



ASL MARINE HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

Co. Reg. No. 200008542N

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors of ASL Marine Holdings Ltd. (the "**Company**") wishes to announce that its independent auditor, Ernst & Young LLP, 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 2023 (the "**FY2023 Financial Statements**"). The Independent Auditor's Report and the FY2023 Financial Statements will form part of the Company's Annual Report for FY2023 (the "**FY2023 Annual Report**").

The audit opinion in the Independent Auditor's Report is not modified and not qualified in respect of this matter. The opinion of the Board that the Company and the Group can continue as a going concern has been included on pages 88 and 89 of the FY2023 Annual Report as follows:

The management and directors of the Company, having assessed the available sources of liquidity and funding, believe that the Group and the Company can continue as a going concern for the foreseeable future. In analysing the validity of the going concern basis applied in the preparation of the financial statements of the Group and the Company, the following factors were considered:

- (i) The Group is able to generate sufficient operating cash flows from operations to meet its working capital needs. This is supported by positive cash flows generated from operating activities of \$83,367,000 (2022: \$55,404,000 and 2021: \$45,828,000) for the current financial year. The Group has been meeting all its short-term obligations. The availability of the working capital banking facilities secured since August 2019 from its principal lenders provides the Group with short term trade financing when needed;
- (ii) Management has provided consistent and conscientious efforts in cost controls and cash flow enhancement measures, which include:
 - Planning and keeping track of project budget and setting performance parameters;
 - Regular operations review and close monitoring of project progress, schedule, cost and profitability;
 - Review by the management on all purchases and capital expenditures;
 - Diversify supply sources for competitive procurement;
 - Cutting overheads and administrative expenses which include measures such as redesigning of job scope for employees and controlling of headcount to reduce recurring expenses;
 - Close collaboration with contractors and suppliers to improve working capital management, such as improved credit terms and payment plans;
 - Stricter customer credit control;
 - Strengthening of coordination among marketing, operations and finance departments for better credit control;
 - Regular review of vessel fleet to meet business demands; and

- Disposal of vessels to reduce debt and interest expenses and improve cashflow position.
- (iii) Continuing support from principal lenders including trade line and project financing which provides a strong base in sustaining the businesses of the Group. The principal lenders had also granted the Group waivers from complying with certain financial covenants, a further request for the waiver may be sought, as appropriate; and
- (iv) The controlling shareholders of the Company remain supportive to the Company and the Group with their injection of funds during the Company's last two fund raising exercises in December 2016 and July 2019. The controlling shareholders remain committed to funding the Group, amongst others, provided an unsecured and interest-free loan of \$6,620,000 in October 2017 which remained unpaid as at reporting date.

The Board is of the opinion that the Company and the Group will be able to continue as a going concern, and therefore, trading of the Company's shares should not be suspended pursuant to Listing Rule 1303(3).

The Board confirms that to the best of its knowledge and belief, all material and sufficient information have been disclosed and announced for trading of the Company's shares to continue in an orderly manner.

A copy of the Independent Auditor's Report, together with an extract of the relevant Note 2.1 to the FY2023 Financial Statements, are attached to this announcement for reference.

Shareholders of the Company are advised to read the Independent Auditors' Report together with the audited financial statements of the Group in the Company's FY2023 Annual Report, which has been released on SGXNet today.

In the meantime, the Board wishes to advise Shareholders and potential investors to exercise caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Ang Kok Tian
Chairman, Managing Director and CEO
16 October 2023

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.
For the financial year ended 30 June 2023

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ASL Marine Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 30 June 2023, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statements of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the financial statements. As at 30 June 2023, the Group was in a net current liabilities position of \$99,716,000. In addition, the Group's and the Company's total interest-bearing loans and borrowings amounted to \$248,611,000 and \$165,693,000 of which \$31,563,000 and \$10,631,000 were classified as current liabilities respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concern. As disclosed further in Note 2.1, the ability of the Group and the Company to continue as going concern is dependent on the ability of the Group to generate sufficient cash flows from operations and receive continued support from the lenders.

Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.
For the financial year ended 30 June 2023

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment assessment of assets

Certain segment in which the Group operates remain weak in terms of volume and margins. Demand for various classes of vessels in the chartering fleet, including offshore support vessels remains weak. This gives rise to financial statements risk such as impairment of the Group's vessels, as well as the determination of the net realisable value of completed vessels, and the recoverability of finance lease receivables and trade receivables.

