



ASL MARINE HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
Co. Reg. No. 200008542N

RESPONSE TO QUERIES FROM SGX-ST

The Board of Directors (the “**Board**”) of ASL Marine Holdings Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”), wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), regarding the Company’s unaudited quarterly financial statements for the second quarter ended 31 December 2020 dated 10 February 2021 (the “**Financial Statements**”).

SGX-ST’s Queries:

- (a) Given the Group’s significant liabilities of \$527 million and cash and bank balance of only \$21 million and noting that the Company incurred losses of \$25.6 million in 1H FY2021, please disclose the Board’s assessment:
- (i) whether the Company’s current assets are adequate to meet the Company’s short term liabilities of \$204.2 million, including its bases of assessment; and
- (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company’s responses:

- (i) The breakdown of the Group’s liabilities of \$527 million as of 31 December 2020 is as follows:

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
<u>Total Liabilities</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade and other payables	137,456		137,456
Contract liabilities	9,913	4,275	14,188
Trust receipts	9,640		9,640
Interest-bearing loans and borrowings	38,620	295,240	333,860
Lease liabilities	2,033	5,645	7,678
Income tax payables	6,637		6,637
Amount due to joint ventures and associates		850	850
Other liabilities		3,648	3,648
Deferred tax liabilities		13,050	13,050
	204,299	322,708	527,007

The nature of the Group’s shipyards and chartering business is one which is capital intensive with a higher proportion of assets in fixed assets. The property, plant and equipment and right-of-use assets with an aggregate value of \$425.6 million as of 31 December 2020, represented 97.8% of the total non-current assets. Bulk of these assets were financed through bank loans and leases which stood at \$341.5 million as of 31 December 2020, which represented 64.8% of its total liabilities. The Group has been fulfilling its debt repayment obligations, with most of its bank loans maturing in 2025 and beyond. The Group’s current ratio stood at 0.98 as of 31 December 2020.

The Group is a fully integrated marine services provider involved in the business of shipyard operations and shipchartering, with its own fleet of vessels and shipbuilding, shiprepair and conversion and other marine capabilities. The Group builds vessels to order from external customers and for its shipchartering operations. The vessels the Group builds for its shipchartering operations may also be sold should the demand opportunity arise. Thus, the Group is able to capitalise on market situations. Shipbuilding segment has been cyclical in nature, the shiprepair and shipchartering segments although affected, continued to contribute positively to both the Group's results and cash flows and tide the Group during this challenging period.

The loss of \$25.6 million incurred in 1HFY2021 included one-off and non-cash flow items as follows:

<u>One-off and non-cashflow items</u>	
	1HFY2021
	\$'000
Loss on foreign exchange (net)	4,181
Depreciation and amortisation	29,339
Impairment loss on financial assets	1,387
Amortisation of bank loans and bonds (included in Finance Costs)	4,897
	39,804

The Group recorded an Adjusted Earnings before Interest, Tax, Depreciation and Amortisation of \$17.6 million in 1HFY2021, after having adjusted for non-cash flows items. For the past 3 years, the consolidated Net Cash Flows generated from Operating Activities have been consistently positive, and the Group has been meeting all its short-term obligations. The availability of the working capital banking facilities secured since August 2019 provides flexibility for the Group to obtain short term trade financing when needed.

The Board is of the view that, having assessed the available sources of liquidity and funding, believe that barring unforeseen circumstances, the Group's current assets are adequate to meet the Group's short term liabilities of \$204.2 million. The Group is able to continue to generate adequate cash flows to meet its working capital needs through (1) its operations, (2) disposal of designated assets at targeted price range, and (3) continued financial support from its lenders.

(ii) the Group is able to fulfil its significant payment obligations in the next 12 months based on the following factors:

- (1) an outstanding shipbuilding order book from external customers of approximately \$23 million as well as an outstanding ship chartering order book of approximately \$64 million with respect to long-term contracts (contracts with a duration of more than one year) as at 31 December 2020;
- (2) disposal of idle assets including one accommodation rig which was classified as "Assets classified as held for sale" as at 31 December 2020 at net proceeds of about EUR 4.7 million in 3Q FY2021;
- (3) 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;

- Weekly operations meeting for closer monitoring of project progress and schedule, cost and profitability;
 - Review by the management on all purchases and capital expenditures;
 - Increase suppliers' base;
 - Cutting overheads and admin expenses which include a) improving efficiency - through redesigning of job scope; b) salary freeze; c) renegotiation of fees with service providers; d) procured lower fixed price electricity plans;
 - Closer collaboration with subcontractors and vendors on credit terms, payment plans and contra settlements;
 - Tightening negotiation and billing cycle with customers; and
 - Better coordinating efforts between operations and finance department in the collection of debts;
- (4) Continuing support from principal lenders who have re-profiled (extension of loan tenure thereby reducing monthly instalment) its existing term loans in May 2019, and granted revolving project financing and trade lines of \$114.0 million in August 2019, of which 35% was utilized as at 31 December 2020. The above provides a strong base in sustaining the businesses of the Group;
- (5) the various COVID-19 support measures aided by the Singapore government, which included (a) the Jobs Support Scheme, (b) Foreign Worker Levy Rebates, and (c) enhanced financing support under the Temporary Bridging Loan Programme and Enterprise Financing Scheme as announced in the Singapore Budgets 2021; and
- (6) 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. They remain committed to funding the Group, amongst others, provided an unsecured and interest-free loan of \$6.6 million (classified as current liabilities) which has been outstanding since October 2017.

The operating cash flow of the Group has been consistently positive and the Group has been meeting all its significant payment obligations. Based on the foregoing, barring any unforeseen circumstances, the Board is of the view that the Group is on track to fulfill its payment obligations in the next twelve months.

BY ORDER OF THE BOARD

Ang Kok Tian
Chairman, Managing Director and CEO
25 February 2021