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 third quarter ended 31 March 2021 (the "**Financial Statements**") dated 14 May 2021.

SGX-ST's Queries:

(a) Please disclose:

(i) the nature of the non-current other receivables;

(ii) the Board's assessment of the recoverability of the non-current other receivables.

Company's responses:

(i) The non-current portion of other receivables of \$3.9 million (30 June 2020: \$3.1 million) of the Company pertained to non-trade balances due from its wholly-owned subsidiary, ASL Shipyard Pte Ltd ("**ASL Shipyard**"). The balance arose from the principle amount of the Company's club term loan facility granted by one of its lenders (the "**Lender**"), which principle amount is subject to a moratorium, and which was on lent by the Company to ASL Shipyard for project financing. This loan will be repaid by the Group to the Lender on the maturity of the Company's Club term loan facility in November 2026.

(a)(ii) The Board, having reviewed ASL Shipyard's ability to generate positive cash flows from its operating activities, is of the opinion that the non-current other receivables owing from ASL Shipyard is recoverable.

SGX-ST's Queries:

(b) It is disclosed in the unaudited financial results that the Company reported trade and other receivables amounting to \$279.2 million. Please disclose:-

(i) the nature and breakdown of the Company's other receivables;

(ii) the aging of the Company's trade receivables and other receivables in bands of 3 months;

(iii) whether these outstanding amounts are owing from related parties and if so, to provide details and quantum;

(iv) whether these debtors are related to any directors, key executives, substantial shareholders or their respective associates; and

(v) the Board's assessment on the recoverability of the Company's trade and other receivables, and the basis for such an assessment.

Company's responses:

(b)(i) The nature and breakdown of the Company's other receivables is as follows:

	31-Mar-21
Other receivables	**$'000**
Amount due from subsidiaries (net)	279,198
Deposits	20
	279,218

The amount due from subsidiaries are unsecured and non-trade in nature. The deposits pertained to the minimum sum placed in the Company's Notes Redemption Accounts, maintained by an escrow agent mandated under the supplemental trust deeds entered in February 2019.

(b)(ii) The aging of the Company's other receivables in bands of 3 months is as follows:

Other receivables	**$'000**
Not past due	539
Past due 0 to 3 months	3
Past due 3 to 6 months	-
Past due 6 to 9 months	11
Past due 9 to 12 months	-
More than 1 year	278,644
	279,198

(b)(iii) As provided in (b)(i), the outstanding amounts are owing from subsidiaries, which have been eliminated upon consolidation.

(b)(iv) These debtors are not related to any directors, key executives, substantial shareholders or their respective associates.

(b)(v) The management has adopted the general approach to determine the estimated credit losses ("**ECLs**") on amount due from its subsidiaries in accordance with SFRS(I) 9.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL). In assessing whether there is a significant increase in credit risk since initial recognition, management has considered qualitative factors such as:

- forecasts of subsidiary's operating results; and
- evidence of working capital deficiencies or liquidity problems of the subsidiary such as the financial position or the operating cash flows of the subsidiary.

The recoverability of the receivables in subsidiaries are reviewed regularly, the management has made reference to Bloomberg's one year default probability rate in arriving at the amount of ECLs to be provided.

SGX-ST's Queries:

(c) Please provide information on the Group's inventory turnover days.

Company's responses:

(c) Inventories of the Group comprised the following:

	Group			
	31-Mar-21	30-Jun-20	Increase/ (Decrease)	
	$'000	$'000	$'000	%
Raw materials and fuel on board	12,820	11,421	1,399	12.2
Finished goods	75,345	75,556	(211)	(0.3)
Total inventories	**88,165**	**86,977**	**1,188**	**1.4**

Majority of the raw materials are inventories for ongoing shipbuilding and shiprepair projects. Finished goods comprised mainly three Platform Supply Vessels ("**PSVs**") and dredge component parts held for sale.

The Group's inventory turnover days (excluding three PSVs) was 27 days in 9MFY2021 (FY2020: 21 days). There was higher fuel on board the vessels in preparation for towing/transportation jobs secured as at 31 March 2021.

