



ASL MARINE HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

Co. Reg. No. 200008542N

UNAUDITED QUARTERLY FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 31 December			6 months ended 31 December		
	2Q FY2020	2Q FY2019	Inc/ (Dec)	1H FY2020	1H FY2019	Inc/ (Dec)
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	78,273	95,058	(17.7)	119,764	160,685	(25.5)
Cost of sales	(70,006)	(92,534)	(24.3)	(111,322)	(156,878)	(29.0)
Gross profit	8,267	2,524	227.5	8,442	3,807	121.7
Other operating income	1,289	1,101	17.1	5,501	2,533	117.2
Administrative expenses	(3,876)	(6,211)	(37.6)	(7,994)	(11,188)	(28.5)
Other operating expenses	(2,635)	(3,065)	(14.0)	(2,199)	(2,337)	(5.9)
Finance costs	(6,631)	(4,858)	36.5	(12,774)	(10,676)	19.7
Fair value adjustments arising from debt refinancing exercise	(99)	-	Nm	(99)	-	Nm
Impairment losses on financial assets	(386)	-	Nm	(778)	-	Nm
Share of results of joint ventures and associates	(391)	(245)	59.6	(846)	575	(247.1)
Loss before tax	(4,462)	(10,754)	(58.5)	(10,747)	(17,286)	(37.8)
Income tax (expense)/ credit	(57)	897	(106.4)	361	(348)	(203.7)
Loss for the period	(4,519)	(9,857)	(54.2)	(10,386)	(17,634)	(41.1)
Attributable to:						
Owners of the Company	(4,160)	(9,154)	(54.6)	(15,508)	(17,008)	(8.8)
Non-controlling interests	(359)	(703)	(48.9)	5,122	(626)	Nm
	(4,519)	(9,857)	(54.2)	(10,386)	(17,634)	(41.1)
Adjusted EBITDA* for the period	17,566	11,081	58.5	32,810	24,687	32.9

Notes:

* Adjusted EBITDA is computed based on earnings of the Company and its subsidiaries before interest, tax, depreciation, amortisation, and after adjusting for impairment and write-off 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 31 December			6 months ended 31 December		
	2Q FY2020	2Q FY2019	Inc/ (Dec)	1H FY2020	1H FY2019	Inc/ (Dec)
	\$'000	\$'000	%	\$'000	\$'000	%
	(4,519)	(9,857)	(54.2)	(10,386)	(17,634)	(41.1)
	<i>Items that may be reclassified subsequently to profit or loss:</i>					
	Translation differences relating to financial statements of foreign subsidiaries, net of tax*					
	19	361	(94.7)	651	385	69.1
	Translation differences arising from disposal group classified as held for sale					
	-	-	-	(193)	-	Nm
	Share of other comprehensive income of joint ventures and associates					
	(187)	(26)	619.2	7	(4)	(275.0)
	<i>Items that will not be reclassified subsequently to profit or loss:</i>					
	Remeasurement of defined benefit plan					
	1	-	Nm	(100)	(58)	72.4
	(167)	335	(149.9)	365	323	13.0
	(4,686)	(9,522)	(50.8)	(10,021)	(17,311)	(42.1)
	Attributable to:					
	(4,059)	(8,836)	(54.1)	(14,934)	(16,709)	(10.6)
	(627)	(686)	(8.6)	4,913	(602)	Nm
	(4,686)	(9,522)	(50.8)	(10,021)	(17,311)	(42.1)

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:-

	Group			
	3 months ended		6 months ended	
	31 December		31 December	
	2Q FY2020 \$'000	2Q FY2019 \$'000	1H FY2020 \$'000	1H FY2019 \$'000
(Impairment losses)/ Reversal of impairment losses on financial assets, net				
- trade receivables (third parties)	(464)	-	(946)	-
- contract assets	78	-	168	-
Amortisation of intangible assets	(141)	(165)	(283)	(331)
Amortisation of lease prepayments	-	(88)	-	(178)
Depreciation of property, plant and equipment	(14,149)	(15,776)	(28,262)	(30,846)
Depreciation of right-of-use assets*	(392)	-	(844)	-
Fair value adjustments arising from debt refinancing exercise	(99)	-	(99)	-
Gain on disposal of property, plant and equipment	559	365	559	742
Gain/ (Loss) on disposal of assets classified as held for sale	-	(2)	605	341
Gain on disposal of disposal group classified as held for sale [#]	-	-	3,271	-
Loss on foreign exchange (net)	(2,635)	(2,183)	(2,199)	(1,321)
Loss on disposal of short-term investment	-	-	-	(134)
Interest income from bank balances	13	16	29	36
Interest income from finance lease receivables	148	163	300	329
Inventories written off	-	(880)	-	(880)
Property, plant and equipment written off	-	(2)	-	(2)
Reversal/ (Provision) for pension liabilities	4	(38)	9	(118)
(Provision)/ Reversal of provision for warranty (net)	(4)	28	(4)	25
(Under)/ Over provision of tax in respect of prior years	(29)	62	410	(1,076)

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.

The gain on disposal of disposal group classified as held for sale announced on 16 August 2019 was \$8.9 million 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 1Q FY2020.

