



# ASL MARINE HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

Co. Reg. No. 200008542N

## UNAUDITED QUARTERLY FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

**1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

### Income Statement

	Group		
	3 months ended 30 September		
	1Q FY2020 \$'000	1Q FY2019 \$'000	Inc/ (Dec) %
<b>Revenue</b>	41,491	67,577	(38.6)
Cost of sales	(41,316)	(66,294)	(37.7)
<b>Gross profit</b>	<b>175</b>	<b>1,283</b>	<b>(86.4)</b>
Other operating income	4,648	2,294	102.6
Administrative expenses	(4,118)	(4,977)	(17.3)
Other operating expenses	-	(134)	(100.0)
Finance costs	(6,143)	(5,818)	5.6
Impairment losses on financial assets	(392)	-	Nm
Share of results of joint ventures and associates	(455)	820	(155.5)
<b>Loss before tax</b>	<b>(6,285)</b>	<b>(6,532)</b>	<b>(3.8)</b>
Income tax credit/(expense)	418	(1,245)	(133.6)
<b>Loss for the period</b>	<b>(5,867)</b>	<b>(7,777)</b>	<b>(24.6)</b>
<b>Attributable to:</b>			
<b><u>Owners of the Company</u></b>			
Owners of the Company	(11,348)	(7,854)	44.5
Non-controlling interests	5,481	77	Nm
	<b>(5,867)</b>	<b>(7,777)</b>	<b>(24.6)</b>
<b>Adjusted EBITDA* for the period</b>	<b>15,244</b>	<b>13,657</b>	<b>11.6</b>

### Notes:

\* Adjusted EBITDA is computed based on earnings of the Company and its subsidiaries before interests, tax, depreciation, amortisation, and after adjusting for impairments and write-offs of financial and non-financial assets and any other non-cash flow items.

Nm: Not meaningful

- 1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Statement of Comprehensive Income**

Note	Group		
	3 months ended		
	30 September		
	1Q FY2020 \$'000	1Q FY2019 \$'000	Inc/ (Dec) %
<b>Loss for the period</b>	<b>(5,867)</b>	<b>(7,777)</b>	<b>(24.6)</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation differences relating to financial statements of foreign subsidiaries, net of tax*	246	24	925.0
Translation differences arising from disposal group classified as held for sale	193	-	Nm
Share of other comprehensive income of joint ventures and associates	194	22	781.8
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of defined benefit plan	(101)	(58)	74.1
<b>Other comprehensive income for the period, net of tax</b>	<b>532</b>	<b>(12)</b>	<b>Nm</b>
<b>Total comprehensive income for the period</b>	<b>(5,335)</b>	<b>(7,789)</b>	<b>(31.5)</b>
<b>Attributable to:</b>			
Owners of the Company	(10,875)	(7,873)	38.1
Non-controlling interests	5,540	84	Nm
	<b>(5,335)</b>	<b>(7,789)</b>	<b>(31.5)</b>

**Notes:**

- \* The movement in foreign currency translation reserves arose from the consolidation of subsidiaries whose functional currencies are United States Dollar ("USD"), Euro ("EUR") and Indonesian Rupiah ("IDR").

**1(a)(ii) Net loss for the period was stated after (charging)/crediting:-**

	<b>Group</b>	
	<b>3 months ended</b>	
	<b>30 September</b>	
	<b>1Q</b>	<b>1Q</b>
	<b>FY2020</b>	<b>FY2019</b>
	<b>\$'000</b>	<b>\$'000</b>
(Impairment losses)/ reversal of impairment losses on financial assets, net		
- trade receivables (third parties)	(482)	-
- contract assets	90	-
Amortisation of intangible assets	(142)	(166)
Amortisation of lease prepayments	-	(90)
Depreciation of property, plant and equipment	(14,113)	(15,070)
Depreciation of right-of-use assets*	(452)	-
Fair value loss of short-term investment	-	(51)
Gain on disposal of property, plant and equipment	-	377
Gain on disposal of assets classified as held for sale	605	343
Gain on disposal of disposal group classified as held for sale <sup>#</sup>	3,271	-
Gain on foreign exchange (net)	436	862
Loss on disposal of short-term investment	-	(83)
Interest income from bank balances	16	20
Interest income from finance lease receivables	152	166
Reversal/ (provision) for pension liabilities	5	(80)
Provision for warranty (net)	-	(3)
Over/ (under) provision of tax in respect of prior years	439	(1,138)

**Notes:**

\* Pursuant to the adoption of SFRS(I) 16 which is effective from annual periods beginning on or after 1 January 2019. For details, please refer to item 5 of this results announcement.

<sup>#</sup> The gain on disposal of disposal group classified as held for sale announced on 16 August 2019 was \$8.9 million, which was arrived at before transaction costs and the derecognition of liabilities attributable to the non-controlling interests. These have been accounted for in determining the gain on disposal of \$3.3 million in the current quarter under review.

