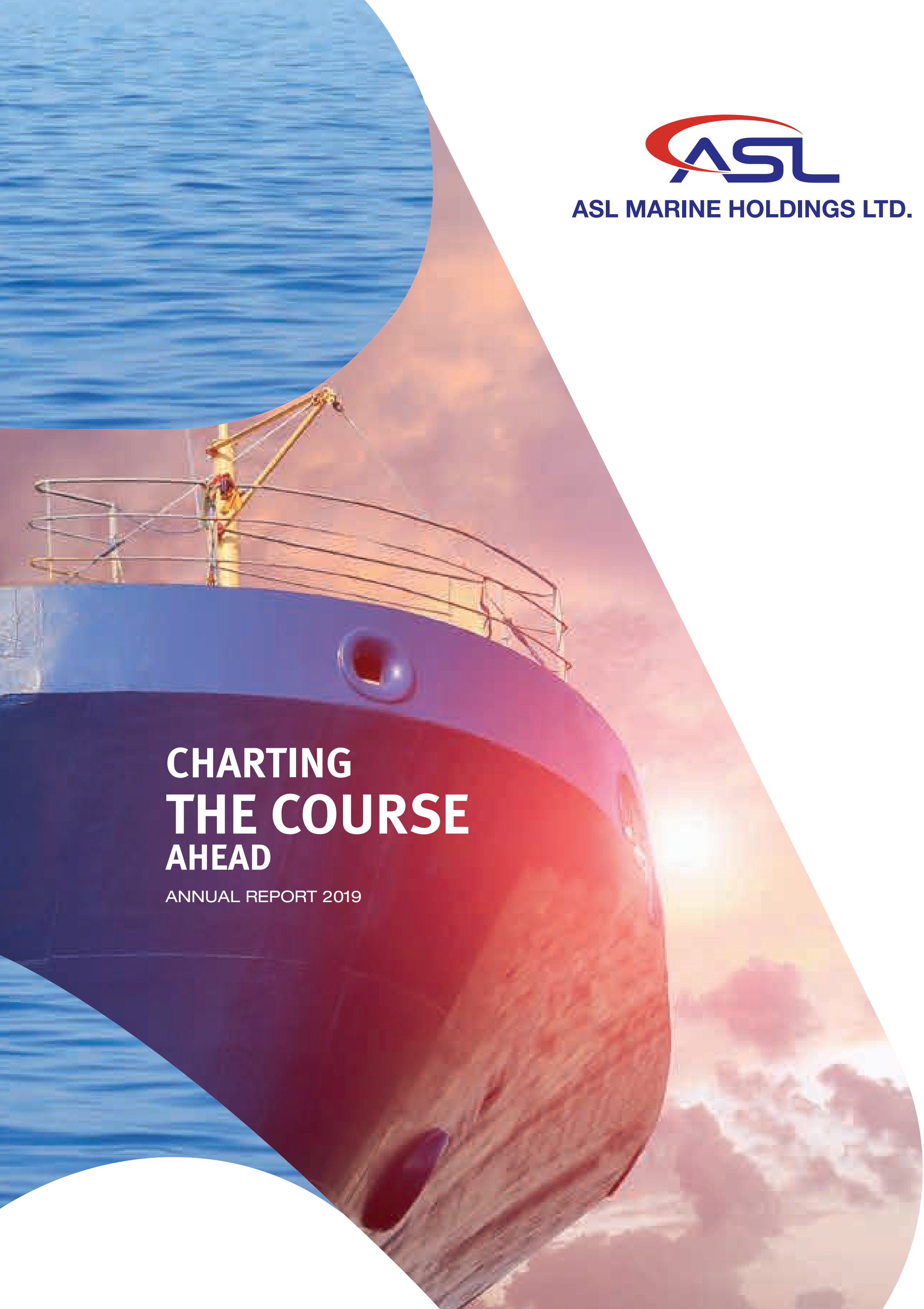
ASL MARINE HOLDINGS LTD.



CHARTING THE COURSE AHEAD

ANNUAL REPORT 2019

CONTENTS

CORPORATE PROFILE

ASL Marine Holdings Ltd. is a vertically-integrated marine services group principally engaged in shipbuilding, shiprepair and conversion, shipchartering, dredge engineering and other marine related services, catering to customers from Asia Pacific, South Asia, Europe, Australia and the Middle East.

Listed on Singapore Stock Exchange since 2003, ASL Marine has over the years grown into one of the region's key players in the marine services sector.

Today, ASL Marine owns four shipyards in Singapore and Indonesia (Batam), providing a comprehensive range of shipbuilding, shiprepair and conversion services spanning myriad sectors and industries. As at 30 June 2019, it owns and operates a fleet of 252 vessels, providing shipchartering services to various industries, including marine infrastructure and construction, dredging, land reclamation and cargoes transportation. ASL Marine added engineering segment to its business model with its acquisition of VOSTA LMG International B.V. and its subsidiaries (the "VOSTA LMG") in 2012. The VOSTA LMG designs and manages the construction of dredgers, makes and supplies specialised dredging components, and owns several important patents.

FOUNDER'S MESSAGE

ANG SIN LIU
Founder and Advisor

DEAR SHAREHOLDERS,

Faced with the current disruptive market conditions, ASL has stood steadfast amidst all the challenges faced with our core values of resiliency, unwavering commitment and remaining focused.