SGX-ST's Queries:

(d) Please disclose the aging and nature of the other payables and whether the counterparties are related parties.

Company's responses:

(d) The aging of the other payables is as follows:

Other payables	$'000
Past due 0 to 3 months	874
Past due 3 to 6 months	283
Past due 6 to 9 months	272
Past due 9 to 12 months	135
More than 1 year	1,674
	3,238

Other payables mainly pertained to a) taxes payables on overseas wage tax, withholding taxes and GST payables, bulk of which are due within a year and b) arrangement to buy back two barges from one of the shipchartering customers under sales and buyback agreements, aged more than a year. Except for payments of $194,000 made by directors on behalf of the Group, none of the counterparties are related parties.

SGX-ST's Queries:

(e) As at 31 March 2021, the Group has net debt of $335 million with cash and cash equivalents of $14.3 million. The Group is also in a net current liability position of $3.2 million. Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong. In this regard, please assess the Company's ability to:-

(i) Operate as a going concern;

(ii) Meet its debt covenants (if any); and

(iii) Meet its short-term obligations when they fall due.

Company's responses:

(e)(i) 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 by COVID-19 pandemic, continued to contribute positively to both the Group's results and cash flows and tide the Group during this challenging period.

The Group's shipyards and chartering business is capital intensive with aggregate value of property, plant and equipment and right-of-use assets of $$421.6 million, which represented 68.0% of its total assets of $620.1 million as of 31 March 2021. Bulk of these assets were financed through bank loans, bonds and leases of $334.7 million, which represented 64.9% of its total liabilities as of 31 March 2021. The Group has been generating positive operating cash flows in fulfilling its debt repayment obligations, with most of its debts maturing in 2025 and beyond. The Group's current ratio stood at 0.98 as of 31 March 2021.

The loss of $30.3 million incurred in 9MFY2021 included one-off and non-cash flow items as follows:

One-off and non-cashflow items	
	9MFY2021
	$'000
Loss on foreign exchange (net)	2,538
Depreciation and amortisation	44,612
Impairment loss on financial assets	2,721
Amortisation of bank loans and bonds (included in Finance Costs)	9,180
	59,051

The Group recorded an Adjusted Earnings before Interest, Tax, Depreciation and Amortisation of $36.1 million in 9MFY2021, 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 from its principle lenders provides the Group with short term trade financing when needed.

The Board is of the view that, having assessed the available sources of liquidity and funding as well as the continuing support from its lenders, believe that barring unforeseen circumstances, the Group's current assets are adequate to meet the Group's short term liabilities of $192.8 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.

(e)(ii) Management continues to actively engage and update its lenders on the operations of the Group. Barring unforeseen circumstances, the management is confident that the Group and the Company is able to obtain continued support from its lenders. In the event if the Group and the Company were not able to meet its financial covenants, waivers and/or amendments to the financial covenants would be obtained in advance from its lenders.

(e)(iii) the Group is able to meet its short-term obligations when they fall due in view of:

(1) the Group's business fundamentals are reasonably sound in the context of the current economic climate and industry weakness. The Group is able to generate sufficient operating cash flows from operations to meet its working capital needs. This is supported by positive Earnings before Interest, Tax, Depreciation, Amortisation and after adjusting for impairments and any other non-cash flow items of $36.1 million for 9MFY2021;

(2) 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;
- Increase suppliers' base;
- Cutting overheads and admin expenses which include measures such as redesigning of job scope for employees, control of headcount and salary freeze, reducing expenses of recurring nature;
- Close collaboration with contractors and vendors to improve cashflow management, such as on credit terms, payment plans and debt settlements;
- Strict management of credit terms offered to customers and timely billing of services; and
- Strengthening of coordination among marketing, operations and finance departments in the collection of debts;

(3) Continuing support from principal lenders including trade line and project financing which provides a strong base in sustaining the businesses of the Group;

(4) 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

(5) 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 short term obligations when fall due.

BY ORDER OF THE BOARD

Ang Kok Tian
Chairman, Managing Director and CEO

21 June 2021