27 October 2022

Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. For the financial year ended 30 June 2022, loss attributable to owners of the company remain high at \$(32.2) million (FY2021: \$(36.9) million) even as revenue increased by 22.1%.

The group once again generated a gross loss of \$(125,000) even though it was an improvement from the gross loss of \$(1.21) million suffered in FY2021. The breakdown by segment is shown below:



(Adapted from company's annual report)

- (i) The group's shipbuilding revenue was stable at \$25.0 million. As disclosed, the group has an outstanding shipbuilding order book of approximately \$59 million for 16 vessels (including 13 barges worth \$24 million to be recognised in FY2023). **With renewed interests in the oil and gas segment due to high oil prices, is the group able to secure a good order with a creditworthy customer for high-value vessels such as an offshore support vessel (OSV)?**
- (ii) However, it is also noted the group experienced costs overrun in the construction of barges. This led to gross profit margins of just 0.3% in the shipbuilding segment. Segment loss for the year increased from \$(2.85) million to \$(6.19) million in FY2022. In fact, the group suffered cost overruns in FY2021 (barges) and in FY2019 (tanker). **What were the reasons for the costs overrun even when the group is constructing standardised vessels (such as barges) which should be the bread and butter of an experienced shipyard?**
- (iii) **Has the group maintained its competitiveness and retained the technical know-how and discipline in shipbuilding, especially when it comes to highly sophisticated vessels such as OSVs?**

- (iv) **Without considering costs overruns, what are the expected profit margins if the group focuses on standardised vessels like tugs, barges, tankers and dredgers?**
- (v) **Would the board be carrying out a strategic review of the group's shipbuilding segment?**
- (vi) **In the shipchartering segment, even as utilisation rate improved from 40% to 54%, the group suffered a gross loss of \$(14.5) million mainly due to higher fuel and upkeep expenses in mobilising vessels for overseas projects, and affreightment arrangements (page 3). Can management elaborate further on its budgeting and pricing processes prior to entering into shipchartering contracts? Why is the group chartering out its fleet at negative gross margin? What guidance and targets would the board give to management to stem the losses in the segment?**
- (vii) **Would minority shareholders' interests be better safeguarded if the board oversees an orderly liquidation of the group's chartering fleet to preserve shareholder value?**

Q2. The company's independent auditor has highlighted a material uncertainty related to going concern in respect of the ability of the group and the company to continue as a going concern in the Independent Auditor's Report on the financial statements of the company and its subsidiaries for the financial year ended 30 June 2022.

The audit opinion in the Independent Auditor's Report is not modified and not qualified in respect of this matter.

The group has the following major facilities:

- Series 006 Notes with carrying value of \$71.6 million; principal amount of \$88.5 million (Sep 2022); mature on 28 March 2025
 - Series 007 Notes with carrying value of \$32.7 million; principal amount of \$44.25 million (Sep 2022); mature on 1 October 2026
 - \$99.9 million 5-year club term loan facilities ("CTL"); mature in November 2026
- (i) **Given the cash generating ability of the group, what are the options available to management in 2025-2026 when the Notes and the CTL facilities mature?**
 - (ii) **Has management been actively seeking out buyers for the group's three platform supply vessels (PSVs)? The PSVs were assessed to have a net realisable value of \$67.5 million as of 31 March 2022. What is the current net realisable value of the PSVs?**

- (iii) The group has \$308.9 million in borrowings and \$22.1 million in cash and bank balances as at 30 June 2022. In FY2022, the group paid \$11.2 million in interest (page 86 – Consolidated statement of cash flows). **What is the impact on the group as interest rate rises?**

Q3. On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning¹. On 13 September 2022, SGX RegCo further announced that it will consult on hard-coding the 9-year limit for independent directors².

At the annual general meeting scheduled to be held on 27 October 2022, Mr Andre Yeap Poh Leong would be retiring by rotation in accordance with Regulation 91 of the company's constitution and would be seeking his re-election (resolution 3) and his continued appointment as an independent director (resolutions 9 and 10).

Mr Andre Yeap Poh Leong was first appointed to the board on 17 January 2003, 19 years and 9 months ago.

- (i) **Has the board/nominating committee (NC) deliberated on the guidance by SGX RegCo on the selective use of the two-tier rule to promote board renewal?**
- (ii) **Would the proposed re-election of Mr Andre Yeap Poh Leong and his continued appointment as an independent director go against SGX RegCo's guidance?**
- (iii) **Should Mr Andre Yeap Poh Leong, the NC chairman, lead by example by setting the tone with regard to capping the tenure of independent directors?**
- (iv) **Since Mr Tan Sek Khee, an independent director, was first appointed on 1 January 2014, will the director be retiring or redesignated when he reaches the nine-year limit on 1 January 2023?**
- (v) **Are there any challenges faced by the board in identifying and onboarding of new board members?**

¹ <https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to>

² <https://www.sgxgroup.com/media-centre/20220913-sgx-regco-require-9-year-cap-id-tenure-disclosure-directors-and-ceo>

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

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

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

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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