I would like to express my sincere gratitude to all our staff, management, directors, business partners, banks and stakeholders for your faithful support and understanding throughout this period. Thank you for putting your trust in ASL's entire team. We will strive continuously for the vision to deliver long-term value to the shareholders.

ANG SIN LIU
Founder and Advisor

CHAIRMAN'S MESSAGE

ANG KOK TIAN
Chairman,
Managing Director and CEO

DEAR SHAREHOLDERS,

Since the oil price crash in late 2014, it has been a few very difficult years for the offshore and marine industry in Singapore. As a result of the cascading effects of the downturn in the marine sector, the Group faced a cash flow crunch. The Group carried out comprehensive financial restructuring in the financial year 2019 ("FY2019") and maintained business operation as usual.

The Group's revenue increased by 23.7% to $312.9 in FY2019 as compared to the corresponding period ended 30 June 2018 ("FY2018") mainly due to increase in revenue from the three core businesses – shipbuilding, ship repair and ship chartering. However, gross profit margins decreased from 6.2% to 4.6% as a consequence of gross loss from shipbuilding. A net loss of $145.9 million was recorded by the Group in FY2019, mainly due to one-off impairment losses on financial and non-financial assets amounting to $167.2 million, partially offset by the fair value adjustments arising from a debt refinancing exercise of $59.2 million. Excluding the one-off impairment charges and fair value adjustments, the Group would have recorded a net loss of $37.9 million. Despite being a challenging year, the Group recorded earnings before interests, tax, depreciation, amortization, impairments and other non-cashflow items of $51.5 million.

A REVIEW OF BUSINESS SEGMENTS

Shipbuilding

The low level of exploration, development and production activities in the oil and gas industry has led to low utilisation of offshore support vessels ("**OSVs**"), and hence low shipbuilding demand for such vessels in the past few years. Owing to our capability and track record in building non-OSV vessels such as tugs and barges, we delivered a total of six tugs, one product tanker and three barges in FY2019. However, the market has been highly competitive, which weighed on margins.

The Group registered a gross loss of $3.9 million in FY2019.

As at 30 June 2019, the Group had an outstanding shipbuilding order book from external customers of approximately $51 million for the building of 4 tugboats and 23 barges. These vessels are scheduled to be delivered progressively to customers by 1H FY2021.

Ship repair and conversion

Our shipyard facilities and resources, strong capabilities, track record and stable client network in the ship repair and conversion business offers us a silver lining in a difficult business environment. Following weak market demand for the building and delivery of new vessels in recent years, we noticed increased demand for ship repair and conversion of older vessels. This generated decent demand for mandatory repair and docking of vessels and also a few high-value, major repair jobs. Ship repair revenue increased by 10.8% from FY2018, to $93.9 million in FY2019. With an additional floating dock to be put in place by 2Q FY2020 at the Singapore yard, this will provide additional capacity in terms of servicing of mid-size range of vessels.

"The financial restructuring in FY2019 improved the Group's financial position whilst facilitating the preservation of its valuable operating assets and retention of core expertise, aiding the Group in its continuing operations amidst a challenging business environment. The Group continues its cost cutting and cost containment measures wherever and whenever possible with improved operating efficiency to better seize business opportunities in a competitive market."

Although competitive pricing in a weak market lowered gross margin, we expect this segment to continue contributing a healthy level of gross profit moving forward. We also adopted the strategy of directly training employed workers for specialized work, thus reducing our reliance on subcontractors, and strengthening our competency and efficiency. We will continue to improve operational efficiency and tighten cost control to ensure our competitiveness.

CHAIRMAN'S MESSAGE

Ship chartering

As infrastructure and transportation demand in Singapore and South Asia remained healthy, the utilisation rates for our tugs, barges and grab dredgers improved in FY2019. We have also enhanced the features and upgraded our vessels during the year to better cater to customers' demands. Our vessels were deployed in infrastructure projects in Bangladesh, Indonesia and Singapore. These tugs and barges contributed to the majority of our ship chartering revenue, which increased by 22.7% to $145.6 million in FY2019, compared to that of FY2018. However, the lower charter and utilisation rates on landing crafts weighed on the gross profit of the ship chartering business.

Approximately 28% of ship chartering revenue in FY2019 was attributed to long-term chartering contracts (contracts with a duration of more than one year). As at 30 June 2019, the Group had an outstanding chartering order book of approximately $96 million with respect to long-term contracts.

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 the region. 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 operation cost.

Engineering

Our engineering division (VOSTA LMG) is primarily engaged in the business of manufacturing engineered dredging products and components used in the infrastructure and construction industry. Demand for our engineering business is supported by the amount of land and coastal reclamation projects, as well as port expansion projects, which are less affected by the weak oil price. In FY2019, there were no new-buildings business and due to the completion of several supply contracts, sales in spare parts and components and cutting and coupling systems were lower. Overall, this segment still generated a decent gross profit of $2.3 million, at 22.6% gross profit margin.

OUTLOOK AND STRATEGIES

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.

The financial restructuring in FY2019 improved the Group's financial position whilst facilitating the preservation of its valuable operating assets and retention of core expertise, aiding the Group in its continuing operations amidst a challenging business environment. The Group continues its cost cutting and cost containment measures wherever and whenever possible with improved operating efficiency to better seize business opportunities in a competitive market.

