ASL MARINE HOLDINGS LTD.

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

RESPONSE TO SIAS' QUESTIONS ON THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Q1. The Company's auditors have included an emphasis of matter in the Independent Auditor's Report (page 62 of the annual report). The auditors drew attention to Note 2.1 to the financial statements, which states that:

As at 30 June 2016, the Group's and Company's total borrowings amounted to $592,186,000 and $150,000,000 of which $362,920,000 and $100,000,000 were classified as current. As disclosed in that Note, the Group's loans and borrowings that are due for repayment in the next 12 months exceed its cash and bank balances of $24,710,000 as at 30 June 2016. This factor together with the others disclosed in that Note indicates the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns.

As announced on 29 August 2016, the Company is undertaking a rights issue to raise up to $24.95 million. This was followed by an announcement on 11 November 2016 that the Company has "signed a commitment letter with various lenders for a 5-year club term loan facility amounting to S$99.9 million (the "Club Term Loan Facility")." The Company is also required to seek "to extend the tenor of the full principal amount of the fixed rate notes by 3 years or more and seek any other waivers required for the extension of the fixed rate notes amounting to S$100 million maturing on 28 March 2017 and S$50 million maturing on 1 October 2018 (the "Notes") prior to the first drawdown of the Club Term Loan Facility…. The Company believes that it will have a reasonably good chance of obtaining the required approvals from noteholders so that it can access new monies by drawing down from the club term loan facility."

(a) Can the Company let shareholders know the number of noteholders holding the two fixed rate notes of $100,000,000 due in March 2017 and $50,000,000 due in October 2018?

ASL: The Company estimates that there could be more than 80 noteholders. However and until the Company calls for the meeting of noteholders, the Company is unable to ascertain the exact number of noteholders. This is because a substantial amount of the notes are held by way of Nominee accounts the details of which the Company do not have access to.

(b) What is the basis of the Company's confidence that "it will have a reasonably good chance of obtaining the required approval"?

ASL: The Company have hired experienced professionals and appointed a very experienced solicitation team from UOB to advise the Company. Whilst approval from noteholders are not assured, these professionals believe that:

a. the proposal that will be presented is sincere and not merely an expediency or an attempt to exploit the current wave of restructurings;

b. the proposal appears to contain more favourable terms than several recent other proposals; and

c. the proposal is part of a larger strategy that will see the controlling shareholders committed to putting in new equity, a proposal for other shareholders to put in new equity and our bankers conditionally agreeing to advance significant new funds for working capital.

Given these, the Company believes there is a good chance of obtaining noteholders' support.

(c) What is the threshold needed to establish a quorum for a noteholders' meeting to approve a tenure extension? And what is the level of threshold (simple majority/supermajority?) required to approve the extension at such a noteholders' meeting?

ASL: Under the provisions of the Trust Deed, any Extraordinary Resolution proposed to amend the dates of maturity is a "special quorum resolution" to which the special quorum provisions in paragraph 19 of Schedule 11 to the Trust Deed apply.

Accordingly, the necessary quorum is two or more persons present in person holding or representing not less than 75 per cent. of the Notes for the time being outstanding, or at an adjourned meeting not less than 25 per cent. of the Notes for the time being outstanding.

The Extraordinary Resolution would need to be passed by at least 75 per cent. of the votes cast at the meeting.

(d) What is the board/management's plan for the rest of the total borrowings in the Group that are classified as current? As at 30 June 2016, less the $100 million fixed rates note due in March 2016, the Group still has total borrowings amounting to $263 million that are classified as current.

ASL: As at 30 June 2016, besides the fixed rate notes of $100 million due in March 2017, the Group has further borrowings of $263 million that are classified as current. Of the $263 million, about 40% pertain to financing of current shipbuilding projects that are repayable upon the completion and delivery of vessels. Meaning that about 40% of the loans should be repayable by monies that will then be paid to us from our clients.

Following extensive discussion with our principal lenders, the Company is of the view that our existing lenders will continue to support us. In addition, the Company is grateful to our bankers who have agreed to provide us with conditional access to the $99.9 million by way of a club deal. For the avoidance of doubt, this is additional and new monies over and above existing facilities.

Q2. In view of the emphasis of matter, shareholders would like to ask the Company for more visibility into its cash flow. In particular:

(a) A completed vessel with a carrying value of $52 million (page 121 – Inventories) was recognised as inventory ("Finished Goods"). What type of vessel is this and what does management intend to do with the vessel?

ASL: This is a platform supply vessel. It is the Company's intention to sell the vessel or to charter the vessel out, whichever option that comes first or make more economic sense.

(b) Under the Built-to-Stock ("BTS") program, three anchor handling towing/ supply vessels ("AHTS") are expected to be added to the Group's inventory when they are completed in March 2017. Shareholders would like to know if there are any other vessels being built under the BTS program. Given the supply glut, what are the chances that the Group will be able to find a buyer or a charterer for these three AHTS?

ASL: The Company stopped the BTS program immediately in 2015 when management started seeing demand slacken. In the current climate, management believes it will take longer to find a buyer or charterer and the prices that will be achieved will be lower.

