



## MERMAID MARITIME PUBLIC COMPANY LIMITED

บริษัท เมอร์เมต มาริไทม์ จำกัด (มหาชน)

(Reg. No. 0107550000017)

26/28-29, 9<sup>th</sup> Floor Orakarn Bldg., Soi Chidlom, Ploenchit Road,  
Lumpinee, Pathumwan, Bangkok 10330, Thailand.

Tel.: +66 (0) 2-255-3115~6; Fax: +66 (0) 2-255-1079

### COMPANY'S RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

Mermaid Maritime Public Company Limited (“Mermaid” or the “Company” and together with its subsidiaries, collectively the “Group”) would like to provide the following Company’s Responses to the queries from the Securities Investors Association (Singapore) as follows:

**Q1.** As mentioned in his statement to shareholders, the chairman noted that the group achieved its first profit for the first time in four years and he regards the outlook for 2023 to be “very positive”.

At the end of December 2022, the order book stood at USD 321 million. The order book comprises several projects, both short-term and long-term, that extends up to 2025. The projects primarily involve inspection, repair and maintenance (IRM) and cable laying projects in the Middle East as well as transportation and installation (T&I) and decommissioning projects in both South East Asia and North Sea region.

- (i) For the benefit of shareholders, can management provide a summary of the main details regarding the long-term Aramco IRM project?**

*Company's Response*

*Saudi Aramco awarded the Long-term IRM contract to Mermaid in the year 2012. Since then, Mermaid has consistently demonstrated exemplary performance under this project. The contract primarily encompasses the provision of Diving Services using DP2 SAT Vessel, Inspection, Maintenance, Spudleg etc. vessels. Saudi Aramco duly acknowledges Mermaid as a “contractor of choice” distinguished for its unwavering commitment to delivering superlative services of utmost quality.*

- (ii) What factors are contributing to the relatively low returns on the Aramco project, and what steps are the group taking to address these challenges?**

*Company's Response*

*As a result of the preceding downturn in petroleum prices, profit margins on the Aramco project were significantly impacted. Nonetheless, our*



## MERMAID MARITIME PUBLIC COMPANY LIMITED

บริษัท เมอร์เมต มารีไทม์ จำกัด (มหาชน)

(Reg. No. 0107550000017)

26/28-29, 9<sup>th</sup> Floor Orakarn Bldg., Soi Chidlom, Ploenchit Road,  
Lumpinee, Pathumwan, Bangkok 10330, Thailand.

Tel.: +66 (0) 2-255-3115~6; Fax: +66 (0) 2-255-1079

*management team is striving hard to increase profit margins. We have achieved noteworthy accomplishments in this endeavor, having successfully incorporated multiple segments/RPOs within the existing contract, generating favorable margins. This success is visible to us, and the forthcoming financial results from the year 2023 onwards will unequivocally depict our success on this front.*

- (iii) **In the cable laying segment, what are the primary growth drivers, and who are the major customers? Moreover, what strategies does the group employ to acquire new customers and secure new contracts?**

### Company's Response

*The primary growth drivers in today's market are the availability of Cable Lay assets (vessel & cable kit), an established track record of executing successful interventions, and a robust business development team. Over the past two years, Mermaid has effectively harnessed all these growth drivers, solidifying its position in the industry. The key clientele is Saipem, NPCC, McDermott, etc. Our strategy is to own Cable Lay Assets (Millennium 3 vessel & cable kit) in our target markets and have strategic partnerships with CLV owners (Mubarak etc.). Moreover, our adept business development team boasts extensive connections with the main players in the Cable space. We have been very successful in adding more customers and winning new projects over the course of the last two years, and we are rightly poised to explore several upcoming ventures in this segment of the Business.*

- (iv) **In the T&I and decommissioning services segment, the gross profit margin was lower at 7.4% due to increased costs associated with the long-term chartered-in vessel, "Van Gogh." What was the utilisation rate of Van Gogh? Can management elaborate further on the decision-making process when it enters into long-term charter contracts?**

### Company's Response

*Van Gogh's utilisation levels have been maintained at an acceptable threshold. Unfortunately, unforeseen circumstances led to a suboptimal profit margin. Nonetheless, our management has proactively implemented remedial actions to rectify this situation, instilling confidence in the anticipated improvement of future profitability to a reasonable level.*



**MERMAID MARITIME PUBLIC COMPANY LIMITED**

บริษัท เมอร์เมต มาริไทม์ จำกัด (มหาชน)

(Reg. No. 0107550000017)

26/28-29, 9<sup>th</sup> Floor Orakarn Bldg., Soi Chidlom, Ploenchit Road,  
Lumpinee, Pathumwan, Bangkok 10330, Thailand.