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	
	31-Dec-19 \$'000	30-Jun-19 \$'000	31-Dec-19 \$'000	30-Jun-19 \$'000
Non-current assets				
Property, plant and equipment	471,318	490,244	-	-
Right-of-use assets*	11,121	-	-	-
Lease prepayments*	-	4,606	-	-
Investment in subsidiaries	-	-	40,723	40,723
Investment in joint ventures and associates	4,498	5,450	-	-
Intangible assets	5,480	5,865	-	-
Other receivables	-	-	2,067	-
Finance lease receivables	5,155	5,536	-	-
	497,572	511,701	42,790	40,723
Current assets				
Inventories	97,791	99,484	-	-
Contract assets	22,555	23,617	-	-
Trade and other receivables	86,690	80,546	258,786	259,353
Prepayments	4,656	4,811	51	185
Finance lease receivables	693	670	-	-
Cash and bank balances	31,396	15,395	3,634	3,591
	243,781	224,523	262,471	263,129
Assets of disposal group classified as held for sale	-	9,841	-	-
	243,781	234,364	262,471	263,129
Current liabilities				
Trade and other payables	179,053	178,003	104,119	99,480
Contract liabilities	13,193	22,149	-	-
Trust receipts	16,139	1,157	-	-
Interest-bearing loans and borrowings	38,659	45,107	8,319	11,965
Lease liabilities*	1,066	-	-	-
Income tax payables	6,124	6,754	-	-
	254,234	253,170	112,438	111,445
Liabilities directly associated with disposal group classified as held for sale	-	2,015	-	-
	254,234	255,185	112,438	111,445
Net current (liabilities)/ assets	(10,453)	(20,821)	150,033	151,684
Non-current liabilities				
Other liabilities	3,742	3,699	-	-
Contract liabilities	122	507	-	-
Interest-bearing loans and borrowings	312,254	316,871	164,174	161,327
Lease liabilities*	5,799	-	-	-
Deferred tax liabilities	16,111	16,011	-	-
	338,028	337,088	164,174	161,327
Net assets	149,091	153,792	28,649	31,080
Equity attributable to owners of the Company				
Share capital	108,056	108,056	108,056	108,056
Treasury shares	(923)	(923)	(923)	(923)
Reserves	35,595	49,630	(78,484)	(76,053)
Reserve of disposal group classified as held for sale	-	193	-	-
	142,728	156,956	28,649	31,080
Non-controlling interests	6,363	(3,164)	-	-
Total equity	149,091	153,792	28,649	31,080

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 31-Dec-19			As at 30-Jun-19		
	Secured \$'000	Unsecured \$'000	Total \$'000	Secured \$'000	Unsecured \$'000	Total \$'000
Amount repayable in one year or less, or on demand	53,548	1,250	54,798	45,014	1,250	46,264
Amount repayable after one year	309,650	2,604	312,254	313,642	3,229	316,871
	363,198	3,854	367,052	358,656	4,479	363,135

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 31 December 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 31 December		6 months ended 31 December	
	2Q	2Q	1H	1H
	FY2020	FY2019	FY2020	FY2019
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Loss before tax	(4,462)	(10,754)	(10,747)	(17,286)
Adjustments for:				
Amortisation of intangible assets	141	165	283	331
Amortisation of lease prepayments	-	88	-	178
Depreciation of property, plant and equipment	14,149	15,776	28,262	30,846
Depreciation of right-of-use assets	392	-	844	-
Fair value adjustments arising from debt refinancing exercise	99	-	99	-
Gain on disposal of property, plant and equipment	(559)	(365)	(559)	(742)
(Gain)/ Loss on disposal of assets classified as held for sale	-	2	(605)	(341)
Gain on disposal of disposal group classified as held for sale	-	-	(3,271)	-
Inventories written off	-	880	-	880
Impairment losses/ (Reversal of impairment losses) on financial assets, net				
-trade receivables (third parties)	464	-	946	-
-contract assets	(78)	-	(168)	-
Loss on disposal of short-term investment	-	-	-	134
Interest expense	6,631	4,858	12,774	10,676
Interest income	(161)	(179)	(329)	(365)
Provision/(Reversal of provision) for warranty (net)	4	(28)	4	(25)
Property, plant and equipment written off	-	2	-	2
(Reversal)/ Provision for pension liabilities	(4)	38	(9)	118
Share of results of joint venture and associates	391	245	846	(575)
Operating cash flows before changes in working capital	17,007	10,728	28,370	23,831
Changes in working capital:				
Inventories	(294)	1,607	582	(3,252)
Contract assets and liabilities	(9,212)	20,100	(6,064)	33,344
Trade and other receivables	(699)	(10,509)	1,115	(23,698)
Prepayments	1,487	(217)	155	635
Trade and other payables	(2,830)	986	(3,486)	2,618
Finance lease receivables	307	287	422	586
Other liabilities	1	-	1	58
Balances with related parties (trade)	(306)	499	1,497	211
Cash flows generated from operations	5,461	23,481	22,592	34,333
Interest received from finance lease receivables	174	163	211	329
Income tax paid	(71)	(522)	(123)	(400)
Net cash flows generated from operating activities	5,564	23,122	22,680	34,262
Cash flows from investing activities				
Interest received from bank balances	13	16	29	36
Purchase of assets classified as held for sale	-	-	(479)	-
Purchase of property, plant and equipment	(5,013)	(1,307)	(8,307)	(4,326)
Proceeds from disposal of property, plant and equipment	1,857	2,974	1,857	5,687
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	-	300	-	534
Lease prepayments	-	-	-	(416)
Balances with related parties (non-trade)	1,675	2,273	1,779	1,799
Net cash flows (used in)/ generated from investing activities	(1,468)	4,256	(299)	8,556