**1(b)(i) A statement of financial position (for the group and issuer), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	30-Sep-19	30-Jun-19	30-Sep-19	30-Jun-19
	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>				
Property, plant and equipment	484,926	490,244	-	-
Right-of-use assets*	11,558	-	-	-
Lease prepayments*	-	4,606	-	-
Investment in subsidiaries	-	-	40,723	40,723
Investment in joint ventures and associates	5,132	5,450	-	-
Intangible assets	5,616	5,865	-	-
Finance lease receivables	5,472	5,536	-	-
	<b>512,704</b>	<b>511,701</b>	<b>40,723</b>	<b>40,723</b>
<b>Current assets</b>				
Inventories	97,498	99,484	-	-
Contract assets	23,814	23,617	-	-
Trade and other receivables	87,630	80,546	260,176	259,353
Prepayments	5,073	4,811	153	185
Finance lease receivables	698	670	-	-
Cash and bank balances	27,271	15,395	3,660	3,591
	<b>241,984</b>	<b>224,523</b>	<b>263,989</b>	<b>263,129</b>
Assets of disposal group classified as held for sale	-	9,841	-	-
	<b>241,984</b>	<b>234,364</b>	<b>263,989</b>	<b>263,129</b>
<b>Current liabilities</b>				
Trade and other payables	179,132	178,003	100,724	99,480
Contract liabilities	24,939	22,149	-	-
Trust receipts	3,139	1,157	-	-
Interest-bearing loans and borrowings	42,583	45,107	11,426	11,965
Lease liabilities*	1,042	-	-	-
Income tax payables	6,165	6,754	-	-
	<b>257,000</b>	<b>253,170</b>	<b>112,150</b>	<b>111,445</b>
Liabilities directly associated with disposal group classified as held for sale	-	2,015	-	-
	<b>257,000</b>	<b>255,185</b>	<b>112,150</b>	<b>111,445</b>
<b>Net current (liabilities)/ assets</b>	<b>(15,016)</b>	<b>(20,821)</b>	<b>151,839</b>	<b>151,684</b>
<b>Non-current liabilities</b>				
Other liabilities	3,744	3,699	-	-
Contract liabilities	216	507	-	-
Interest-bearing loans and borrowings	317,892	316,871	161,978	161,327
Lease liabilities*	6,075	-	-	-
Deferred tax liabilities	16,178	16,011	-	-
	<b>344,105</b>	<b>337,088</b>	<b>161,978</b>	<b>161,327</b>
<b>Net assets</b>	<b>153,583</b>	<b>153,792</b>	<b>30,584</b>	<b>31,080</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	108,056	108,056	108,056	108,056
Treasury shares	(923)	(923)	(923)	(923)
Reserves	39,654	49,630	(76,549)	(76,053)
Reserve of disposal group classified as held for sale	-	193	-	-
	<b>146,787</b>	<b>156,956</b>	<b>30,584</b>	<b>31,080</b>
<b>Non-controlling interests</b>	<b>6,796</b>	<b>(3,164)</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>153,583</b>	<b>153,792</b>	<b>30,584</b>	<b>31,080</b>

**Notes:**

- \* Pursuant to the adoption of SFRS(I) 16 which is effective from annual periods beginning on or after 1 January 2019. For details, please refer to item 5 of this results announcement.

**1(b)(ii) Aggregate amount of the Group's borrowings and debt securities.**

	Group					
	As at 30-Sep-19			As at 30-Jun-19		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, or on demand	44,472	1,250	45,722	45,014	1,250	46,264
Amount repayable after one year	314,975	2,917	317,892	313,642	3,229	316,871
	<b>359,447</b>	<b>4,167</b>	<b>363,614</b>	<b>358,656</b>	<b>4,479</b>	<b>363,135</b>

**Details of any collateral**

The Group's secured borrowings comprised of term loans and finance leases which are secured by way of:

- Legal mortgages of certain leasehold properties of subsidiaries
- Legal mortgages over certain vessels, plant and equipment of subsidiaries
- Assignment of charter income and insurance of certain vessels of subsidiaries
- Assignment of subordination and intercompany loans
- Corporate guarantees from the Company and certain subsidiaries

The Group's secured borrowings included the Series 006 and Series 007 notes issued pursuant to the S\$500,000,000 Multicurrency Debt Issuance Programme established by the Company (the "**Notes**"). The Notes are secured by second priority mortgages of vessels pledged as securities for the \$99.9 million 5-year club term loan facility (the "**CTL Facility**"). As at 30 September 2019, the aggregate fair market value of these 87 vessels amounted to \$170.8 million.

1(c) A statement of cash flows for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	3 months ended	
	30 September	
	1Q	1Q
	FY2020	FY2019
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Loss before tax	(6,285)	(6,532)
<b>Adjustments for:</b>		
Amortisation of intangible assets	142	166
Amortisation of lease prepayments	-	90
Depreciation of property, plant and equipment	14,113	15,070
Depreciation of right-of-use assets	452	-
Fair value loss of short-term investment	-	51
Gain on disposal of property, plant and equipment	-	(377)
Gain on disposal of assets classified as held for sale	(605)	(343)
Gain on disposal of disposal group classified as held for sale	(3,271)	-
Impairment losses/ (reversal of impairment losses) on financial assets, net		
-trade receivables (third parties)	482	-
-contract assets	(90)	-
Loss on disposal of short-term investment	-	83
Interest expense	6,143	5,818
Interest income	(168)	(186)
Provision for warranty (net)	-	3
(Reversal)/ provision for pension liabilities	(5)	80
Share of results of joint venture and associates	455	(820)
<b>Operating cash flows before changes in working capital</b>	<b>11,363</b>	<b>13,103</b>
<b>Changes in working capital:</b>		
Inventories	876	(4,859)
Contract assets and liabilities	3,148	13,709
Trade and other receivables	1,814	(13,189)
Prepayments	(1,332)	852
Trade and other payables	(656)	1,632
Finance lease receivables	115	299
Other liabilities	-	(407)
Balances with related parties (trade)	1,803	(288)
<b>Cash flows generated from operations</b>	<b>17,131</b>	<b>10,852</b>
Interest received from finance lease receivables	37	166
Income tax (paid)/ refunded	(52)	122
<b>Net cash flows generated from operating activities</b>	<b>17,116</b>	<b>11,140</b>
<b>Cash flows from investing activities</b>		
Interest received from bank balances	16	20
Purchase of assets classified as held for sale	(479)	-
Purchase of property, plant and equipment	(3,294)	(3,019)
Proceeds from disposal of property, plant and equipment	-	2,713
Proceeds from disposal of assets classified as held for sale	1,083	5,242
Proceeds from disposal of disposal group classified as held for sale	3,739	-
Proceeds from disposal of short-term investment	-	234
Lease prepayments	-	(416)
Balances with related parties (non-trade)	104	(474)
<b>Net cash flows generated from investing activities</b>	<b>1,169</b>	<b>4,300</b>

	<b>Group</b>	
	<b>3 months ended</b>	
	<b>30 September</b>	
	<b>1Q</b>	<b>1Q</b>
	<b>FY2020</b>	<b>FY2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from financing activities</b>		
Interest paid	(4,713)	(6,732)
Repayment of interest-bearing loans and borrowings	(6,277)	(18,830)
Proceeds from interest-bearing loans and borrowings	-	3,850
Repayment of trust receipts	(716)	(7,853)
Proceeds from trust receipts	2,699	10,906
Repayment of lease liabilities	(243)	-
Net proceeds from issuance of rights warrants	899	-
Cash and bank balances (restricted use)	(6,828)	897
<b>Net cash flows used in financing activities</b>	<b>(15,179)</b>	<b>(17,762)</b>
Net increase/ (decrease) in cash and cash equivalents	3,106	(2,322)
Cash and cash equivalents at beginning of period	7,151	12,793
Effects of exchange rate changes on cash and cash equivalents	34	(70)
<b>Cash and cash equivalents at end of period (Note 1)</b>	<b>10,291</b>	<b>10,401</b>

**Note 1:**

Cash and cash equivalents comprise the followings:

Cash and bank balances	<b>27,271</b>	<b>25,320</b>
Less: Restricted cash		
- Cash at banks	(16,425)	(14,382)
- Fixed deposits with banks	(555)	(537)
<b>Cash and cash equivalents at end of period</b>	<b>10,291</b>	<b>10,401</b>

The Group's restricted cash has been set aside for specific use with respect to certain shipbuilding financing and banking facilities granted to the Group.