APPRECIATION

I would like to express my sincere gratitude to our shareholders, investors, business partners, staff and management for your trust and support in our difficult times, and thank our Board of Directors for their valuable advice. Over the past few years, we conquered one challenge after another, we survived, and ASL's core assets, capabilities and reputation remain intact. Our mission does not stop at just survival. We will always do more, and I have faith that when the market eventually recovers, we will have a chance to thrive, again.

ANG KOK TIAN
Chairman, Managing Director and CEO

BUSINESS OVERVIEW

Shipyard

Shipbuilding

The Group has a proven track record of building specialised and niche vessels ranging from dredgers, tugs, barges and tankers for customers globally. Currently, the Group owns a total of four shipyards, with three in Indonesia (Batam) and one in Singapore, with a combined land area of approximately 77 hectares.

Capitalising on Singapore's strengths in infrastructure, telecommunications and distribution channels, the Group's Singapore yard also acts as a headquarter to provide technical, engineering, logistics and procurement support to our other yards with respect to the sourcing of materials, equipment and parts required for the construction of vessels and its operations.

The Group's established client network and track record in shipbuilding are backed by its strong expertise in project handling, time management and quality control. Over the last three years, the Group has built a diverse range of flagship vessels such as ASD Tug, Terminal Escort Tug, Rotor Tug, pollution control vessels, tanker and a variety of barges.

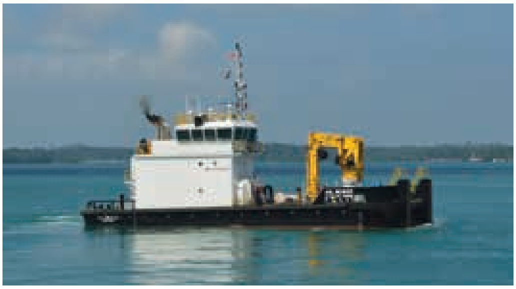
Shiprepair and Conversion

The Group provides a comprehensive range of repair and conversion services in its shipyards. The shipyard in Batam is situated on a fully developed land parcel of 46 hectares, with a berthing space of 4,000 metres, three graving docks (of combined dry-docking capacity of more than 300,000 tonne deadweight), finger piers, multi-purpose workshops and a wide range of material handling and processing equipment.

We provide full scope of shiprepair and ship conversion services to customers all over the world. The services include retrofitting and conversion, steel renewal, blasting and painting, electrical and electronic works and mechanical works, for the repair and life-extension of various types of vessels.

Our customers are mainly from Singapore, Japan, Indonesia, Malaysia, Australia and Europe. Approximately 50% of the customers are our regular group of customers that have had a business relationship with the Group for a few years.

BUSINESS OVERVIEW



Shipchartering

We own and operate a fleet of vessels consisting mainly of tugs, cargo barges, crane barges, split hopper barges, workboats, grab dredgers, landing crafts (“LCT”), tankers, anchor handling tugs (“AHT”) and anchor handling towing/supply vessels (“AHTS”). Our customers are mainly marine contractors who are in the marine infrastructure and construction, cargoes and equipment transportation, offshore oil and gas, dredging and land reclamation industries.

Our diversified fleet structure allows us the flexibility to better respond to market changes and customers’ needs. Majority of the vessels are deployed in Singapore, Indonesia and Asia Pacific regions.

Type of vessel	No. of vessels	Average useful life (year)
Tugs	64	10
Flat Top Barges	128	8
Split Hopper Barges	29	5
Workboats	9	7
Grab Dredgers	5	12
LCT	4	5
Chemical Tankers	2	9
AHT/AHTS	11	6

Dredge Engineering

VOSTA LMG designs and manages the construction of dredgers as well as makes and supplies a variety of specialised dredging components, and owns several important patents.

VOSTA LMG's unique business model offers state-of-the-art solutions in dredging technology. The backbone of our services is our engineering capacity, with a focus on the dredging industry. VOSTA LMG's product range enables our clients to improve the effectiveness of their dredging work through our Cutter Suction Dredgers (CSD) and Trailing Suction Hopper Dredgers (TSHD).

