



ASL MARINE HOLDINGS LTD.

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

RESPONSE TO SGX-ST QUERIES ON THE UNAUDITED QUARTERLY FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THIRD QUARTER ENDED 31 MARCH 2020 (THE "FINANCIAL STATEMENTS")

The Board of Directors (the "Board" or the "Directors") of ASL Marine Holdings Ltd. (the "Company"), wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 25 June 2020, in relation to the Company's Financial Statements released on 12 June 2020.

SGX-ST's Query 1:

The Company stated on page 17 of the Financial Statements that "the net foreign exchange gain recorded in 3Q FY2020 mainly pertained to unrealized exchange losses due to the appreciation of USD against SGD on SGD denominated liabilities for certain subsidiaries whose accounts are maintained in USD and the depreciation of IDR against SGD on IDR denominated liabilities". Please clarify if this statement is accurate.

Company's response:

The Company would like to clarify that there was an inadvertent typographical error on page 17 of the Financial Statements in relation to the net foreign exchange gain of S\$9.3 million. The sentence should read as follows (deletion in strikethrough and addition in underline):

"the net foreign exchange gain recorded in 3Q FY2020 mainly pertained to unrealized exchange ~~losses~~ gain due to the appreciation of USD against SGD on SGD denominated liabilities for certain subsidiaries whose accounts are maintained in USD and the depreciation of IDR against SGD on IDR denominated liabilities".

The Group foreign exchange gain in 3Q FY2020 of S\$9.3 million mainly comprise unrealised foreign exchange gain which arose as a result of:

- a) the appreciation of USD against SGD on SGD denominated liabilities recorded in certain subsidiaries' books whose functional currency in which the accounting records are maintained in USD; and
- b) the depreciation of IDR against SGD on IDR denominated liabilities recorded mainly in one of our Indonesia subsidiaries whose functional currency in which the accounting records are maintained in SGD.

The above are accounted for in accordance with SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates.

SGX-ST's Query 2:

The Company disclosed on page 22 of the Financial Statements that "subsequent to the quarter ended 31 March 2020, the Group entered into a settlement deed with companies related to directors to contra the mutual debts of \$9.0 million owed to each other".

Please disclose (i) the companies involved and their relationship with the Company; (ii) a breakdown of the sum(s) owed from or to each of these companies; and (iii) the salient terms of the settlement deed.

Company's response:

- (i) The companies involved are Koon Holdings Limited (“**KHL**”) and certain of their subsidiaries. The executive directors of the Company and their family members (the “**Common Shareholders**”) in aggregate hold approximately 67.27% interest in the Company and 53.76% interest in KHL. The Common Shareholders own a controlling stake in KHL. One of the executive directors of the Company is also a non-executive director of KHL.

The companies related to the directors are also defined in Note 34 of the Company's last audited financial statements for the year ended 30 June 2019 which was released via SGXNET on 8 October 2019, as follows:

“Two of the Directors and founder of the Company have deemed equity interest of 53.76% (30 June 2018: 53.76%, 1 July 2017: 53.76%) in Koon Holdings Limited, a company listed on the Australian Securities Exchange Limited and on the Main Board of the Singapore Exchange Securities Trading Limited. Koon Holdings Limited and its subsidiaries (the “**Koon Group**”) are in the business of providing infrastructure and civil engineering services, specialising in reclamation and shore protection works. Transactions entered by the ASL Group with the Koon Group include provision of ship chartering services, trade sales income, rental income, charter and trade expenses, and consultancy fees.”

- (ii) The breakdown of the sums owed from or to each of these companies are as follows:

ASL Group	Koon Group	Amount due from companies related to directors S\$	Amount due to companies related to directors S\$
ASL Shipyard Pte Ltd	Koon Holdings Limited	-	(12,184)
	Koon Construction & Transport Co Pte Ltd	736,425	(399,859)
	Reem Island Pte Ltd	5,354,116	-
	Entire Engineering Pte Ltd	575,999	(3,498)
	Petra 1 Pte Ltd	482,768	-
VOSTA LMG Components & Services B.V.	Koon Construction & Transport Co Pte Ltd	177,240	(702,287)
	Reem Island Pte Ltd	454,985	-
Singa Tenaga Investment Pte Ltd	Koon Holdings Limited	-	(115,239)
VOSTA LMG Dredges B.V.	Koon Holdings Limited	-	(247)
	Koon Construction & Transport Co Pte Ltd	(55)	-
VOSTA LMG Design GmbH	Koon Holdings Limited	-	(104)
ASL Marine Contractor Pte. Ltd.	Koon Construction & Transport Co Pte Ltd	110,628	(22,942)
	Entire Engineering Pte Ltd	22,942	-
ASL Offshore & Marine Pte. Ltd.	Koon Construction & Transport Co Pte Ltd	794,851	(7,515,648)
	Entire Engineering Pte Ltd	233,462	(206,916)
PT Awak Samudera Transportasi	Koon Construction & Transport Co Pte Ltd	35,563	-
		8,978,924	(8,978,924)

- (iii) Salient Terms of the Settlement Deed

The salient terms of the settlement deed entered on 13 April 2020 for the resolution of mutual debts owed between the two Groups (the “**Settlement Deed**”) are as follows:

Background

Historically, the ASL Group and the Koon Group had a trading relationship and over the years, their member companies have accrued significant mutual claims between them. When the Koon Group was financially healthy, both Groups would engage in arrangements to set-off the mutual debts owed between their companies.