**1(d)(i) A statement (for the group and issuer) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Statement of Changes in Equity for the year ended 30-Sep-19										
Group	Attributable to owners of the Company						Equity attributable to owners of the Company	Reserve of disposal group classified as held for sale	Non-controlling interests	Total Equity
	Share capital	Treasury shares	Foreign currency translation reserve	Warrant reserve	Accumulated profits	Total reserves				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>1Q FY2020</b>										
<b>At 1-Jul-19</b>	<b>108,056</b>	<b>(923)</b>	<b>1,671</b>	<b>-</b>	<b>47,959</b>	<b>49,630</b>	<b>156,763</b>	<b>193</b>	<b>(3,164)</b>	<b>153,792</b>
<b>Loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,348)</b>	<b>(11,348)</b>	<b>(11,348)</b>	<b>-</b>	<b>5,481</b>	<b>(5,867)</b>
<u>Other comprehensive income</u>										
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	402	-	-	402	402	-	37	439
Share of other comprehensive income of joint ventures and associates	-	-	172	-	-	172	172	-	22	194
Re-measurement of defined benefit plans	-	-	-	-	(101)	(101)	(101)	-	-	(101)
<b>Other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>574</b>	<b>-</b>	<b>(101)</b>	<b>473</b>	<b>473</b>	<b>-</b>	<b>59</b>	<b>532</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>574</b>	<b>-</b>	<b>(11,449)</b>	<b>(10,875)</b>	<b>(10,875)</b>	<b>-</b>	<b>5,540</b>	<b>(5,335)</b>
<u>Others</u>										
Disposal of disposal group classified as held for sale	-	-	-	-	-	-	-	(193)	4,420	4,227
<u>Contributions by owners</u>										
Issuance of rights warrants	-	-	-	899	-	899	899	-	-	899
<b>At 30-Sep-19</b>	<b>108,056</b>	<b>(923)</b>	<b>2,245</b>	<b>899</b>	<b>36,510</b>	<b>39,654</b>	<b>146,787</b>	<b>-</b>	<b>6,796</b>	<b>153,583</b>
				-						



**Statement of Changes in Equity for the year ended 30-Sep-18**

<u>Group</u>	Attributable to owners of the Company						Non-controlling interests \$'000	Total Equity \$'000
	Share capital \$'000	Treasury shares \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total reserves \$'000	Equity attributable to owners of the Company \$'000		
<b>1Q FY2019</b>								
<b>At 1-Jul-18 (FRS framework)</b>	108,056	(923)	1,110	195,776	196,886	304,019	1,666	305,685
Adoption of the SFRS(I) 15	-	-	-	(2,015)	(2,015)	(2,015)	-	(2,015)
<b>At 1-Jul-18 (SFRS(II))</b>	108,056	(923)	1,110	193,761	194,871	302,004	1,666	303,670
<b>Loss for the period</b>	-	-	-	(7,854)	(7,854)	(7,854)	77	(7,777)
<u>Other comprehensive income</u>								
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	19	-	19	19	5	24
Share of other comprehensive income of joint ventures and associates	-	-	20	-	20	20	2	22
Re-measurement of defined benefit plans	-	-	-	(58)	(58)	(58)	-	(58)
<b>Other comprehensive income for the year, net of tax</b>	-	-	39	(58)	(19)	(19)	7	(12)
<b>Total comprehensive income for the year</b>	-	-	39	(7,912)	(7,873)	(7,873)	84	(7,789)
<b>At 30-Sep-18</b>	108,056	(923)	1,149	185,849	186,998	294,131	1,750	295,881

Statement of Changes in Equity for the period ended 30-Sep-19 and 30-Sep-18						
<u>Company</u>	Share capital \$'000	Treasury shares \$'000	Warrant reserve \$'000	Accumulated losses \$'000	Total reserves \$'000	Total equity \$'000
<b><u>1Q FY2020</u></b>						
At 1-Jul-19	108,056	(923)	-	(76,053)	(76,053)	31,080
Loss for the period, representing total comprehensive income for the period	-	-	-	(1,395)	(1,395)	(1,395)
<b><u>Contributions by owners</u></b>						
Issuance of rights warrants	-	-	899	-	899	899
<b>At 30-Sep-19</b>	<b>108,056</b>	<b>(923)</b>	<b>899</b>	<b>(77,448)</b>	<b>(76,549)</b>	<b>30,584</b>
<b><u>1Q FY2019</u></b>						
At 1-Jul-18	108,056	(923)	-	(37,208)	(37,208)	69,925
Loss for the period, representing total comprehensive income for the period	-	-	-	(425)	(425)	(425)
<b>At 30-Sep-18</b>	<b>108,056</b>	<b>(923)</b>	<b>-</b>	<b>(37,633)</b>	<b>(37,633)</b>	<b>69,500</b>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

**Number of Ordinary Shares  
(excluding treasury shares)**

Balance as at 30-Sep-19 and 30-Sep-18	629,266,941
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The percentage of the aggregate number of treasury shares held against the total number of shares outstanding that is listed as at 30 September 2019 and 30 September 2018 is 0.40%.

There were no convertible securities or subsidiary holdings as at 30 September 2019 and 30 September 2018.

There were no outstanding share options granted under the ESOS as at 30 September 2019 and 30 September 2018.

Warrants

On 25 July 2019, the Company completed the issuance of renounceable non-underwritten rights warrants and allotted 266,505,713 rights warrants for a total consideration of \$1,599,000. On the same date, the Company also completed the issuance of 300,625,000 free warrants to the noteholders. As announced on 29 August 2019, the net proceeds of \$899,000 (net of transaction cost of \$700,000) raised from the renounceable non-underwritten rights issue of warrants have been fully utilized for working capital requirement.

