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 condensed consolidated interim financial statements for the third quarter and the nine months ended 31 March 2022 (“**Q3 Results**”) dated 13 May 2022.

SGX-ST’s Queries:

(a) It is noted that the book value of Inventories for the group is $88.9 million as at 31 Mar 2022. Please provide us with the inventory turnover for this period and the previous period as at 31 Mar 2021.

Company’s responses:

(a) As disclosed in section (I) F, Notes 5 (page 14) and section (II) A (page 37) of the Q3 Results, the Group’s inventories comprised

	Group	
	As at 31-Mar-22 $’000	As at 31-Mar-21 $’000
Raw materials and consumables (at cost or net realisable value)	15,571	12,820
Finished goods (at cost or net realisable value)	73,397	75,345
	88,968	88,165

Majority of the Group’s inventories comprised vessels for sales which included

a) the 3 platform supply vessels (the “PSVs”) assessed at net realizable value of $67.5 million as of 31 March 2022 (31 March 2021: $73.6 million) ; and

b) 7 vessels (31 March 2021: 2) acquired which mainly resulted from settlement of debts owing to the Group in-kind, assessed at net realizable value of $4.0 million as of 31 March 2022 (31 March 2021: $0.7 million).

Aggregating the vessels for sales into the computation of inventory turnover days would be misleading in the Q3 Results analysis. Excluding the vessels for sale, the remaining carrying amount were $17.5 million as of 31 March 2022 (31 March 2021: $13.8 million). The turnover days (excluding the vessels for sale) was 26 days in 9M FY2022 (9M FY2021: 25 days).

Inventory turnover days shows the number of days a company takes to utilise its inventories for its generation of shipbuilding and shiprepair revenue. The raw materials and consumables include fuel remained onboard ships reported at end of financial period, steel materials and components for shipbuilding and shiprepair projects which charges to construction work-in-progress when allocated to specific projects.

SGX-ST's Queries:

(b) It is noted that the current trade and other payables as at 31 Mar 2022 is carried at $144.2 million. Please disclose:-

(i) the nature, aging and average credit terms of these payables;

(ii) the payables turnover / day payables outstanding for this period and the previous period as at 31 Mar 2021; and

(iii) whether there were any payment defaults and/or letters of demand received in relation to any overdue payables.

Company's responses:

(b) (i) The nature of current trade and other payables are as follows:

	Group	
	As at 31-Mar-22 $'000	As at 31-Mar-21 $'000
Trade payables	91,075	84,340
Accruals	29,906	25,227
Provision for unutilised leave/ Retirement benefits	592	571
GST payable	692	629
Payables for property, plant and equipment	2,106	1,357
Other payables	1,834	3,238
Deposits received from customers	5,152	3,939
Deferred income	793	1,768
Amount due to:		
- joint ventures and associates	989	264
- related parties	4,186	748
Amounts due to shareholders	6,620	6,620
Loan from non-controlling interests of subsidiaries	207	206
Provision for warranty	3	3
	144,155	128,910

The aging of payables is as follows:

	Aging based on transaction date			
	0 to 6 months	6 to 12 months	More than 1 year	Total
	$'000	$'000	$'000	$'000
Trade payables	43,344	11,235	36,496	91,075
Accruals	29,906	-	-	29,906
Provision for unutilised leave/ Retirement benefits	592	-	-	592
GST payable	692	-	-	692
Payables for property, plant and equipment	-	1,552	554	2,106
Other payables	722	314	798	1,834
Deposits received from customers	595	-	4,557	5,152
Deferred income	-	-	793	793
Amount due to:				
- joint ventures and associates	421	304	264	989
- related parties	867	25	3,294	4,186
Amounts due to shareholders	-	-	6,620	6,620
Loan from non-controlling interests of subsidiaries	- / -	-	207	207
Provision for warranty	3	-	-	3
	77,142	13,430	53,583	144,155

The credit terms on trade payables are normally granted based on immediate to 180 days' credit terms.

(b) (ii) The trade payables turnover / day payables outstanding for this period and the previous period ended as at 31 March is 134 days and 172 days respectively.

(b) (iii) The Group has been in close collaboration with its contractors and suppliers on managing credit terms and implementing mutual-beneficial payment plans basing on Group's cashflow. Payment defaults and demand letters received in relation to any overdue payables have been resolved amicably through negotiation of payment plans.

SGX-ST's Queries:

(c) It is noted that the net working capital as at 31 Mar 2022 is negative, and the Company recorded a loss of $22.8 million for the 9 month period ended on 31 Mar 2022. Please disclose:

(i) Management's plans and actions taken to ensure that the Group's financial position remains strong;

(ii) The board's assessment on the Company's ability to service its short term obligations, as well as operate as a going concern.

Company's responses:

(c) (i) Management's plans and actions taken to ensure that the Group's financial position remains strong

The loss of $22.8 million incurred in 9M FY2022 included one-off and non-cash flow items as follows:

One-off and non-cashflow items

	Group
	9MFY2022
	$'000
Loss on foreign exchange (net)	1,688
Depreciation & amortisation	35,828
Impairment loss on financial assets	1,195
Amortisation of bank loans and bonds (included in Finance Costs)	9,522
Property, plant and equipment written off	528
	48,761

(1) The Group continues to focus and improve on its main core businesses as a regional integrated marine services provider and work towards improving its competitiveness and strengthen its revenue base.