	Group			
	3 months ended		6 months ended	
	31 December		31 December	
	2Q	2Q	1H	1H
	FY2020	FY2019	FY2020	FY2019
	\$'000	\$'000	\$'000	\$'000
Cash flows from financing activities				
Interest paid	(4,528)	(5,795)	(9,241)	(12,527)
Repayment of interest-bearing loans and borrowings	(8,220)	(17,989)	(14,497)	(36,819)
Proceeds from interest-bearing loans and borrowings	-	-	-	3,850
Repayment of trust receipts	(3,765)	(8,780)	(4,481)	(16,633)
Proceeds from trust receipts	16,823	3,300	19,522	14,206
Repayment of lease liabilities	(249)	-	(492)	-
Net proceeds from issuance of rights warrants	-	-	899	-
Cash and bank balances (restricted use)	(339)	197	(7,167)	1,094
Net cash flows used in financing activities	(278)	(29,067)	(15,457)	(46,829)
Net increase/ (decrease) in cash and cash equivalents	3,818	(1,689)	6,924	(4,011)
Cash and cash equivalents at beginning of period	10,291	10,401	7,151	12,793
Effects of exchange rate changes on cash and cash equivalents	(33)	27	1	(43)
Cash and cash equivalents at end of period (Note 1)	14,076	8,739	14,076	8,739

Note 1:

Cash and cash equivalents comprise the followings:

Cash and bank balances	31,396	23,461
Less: Restricted cash		
- Cash at banks	(16,776)	(14,182)
- Fixed deposits with banks	(544)	(540)
Cash and cash equivalents at end of period	14,076	8,739

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 31-Dec-19										
Group	Attributable to owners of the Company						Equity attributable to owners of the Company \$'000	Reserve of disposal group classified as held for sale \$'000	Non-controlling interests \$'000	Total Equity \$'000
	Share capital \$'000	Treasury shares \$'000	Foreign currency translation reserve \$'000	Warrant reserve \$'000	Accumulated profits \$'000	Total reserves \$'000				
1H FY2020										
At 1-Jul-19	108,056	(923)	1,671	-	47,959	49,630	156,763	193	(3,164)	153,792
Loss for the period	-	-	-	-	(15,508)	(15,508)	(15,508)	-	5,122	(10,386)
<u>Other comprehensive income</u>										
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	667	-	-	667	667	-	(16)	651
Share of other comprehensive income of joint ventures and associates	-	-	7	-	-	7	7	-	-	7
Re-measurement of defined benefit plans	-	-	-	-	(100)	(100)	(100)	-	-	(100)
Other comprehensive income for the period, net of tax	-	-	674	-	(100)	574	574	-	(16)	558
Total comprehensive income for the period	-	-	674	-	(15,608)	(14,934)	(14,934)	-	5,106	(9,828)
<u>Others</u>										
Disposal of disposal group classified as held for sale	-	-	-	-	-	-	-	(193)	4,421	4,228
<u>Contributions by owners</u>										
Issuance of rights warrants	-	-	-	899	-	899	899	-	-	899
At 31-Dec-19	108,056	(923)	2,345	899	32,351	35,595	142,728	-	6,363	149,091

Statement of Changes in Equity for the year ended 31-Dec-18

Group	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		
1H FY2019								
At 1-Jul-18 (FRS framework)	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)
At 1-Jul-18 (SFRS(I))	108,056	(923)	1,110	193,761	194,871	302,004	1,666	303,670
Loss for the period	-	-	-	(17,008)	(17,008)	(17,008)	(626)	(17,634)
Other comprehensive income								
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	360	-	360	360	25	385
Share of other comprehensive income of joint ventures and associates	-	-	(3)	-	(3)	(3)	(1)	(4)
Re-measurement of defined benefit plans	-	-	-	(58)	(58)	(58)	-	(58)
Other comprehensive income for the year, net of tax	-	-	357	(58)	299	299	24	323
Total comprehensive income for the year	-	-	357	(17,066)	(16,709)	(16,709)	(602)	(17,311)
At 31-Dec-18	108,056	(923)	1,467	176,695	178,162	285,295	1,064	286,359

Statement of Changes in Equity for the period ended 31-Dec-19 and 31-Dec-18

<u>Company</u>	Share capital \$'000	Treasury shares \$'000	Warrant reserve \$'000	Accumulated losses \$'000	Total reserves \$'000	Total equity \$'000
1H FY2020						
At 1-Jul-19	108,056	(923)	-	(76,053)	(76,053)	31,080
Loss for the period, representing total comprehensive income for the period	-	-	-	(3,330)	(3,330)	(3,330)
Contributions by owners						
Issuance of rights warrants	-	-	899	-	899	899
At 31-Dec-19	108,056	(923)	899	(79,383)	(78,484)	28,649
1H FY2019						
At 1-Jul-18	108,056	(923)	-	(37,208)	(37,208)	69,925
Loss for the period, representing total comprehensive income for the period	-	-	-	(683)	(683)	(683)
At 31-Dec-18	108,056	(923)	-	(37,891)	(37,891)	69,242

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 31-Dec-19 and 31-Dec-18	<u>629,266,941</u>
	Number of Warrants
Balance as at 31-Dec-19 and 25-Jul-19 (date of issuance)	<u>567,130,713</u>

The percentage of the aggregate number of treasury shares held against the total number of shares outstanding that is listed as at 31 December 2019 and 31 December 2018 is 0.40%.

Except for the warrants, there were no convertible securities or subsidiary holdings as at 31 December 2019 and 31 December 2018.

There were no outstanding share options granted under the ESOS as at 31 December 2019 and 31 December 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 since the date of issuance of warrants on 25 July 2019. As at 31 December 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.