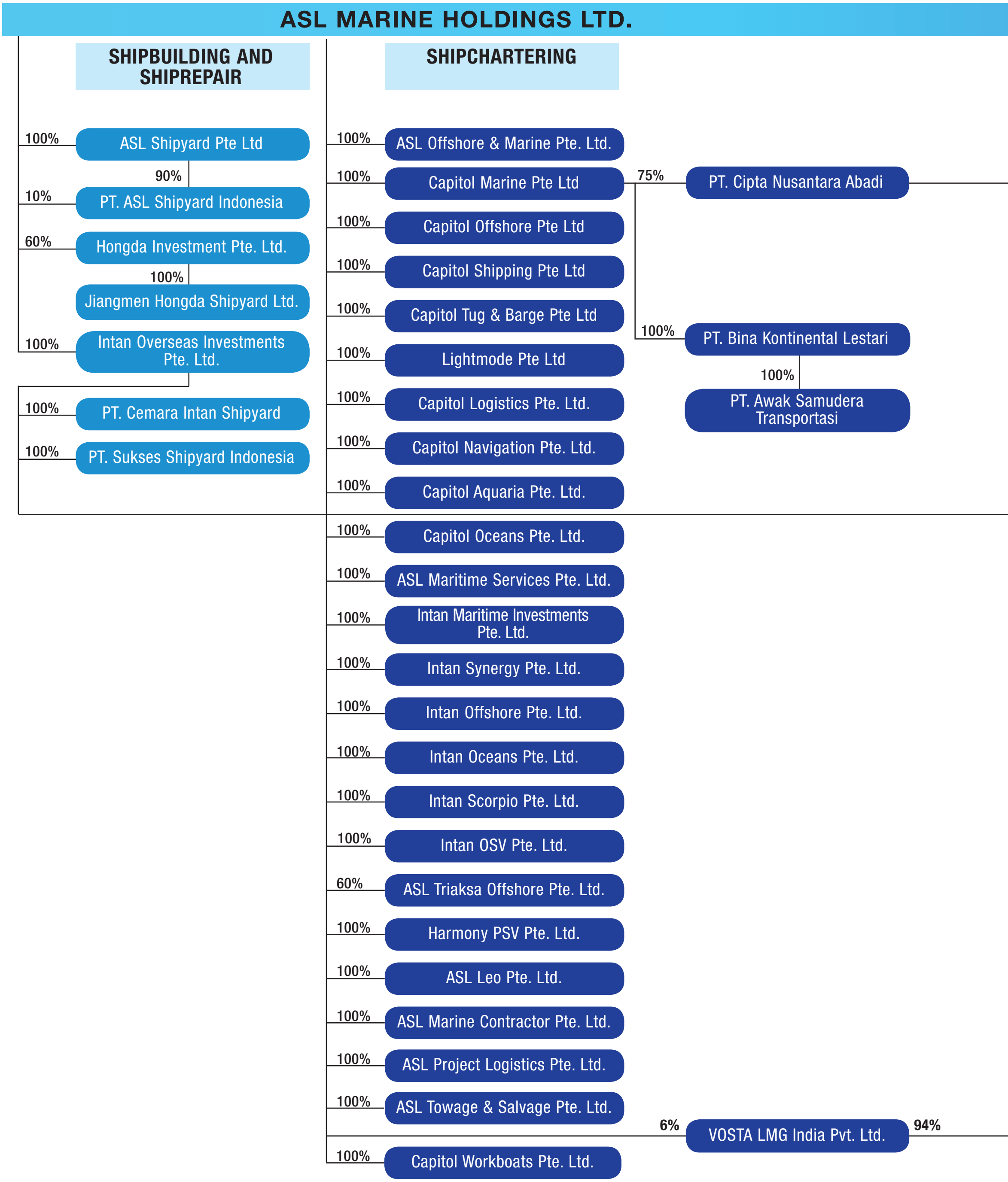
The designs of our patented products are based on a 140-year-plus track record of business successes in dredging projects. We have accumulated substantial in-depth knowledge and experience in dredging solutions through in-house engineering.

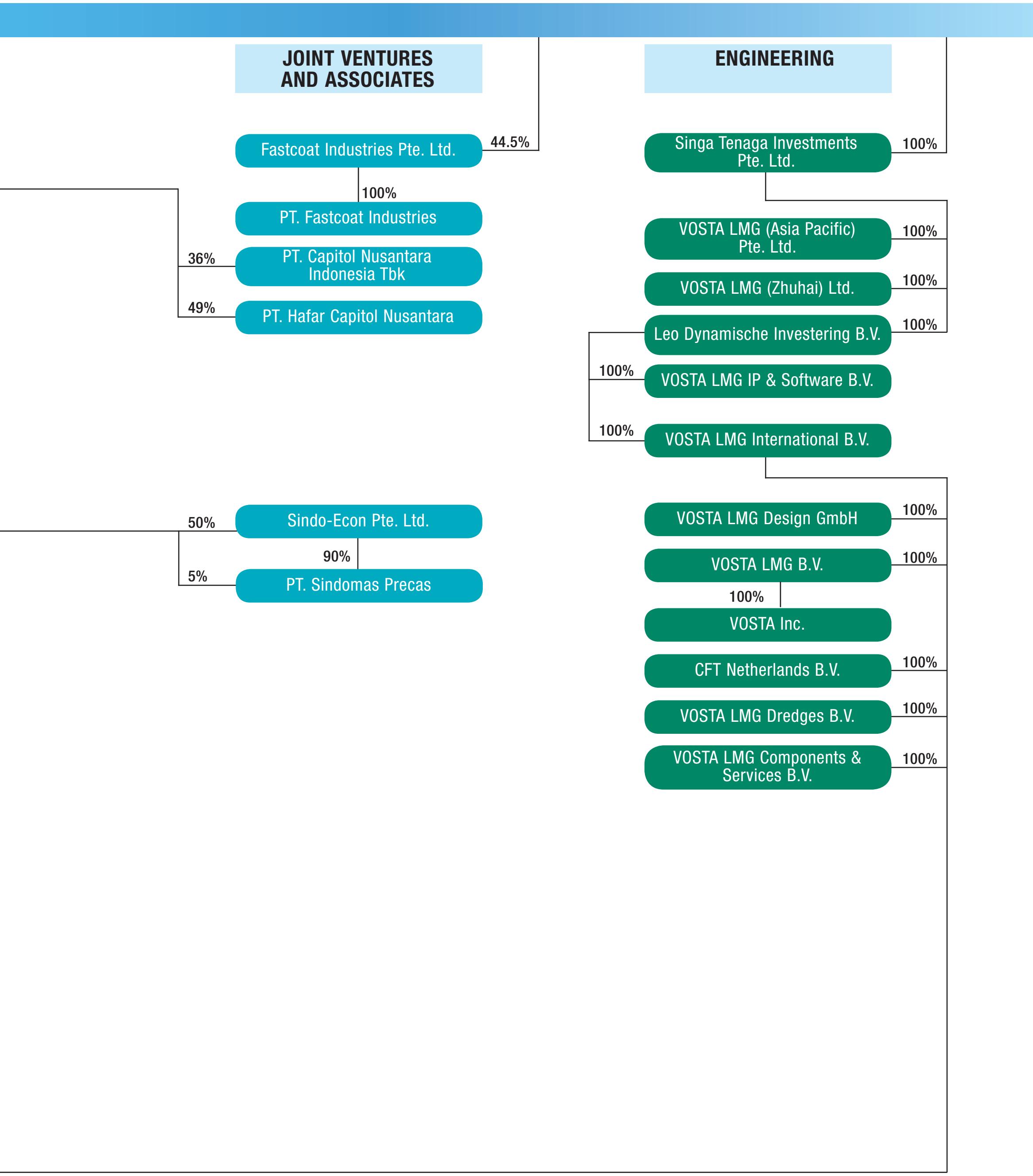
Using the latest design technology and 3D modelling, VOSTA LMG continuously updates and improves its product range. One of VOSTA LMG's strengths is conducting design and feasibility studies for tailor-made dredging solutions.