No warrants were exercised during the financial period under review. As at 30 September 2019, the number of shares that may be issued on exercise of warrants were 567,130,713.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<b>As at 30-Sep-19</b>	<b>As at 30-Sep-18</b>
Total number of issued shares	631,778,541	631,778,541
Total number of treasury shares	(2,511,600)	(2,511,600)
Total number of issued shares (excluding treasury shares)	<b>629,266,941</b>	<b>629,266,941</b>

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

During the current financial period reported on, there were no sales, transfers, disposal, cancellation and/or use of treasury shares.

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditor.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in item 5 below, the accounting policies adopted and methods of computation in the preparation of the financial statements are consistent with those of the audited financial statements as at 30 June 2019.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the financial year ended 30 June 2019. The Group has adopted the following new or amended Singapore Financial Reporting Standards (International) ("SFRS(I)") that are effective for annual periods beginning on or after 1 January 2019:

- SFRS(I) 16 Leases
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments
- Amendments to SFRS(I) 3 and SFRS(I) 11 Previously Held Interest in a Joint Operation
- Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation
- Amendments to SFRS(I) 1-12 Income tax consequences of payments on financial instruments classified as equity
- Amendments to SFRS(I) 1-19 Plan Amendment, Curtailment or Settlement
- Amendments to SFRS(I) 1-23 Borrowing Costs Eligible for Capitalisation
- Amendments to SFRS(I) 1-28 Long-Term Interests in Associates and Joint Ventures

The adoption of the new accounting standards does not have any significant impact on the financial statements of the Group except for SFRS(I) 16.

**Adoption of SFRS(I) 16**

The Group has adopted the SFRS(I) 16 on 1 July 2019, using the modified retrospective approach. The Group has measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 July 2019. The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rates. Subsequent to the initial recognition, right-of-use asset is depreciated over the shorter of the useful life of right-of-use asset and lease term. In addition, the right-of-use asset is reduced by impairment losses, if any.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	3 months ended	
	30 September	
Earnings per ordinary share:	1Q FY2020	1Q FY2019
(i) On weighted average no. of ordinary shares in issue	<u>(1.80) cents</u>	<u>(1.25) cents</u>
(ii) On a fully diluted basis	<u>(1.80) cents</u>	<u>(1.25) cents</u>
<b>Net loss attributable to shareholders:</b>	<u>(\$11,348,000)</u>	<u>(\$7,854,000)</u>
<b>Number of shares in issue:</b>		
(i) Weighted average no. of shares in issue	<u>629,266,941</u>	<u>629,266,941</u>
(ii) On a fully diluted basis	<u>629,266,941</u>	<u>629,266,941</u>

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

	Group		Company	
	30-Sep-19	30-Jun-19	30-Sep-19	30-Jun-19
Net Asset Value (NAV) per ordinary share	<u>23.33 cents</u>	<u>24.94 cents</u>	<u>4.86 cents</u>	<u>4.94 cents</u>
NAV computed based on no. of ordinary shares issued	<u>629,266,941</u>	<u>629,266,941</u>	<u>629,266,941</u>	<u>629,266,941</u>

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

## **REVIEW OF GROUP PERFORMANCE**

With the adoption of SFRS(I) 15 Revenue from Contracts with Customers, revenue and related costs of shipbuilding contracts with non-enforceability of right to payment for performance completed to-date are recognised only when the constructed vessels are delivered to customers ("**Completion Method**"), instead of using the percentage of completion method ("**POC**"). As a result, shipbuilding revenue and results can fluctuate depending on whether the revenue from shipbuilding contracts is recognised on POC or Completion Method.

### **Revenue**

Group revenue of \$41.5 million for the 3 months ended 30 September 2019 ("**1Q FY2020**") was \$26.1 million (38.6%) lower compared to the corresponding period in FY2019 ("**1Q FY2019**").

Details for revenue generated from each segment are as follows:

	<b>Group</b>		
	<b>1Q</b>	<b>1Q</b>	Increase/ (Decrease)
	<b>FY2020</b>	<b>FY2019</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Shipbuilding	1,758	8,192	(78.5)
Shiprepair, conversion and engineering services	14,806	27,439	(46.0)
Shipchartering	24,927	31,946	(22.0)
	<b>41,491</b>	<b>67,577</b>	<b>(38.6)</b>

### **Shipbuilding**

The breakdown of shipbuilding revenue generated and the number of units recognised are as follows:

	Group				
	1Q		1Q		Increase/ (Decrease)
	FY2020		FY2019		
	Units	\$'000	Units	\$'000	%
Tugs	3	1,012	1	895	13.1
Barges and others	1	746	3	7,297	(89.8)
	4	1,758	4	8,192	(78.5)

Shipbuilding revenue decreased by \$6.4 million (78.5%) to \$1.8 million in 1Q FY2020 as compared to last corresponding period. The revenue in 1Q FY2020 was attributable to 3 tugs recognised based on POC method, the progress of which was slow pending activation of project financing lines from the banks. The revenue in 1Q FY2019 was mainly from delivery of 3 barges, generally recognised based on Completion Method upon delivery.

## Shiprepair, conversion and engineering services

Shiprepair and conversion services are generally performed based on the customer's specifications and control is transferred progressively when the services are rendered. Recognition of shiprepair and conversion revenue is calculated based on project value multiplied by POC.

The breakdown of revenue generated from the shiprepair, conversion and engineering services segment are as follows:

	<b>Group</b>		
	<b>1Q FY2020</b>	<b>1Q FY2019</b>	<b>Increase/ (Decrease)</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Shiprepair, conversion and engineering services	14,531	27,282	(46.7)
Other marine related services	275	157	75.2
	<b>14,806</b>	<b>27,439</b>	<b>(46.0)</b>

Shiprepair, conversion and engineering services revenue decreased by \$12.8 million (46.7%) to \$14.5 million in 1Q FY2020 mainly due to lower shiprepair jobs with high value (>\$200,000) being recognised during the current quarter.