Impairment of vessels

The Group has property, plant and equipment comprising tugs and other vessels, barges and drydocking expenditure (collectively, the "Vessels") amounting to \$307,179,000 as at 30 June 2023. As disclosed in Note 4, management performed an annual impairment test on the Vessels due to existence of impairment indicators on certain Vessels as at 30 June 2023. The impairment test was conducted by comparing the carrying amount of the Vessels to their respective recoverable amounts which is the higher of fair value less costs of disposal ("FVLCD") and value in use. This area was significant to our audit as the carrying amount of the Vessels represented 74% of the Group's total non-current assets as at 30 June 2023. In addition, the impairment assessment involved significant management judgement in determining the recoverable amounts. Management estimated the recoverable amounts of the Vessels based on FVLCD. Management engaged external independent valuers ("Valuers") to perform valuations of the Vessels and considered the reasonableness of the valuation taking into consideration the current environment. The valuation methodologies require the use of various estimates and assumptions developed by management and Valuers. The impairment assessment resulted in reversal of impairment of \$6,475,000 on the Group's Vessels for the current financial year.

Key audit matters (cont'd)**Impairment assessment of assets (cont'd)*****Impairment of vessels (cont'd)***

We obtained an understanding of management's impairment assessment process. Our audit procedures included, amongst others, considering the competency, capabilities and objectivity of the Valuers.

We involved our internal valuation specialist in evaluating the appropriateness of the valuation methodologies applied by management and the Valuers and reviewed the reasonableness of the key assumptions and inputs used, *inter alia* the replacement costs of similar vessels currently owned by the Group adjusted for age, condition and technological obsolescence of the vessels, and considered the industry situation in which the Group operates in. We considered the reasonableness of the valuations of the Vessels by comparing the valuations to sales of similar vessels that have been transacted in the open market.

We also assessed the adequacy of the related disclosures set out in Note 3.2(a) *Impairment of vessels*, Note 2.10 *Property, plant and equipment* and Note 4 *Property, plant and equipment* to the financial statements.

Recoverability of trade receivables and finance lease receivables

There is possibility of delays in ship building projects arising from changes in capital investments, cancellation of orders and risks of customers renegotiating for lower charter rates. The collectability of these receivables are key elements of the Group's working capital management, which is managed on an ongoing basis by management. The Group determines the expected credit loss ("ECL") of the receivables by making debtor-specific assessment for credit-impaired debtors. For the remaining group of debtors, the Group provides for lifetime ECL using a provision matrix. The provision rates are determined based on the Group's historical default rates analysed in accordance to days past due by grouping customers based on customer profiles, adjusted for current and forward-looking information. The impairment assessment resulted in an ECL allowance of \$1,745,000 on the Group's receivables for the current financial year. As the impairment assessment requires significant management judgment, we determined that this is a key audit matter.

As part of the audit, we assessed the Group's enhanced processes and controls relating to the monitoring of the outstanding receivables, including the process in determining whether a debtor is credit impaired. We reviewed the key data sources and assumptions used by management in determining the default rate and the current and forward-looking adjustment factors in determining the provision rates.

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.
For the financial year ended 30 June 2023

Key audit matters (cont'd)

Impairment assessment of assets (cont'd)

Recoverability of trade receivables and finance lease receivables (cont'd)

We considered the age of the debts as well as the trend of collections to identify collection risks. We requested, on a sample basis, receivables confirmations from trade debtors and reviewed for collectability by way of obtaining evidence of receipts from the debtors subsequent to the year end. We discussed with management and the Board of Directors on the recoverability of long outstanding debts, analysed the Group's trend of collections for long outstanding debtors, reviewed correspondences with customers on expected settlement dates and assessed management's assumptions used to determine ECL for such receivables through consideration of their specific profiles and risks, and reviewed legal case files.

We also assessed the adequacy of the related disclosures set out in Note 3.2(b) *Recoverability of contract assets and trade receivables*, Note 2.13(a) *Financial assets*, Note 2.20 *Leases*, Note 9 *Finance lease receivables* and Note 12 *Trade and other receivables* to the financial statements.