VOSTA LMG combines its network of suppliers and shipyards to provide flexible, tailor-made solutions. Our tailor-made Engineering & Components (E&C) packages are designed to suit capabilities of shipyards worldwide. We also provide additional services such as engineering, production support, conversion and refits, spare parts, service inspections, maintenance management as well as training. By increasing the efficiency of our customers' operations, we contribute directly to a more environmental-friendly approach to dredging work. The benefits are reduced fuel consumption and shorter lead times.

GROUP STRUCTURE

As at 30 June 2019




JOINT VENTURES AND ASSOCIATES
Fastcoat Industries Pte. Ltd.
44.5%
100%
PT. Fastcoat Industries
36%
PT. Capitol Nusantara Indonesia Tbk
49%
PT. Hafar Capitol Nusantara
50%
Sindo-Econ Pte. Ltd.
90%
5%
PT. Sindomas Precas
ENGINEERING
Singa Tenaga Investments Pte. Ltd.
100%
VOSTA LMG (Asia Pacific) Pte. Ltd.
100%
VOSTA LMG (Zhuhai) Ltd.
100%
Leo Dynamische Investering B.V.
100%
100%
VOSTA LMG IP & Software B.V.
100%
VOSTA LMG International B.V.
VOSTA LMG Design GmbH
100%
VOSTA LMG B.V.
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100%
VOSTA Inc.
CFT Netherlands B.V.
100%
VOSTA LMG Dredges B.V.
100%
VOSTA LMG Components & Services B.V.
100%

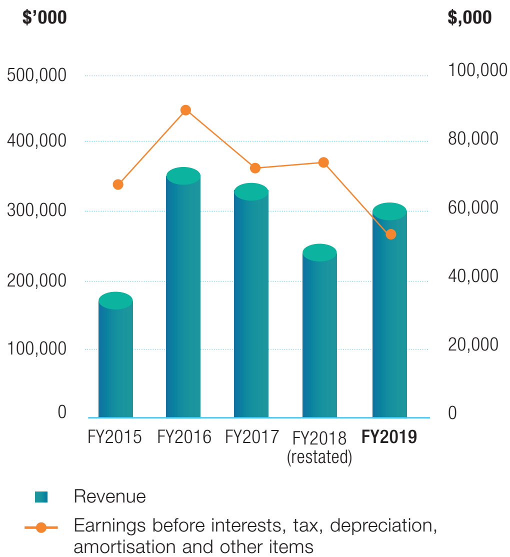
FINANCIAL SUMMARY

	FY2019	FY2018 (restated)[1]	FY2017	FY2016	FY2015
For The Year ($'000)					
Revenue	**312,882**	252,988	342,261	364,439	184,156
Earnings before interests, tax, depreciation, amortisation and other items*	**51,541**	73,437	72,461	87,796	67,696
(Loss)/profit before tax	**(141,679)**	(69,582)	(71,273)	520	8,611
(Loss)/profit attributable to owners of the Company	**(141,027)**	(71,361)	(71,659)	1,985	7,931
At Year End ($'000)					
Total assets	**746,065**	1,046,039	1,145,012	1,275,673	1,208,472
Total liabilities	**592,273**	742,369	766,234	851,268	783,163
Total equity	**153,792**	303,670	378,778	424,405	425,309
Property, plant & equipment	**490,244**	577,087	611,887	603,114	582,872
Cash and bank balances	**15,395**	28,609	36,141	24,710	77,919
Borrowings	**363,135**	502,108	549,499	592,186	543,483
Shareholders' funds	**156,956**	302,004	375,531	419,634	419,523
Per Share (cents)					
Basic earnings per share	**(22.41)**	(11.34)	(13.44)	0.47	1.89
Net assets per share	**24.94**	47.99	59.68	100.03	100.00
Dividend per share	**–**	–	–	–	0.40
Financial Ratios					
Net (loss)/profit margin (%)	**(45.1)**	(28.2)	(20.9)	0.5	4.3
Return on equity (%)	**(91.7)**	(23.5)	(18.9)	0.5	1.9
Net gearing ratio (times)	**2.22**	1.57	1.37	1.35	1.11
Number of Vessels	**252**	248	242	229	204