## Shipchartering

The breakdown of revenue generated from the shipchartering segment are as follows:

	<b>Group</b>		
	<b>1Q FY2020</b>	<b>1Q FY2019</b>	<b>Increase/ (Decrease)</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
OSV	3,559	3,437	3.5
Landing crafts	146	1,055	(86.2)
Tug Boats	7,552	8,268	(8.7)
Barges	10,270	11,895	(13.7)
<b>Total charter</b>	<b>21,527</b>	<b>24,655</b>	<b>(12.7)</b>
Trade sales and other services	3,400	7,291	(53.4)
	<b>24,927</b>	<b>31,946</b>	<b>(22.0)</b>

Charter revenue decreased by \$3.1 million (12.7%) to \$21.5 million in 1Q FY2020 mainly due to completion of one of the local infrastructure projects in June 2019 and lower utilisation of landing crafts.

Trade sales and other services comprised bunker sales, agency and management fees and ad hoc services rendered. Trade sales decreased were mainly due to fewer ad hoc services and agency services rendered in 1Q FY2020.

## Gross profit and gross profit margin

The breakdown of gross profit and gross profit margin for each respective segment are as follows:

	Group			
	1Q		1Q	
	FY2020		FY2019	
	\$'000	GPM	\$'000	GPM
Shipbuilding	192	10.9%	(1,714)	(20.9%)
Shiprepair, conversion and engineering services	1,124	7.6%	4,185	15.3%
Shipchartering	(1,141)	(4.6%)	(1,188)	(3.7%)
	<b>175</b>	<b>0.4%</b>	<b>1,283</b>	<b>1.9%</b>

### Shipbuilding

The gross profit of \$0.2 million recognised in 1Q FY2020 mainly derived from the construction of existing Tugs coupled with some reversal of accrued costs for prior years' projects.

The Group recorded a gross loss of \$1.7 million in 1Q FY2019 mainly attributed to cost overruns and liquidated damage taken up due to delay in delivery of a project, partially offset by profit derived from delivery of the 3 barges.

### Shiprepair, conversion and engineering services

In line with the decrease in revenue, gross profit reduced to \$1.1 million with a gross profit margin of 7.6% recorded in 1Q FY2020. The margin was lower in 1Q FY2020 due to:

- i) competitive pricing in a weak market;
- ii) higher absorption of manpower overheads into the current running projects; and
- iii) credit notes issued to certain customers.

partially offset by

- iv) reversal of costs provision for prior years completed projects.

### Shipchartering

The breakdown of gross profit and gross profit margin from shipchartering segment are as follows:

	Group			
	1Q		1Q	
	FY2020		FY2019	
	\$'000	GPM	\$'000	GPM
OSV	568	16.0%	(392)	(11.4%)
Landing crafts	(898)	(615.1%)	(200)	(19.0%)
Tug boats and Barges	(1,861)	(10.4%)	(1,619)	(8.0%)
<b>Total charter</b>	<b>(2,191)</b>	<b>(10.2%)</b>	<b>(2,211)</b>	<b>(9.0%)</b>
Trade sales and other services	1,050	30.9%	1,023	14.0%
	<b>(1,141)</b>	<b>(4.6%)</b>	<b>(1,188)</b>	<b>(3.7%)</b>



Gross loss and gross loss margin for charter was lower in 1Q FY2020 as compared to the corresponding quarter. There was higher contribution from OSV due to increase in utilization rate (1Q FY2020: 74%, 1Q FY2019: 67%).

The negative contribution from the charter of Tugs and Barges in 1Q FY2020 was attributable to

- i) Standby costs incurred in preparation for deployment of vessels in one of the overseas infrastructure projects which was suspended in 4Q FY2019 due to monsoon period and will resume in 2Q FY2020;
- ii) Absence of contribution in 1Q FY2020 due to completion of a local infrastructure project in June 2019;
- iii) Reduced charter rate and lower contribution from one grab dredger (deployed in an overseas infrastructure project) which was under repair in 1Q FY2020; and
- iv) Negative contribution from landing crafts due to lower utilisation.

### Other operating income

Details for other operating income are as follows:

	Group	
	1Q FY2020 \$'000	1Q FY2019 \$'000
Gain on disposal of property, plant and equipment	-	377
Gain on disposal of assets classified as held for sale	605	343
Gain on disposal of disposal group classified as held for sale	3,271	-
Gain on foreign exchange (net)	436	862
Interest income from bank balances	16	20
Interest income from finance lease receivables	152	166
Insurance claims	39	100
Rental income from property, plant and equipment	96	277
Miscellaneous income	33	149
	<b>4,648</b>	<b>2,294</b>

The gain on disposal of disposal group classified as held for sale pertained to the sale of entire equity interest in its 60% owned subsidiary, Jiangmen Hongda Shipyard Ltd (the “**China Subsidiary**”).

The net foreign exchange gain recorded in 1Q FY2020 arose mainly due to the appreciation of USD against SGD on USD denominated assets as well as SGD denominated liabilities for certain subsidiaries whose accounts are maintained in USD.

The net foreign exchange gain in 1Q FY2019 was mainly attributed from the depreciation of IDR against SGD on higher IDR denominated liabilities.

	30 Sep 2019	30 Jun 2019	30 Sep 2018	30 Jun 2018
<b>USD against SGD</b>	1.3818	1.3537	1.3672	1.3679
<b>IDR against SGD</b>	10,258	10,446	10,919	10,530

### Administrative expenses

Administrative expenses decreased by \$0.9 million (17.3%) to \$4.1 million in 1Q FY2020 when compare to last corresponding period mainly attributed to lower legal and professional fee incurred and travelling and transport expenses.

### Other operating expenses

	Group	
	1Q FY2020	1Q FY2019
	\$'000	\$'000
Fair value loss of short-term investment	-	51
Loss on disposal of short-term investment	-	83
	-	134

In 1Q FY2019, the short-term investment pertained to quoted shares allotted by a customer who is listed on the Singapore Exchange. The new shares subscribed was for settlement of outstanding debts owing by the customer to the Group.

### Finance costs

Finance costs increased by \$0.3 million (5.6%) to \$6.1 million in 1Q FY2020 mainly due to amortisation of fair value of \$1.7 million during the period under review relating to the bonds and long term loans which were subject to refinancing in FY2019. This was partially offset by lower bonds interest incurred due to reduction of rate which took effect from 1 October 2018 pursuant to the consent obtained from the bondholders on 30 January 2019.

### Impairment losses on financial assets

	Group	
	1Q FY2020	1Q FY2019
	\$'000	\$'000
Impairment losses/ (reversal of impairment losses) on financial assets, net		
- trade receivables (third parties)	482	-
- contract assets	(90)	-
	392	-

Impairment losses on financial assets were recognised based on expected credit loss model.