Impairment assessment of investments in subsidiaries and amounts due from subsidiaries at the Company level

Investments in subsidiaries and amounts due from subsidiaries were \$32,986,000 and \$235,525,000 respectively as at 30 June 2023. The principal activities of these subsidiaries include vessel owning and intermediate investment holding companies. Management performed impairment assessment on these balances as there were indicators of impairment. Based on management's assessment, impairment charges on the investment in subsidiaries and amounts due from subsidiaries of \$5,180,000 and \$12,000 respectively was recorded during the year. We considered the audit of management's impairment assessment on these balances to be significant because their carrying amounts represented 98% of the Company's total assets as at 30 June 2023 and the impairment assessment involves significant management judgement.

We reviewed the impairment assessment performed by management by comparing the carrying values of the investment in subsidiaries to their respective recoverable amounts and checked management's computation in recognising impairment losses when their carrying amounts exceeded the recoverable amounts, which is the higher of their fair value less costs of disposal ("FVLCD") and value in use. Management determined the recoverable amounts of the investment in subsidiaries based on FVLCD which premised on the FVLCD and NRV of the relevant aforementioned Group's vessels. In addition, the audit procedures discussed in the preceding paragraphs relating to impairment assessments and determination of NRV of vessels, and other factors such as the various subsidiaries historical and current performances and financial positions were taken into consideration when assessing the impairment of investments in subsidiaries and amounts due from subsidiaries.

The Company also provided for ECL on amounts due from subsidiaries based on the general approach. We obtained an understanding and reviewed the key data sources and assumptions used by management in the ECL model. We assessed the appropriateness of management's assumptions in determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages under the ECL general approach. We discussed with management and corroborated the assumptions using historical data and publicly available information, where available, in relation to estimation of default rate, loss exposure at default used by the management, and considered forward-looking adjustments made including the current economic and market conditions. We checked the arithmetic accuracy of the loss allowance used by the management in the ECL model.

We also assessed the adequacy of the related disclosures set out in Note 3.2(c) *Impairment of investments and amounts due from subsidiaries*, Note 2.7 *Subsidiaries*, Note 2.13(a) *Financial assets*, Note 6 *Investment in subsidiaries* and Note 12 *Trade and other receivables* to the financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.

For the financial year ended 30 June 2023

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the financial statements (cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Tan Chwee Peng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

13 October 2023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 *Basis of preparation (cont'd)*

The management and directors of the Company, having assessed the available sources of liquidity and funding, believe that the Group and the Company can continue as a going concern for the foreseeable future. In analysing the validity of the going concern basis applied in the preparation of the financial statements of the Group and the Company, the following factors were considered:

- (i) The Group is able to generate sufficient operating cash flows from operations to meet its working capital needs. This is supported by positive cash flows generated from operating activities of \$83,367,000 (2022: \$55,404,000 and 2021: \$45,828,000) for the current financial year. The Group has been meeting all its short-term obligations. The availability of the working capital banking facilities secured since August 2019 from its principal lenders provides the Group with short term trade financing when needed;
- (ii) Management has provided consistent and conscientious efforts in cost controls and cash flow enhancement measures, which include:
 - Planning and keeping track of project budget and setting performance parameters;
 - Regular operations review and close monitoring of project progress, schedule, cost and profitability;
 - Review by the management on all purchases and capital expenditures;
 - Diversify supply sources for competitive procurement;
 - Cutting overheads and administrative expenses which include measures such as redesigning of job scope for employees and controlling of headcount to reduce recurring expenses;
 - Close collaboration with contractors and suppliers to improve working capital management, such as improved credit terms and payment plans;
 - Stricter customer credit control;
 - Strengthening of coordination among marketing, operations and finance departments for better credit control;
 - Regular review of vessel fleet to meet business demands; and
 - Disposal of vessels to reduce debt and interest expenses and improve cashflow position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

- (iii) Continuing support from principal lenders including trade line and project financing which provides a strong base in sustaining the businesses of the Group. The principal lenders had also granted the Group waivers from complying with certain financial covenants, a further request for the waiver may be sought, as appropriate; and
- (iv) The controlling shareholders of the Company remain supportive to the Company and the Group with their injection of funds during the Company's last two fund raising exercises in December 2016 and July 2019. The controlling shareholders remain committed to funding the Group, amongst others, provided an unsecured and interest-free loan of \$6,620,000 in October 2017 which remained unpaid as at reporting date.

In the event that the Group is unable to generate sufficient cash flows from operations or does not continue to receive support from the lenders, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised in a manner other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. The Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial years beginning on or after 1 January 2022. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.