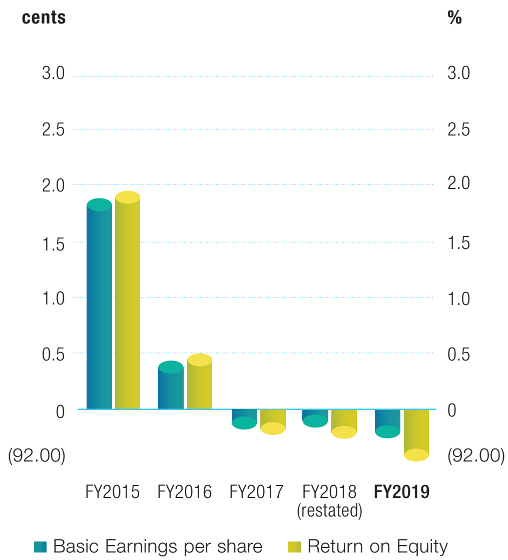
* *Other items represent impairments and write-offs of financial and non-financial assets and any other non-cash flow items.*

[1] *Restated pursuant to adoption of Singapore Financial Reporting Standards (International).*

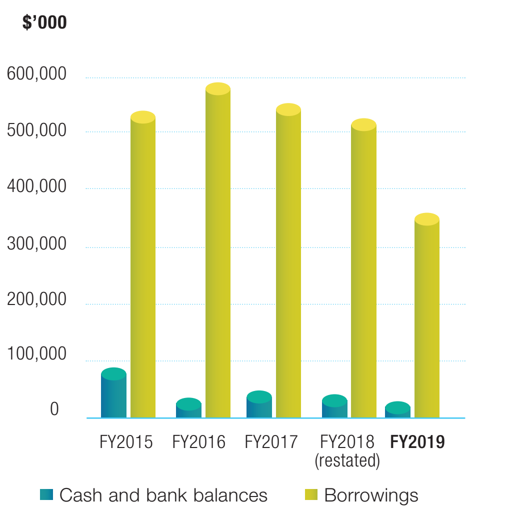
Revenue vs EBITDA



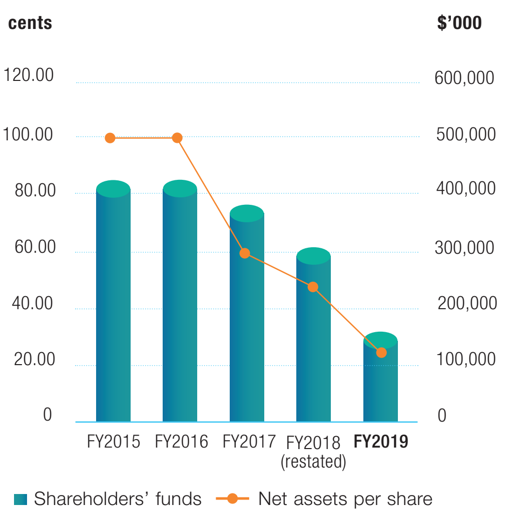
Basic Earnings Per Share vs Return on Equity



Cash and Bank Balances vs Total Debts



Net Assets Per Share vs Shareholders' Funds



FINANCIAL YEAR REVIEW

CONSOLIDATED INCOME STATEMENT

		FY2019 $'000	FY2018 (restated)* $'000	%
1	**Revenue**	312,882	252,988	23.7
	Cost of sales	(298,523)	(237,338)	25.8
2	**Gross profit**	**14,359**	**15,650**	**(8.2)**
3	Other operating income	4,413	15,556	(71.6)
4	Administrative expenses	(23,088)	(20,851)	10.7
5	Other operating expenses	(98,541)	(48,947)	101.3
	Finance costs	(23,195)	(22,711)	2.1
6	Fair value adjustments arising from debt refinancing exercise	59,179	–	Nm
7	Impairment losses on financial assets	(75,663)	(4,456)	1,598.0
8	Share of results of joint ventures and associates	857	(3,823)	Nm
	Loss before tax	**(141,679)**	**(69,582)**	**103.6**
9	Income tax expense	(4,200)	(3,204)	31.1
	Loss for the year	**(145,879)**	**(72,786)**	**100.4**
	Attributable to:			
	Owners of the Company	(141,027)	(71,361)	97.6
	Non-controlling interests	(4,852)	(1,425)	240.5
		(145,879)	**(72,786)**	**100.4**

Nm: Not meaningful

1 **Increase in revenue**
Higher revenue from shipbuilding ("SB"), shiprepair ("SR") and shipchartering ("SC") segments were partially offset by lower revenue from the engineering segment ("SE").
Revenue from SB increased by $26.9 million mainly due to delivery of six tugs and one high value tanker recognised based on Completion Method.
Revenue from SC increased by $27.0 million mainly due to contribution from several new charter projects in Bangladesh, Indonesia and Singapore.