## Share of results of joint ventures and associates

The Group's share of results of joint ventures and associates comprised:

	Group's effective interest	Group	
		1Q	1Q
		FY2020 \$'000	FY2019 \$'000
<u>Joint ventures</u>			
Sindo-Econ group	50%	-	-
<u>Associates</u>			
PT. Hafar Capitol Nusantara ("PT Hafar")	36.75%	(510)	765
PT Capitol Nusantara Indonesia ("PT CNI")	27%	55	55
		<b>(455)</b>	<b>820</b>

The Group has restricted its share of losses from Sindo-Econ group to its cost of investment since 1Q FY2018.

The share of loss from PT Hafar of \$0.5 million in 1Q FY2020 resulted from absence of charter income derived from its fleet during the quarter.

The share of profit from PT CNI of \$0.1 million in 1Q FY2020 mainly pertained to progressive recognition of the Group's proportionate interest of unrealised profits previously eliminated on sale of vessels to PT CNI. The Group has restricted its share of losses to its cost of investment since 4Q FY2017.

## Loss before tax

The Group recorded a lower loss before tax of \$6.3 million in 1Q FY2020 as compared to \$6.5 million in 1Q FY2019 mainly due to higher other operating income and lower administrative expenses, partially offset by lower earnings from operation and higher share of loss of PT Hafar.

## Tax credit/(expense)

The Group recorded a tax credit of \$0.4 million in 1Q FY2020 mainly due to overprovision of current taxation in prior year from shipchartering operations.

## Non-controlling interests

Non-controlling interests' share of profit of \$5.5 million for 1Q FY2020 (1Q FY2019: \$0.1 million) mainly pertained to i) their share of profit on gain on disposal of the China Subsidiary of \$5.6 million, partially offset by ii) their share of loss of its non-wholly owned subsidiaries in Indonesia of \$0.1 million.

## OPERATION CASH FLOW

The Group recorded a higher net cash inflow from operating activities of \$17.1 million in 1Q FY2020 (1Q FY2019: \$11.1 million) mainly due to receipts from the repayment of outstanding trade debts and lower purchase for inventories, partially offset by lower operating cash flows and lower work-in-progress incurred due to completion of shipbuilding and shiprepair projects in 1Q FY2019.

The lower net cash inflow from investing activities of \$1.2 million in 1Q FY2020 (1Q FY2019: \$4.3 million) was mainly attributed to lower proceeds from disposal of assets classified as held for sale and property, plant and equipment, partially offset by proceeds from disposal of the China Subsidiary.

The lower net cash outflow from financing activities of \$15.2 million in 1Q FY2020 (1Q FY2019: \$17.8 million) was mainly due to lower repayments on interest-bearing loans and borrowings and interest paid, net proceeds from issuance of rights warrants partially offset by higher cash balances being restricted in shipbuilding project accounts.

## **REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019**

### **Non-current assets**

Property, plant and equipment (“PPE”) decreased by \$5.3 million (1.1%) from \$490.2 million as at 30 June 2019 to \$484.9 million as at 30 September 2019.

Movement in PPE during the year under review is as follows:

	<b>\$'000</b>
Balance as at 1 July 2019	490,244
Addition of property, plant and equipment	4,364
Inclusive of :	
- \$1.4 million for vessels	
- \$0.2 million for plant and equipment	
- \$1.6 million for yard infrastructure under development	
- \$1.1 million for dry docking expenditure on vessels capitalised	
Disposal	(48)
Depreciation charge	(14,573)
Transfer from inventories	1,110
Translation differences	3,829
Balance as at 30 September 2019	<b>484,926</b>

Pursuant to the adoption of SFRS (I) 16, the right-of-use assets of \$11.6 million as at 30 September 2019 mainly pertained to leases of the leasehold properties and buildings and land use rights over plots of land in Indonesia and Singapore where the shipyards of the Group operates. Accordingly, there was a decrease in lease prepayment of \$4.6 million and increase in lease liabilities of \$7.1 million as at 30 September 2019.

### **Current assets**

Current assets increased by \$7.6 million (3.3%) from \$234.4 million as at 30 June 2019 to \$242.0 million as at 30 September 2019. The increase was mainly due to higher trade and other receivables and cash and bank balances, partially offset by absence of assets of disposal group classified as held for sale and lower inventories.

Inventories comprised the following:

	<b>Group</b>			
	<b>30-Sep-19</b>	<b>30-Jun-19</b>	<b>Increase/ (Decrease)</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Raw materials and consumables	15,498	14,919	579	3.9
Finished goods	82,000	84,565	(2,565)	(3.0)
Total inventories	<b>97,498</b>	<b>99,484</b>	<b>(1,986)</b>	<b>(2.0)</b>

Majority of the raw materials and consumables are inventories meant for ongoing shipbuilding and shiprepair projects. Finished goods comprised mainly three PSV and dredge component parts. Decrease in finished goods mainly due to lower dredge component parts and transfer of a steel hull modular barge to property, plant and equipment during the current quarter under review.

The disposal of assets and liabilities of the disposal group classified as held for sale were completed in August 2019.

Trade and other receivables comprised the following:

	<b>Group</b>			
	<b>30-Sep-19</b>	<b>30-Jun-19</b>	<b>Increase/ (Decrease)</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Trade receivables	62,444	55,775	6,669	12.0
Other receivables	11,619	10,724	895	8.3
Amount due from related parties				
- joint ventures and associates	5,037	5,058	(21)	(0.4)
- companies related to directors	8,530	8,989	(459)	(5.1)
	<b>87,630</b>	<b>80,546</b>	<b>7,084</b>	<b>8.8</b>

The trade receivables increased by \$6.7 million (12.0%) to \$62.4 million mainly due to higher receivables from shiprepair on jobs completed and billed to third parties during the current quarter. Trade receivables of \$17.2 million have been received subsequent to the quarter under review.

Other receivables comprised mainly receivables from sale of vessels, advances to suppliers and subcontractors and recoverables from customers. The increase was mainly due to higher recoverables due from customers.

### Current liabilities

Current liabilities increased by \$1.8 million (0.7%) from \$255.2 million as at 30 June 2019 to \$257.0 million as at 30 September 2019. The increase was mainly due to higher trade and other payables and contract liabilities, partially offset by absence of liabilities of the disposal group classified as held for sale.