	As at 31-Dec-19	As at 31-Dec-18
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)	<u>629,266,941</u>	<u>629,266,941</u>

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 31 December		6 months ended 31 December	
	2Q FY2020	2Q FY2019	1H FY2020	1H FY2019
Earnings per ordinary share:				
(i) On weighted average no. of ordinary shares in issue	(0.66) cents	(1.45) cents	(2.46) cents	(2.70) cents
(ii) On a fully diluted basis	(0.66) cents	(1.45) cents	(2.46) cents	(2.70) cents
Net loss attributable to shareholders:	(\$4,160,000)	(\$9,154,000)	(\$15,508,000)	(\$17,008,000)
Number of shares in issue:				
(i) Weighted average no. of shares in issue	629,266,941	629,266,941	629,266,941	629,266,941
(ii) On a fully diluted basis	629,266,941	629,266,941	629,266,941	629,266,941

**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	
	31-Dec-19	30-Jun-19	31-Dec-19	30-Jun-19
Net Asset Value (NAV) per ordinary share	22.68 cents	24.94 cents	4.55 cents	4.94 cents
NAV computed based on no. of ordinary shares issued	629,266,941	629,266,941	629,266,941	629,266,941

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 \$78.3 million for the 3 months ended 31 December 2019 ("**2Q FY2020**") was \$16.8 million (17.7%) lower compared to the corresponding period in FY2019 ("**2Q FY2019**"). For the 6 months ended 31 December 2019 ("**1H FY2020**"), the Group revenue was \$40.9 million (25.5%) lower compared to the corresponding period ended 31 December 2018 ("**1H FY2019**").

Details for revenue generated from each segment are as follows:

	Group					
	2Q		Increase/ (Decrease)	1H		Increase/ (Decrease)
	FY2020	FY2019		FY2020	FY2019	
	\$'000	\$'000	%	\$'000	\$'000	%
Shipbuilding	17,135	32,687	(47.6)	18,893	40,879	(53.8)
Shiprepair, conversion and engineering services	18,155	25,377	(28.5)	32,961	52,816	(37.6)
Shipchartering	42,983	36,994	16.2	67,910	66,990	1.4
	78,273	95,058	(17.7)	119,764	160,685	(25.5)

Shipbuilding

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

	Group									
	2Q		Increase/ (Decrease)	1H		Increase/ (Decrease)				
	FY2020	FY2019		FY2020	FY2019					
	Units	\$'000	Units	\$'000	%	Units	\$'000	Units	\$'000	%
Tugs	3	5,697	4	15,819	(64.0)	3	6,709	4	16,714	(59.9)
Barges and others	14	11,438	2	16,868	(32.2)	15	12,184	5	24,165	(49.6)
	17	17,135	6	32,687	(47.6)	18	18,893	9	40,879	(53.8)

Shipbuilding revenue decreased by \$15.6 million (47.6%) to \$17.1 million in 2Q FY2020 as compared to last corresponding period. The revenue in 2Q FY2020 was attributable to 3 tugs recognised based on POC method and 14 barges of lower contractual value recognised based on Completion Method upon delivery. In 2Q FY2019, the revenue

was mainly derived from completion of three tugs and a tanker with high contractual value (the “**Tanker**”) recognised based on Completion Method upon delivery.

Likewise, shipbuilding revenue in 1H FY2020 was \$22.0 million (53.8%) lower as compared to 1H FY2019 mainly attributable to recognition of tugs and the Tanker based on Completion method upon delivery in 1H FY2019.

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:

	Group					
	2Q	2Q	Increase/	1H	1H	Increase/
	FY2020	FY2019	(Decrease)	FY2020	FY2019	(Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Shiprepair, conversion and engineering services	17,978	24,666	(27.1)	32,509	51,948	(37.4)
Other marine related services	177	711	(75.1)	452	868	(47.9)
	18,155	25,377	(28.5)	32,961	52,816	(37.6)

Shiprepair, conversion and engineering services revenue decreased by \$6.7 million (27.1%) to \$18.0 million in 2Q FY2020 and by \$19.4 million (37.4%) to \$32.5 million in 1H FY2020 mainly due to lesser shiprepair jobs with high value (>\$1,000,000) being recognised.

Shipchartering

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

	Group					
	2Q	2Q	Increase/	1H	1H	Increase/
	FY2020	FY2019	(Decrease)	FY2020	FY2019	(Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
OSV	5,239	4,959	5.6	8,798	8,396	4.8
Landing crafts	90	678	(86.7)	236	1,733	(86.4)
Tug Boats	19,185	12,119	58.3	26,737	20,387	31.1
Barges	13,195	15,418	(14.4)	23,465	27,313	(14.1)
Total charter	37,709	33,174	13.7	59,236	57,829	2.4
Trade sales and other services	5,274	3,820	38.1	8,674	9,161	(5.3)
	42,983	36,994	16.2	67,910	66,990	1.4

Charter revenue increased by \$4.5 million (13.7%) to \$37.7 million in 2Q FY2020 mainly due to revenue generated from infrastructure projects in the region, including one of the overseas infrastructure projects which resumed operations in the current quarter, partially offset by absence of revenue due to completion of one of the major local infrastructure projects in June 2019 and lower utilisation of landing crafts and grab dredgers (classified under Barges).

Trade sales and other services comprised bunker sales, agency and management fees and ad hoc services rendered. The increase in trade sales in 2Q FY2020 was mainly due to higher ad hoc services in connection to the overseas infrastructure project mentioned above.

Gross profit and gross profit margin

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

	Group							
	2Q		2Q		1H		1H	
	FY2020		FY2019		FY2020		FY2019	
	\$'000	GPM	\$'000	GPM	\$'000	GPM	\$'000	GPM
Shipbuilding	1,237	7.2%	(2,680)	(8.2%)	1,429	7.6%	(4,394)	(10.7%)
Shiprepair, conversion and engineering services	1,878	10.3%	2,825	11.1%	3,002	9.1%	7,010	13.3%
Shipchartering	5,152	12.0%	2,379	6.4%	4,011	5.9%	1,191	1.8%
	8,267	10.6%	2,524	2.7%	8,442	7.0%	3,807	2.4%

Shipbuilding

The gross profits of \$1.2 million recognised in 2Q FY2020 and \$1.4 million in 1H FY2020 were derived from the existing tugs under construction and completion of 14 barges during the current quarter.