(c) In the Chairman's message (page 17), it was disclosed that the Group's "222 non-OSV fleet comprises mainly of towing tugs, flat top work barges, crane barges, split hopper barges, dredge workboats, grab dredgers, landing crafts and tankers". Could management disclose a more detailed breakdown of the fleet to show the number of vessels, utilisation, percentage under long-term contract and deployment area?

ASL:

Type of vessels	No. of vessels	Average age of vessels (years)	Utilisation	% under long-term contracts	Deployment area
Towing tugs	44	9.5	51%	15%	*
Barges	157	6.3	48%	13%	*
Dredge workboats	9	7.8	75%	2%	*
Grab dredgers	5	9.0	99%	-	Singapore
Landing crafts	5	2.0	64%	7%	Singapore and UAE
Chemical tankers	2	6.4	100%	15%	*

*For charter services, charterers of the Group's vessels have the discretion to operate within a wide area and are not constrained by a specific sea route.

(d) Can shareholders get an update on the status of the 2 OSVs that had their contracts rescinded in FY2015? For the 3 PSVs under the earlier contract rescissions, would it be prudent to impair their value? What are the cash costs, if any, to upkeep and maintain these PSVs as the Group looks for buyers/charterers?

ASL: The 3 PSVs that suffered contract rescissions by the same buyer, as at 30 June 2016, were classified as inventories. Two were classified as work-in-progress at cost less an impairment of $2.7m. The cost of upkeeping and maintaining the PSVs are not significant as the berth space is owned by us and there is little or no fuel, labour or repair costs.

(e) *On page 123, the trade receivables that are past due but not impaired maintained at about $115 million for 2016. The amount past due for more than 1 year is $67 million. Can management provide an upper limit to the aging and to break down the $67 million past due into shorter time periods (e.g. 6-month blocks)?*

ASL:

Aging > 1year	Net $ m
>1-2	10.7
>2-3	40.9
>3-4	12.2
>4-5	-
>5 years	3.2
	67.0

The amounts due between 2 to 5 years include amounts being settled by way of instalment payments, sums for contra against accounts payable, sums representing vessels being held in custody and other sums under recovery litigation.

Q3. In 2013, the Company's then-independent director resigned to relinquish the directorship "in support of good corporate governance practice on Board renewal and rejuvenation" as the director had, at that point in time, served the board for more than 10 years. In the 2016 Corporate Governance Report, it was disclosed that a special review was undertaken to review the independence of directors (page 33). Currently, two of the three directors have served on the board for more than 10 and 13 years respectively.

(a) *Can the Company explain what a rigorous review of the independence of a director entail? Was this carried out internally or with the help of a consultant?*

ASL: The review of the independence was carried out internally. The review was undertaken by Mr. SK Tan only and after advice from the Company's lawyers. The process included ensuring that the directors involved had:

a. no relationship with the Company or the Company's related corporations, substantial shareholders, officers and management;

b. other than directors' fees, no significant compensation from the Company and any of its related corporations for provision of services for current and past financial year paid to them or their immediate family member or organisation in which they are holding 10% or more stake or organisation in which they are a partner (with 10% or more stake);

c. less than a 1% shareholding in the Company held by him or his immediate family member;

d. demonstrated strong independence in their questioning and judgement; and

e. added value by contributing significantly their legal and corporate finance/treasury expertise to current issues.

The Company notes that both the directors required clarification and amplication, scrutinised and challenged management's presentations. They also expressed strong, individual and at times contrary views from management. For instance, Mr. Andre Yeap strongly advised management to take legal action and, in select instances, seizure of vessels. For instance, Mr. Christopher Chong met with the CFO and/or chief accountant independently at least 10 times in FY2015/16. He has also been very active in providing oversight and advice, for instance with respect to the recent club deal.

The Company understands the need for renewal but the challenges of the industry require directors who are experienced, understand and can add value to the Company. Mr. Andre Yeap offered to retire but was asked to remain to assist the Company with respect to several legal issues. Mr. Christopher Chong had informed the Board of his intention to retire as he always steps down after 9 years as evidenced by his retirement from 4 other boards over the last 5 years. However, he agreed to stay on once the Company's predicament and the danger of his retirement being misinterpreted, was known.

(b) *Would this rigorous review be carried out every year for independence directors who have served on the board for more than 9 years?*

ASL: Yes.

(c) *Can shareholders understand the board's plan for renewal and rejuvenation?*

ASL: Once the Company and its capital providers believe that the need for renewal exceeds the need for continued specific experience, the Company intends to:

a. renew its Board by bringing in one new Independent Director, then after a settlement period, to bring on board an additional Independent Director;

b. seek the new Independent Director widely and this may include utilizing the search facility of the Singapore Institute of Directors and the AICD and may include employing an external HR expert;

c. seek an Independent Director in one of the fields that the Company views as crucial to its business; and

d. seek an Independent Director that will provide strategic vision as well as assurance to the Company's stakeholders.