KHL and its subsidiary, Koon Construction & Transport Co. Pte. Ltd. (“**KCTC**”) had on 8 October 2019 filed applications in the High Court of Singapore pursuant to Section 211B of the Companies Act for an order, amongst other things, no legal action or proceedings shall be commenced or continued against them for a period of 90 days from the date of the order

to be granted (the “**Applications**”). Pursuant to the Applications, KHL and KCTC each proposed and implemented a scheme of arrangement (“**KHL and KCTC Schemes**”) to address the various debt obligations owed to their creditors (“**Scheme Creditors**”) and is part of the Koon Group’s restructuring exercise to restore the financial position of KHL and KCTC.

After the KCTC Scheme Meeting which was passed on 25 February 2020, at the request of the ASL Group, the Koon Group undertook serious discussions with the ASL Group about implementing a set-off of existing mutual debts between certain companies of both Groups. This was because the Common Shareholders had indicated that they would not be prepared to agree to issue new shares in KHL to Scheme Creditors unless such a set-off takes place in accordance with the past practice between the ASL Group and the Koon Group.

KHL and KCTC decided to accede to the request of the ASL Group to set-off the existing mutual claims between both Groups as without the approval of the Common Shareholders on the issuance of new KHL shares, both the KHL and KCTC Schemes would fail and the Koon Group’s restructuring plans will be jeopardized.

The Directors are of the view that the set-off arrangement was on normal commercial terms and was not prejudicial to the ASL Group.

The Settlement Terms

Under the Settlement Deed, upon the set-off of mutual claims of S\$8,978,923.81 and the payment of S\$44,067.13 to the Koon Group, the Common Shareholders would unconditionally exercise their voting rights in KHL to allow:

- a) the sale of assets of KHL and KCTC under the KHL or KCTC Schemes;
- b) the issuance of ordinary shares in KHL to the Scheme Creditors in accordance with the KHL and KCTC Schemes; and
- c) the issuance of ordinary shares in KHL to any investor that may wish to inject capital into KHL and/or KCTC by way of a share deal.

The claims between both Groups totaling S\$8,978,923.81 and the payment of S\$44,067.13 to the Koon Group has since been effected and made on 15 April 2020.

SGX-ST’s Query 3:

The Company also disclosed on page 22 of the Financial Statements that "amount due from non-controlling interests of a subsidiary pertained to an advance of US\$1 million (the “**Advance**”) extended to the minority shareholder of Hongda Investment Pte Ltd (“**HDI**”) in 3Q FY2020. The Advance was paid out of the net proceeds received from disposal of the China Subsidiary of HDI. The Advance will be repaid in full upon the completion of the capital reduction exercise of HDI, through the setting off of an equivalent amount from the capital reduction proceeds". Please provide the background and rationale for the Advance.

Company’s response:

Background

The Company refers to the announcements dated 29 July 2019 and 16 August 2019 in relation to the sale of HDI’s entire stake in the China Subsidiary (the “**Disposal**”) as well as the completion and receipt of the gross proceeds from the Disposal of RMB35 million (approximately US\$5 million) on 16 August 2019.

HDI has no other active business or operations and has since become dormant after the Disposal. The net proceeds available for distribution to shareholders of HDI after taking into

account all liabilities was US\$3.7 million. The return of the proportionate net proceeds derived from the Disposal, in excess of that required by HDI for its dormant operations, would be beneficial to the Group's cash flow position.

Since HDI does not have sufficient profit to effect a distribution of dividends, the return of the Disposal proceeds from HDI to the shareholders will have to proceed by way of capital reduction (the "**Capital Reduction Exercise**"), which will require a special resolution of the shareholders of HDI pursuant to Regulation 44 of the Constitution of HDI and Section 78B of the Companies Act. Accordingly the approval and co-operation of the minority shareholder who held 40% equity interest of HDI is required. To solicit the support from the minority shareholder on the passing of the special resolution, the Advance was made on 24 February 2020 to the minority shareholder at their request.

Pursuant to an agreement entered between the Company, HDI and the minority shareholder, the Advance of US\$1 million shall be repaid in full by the minority shareholder of HDI upon completion of the Capital Reduction Exercise, by setting off against the minority shareholder's entitlement of their capital reduction proceeds of US\$1.48 million (40% of US\$3.7 million).

The Capital Reduction Exercise was completed on 18 May 2020, upon the fulfilment of the requisite publication period and lodged with the Accounting and Corporate Regulatory Authority of Singapore.

Following the completion of the Capital Reduction Exercise, the issue and paid-up capital of HDI was reduced from US\$5,000,000 comprising 5,000,000 ordinary shares to US\$1,300,000 comprising 1,300,000 ordinary shares. The Company remains the 60% shareholder of HDI upon the completion of the Capital Reduction Exercise.

BY ORDER OF THE BOARD

Ang Kok Tian
Chairman, Managing Director and CEO
30 June 2020