Tel.: +66 (0) 2-255-3115~6; Fax: +66 (0) 2-255-1079

**Q2.** Overdue trade accounts receivables were reduced in 2022 even though the group recognised higher revenue. As shown in Note 6 (page 127), net trade account receivables amounted to US\$33.0 million (net).

<i>At 31 December</i>	<b>Consolidated financial statements</b>			
	2022 <i>(in thousand US Dollar)</i>	2021 <i>(in thousand US Dollar)</i>	2022 <i>(in thousand Baht)</i>	2021 <i>(in thousand Baht)</i>
Within credit terms	23,139	15,731	799,739	525,728
Overdue:				
Less than 3 months	7,337	17,227	253,584	575,725
3-6 months	1,582	5,768	54,678	192,766
6-12 months	1,005	1,310	34,735	43,780
Over 12 months	531	3,620	18,353	120,980
	<b>33,594</b>	<b>43,656</b>	<b>1,161,089</b>	<b>1,458,979</b>
Less allowance for expected credit loss	(605)	(4,032)	(20,910)	(134,749)
<b>Net</b>	<b>32,989</b>	<b>39,624</b>	<b>1,140,179</b>	<b>1,324,230</b>
Contract asset - accrued income	14,927	7,679	515,913	256,631
Retention receivables	7,619	6,513	263,331	217,664
<b>Total</b>	<b>55,535</b>	<b>53,816</b>	<b>1,919,423</b>	<b>1,798,525</b>

(Source: company annual report)

- (i) **Has there been any change in the credit terms for trade accounts receivables?**

Company's Response

*The credit terms are between 30-60 days as same as previous year.*

- (ii) **Can management elaborate further on the reasons for the reduction in overdue trade receivables?** For example, trade receivables past due over 12 months declined from US\$3.62 million in 2021 to US\$0.53 million.

Company's Response

*The reason for the reduction in overdue over 12 months is the written-off trade account receivable balance as it is highly probable that the Group won't recover these amounts from customers. These balances were outstanding since 2016 and the provision was reserved 100%.*



## MERMAID MARITIME PUBLIC COMPANY LIMITED

บริษัท เมอร์เมต มารีไทม์ จำกัด (มหาชน)

(Reg. No. 0107550000017)

26/28-29, 9<sup>th</sup> Floor Orakarn Bldg., Soi Chidlom, Ploenchit Road,  
Lumpinee, Pathumwan, Bangkok 10330, Thailand.

Tel.: +66 (0) 2-255-3115-6; Fax: +66 (0) 2-255-1079

### **What efforts did management undertake to collect the outstanding trade receivables?**

#### Company's Response

*Since 2016, the management had been attempting to collect the outstanding balance from customers, but there had not been any recoverable amounts. The management also engaged legal firm to follow-up the debt.*

The group also recognised a reversal of US\$1.0 million in allowance for expected credit loss although it also wrote-off US\$2.92 million of the allowance.

### **(iii) What are the profiles of customers with debt that have been written off?**

#### Company's Response

*All customers do not have the ability to pay the outstanding debt and some customers were liquidated, however, the Group is not forgiving the debt and proceed to the Court.*

### **(iv) Has the board or management analysed to see if there is any concentration of bad debt in any particular region or business line?**

#### Company's Response

*Yes, the management considered and analyzed the factors that influence credit risk of the customers, including the industry and country in which customers operate.*

**Q3.** As noted in the corporate governance report, the company is committed to continually enhance shareholder value by maintaining high standards of corporate governance, among others.

However, the board has made references to deviations from “guidelines” of the Code of Corporate Governance 2018 (Code) although the Code now sets out core broad principles which are supported by accompanying provisions.



## MERMAID MARITIME PUBLIC COMPANY LIMITED

บริษัท เมอร์เมต มารีไทม์ จำกัด (มหาชน)

(Reg. No. 0107550000017)

26/28-29, 9<sup>th</sup> Floor Orakarn Bldg., Soi Chidlom, Ploenchit Road,  
Lumpinee, Pathumwan, Bangkok 10330, Thailand.