Trade and other payables comprised the following:

	<b>Group</b>			
	<b>30-Sep-19</b>	<b>30-Jun-19</b>	<b>Increase/ (Decrease)</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Trade payables	144,970	144,212	758	0.5
Payables for property, plant and equipment	6,398	5,931	467	7.9
Other payables	3,711	5,628	(1,917)	(34.1)
Deposits received from customers	3,726	3,958	(232)	(5.9)
Deferred income	1,539	1,615	(76)	(4.7)
Amount due to related parties				
- joint ventures and associates	2,686	1,030	1,656	160.8
- companies related to directors	9,228	8,760	468	5.3
Amounts due to shareholders	6,620	6,620	-	-
Loan from non-controlling interests of subsidiaries	212	207	5	2.4
Provision for warranty	42	42	-	-
	<b>179,132</b>	<b>178,003</b>	<b>1,129</b>	<b>0.6</b>

Other payables decreased in 1Q FY2020 mainly due to settlement of liquidated damages related to claims for delay in fulfilling the terms of a charter contract.

Amount due to joint ventures and associates increased mainly due to charter of vessels and acquisition of a vessel for onward sale to our customer during the quarter as well as appreciation of USD against SGD on certain amounts which were denominated in USD.

#### Contracts assets and liabilities

	Group			
	30-Sep-19	30-Jun-19	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
<b>Contract assets</b>				
Construction work-in-progress	12,873	11,075	1,798	16.2
Accrued revenue	10,941	12,542	(1,601)	(12.8)
	<b>23,814</b>	<b>23,617</b>	<b>197</b>	<b>0.8</b>
<b>Contract liabilities (current)</b>				
Progress billings in excess of construction work-in-progress	10,471	6,536	3,935	60.2
Deferred income and deposits received from customers	14,468	15,613	(1,145)	(7.3)
	<b>24,939</b>	<b>22,149</b>	<b>2,790</b>	<b>12.6</b>
<b>Contract liabilities (non-current)</b>				
Deferred income	216	507	(291)	(57.4)
	<b>25,155</b>	<b>22,656</b>	<b>2,499</b>	<b>11.0</b>

Net construction work-in-progress in excess of progress billings for shipbuilding and shiprepair projects decreased by \$2.1 million (47.1%) from \$4.5 million as at 30 June 2019 to \$2.4 million as at 30 September 2019, mainly due to milestone billing for several shipbuilding projects.

Accrued revenue primarily relate to the Group's right to consideration for services completed but not yet billed at reporting date. Accrued revenue are transferred to receivables when the rights become unconditional.

Deferred income and deposits received from customers mainly relates to advance payments received from customers for which charter services have not been rendered and/or obligation to transfer goods. The deferred income and deposits will be recognised as income when the services are performed. The decrease was mainly due to income recognised when the services were performed.

The breakdown of the Group's total borrowings are as follows:

	Group (Carrying Value)				Group (Face Value)			
	Sep 19	Jun 19	Increase/ (Decrease)		Sep 19	Jun 19	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000	%
<b>Current</b>								
<b>Bonds</b>	1,500	1,500	-	-	1,500	1,500	-	-
<b>Short term loan</b>								
- general	-	2,161	(2,161)	(100.0)	-	2,161	(2,161)	(100.0)
<b>Trust receipts</b>								
- shipbuilding related	452	-	452	Nm	452	-	452	Nm
- general	2,687	1,157	1,530	132.2	2,687	1,157	1,530	132.2
	3,139	1,157	1,982	171.3	3,139	1,157	1,982	171.3
<b>Long term loan</b>								
- vessels loan	11,409	12,271	(862)	(7.0)	13,494	14,159	(665)	(4.7)
- assets financing	10,322	9,472	850	9.0	10,543	9,727	816	8.4
- working capital	18,174	18,624	(450)	(2.4)	17,483	17,922	(439)	(2.4)
	39,905	40,367	(462)	(1.1)	41,520	41,808	(288)	(0.7)
<b>Finance lease liabilities</b>	1,178	1,079	99	9.2	1,178	1,079	99	9.2
	<b>45,722</b>	<b>46,264</b>	<b>(542)</b>	<b>(1.2)</b>	<b>47,337</b>	<b>47,705</b>	<b>(368)</b>	<b>(0.8)</b>
<b>Non-current</b>								
<b>Bonds</b>	85,872	84,029	1,843	2.2	136,000	136,500	(500)	(0.4)
<b>Long term loan</b>								
- vessels loan	72,327	70,368	1,959	2.8	80,231	78,644	1,587	2.0
- assets financing	75,611	76,390	(779)	(1.0)	75,944	76,790	(846)	(1.1)
- working capital	82,505	84,290	(1,785)	(2.1)	80,002	81,629	(1,627)	(2.0)
	230,443	231,048	(605)	(0.3)	236,177	237,063	(886)	(0.4)
<b>Finance lease liabilities</b>	1,577	1,794	(217)	(12.1)	1,577	1,794	(217)	(12.1)
	<b>317,892</b>	<b>316,871</b>	<b>1,021</b>	<b>0.3</b>	<b>373,754</b>	<b>375,357</b>	<b>(1,603)</b>	<b>(0.4)</b>
<b>Total borrowings</b>	<b>363,614</b>	<b>363,135</b>	<b>479</b>	<b>0.1</b>	<b>421,091</b>	<b>423,062</b>	<b>(1,971)</b>	<b>(0.5)</b>
<b>Total shareholders' funds</b>	<b>146,787</b>	<b>156,956</b>						
<b>Gearing ratio (times)</b>	<b>2.48</b>	<b>2.31</b>						
<b>Net gearing ratio (times)</b>	<b>2.29</b>	<b>2.20</b>						

Current portion of interest-bearing loans and borrowings and trust receipts reduced by \$0.5 million mainly due to conversion of a short term loan for general working capital to a vessel loan, partially offset by increase in trust receipts.

The Group remeasured its bonds and several long term loans arising from the debts refinancing exercise at fair value pursuant to adoption of SFRS(I) 9 in prior year. Their carrying amounts were higher mainly due to amortisation of the fair value recognised on the bonds and term loans.

### Non-current liabilities

Non-current liabilities increased by \$7.0 million (2.1%) to \$344.1 million as at 30 September 2019 mainly due to increase in lease liabilities pursuant to adoption of SFRS(I) 16.