The Group recorded a gross loss of \$2.7 million in 2Q FY2019 and \$4.4 million in 1H FY2019 mainly attributed to (i) cost overruns and liquidated damage arising from delay in delivery of the Tanker and (ii) an IDR denominated contract which was negatively affected by the weakening of IDR against SGD in 1H FY2019 as compared to the budgeted foreign exchange rate at inception of contract in 2016.

Shiprepair, conversion and engineering services

In line with the decrease in revenue, gross profit reduced to \$1.9 million at a gross profit margin of 10.3% recorded in 2Q FY2020. Despite the reversal of certain costs provision for prior years completed projects, the shiprepair margin continue to remain low due to competitive pricing in a weak market and absorption of manpower overheads over a lower revenue base.

Shipchartering

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

	Group							
	2Q		2Q		1H		1H	
	FY2020		FY2019		FY2020		FY2019	
	\$'000	GPM	\$'000	GPM	\$'000	GPM	\$'000	GPM
OSV	677	12.9%	(67)	(1.4%)	1,245	14.2%	(459)	(5.5%)
Landing crafts	(529)	Nm	(793)	Nm	(1,427)	Nm	(993)	Nm
Tug boats and Barges	3,584	11.1%	2,043	7.4%	1,723	3.4%	424	0.9%
Total charter	3,732	9.9%	1,183	3.6%	1,541	2.6%	(1,028)	(1.8%)
Trade sales and other services	1,420	26.9%	1,196	31.3%	2,470	28.5%	2,219	24.2%
	5,152	12.0%	2,379	6.4%	4,011	5.9%	1,191	1.8%

Gross profit and gross profit margin for charter was higher in 2Q FY2020 and 1H FY2020 as compared to the corresponding periods under review due to

- i) higher contribution generated from the infrastructure projects in the region;
- ii) higher contribution from OSV due to increase in utilization rate (2Q FY2020: 82%, 2Q FY2019: 60%; 1H FY2020: 80%; 1H FY2019: 63%) for towing jobs;

partially offset by

- iii) completion of a local infrastructure project in June 2019;
- iv) negative contribution from landing crafts due to lower utilisation; and
- v) lower contribution from grab dredgers (classified as Barges) due to reduced charter rates and lower utilisation rate (2Q FY2020: 49%; 2Q FY2019: 82%; 1H FY2020: 50%; 1H FY2019: 55%).

Other operating income

Details for other operating income are as follows:

	Group			
	2Q FY2020 \$'000	2Q FY2019 \$'000	1H FY2020 \$'000	1H FY2019 \$'000
Gain on disposal of property, plant and equipment	559	365	559	742
Gain on disposal of assets classified as held for sale	-	(2)	605	341
Gain on disposal of disposal group classified as held for sale	-	-	3,271	-
Interest income from bank balances	13	16	29	36
Interest income from finance lease receivables	148	163	300	329
Insurance claims	2	-	41	100
Rental income from property, plant and equipment	241	231	337	508
Miscellaneous income	326	328	359	477
	1,289	1,101	5,501	2,533

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**”).

Administrative expenses

Administrative expenses decreased by \$2.3 million (37.6%) to \$3.9 million in 2Q FY2020 and by \$3.2 million (28.5%) to \$8.0 million in 1H FY2020 when compare to last corresponding periods mainly attributed to lower legal and professional fee incurred, depreciation and travelling and transport expenses. In 1H FY2019, the Company made a progressive accrual of an one-off transaction cost on corporate exercises including the Consent Solicitation Exercise (the “**CSE**”) approved in January 2019 (the “**Consent**”) in respect of its existing Notes.

Other operating expenses

	Group			
	2Q	2Q	1H	1H
	FY2020	FY2019	FY2020	FY2019
	\$'000	\$'000	\$'000	\$'000
Inventories written off	-	880	-	880
Loss on foreign exchange (net)	2,635	2,183	2,199	1,321
Loss on disposal of short-term investment	-	-	-	134
Property, plant and equipment written off	-	2	-	2
	2,635	3,065	2,199	2,337

The inventories written off in 2Q FY2019 was due to cessation of operation of the China Subsidiary.

The short-term investment being disposed of in 1H FY2019 pertained to quoted shares allotted by a customer for the purpose of settlement of outstanding debts owing by the customer to the Group.

The net foreign exchange loss recorded in 2Q FY2020 was mainly due to the depreciation of USD against SGD on USD denominated assets as well as SGD denominated liabilities for certain subsidiaries whose accounts are maintained in USD. Whereas, the net foreign exchange loss recorded in 2Q FY2019 was mainly due to the appreciation of IDR against SGD on IDR denominated liabilities.

	31 Dec	30 Sep	30 Jun	31 Dec	30 Sep	30 Jun
	2019	2019	2019	2018	2018	2018
USD against SGD	1.3469	1.3818	1.3537	1.3658	1.3672	1.3679
IDR against SGD	10,321	10,258	10,446	10,603	10,919	10,530

Finance costs

Finance costs increased by \$1.8 million (36.5%) to \$6.6 million in 2Q FY2020 and by \$2.1 million (19.7%) to \$12.8 million in 1H FY2020 mainly due to amortisation of fair value adjustments 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 coupon rate which took effect from 1 October 2018 pursuant to the Consent obtained from the Noteholders.