Tel.: +66 (0) 2-255-3115~6; Fax: +66 (0) 2-255-1079

### CODE OF CORPORATE GOVERNANCE

6 AUGUST 2018

#### BOARD COMPOSITION AND GUIDANCE

##### Principle:

2 The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

##### Provisions:

2.2 Independent directors make up a majority of the Board<sup>7</sup> where the Chairman is not an Independent Director<sup>8</sup>.

Independent directors make up a majority of the Board.

The Chairman is not an Independent Director. Pursuant to Guideline 2.2 of the Code, where the Chairman is not an Independent Director, Independent Directors should make up a majority of the Board. The Nomination Committee considers that there remains a strong and independent element on the Board notwithstanding the Chairman not being an Independent Director as at 31 December 2022.

(Source: company annual report)

- (i) **Can the board, especially the independent directors, help shareholders better understand their level of familiarity with the Code, Listing rules and other relevant guidelines and regulations?**

#### Company's Response

*The board, including the independent directors are regularly informed on, and is aware of, the key principles of the Code, the Listing rules, and other relevant guidelines. Since December 2022, the Board has appointed (on an annual retainer basis) a major corporate service firm associated with a top Singapore law firm for the provision of updates where there are changes in the SGX Listing Rules and to provide guidance on any such changes. It is believed that the retainer will supplement the board's endeavours to become more familiar with the Code, the Listing rules and other relevant guidelines and regulations. Further, the board, by way of its Company Secretary, maintains a strong relationship with one of the "Big-Four" law firms in Singapore to advise on Singapore law and SGX compliance matters. These continuing relationships and engagements allow the board to become familiar with the Code, Listing rules and other relevant guidelines and regulations. In the event of any questions or uncertainty, the board always has access to compliance counsels from a top law firm and/or a major corporate services firm in Singapore.*



## MERMAID MARITIME PUBLIC COMPANY LIMITED

บริษัท เมอร์เมต มาริไทม์ จำกัด (มหาชน)

(Reg. No. 0107550000017)

26/28-29, 9<sup>th</sup> Floor Orakarn Bldg., Soi Chidlom, Ploenchit Road,  
Lumpinee, Pathumwan, Bangkok 10330, Thailand.

Tel.: +66 (0) 2-255-3115~6; Fax: +66 (0) 2-255-1079

Provision 2.2 of the Code provides that where the chairman is not an independent director, the independent directors should make up a majority of the board. Further, Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018, the provision from which it has varied, the **reason(s)** for the variation, and the explanation(s) on how the practices it had adopted are consistent with the intent of the relevant principle [emphasis added].

The company had just stated the nominating committee's (NC) view that “*there remains a strong and independent element on the Board notwithstanding the Chairman not being an Independent Director as at 31 December 2022.*”

- (ii) Can the nominating committee (NC) elaborate further on the underlying reasons for the deviation from provision 2.2 which requires independent directors to make up a majority of the board when the chairman is not independent?**

Company's Response

*The Company's board composition is made up of three Independent Directors out of the total seven directors (more than a third of all directors). To ensure an appropriate level of independence, the Independent Directors meet regularly (both formally and informally) whenever necessary without the presence of management or other non-independent directors. The lead independent director regularly provides feedback and recommendations to the Board and/or Chairman as appropriate. The Board is of the view that the board can exercise objective judgment independently from management (or other non-independent directors) and no small group of individuals dominate the decisions of the Board. As a whole, there is a strong and independent element with Independent Directors making up one-third of the Board even though the Chairman is not an independent director as recommended under provision 2.2 of the Code.*

- (iii) Is the NC planning to lead a review of the current board composition to better align with the requirements of the Code?**

Company's Response

*The Nomination Committee reviews the structure, size and composition of the Board and Board Committees annually, including the skills and core*





**MERMAID MARITIME PUBLIC COMPANY LIMITED**

**บริษัท เมอร์เมต มารีไทม์ จำกัด (มหาชน)**

(Reg. No. 0107550000017)

26/28-29, 9<sup>th</sup> Floor Orakarn Bldg., Soi Chidlom, Ploenchit Road,  
Lumpinee, Pathumwan, Bangkok 10330, Thailand.

Tel.: +66 (0) 2-255-3115~6; Fax: +66 (0) 2-255-1079

*competencies of its members to ensure an appropriate balance of skills and experience. The Nomination Committee is of the view that the Board is of the appropriate size and with the right mix of skills and experience given the nature and scope of the Group's operations.*

Please be informed accordingly.

(Miss Warangkana Tewapunkul)  
Company Secretary  
By order of the Board of Directors