



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
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Meeting details:

Date: 19 Dec 2024

Time: 2.00 p.m.

Venue: 19 Pandan Road, Singapore 609271

Q1. The company has achieved a significant milestone as it celebrates its 50th anniversary in 2024. While the chairman's message highlights the group's achievements and strategic initiatives, operational and financial challenges remain in key segments such as shipbuilding, and shipchartering. Specifically:

- (i) **Shipbuilding:** The shipbuilding segment recognised a segment loss of \$(1.7) million despite a focus on standardised newbuilds with shorter delivery timeframes. **Can management elaborate on the factors contributing to the continued losses in the shipbuilding segment? Given the group's 50 years of experience in the industry, what were the reasons for the costs overrun in the construction of the 5,000 DWT product oil and IMO 2 chemical tanker? Given recurring cost overruns in 2021 (tugs), 2022 (barges) and 2024 (tanker), has the board reassessed the group's competence in shipbuilding, especially as it pursues high-value projects requiring significant capital commitments? What measures are being implemented to ensure cost efficiency and improved project management in future contracts?**
- (ii) **Vosta LMG:** It was also disclosed that the Vosta LMG has secured the group's first electric conversion project. **Can management elaborate on the significance of this electric conversion project? What are the size and growth potential of the electric conversion market? How different is this project from traditional projects and how well equipped is the group at handling the challenges of its first electric conversion project? How steep is the learning curve and how robust is the risk management framework to ensure that the vessel is delivered on schedule and within budget?**
- (iii) **Shipchartering:** **What are the findings and targets of the Fleet Optimization Program (FOP)? Could management clarify whether fleet optimization efforts have only recently commenced in FY2024, or if such initiatives were in place in prior years?**
- (iv) **Singapore yard:** **Will the addition of a second floating dry dock significantly increase the fixed costs of the Singapore yard?**
- (v) **Batam yard:** **What is the estimated capital expenditure required for the expansion of the Batam yard? What hurdle rate was applied by the board when approving the investment? How does the board ensure that the yard expansion will generate long-term value for all shareholders, especially minority shareholders?**
- (vi) **50th anniversary:** **As the group marks its 50th anniversary, could the board elaborate on its plans to reward shareholders with sustainable dividends? The company last paid a dividend in November 2015. How does the board plan to reinstate dividend payments to shareholders given the group's current financial position?**

Q2. As at 30 June 2024, the group has \$210.25 million in interest-bearing loans and borrowings (Note 18; page 95), with \$114.76 million set to mature in 2025. The effective interest rates on the majority of these loans range between 6.17% and 7.01% during the financial year.

18. INTEREST-BEARING LOANS AND BORROWINGS

	Nominal interest rates %	Effective interest rates %	Maturity dates	Group	
				2024 \$'000	2023 \$'000
Current					
SGD Finance lease liabilities – secured (Note 30(b))	2.78 – 3.88	1.67	2025	2,660	1,012
SGD Floating rate – secured	2.10 – 7.97	6.17 ^{1,2,3}	2025	105,151	22,458
USD Floating rate – secured	2.59 – 8.38	7.01 ¹	2025	5,108	6,315
SGD Fixed rate – unsecured	3.25 – 3.50	2.35	2025	1,839	1,778
				114,758	31,563
Non-current					
SGD Finance lease liabilities – secured (Note 30(b))	2.78 – 3.88	1.67	2026 – 2030	4,873	1,270
SGD Floating rate – secured	2.10 – 7.97	6.17 ^{1,2,3}	2026 – 2028	80,132	183,532
USD Floating rate – secured	2.59 – 8.38	7.01 ¹	2026 – 2027	10,487	30,407
SGD Fixed rate – unsecured	3.25 – 3.50	2.35	2026	–	1,839
				95,492	217,048
				210,250	248,611

(Source: company annual report; emphasis added)

Specifically, the Series 006 Notes and Series 007 Notes with carrying value of \$83,736,000 and \$37,877,000 will mature on 28 March 2025 and 1 October 2026 respectively.

The \$99.9 million 5-year club term loan facility (CTL) matures in November 2026 under the amended and restated deed.

As at 30 June 2024, the group has cash and cash equivalents of \$14.13 million.

- (i) **Has the board re-evaluated the optimal capital structure for the group, considering the industry’s outlook and the group’s projected growth trajectory?**
- (ii) **The group’s net gearing ratio stood at 2.15 times as at 30 June 2024. Has the board set a target for the group’s net gearing?**
- (iii) **For the benefit of shareholders, what are the refinancing or repayment plans for the Series 006 Notes maturing in less than 4 months? Could the board elaborate on the sources of funding being considered to meet the repayment obligation?** The Series 006 Notes have a carrying value of \$83.736 million as at 30 June 2024 and a face value of \$86.5 million as at 30 September 2024.
- (iv) **Has the board evaluated if a rights issue would be necessary to recapitalise the group?**

Q3. As disclosed in the corporate governance report, the internal audit function of the group is outsourced to BDO LLP.

The group operates on a 2-3 year (internal) audit cycle, with the annual internal audit plan approved by the audit committee (AC). The internal audit covers a selection of the group's main business processes of major subsidiaries.

- (i) **For the benefit of shareholders, can the AC provide a detailed overview of the scope of the internal audit for FY2024, along with the key findings and specific recommendations made by the internal auditor?**
- (ii) **Are all operating subsidiaries, including the foreign entities in Indonesia, India, Netherlands, Germany and China, included in the internal audit? How was the internal audit carried out for these foreign subsidiaries?**
- (iii) **What is the level of oversight by the AC on the actions taken by management to follow up on the recommendations?**

Separately, the chairman of the nominating committee (NC), Mr Tan Sek Khee, will be re-designated as a non-independent non-executive director at the conclusion of the upcoming annual general meeting. Mr Tan Sek Khee was first appointed in January 2014.

Following his resignation, the six-member board will have only one independent director, further diverging from the provisions of the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore.

- (iv) **Would the redesignation of Mr Tan Sek Khee (and the redesignation of Andre Yeap Poh Leong after 90% of independent shareholders voted against his continued appointment as independent director in 2022) delay the progressive renewal of the board?**
- (v) **What unique critical expertise and qualities do the long-tenured directors bring to the board? Could the board provide the company's total shareholder return over the past 20 years and 10 years?**
- (vi) **As the current chairman of the NC, would Mr Tan Sek Khee be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors and board independence?**
- (vii) **What measure is the NC implementing to ensure the board maintains its effectiveness and credibility?**



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