Fair value adjustments arising from debt refinancing exercise

The Group has remeasured the fair value of certain long term loans that were subject to re-financing during the quarter under review and this resulted in a fair value loss.

Impairment losses on financial assets

	Group			
	2Q	2Q	1H	1H
	FY2020	FY2019	FY2020	FY2019
Impairment losses/ (reversal of impairment losses) on financial assets, net	\$'000	\$'000	\$'000	\$'000
- trade receivables (third parties)	464	-	946	-
- contract assets	(78)	-	(168)	-
	386	-	778	-

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			
		2Q	2Q	1H	1H
		FY2020	FY2019	FY2020	FY2019
		\$'000	\$'000	\$'000	\$'000
<u>Joint ventures</u>					
Sindo-Econ group	50%	-	-	-	-
<u>Associates</u>					
PT. Hafar Capitol Nusantara ("PT Hafar")	36.75%	(447)	(301)	(957)	464
PT Capitol Nusantara Indonesia ("PT CNI")	27%	56	56	111	111
		(391)	(245)	(846)	575

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 \$0.4 million in 2Q FY2020 resulted from foreign exchange loss incurred due to depreciation of USD against SGD on its SGD denominated liabilities whose account is maintained in USD.

The share of profit from PT CNI of \$0.1 million in 2Q 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 \$4.5 million in 2Q FY2020 as compared to \$10.8 million in 2Q FY2019 mainly due to higher gross profit and lower administrative expenses, partially offset by amortisation of fair value adjustments relating to the bonds and long term loans which were subject to refinancing in FY2019.

The Group recorded a lower loss before tax of \$10.7 million in 1H FY2020 as compared to \$17.3 million in 1H FY2019 mainly due to higher gross profit and other operating income, lower administrative expenses, partially offset by amortisation of fair value adjustments relating to the bonds and long term loans which were subject to refinancing and share of loss of associates.

Tax credit/(expense)

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

Non-controlling interests

Non-controlling interests' share of profit of \$5.1 million for 1H FY2020 (1H FY2019: loss of \$0.6 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 \$0.6 million.

OPERATION CASH FLOW

2Q FY2020

The Group recorded a lower net cash inflow from operating activities of \$5.6 million in 2Q FY2020 (2Q FY2019: \$23.1 million) mainly due to higher work-in-progress incurred and higher payment to suppliers, partially offset by higher operating cash flows.

The higher net cash outflow from investing activities of \$1.5 million in 2Q FY2020 (2Q FY2019: net cash inflow of \$4.3 million) was mainly attributed to higher net acquisition of property, plant and equipment.

The lower net cash outflow from financing activities of \$0.3 million in 2Q FY2020 (2Q FY2019: \$29.1 million) was mainly due to higher net proceeds from trust receipts and lower net repayments on interest-bearing loans and borrowings.

1H FY2020

The Group recorded a lower net cash inflow from operating activities of \$22.7 million in 1H FY2020 (1H FY2019: \$34.3 million) mainly due to higher work-in-progress incurred, higher payment to suppliers, partially offset by higher operating cash flows, receipts from the repayment of outstanding trade debts and lower purchase for inventories.

The net cash outflow from investing activities of \$0.3 million in 1H FY2020 (1H FY2019: net cash inflow of \$8.6 million) was mainly due to lower proceeds from disposal of assets classified as held for sale as well as property, plant and equipment, higher acquisition of property, plant and equipment, partially offset by proceeds from disposal of the China Subsidiary.

The lower net cash outflow from financing activities of \$15.5 million in 1H FY2020 (1H FY2019: \$46.8 million) was mainly due to higher net proceeds from trust receipts, lower net repayments on interest-bearing loans and borrowings and interest paid partially offset by higher cash balances being restricted in shipbuilding project accounts.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

Non-current assets

Property, plant and equipment (“PPE”) decreased by \$18.9 million (3.9%) from \$490.2 million as at 30 June 2019 to \$471.3 million as at 31 December 2019.

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

	\$'000
Balance as at 1 July 2019	490,244
Additions, inclusive of:	11,487
- \$2.9 million for vessels and modification works	
- \$3.7 million for plant and equipment	
- \$2.0 million for yard infrastructure (including floating dock)	
- \$0.4 million for vessel under construction	
- \$2.5 million for dry docking expenditure on vessels capitalised	
Disposal	(1,347)
Depreciation charge	(29,320)
Transfer from inventories	1,111
Translation differences	(857)
Balance as at 31 December 2019	<u><u>471,318</u></u>

The addition of vessels and modification works as well as the plant and equipment were acquired to support current marine infrastructure projects in the region.

Pursuant to the adoption of SFRS (I) 16, the net carrying value of right-of-use assets of \$11.1 million as at 31 December 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 \$6.9 million as at 31 December 2019.

Current assets

Current assets increased by \$9.4 million (4.0%) from \$234.4 million as at 30 June 2019 to \$243.8 million as at 31 December 2019. The increase was mainly due to higher trade and other receivables and cash and bank balances, partially offset by reduction in assets of disposal group classified as held for sale, which was disposed in 1Q FY2020.

Inventories comprised the following:

	Group			
	31-Dec-19	30-Jun-19	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Raw materials and consumables	16,116	14,919	1,197	8.0
Finished goods	81,675	84,565	(2,890)	(3.4)
Total inventories	<u><u>97,791</u></u>	<u><u>99,484</u></u>	<u><u>(1,693)</u></u>	<u><u>(1.7)</u></u>

Majority of the raw materials and consumables are inventories meant for ongoing shipbuilding and shiprepair projects. Increase in raw materials and consumables was mainly due to more bunker remaining on board the vessels.