The Group has been strengthening its financial position in the past few years, by taking active and decisive steps to improve cash flows and relentless efforts to manage costs. For the financial years ended 30 June 2019 ("FY2019"), 30 June 2020 ("FY2020") and 30 June 2021("FY2021"), the Group recorded a stable audited Earnings before Interest, Taxes, Depreciation and Amortization ("EBIDTA") of $51.5 million, $69.0 million and $48.2 million respectively, against the backdrop of declining revenues of $312.9 million, $243.6 million and $193.0 million respectively mainly the consequences of the economic uncertainties brought about by the global outbreak of Coronavirus Disease 2019 ("COVID-19"). During the same period, the Group also recorded a substantial reduction of audited pre-tax losses of $141.7 million in FY2019 to $40.6 million in FY2021, steadily reducing the net loss position.

(2) The Group had reduced its interest bearing loans and borrowings from the face value of $423.1 million as of 30 June 2019 to $382.4 million as of 30 June 2021 with no default in payments.

The Group has also successfully obtained approvals from noteholders for restructuring its Series 006 Notes and Series 007 Notes. The maturity dates of Series 006 Notes and Series 007 Notes have been extended to 28 March 2025 and 1 October 2026 respectively.

(3) The Group, like many other marine services companies, has been affected by COVID-19. Though we cannot effectively and accurately predict the course the COVID-19 pandemic and its effects to the global supply chain, we believe the improvement in the marine services industry is recovering with possible intermediate pitfalls, but the overall long-term maritime industry outlook remains sustainable.

(4) The financial performance and growth indicators set out above show the Group's unyielding efforts, abilities, strategies and commitments in riding out the marine industry downturn cycle during an unprecedented pandemic environment.

(c) (ii) <u>The board's assessment on the Company's ability to service its short term obligations, as well as operate as a going concern.</u>

As disclosed in section (I) F, Notes 2.3 on going concern basis of preparation of financial statements (page 10 to 12) of the Q3 Results, the Group's businesses are capital intensive. As at 31 March 2022, the aggregate value of property, plant and equipment and right-of-use assets amounted to $386,136,000, which represented 65% of its total assets. The majority of these assets were financed through bank loans, bonds and lease liabilities of $311,886,000, which represented 60% of its total liabilities as of 31 March 2022. The Group has been generating positive operating cash flows in fulfilling its debt repayment obligations, with majority of its debts maturing in 2025 and beyond.

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 condensed consolidated interim financial statements of the Group and the Company, the following factors were considered:

(1) 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 $32,507,000 for 9M FY2022 (FY2021: $48,173,000). 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 banking facilities secured since August 2019 from its principal lenders provide the Group with short term working capital when needed.

(2) 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;
- Increase suppliers' base;
- Cutting overheads and administrative expenses which include measures such as redesigning of job scope for employees and controlling of headcount to reduce expenses of recurring nature;

- Close collaboration with contractors and suppliers to improve cash flow management, such as on credit terms, payment plans and debt settlements;
- Strict management of credit terms offered to customers and timely billing of services;
- Strengthening of coordination among marketing, operations and finance departments in credit control; and
- Disposal of vessels held as inventories to pare down borrowings and increase the availability of working capital.

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

(4) Management has also considered the various COVID-19 support measures aided by the Singapore government, which included the Jobs Support Scheme, Foreign Worker Levy Rebates, and enhanced financing support under the Enterprise Financing Scheme as announced in the Singapore Budgets 2021.

SGX-ST's Queries:

(d) It is observed in Note 7 of the Q3 Results that a portion of the 'trade and other receivables' pertains to amounts due from joint ventures and associates and was not eliminated. Please provide an assessment on the collectability of these receivables from related parties.

Company's responses:

Management has performed a recoverability assessment on the amounts due from joint ventures and associates as follows:

Balances with joint ventures and associates

	As at 31-Mar-22				
	Amounts due from			Amounts due (to)	Net Exposure
	Gross $'000	Allowances $'000	Net $'000	$'000	$'000
Joint ventures			a	b	a+b
Sindo-Econ group	7,931	(7,856)	75	(263)	(189)
Associates					
Fastcoat group	2,051	(2,051)	-	-	-
PT. Hafar Capitol Nusantara ("PT Hafar")	7,937	(7,176)	761	(1,455)	(694)
PT Capitol Nusantara Indonesia ("PT CNI")	45,701	(40,095)	5,606	(726)	4,881
	63,620	(57,178)	6,442	(2,444)	3,998

In determining the extent of allowances required for PT CNI, the Group considered ongoing charter of vessels from PT CNI. Such payables are used to contra against the receivables. Charter expenses charged by PT CNI to the Group during the reporting period was $1.6 million for 9M FY2022 as disclosed in Section (I) F, Note 19(i) of the Q3 Results. Subsequent to the period end, the amount of $0.7 million has been contra against the receivables owing by PT CNI.

Amounts due to PT Hafar of $1.5 million pertained to receipts on behalf of PT Hafar, on its repayment of bank loans to one of the Group's lenders. Such receipts are to be treated as part of the financing granted by the lender under the Group's existing project financing arrangements.

SGX-ST's Queries:

(e) It is mentioned on page 16 of the Q3 Results that the loans and borrowings of the Group and Company are secured by certain assets. Please disclose the total carrying value of the collateralized assets.

Company's responses:

The total carrying value of the collateralized assets as of 31 March 2022 was $379.0 million.

BY ORDER OF THE BOARD

Ang Kok Tian
Chairman, Managing Director and CEO

27 May 2022