2 **Decrease in gross profit**
Higher gross loss recorded in SB segment due to delay in delivery of a tanker which resulted in cost overruns and liquidated damages, partially offset by higher gross profit in SC segment.

3 **Decrease in other operating income**
Lower gain on disposal of assets and rental income as well as absence of net foreign exchange gain which was recorded in FY2018.

4 **Increase in administrative expenses**
Higher legal and professional fees were incurred for obtaining new banking facilities and sales commission for SB project recorded under here pursuant to adoption of SFRS(I) 15.

5 **Increase in other operating expenses**
Due to higher impairment losses on non-financial assets (inventories, vessels and intangible assets) and net foreign exchange loss.

6 **Fair value adjustments arising from debt refinancing exercise**
Pertained to fair value gain resulting from remeasurement of long term loans and bonds which are subject to refinancing at fair value.

7 **Increase in impairment losses on financial assets**
Pertained to allowances on trade and other receivables (including amounts due from joint ventures and associates and companies related to directors) based on expected credit loss model coupled with specific impairment made where the probability of recovery was remote given the current market situation.

8 **Share of results of joint ventures and associates**
Higher share of profits recorded by one of associates.

9 **Increase in income tax expense**
Higher tax provision on non-exempt shipping profits from SC segment.

* Restated pursuant to adoption of the new accounting standard – SFRS(I) 15 Revenue from Contracts with Customers

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		FY2019 $'000	FY2018 (restated)* $'000	%
	Non-current assets			
1	Property, plant and equipment	490,244	577,087	(15.0)
	Lease prepayments	4,606	5,913	(22.1)
	Investment in joint ventures and associates	5,450	4,845	12.5
2	Intangible assets	5,865	12,368	(52.6)
	Finance lease receivables	5,536	7,841	(29.4)
	Total non-current assets	**511,701**	**608,054**	**(15.8)**
	Current assets			
3	Inventories	99,484	171,457	(42.0)
4	Contract assets	23,617	60,418	(60.9)
5	Trade and other receivables	80,546	165,907	(51.5)
	Prepayments	4,811	5,790	(16.9)
	Finance lease receivables	670	905	(26.0)
6	Cash and bank balances	15,395	28,609	(46.2)
	Assets classified as held for sale	–	4,899	(100.0)
7	Assets of disposal group classified as held for sale	9,841	–	Nm
	Total current assets	**234,364**	**437,985**	**(46.5)**
	Current liabilities			
	Trade and other payables	177,961	181,908	(2.2)
	Provision for warranty	42	35	20.0
4	Contract liabilities	22,149	30,586	(27.6)
8	Trust receipts	1,157	13,805	(91.6)
8	Interest-bearing loans and borrowings	45,107	99,589	(54.7)
	Income tax payables	6,754	6,776	(0.3)
7	Liabilities directly associated with disposal group classified as held for sale	2,015	–	Nm
	Total current liabilities	**255,185**	**332,699**	**(23.3)**
	Net current (liabilities)/assets	**(20,821)**	**105,286**	**(119.8)**
	Non-current liabilities			
	Other liabilities	3,699	3,479	6.3
4	Contract liabilities	507	2,158	(76.5)
8	Interest-bearing loans and borrowings	316,871	388,714	(18.5)
	Deferred tax liabilities	16,011	15,319	4.5
	Total non-current liabilities	**337,088**	**409,670**	**(17.7)**
	Net assets	**153,792**	**303,670**	**(49.4)**
	Equity attributable to owners of the Company			
	Share capital	108,056	108,056	–
	Treasury shares	(923)	(923)	–
	Reserves	49,630	194,871	(74.5)
	Reserve of disposal group classified as held for sale	193	–	Nm
		156,956	**302,004**	**(48.0)**
	Non-controlling interests	(3,164)	1,666	(289.9)
	Total equity	**153,792**	**303,670**	**(49.4)**

1 **Decrease in property, plant & equipment**
Due to depreciation charge, disposals, transfers and impairment.

2 **Decrease in intangible assets**
Due to amortisation charge during the year and impairment of goodwill and customer relationships as the Engineering segment continued to incur lower operating profits.

3 **Decrease in inventories**
Due to impairment on vessels which the Group holds as inventories based on net realisable value:
- three platform supply vessels (Finished Goods); and
- discontinued offshore support vessels (Raw Materials and Work-in-progress)

4 Contract assets mainly comprised construction work-in-progress and accrued revenue from SR and SB contracts whereas contract liabilities pertained to progress billings in excess of construction work-in-progress, deferred income and deposits received from customers mainly under SC contracts.

Decrease in net contract assets and liabilities
Due to completion of SB and SR projects and recognition of deferred income when the services were performed during the year.

5 **Decrease in trade and other receivables**
Mainly due to allowances made on amounts due from joint ventures and associates and companies related to directors.

6 **Decrease in cash and bank balances**
Mainly due to lower net cash inflow from operating activities and drawdown of interest-bearing loans and borrowings, partially offset by higher net proceeds from disposal of plant and equipment.