Finished goods comprised mainly three PSV and dredge component parts. Decrease in finished goods mainly due to sale of dredge component parts during the current period under review.

Trade and other receivables comprised the following:

	Group			
	31-Dec-19	30-Jun-19	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Trade receivables	61,484	55,775	5,709	10.2
Other receivables	12,784	10,724	2,060	19.2
Amount due from related parties				
- joint ventures and associates	3,850	5,058	(1,208)	(23.9)
- companies related to directors	8,572	8,989	(417)	(4.6)
	86,690	80,546	6,144	7.6

The trade receivables increased by \$5.7 million (10.2%) to \$61.5 million mainly due to higher receivables from shiprepair for jobs completed and billed to third parties during the current period. Trade receivables of \$12.4 million have been received subsequent to the period 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 for ongoing projects.

Current liabilities

Current liabilities decreased by \$1.0 million (0.4%) from \$255.2 million as at 30 June 2019 to \$254.2 million as at 31 December 2019. The decrease was mainly due to lower contract liabilities, lower interest-bearing loans and borrowings and reduction in liabilities of the disposal group classified as held for sale which was disposed in 1Q FY2020, partially offset by higher trust receipts.

Trade and other payables comprised the following:

	Group			
	31-Dec-19	30-Jun-19	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Trade payables	142,786	144,212	(1,426)	(1.0)
Payables for property, plant and equipment	8,971	5,931	3,040	51.3
Other payables	3,135	5,628	(2,493)	(44.3)
Deposits received from customers	3,831	3,958	(127)	(3.2)
Deferred income	1,464	1,615	(151)	(9.3)
Amount due to related parties				
- joint ventures and associates	2,445	1,030	1,415	137.4
- companies related to directors	9,550	8,760	790	9.0
Amounts due to shareholders	6,620	6,620	-	-
Loan from non-controlling interests of subsidiaries	206	207	(1)	(0.5)
Provision for warranty	45	42	3	7.1
	179,053	178,003	1,050	0.6

The decrease in other payables was due to settlement of compensation claims for delay in fulfilling the terms of a charter contract.

Contracts assets and liabilities

	Group			
	31-Dec-19	30-Jun-19	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Contract assets				
Construction work-in-progress	14,344	11,075	3,269	29.5
Accrued revenue	8,211	12,542	(4,331)	(34.5)
	22,555	23,617	(1,062)	(4.5)
Contract liabilities (current)				
Progress billings in excess of construction work-in-progress	3,099	6,536	(3,437)	(52.6)
Deferred income and deposits received from customers	10,094	15,613	(5,519)	(35.3)
	13,193	22,149	(8,956)	(40.4)
Contract liabilities (non-current)				
Deferred income	122	507	(385)	(75.9)
	13,315	22,656	(9,341)	(41.2)

Net construction work-in-progress in excess of progress billings for shipbuilding and shiprepair projects increased by \$6.7 million (147.7%) from \$4.5 million as at 30 June 2019 to \$11.2 million as at 31 December 2019 mainly due to higher work in progress incurred.

Accrued revenue primarily relate to the services completed but not yet billed at reporting date. The decrease was mainly due to billings made during the period under review.

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.

Net current liabilities

The Group was in a net current liabilities position of \$10.5 million and \$20.8 million as at 31 December 2019 and 30 June 2019 respectively.

The financial statements are prepared on a going concern basis, the validity of which is premised on the Group being able to generate sufficient cash flows from operations to meet working capital needs and the continuing availability of credit facilities from its lenders.

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

	Group (Carrying Value)				Group (Face Value)			
	Dec 19	Jun 19	Increase/ (Decrease)		Dec 19	Jun 19	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000	%
Current								
Bonds	1,500	1,500	-	-	1,500	1,500	-	-
Short term loan								
- general	-	2,161	(2,161)	(100.0)	-	2,161	(2,161)	(100.0)
Trust receipts								
- shipbuilding related	6,684	-	6,684	Nm	6,684	-	6,684	Nm
- general	9,455	1,157	8,298	717.2	9,455	1,157	8,298	717.2
	16,139	1,157	14,982	1,294.9	16,139	1,157	14,982	1,294.9
Long term loan								
- vessels loan	12,033	12,271	(238)	(1.9)	13,844	14,159	(315)	(2.2)
- assets financing	8,855	9,472	(617)	(6.5)	9,068	9,727	(659)	(6.8)
- working capital	14,974	18,624	(3,650)	(19.6)	14,288	17,922	(3,634)	(20.3)
	35,862	40,367	(4,505)	(11.2)	37,200	41,808	(4,608)	(11.0)
Finance lease liabilities	1,297	1,079	218	20.2	1,297	1,079	218	20.2
	54,798	46,264	8,534	18.4	56,136	47,705	8,431	17.7
Non-current								
Bonds	86,665	84,029	2,636	3.1	135,750	136,500	(750)	(0.5)
Long term loan								
- vessels loan	69,276	70,368	(1,092)	(1.6)	76,960	78,644	(1,684)	(2.1)
- assets financing	71,597	76,390	(4,793)	(6.3)	71,899	76,790	(4,891)	(6.4)
- working capital	83,403	84,290	(887)	(1.1)	81,047	81,629	(582)	(0.7)
	224,276	231,048	(6,772)	(2.9)	229,906	237,063	(7,157)	(3.0)
Finance lease liabilities	1,313	1,794	(481)	(26.8)	1,313	1,794	(481)	(26.8)
	312,254	316,871	(4,617)	(1.5)	366,969	375,357	(8,388)	(2.2)
Total borrowings	367,052	363,135	3,917	1.1	423,105	423,062	43	0.0
Total shareholders' funds	142,728	156,956						
Gearing ratio (times)	2.57	2.31						
Net gearing ratio (times)	2.35	2.20						

Current portion of interest-bearing loans and borrowings and trust receipts increased by \$8.5 million mainly due to higher trust receipts resulted from activation of new project financing lines during 2Q FY2020, partially offset by conversion of a short term loan for general working capital to a vessel loan.