## 9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable as no forecast or prospect statement has been made.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

**Market and industry outlook**

As our businesses are primarily reliant on the market conditions in the infrastructure, shipbuilding, shipping and offshore & marine industries, the main macroeconomic variables we are sensitive to include (but not exclusively) global trade, oil prices and infrastructure spending in Asia.

Macro trends remain mixed.

- a. While oil prices are higher than they were compared to 2016<sup>1</sup>, the price of WTI crude oil has fallen to about US\$54 per barrel in October 2019. Recent crude oil prices were showing signs of weakness as volatility climbed amid lingering US-China trade war uncertainty.
- b. The IMF has warned that global growth could slow and slow sharply if the China-US trade disputes escalate and particularly given that it comes at a time when China output and growth is slowing.
- c. The positive outlook is that infrastructure spending in select Asian regions are expected to increase further, as China implements the Belt and Road Initiative in the countries along the route. The urbanization process in emerging markets such as Indonesia should boost spending for vital infrastructure sectors including water, power and transportation. This represents mid-long term opportunities for the Group's non-offshore and marine business. In Singapore, as the Tuas Mega Port project gains momentum, the demand for hiring tugs and barges is expected to remain strong.

In general, the factors discussed above suggest a positive trend forward but a volatile business environment for the Group.

We will continue to focus on our core business and strengthen our foothold in supporting marine infrastructure work in Singapore and abroad. We will explore more revenue sources by going beyond our traditional markets (Southeast Asia, Australia and Europe) to North Asia, the Indian subcontinent and the Middle East. We will continue to seek cash-flow-positive business opportunities across our business segments and optimize financial performance.

**Business segments**

**Shipbuilding, Shiprepair, Conversion and Engineering Services**

For shipbuilding segment, we will continue to seek orders for non-OSV vessels mainly tugs and barges where projects have shorter delivery cycles and are less capital intensive as well as exercise caution with the selection of customers' portfolio based on creditworthiness.

For shiprepair segment, the addition of a floating dock after having retrofitted and to be operational by 2Q FY2020 at the Singapore yard will provide additional capacity in terms of servicing mid-size range of vessels.

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<sup>1</sup> Source: Barclays Bank market research report



Our engineering segment (VOSTA LMG) engages primarily in the infrastructure and construction industry. Demand for our engineering business is supported by i) the amount of land and coastal reclamation projects due to population growth and global warming; and ii) port expansion projects due to increasing seaborne trade and growing size of container vessels. The Group is working closely with suppliers and seek to have production capability in different regional markets to drive down costs.

The Group adopted the strategy to train direct employed workers for specialized work, thus reducing its reliance on subcontractors, and strengthening our competency and efficiency. We will continue to improve operational efficiency, tighten cost control to ensure our competitiveness.

### **Shipchartering**

The diversified vessel types in our fleet, especially the non-OSV vessels are expected to lend support to our chartering business in view of the marine infrastructure projects in Bangladesh, Indonesia and Singapore. Our in-house ability to provide integrated services to modify or retrofit vessels to suit our shipchartering customers' customized requirements. However, due to market competition, the Group expects continued pressure on charter rates. The management will focus on increasing utilisation of fleet, improving charter rates, limiting capital expenditure and exploring bareboat charter-in of vessels.

The OSV in the market has not recovered from depressed pricing. The Group, however has been actively seeking opportunities to improve the utilisation of the OSV.

### **Order Book**

As at 30 September 2019, the Group had an outstanding shipbuilding order book from external customers of approximately \$50 million for the building of 4 tugboats and 22 barges with progressive deliveries up to 1H FY2021.

The Group's shipchartering revenue consists of mainly short-term and ad-hoc contracts. Approximately 30% of shipchartering revenue in 1Q FY2020 was attributed to long-term chartering contracts (meaning contracts with a duration of more than one year). As at 30 September 2019, the Group had an outstanding chartering order book of approximately \$89 million with respect to long-term contracts.

Investors may wish to note that the financial performance of the companies in the shipping and shipbuilding industries tend to lag industry trends.

### **Funding Arrangement**

The principal lenders granted revolving project financing and trade lines of S\$114 million in August 2019, to-date, the lines have been activated for use.

**11. Dividend**

**(a) Current Financial Period**

Any dividend recommended for the current financial period reported on?

None.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

**(c) Whether the dividend is before tax, net of tax or tax exempt.**

If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

**(d) The date the dividend is payable.**

Not applicable.

**(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

**12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.**

No interim dividend has been declared for the period ended 30 September 2019 after taking into consideration the operating requirement, cash flow position of the Group and the current market weakness, and to conserve cash for working capital usage.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has renewed the general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 30 October 2019. During the financial period, the following interested person transactions were entered into by the Group:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000)
	\$'000	\$'000
<b><u>Sale of goods and services</u></b>		
Contech Precast Pte Ltd	-	544
Econ Precast Pte Ltd	-	2,973
Koon Construction & Transport Co Pte Ltd	-	(534)
Petra I Pte Ltd	-	(258)
Sindo-Econ Pte Ltd	-	551
PT. Sindomas Precas	-	414
Reem Island Pte Ltd	-	(914)
<b><u>Purchase of goods and services</u></b>		
Koon Construction & Transport Co Pte Ltd	-	218
Econ Precast Pte Ltd	-	433
<b><u>Reimbursement of expenses due from</u></b>		
Koon Construction & Transport Co Pte Ltd	121	-
Entire Engineering Pte Ltd	169	-
<b><u>Reimbursement of expenses due to</u></b>		
Koon Construction & Transport Co Pte Ltd	624	-
Econ Precast Pte Ltd	159	-
	<b>1,073</b>	<b>3,427</b>

**Notes:**

1. The above aggregate values were based on amount incurred and accrued, including where an interested person transaction had an indefinite term or where the contract sum was not specified.
2. Credit balances of IPT were due to credit notes for transactions recorded in FY2019 issued during the period.

**14. Negative confirmation pursuant to Rule 705(5).**

We, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial statements of the Group and the Company for the first quarter ended 30 September 2019 to be false or misleading in any material aspect.

**15. Undertakings pursuant to Rule 720(1).**

We confirm that the Company has procured undertakings from the Company's directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the SGX-ST Listing manual.

On behalf of the Board

Ang Kok Tian  
Chairman, Managing Director and CEO

Ang Ah Nui  
Deputy Managing Director

**BY ORDER OF THE BOARD**

Ang Kok Tian  
Chairman, Managing Director and CEO  
14 November 2019