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.

Non-current liabilities

Non-current liabilities increased by \$0.9 million (0.3%) to \$338.0 million as at 31 December 2019 mainly due to increase in lease liabilities pursuant to adoption of SFRS(I) 16, partially offset by lower interest-bearing loans and borrowings due to repayment of long term loans.

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 and shiprepair, shipping and offshore & marine industries, the main macroeconomic variables we are sensitive to include (but not exclusively) global trade, oil price and infrastructure spending in Asia.

Macro trends remain mixed.

- a. While oil prices are higher than they were compared to 2016¹, the price of WTI crude oil has fallen to about US\$52 per barrel in January 2020. Recent crude oil prices were showing signs of weakness as volatility climbed amid COVID-19 fears despite improved sentiment following the “Phase One” US-China trade deal.
- b. Global growth is projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent for 2021². Nonetheless, there are downside risks such as the outbreak of COVID-19, rising political tensions and higher tariff barriers between the United States and its trading partners.
- 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, energy and transportation. This represents mid to long term opportunities for the Group’s business.

In general, the factors discussed above suggest a short term negative impact and positive mid to long term 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 the 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 are focusing on securing orders for smaller and standardized vessels like tugs, barges, bunkering tankers and dredgers which have shorter delivery cycles and are less capital intensive. We will continue to exercise caution with our selection of customers based on their creditworthiness.

For shiprepair segment, the addition of a floating dock after having retrofitted and to be operational by 3Q FY2020 at the Singapore yard will add capacity in terms of servicing mid-size range of vessels. In view of the outbreak of COVID-19 in China, we anticipate moderate increase in shiprepair activities during the next 2 quarters. This increase in activities may have some positive impact on the contribution of our shiprepair business.

¹ Source: Barclays Bank market research report

² Source: WEO Update, January 2020

Our engineering segment (VOSTA LMG) engages primarily in the land reclamation, dredging and marine infrastructure industry. The demand for our engineering business is supported by i) the increase in land reclamation and coastal protection projects due to population growth and climate change; and ii) port expansion projects due to increasing regional seaborne trade and growing size of cargo vessels.

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 are expected to lend support to our chartering business in view of the steady demand from marine infrastructure projects in South Asia, South East Asia and Singapore. The Group expects continued pressure on charter rates due to market competition. The management will focus on increasing utilisation of its fleet, widening geographical coverage, raising operational efficiency and limiting capital expenditure.

Order Book

As at 31 December 2019, the Group had an outstanding shipbuilding order book from external customers of approximately \$33 million for building of 12 vessels with progressive deliveries up to 1H FY2021.

The Group's shipchartering revenue consists of mainly short-term and ad-hoc contracts. Approximately 23% of shipchartering revenue in 1H FY2020 was attributed to long-term chartering contracts (meaning contracts with a duration of more than one year). As at 31 December 2019, the Group had an outstanding chartering order book of approximately \$75 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.

Review of Business and Strategy

The Group is in the process of conducting a review of its businesses and strategies and will make effort to strengthen its management team in connection with the review. The Group will provide updates to its shareholders in due course.

Completion of Refinancing Exercise

The Group embarked on a comprehensive refinancing exercise in FY2019. With the support of the Group's Lenders, Noteholders and the Shareholders, the Group was able to successfully complete the CSE in January 2019 and re-profile its existing loans.

The Principal Lenders have provided further support to the Group with additional revolving project financing with trade lines of up to S\$114 million. These project and working capital lines were activated in August 2019 and have since been progressively drawn down.

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 31 December 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
<u>Sale of goods and services</u>		
Contech Precast Pte Ltd	-	2,351
Econ Precast Pte Ltd	-	8,951
Koon Construction & Transport Co Pte Ltd	-	(561)
Petra I Pte Ltd	-	(258)
Sindo-Econ Pte Ltd	-	1,050
PT. Sindomas Precas	-	807
Reem Island Pte Ltd	-	(887)
<u>Purchase of goods and services</u>		
Koon Construction & Transport Co Pte Ltd	-	347
Econ Precast Pte Ltd	-	758
<u>Reimbursement of expenses due from</u>		
Entire Engineering Pte Ltd	172	-
	172	12,558

Notes:

1. The executive directors of the Company and their family in aggregate hold approximately 67.2% of the Company and 53.8% of Koon Holdings Limited ("KHL"). Accordingly KHL, its subsidiaries and associated companies (including joint venture) are deemed to be interested persons in the above disclosure.
2. 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.
3. Credit balances of IPT were due to credit notes for transactions recorded in FY2019 issued in 1Q FY2020.

14. Use of proceeds

The Group had fully utilised the net proceeds of \$0.9 million raised from the subscription of Rights Issue of 266,505,713 warrants issued in July 2019 for working capital usage including payment to its suppliers and subcontractors, and for its operating expenses. The utilisation is in accordance with the intended use of proceeds as stated by the Company Announcement dated 26 January 2019, the Offer Information Statement dated 2 July 2019 and the Circular to Shareholders dated 3 July 2019.

There were no warrants exercised since the date of issuance on 25 July 2019.

15. 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 second quarter ended 31 December 2019 to be false or misleading in any material aspect.

16. 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 February 2020