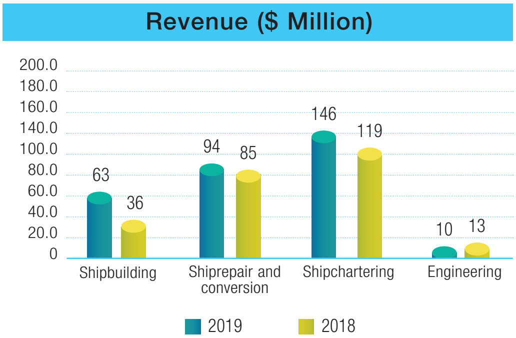
7 **Assets and liabilities of disposal group classified as held for sale**
Relating to sale of equity interest in a 60% owned subsidiary of the Company, Jiangmen Hongda Shipyard Ltd. The sale was completed in August 2019.

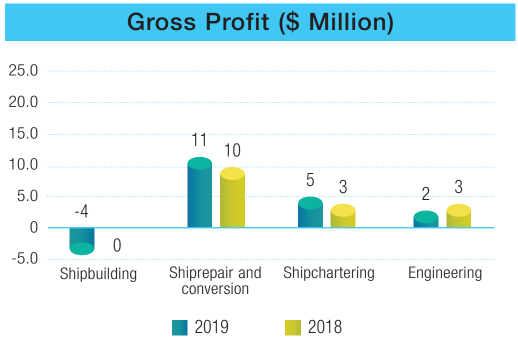
8 **Decrease in interest-bearing loans and borrowings**
Total borrowings decreased by $139.0 million (27.7%) mainly due to net repayment of loans and lower carrying amount of long term loans and bonds which were subject to refinancing and subsequently remeasured at fair value.

* Restated pursuant to adoption of the new accounting standard – SFRS(I) 15 Revenue from Contracts with Customers

OPERATIONS AND FINANCIAL REVIEW

In FY2019, revenue increased by 23.7% year-on-year ("yoy") to $312.9 million compared to that of FY2018. Gross profit decreased by 8.2% yoy to $14.4 million. Gross profit margin ("GPM") narrowed from 6.2% in FY2018 to 4.6% in FY2019.





Shipbuilding

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 upon completion ("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 based on POC or Completion Method.

Shipbuilding revenue increased by 73.6% yoy to $63.3 million in FY2019. The increase was mainly due to delivery of six tugs and one high value tanker recognised based on Completion Method in FY2019 as compared to three tugs being completed under POC and delivered in FY2018.

Shipbuilding gross loss was $3.9 million in FY2019, compared to $0.2 million in FY2018. Gross loss margin was 6.1% for FY2019, compared to 0.6% for FY2018. The higher gross loss was primarily due to (1) delay in the delivery of a tanker resulting in cost overruns and liquidated damages and (2) an IDR denominated contract which was negatively affected by the weakening of IDR against SGD as compared to the budgeted foreign exchange rate at inception of contract in 2016.

Shiprepair and Conversion

Recognition of shiprepair and conversion revenue is calculated based on project value multiplied by POC. Shiprepair and conversion revenue increased by 10.8% yoy to $93.9 million in FY2019, supported by more high value shiprepair jobs being recognized. In addition, FY2018 revenue was restated to $84.7 million from $93.8 million previously reported on as a result of adoption of SFRS(I) 15.

Gross profit for the segment increased marginally by 3.3% yoy to $10.5 million in FY2019. The gross profit margin decreased from 12.0% in FY2018 to 11.2% in FY2019 partly due to competitive market pricing given to certain repeated customers.

Shipchartering

Shipchartering revenue increased by 22.7% yoy to $145.6 million in FY2019, with higher contributions from several new charter projects in Bangladesh, Indonesia and Singapore and higher ad hoc services rendered for modification and outfitting of barges to cater for charterers' projects in FY2019.

The gross profit and gross profit margin for the segment improved from $3.0 million (at 2.6% GPM) in FY2018 to $5.4 million (at 3.7% GPM) in FY2019. This was mainly attributed to (1) the lower gross loss from OSV as a result of higher utilisation for jobs in the region, coupled with absence of one-off compensation incurred in FY2018 for late delivery of two AHTS to the charterer in India, (2) higher profit margin from ad hoc services rendered, partially offset by (3) negative contribution from landing crafts due to lower charter and utilisation rates and (4) one-off demobilisation costs incurred on vessels returning from Bangladesh to Singapore for the stone shipment projects in 4Q FY2019.

Dredge Engineering

Engineering revenue decreased by 23.3% yoy to $10.1 million in FY2019. Revenue was primarily contributed by Components & Services business. There were fewer orders for cutting/coupling systems resulting from completion of several supply contracts, partially offset by more orders for spare parts used by customers for replacement in FY2019.

The segment reported gross profit of $2.3 million, with gross profit margin of 22.6% in FY2019, compared to gross profit of $2.6 million and gross profit margin of 20.2% in FY2018. The increase in gross profit margin was mainly due to higher margin derived from sale of spare parts.

Administrative Expenses

Administrative expenses increased by 10.7% yoy to $23.1 million in FY2019, as the Group incurred legal and professional fees for obtaining new banking facilities and sales commission for shipbuilding project.

Impairment

The Group recorded impairment losses on financial assets of $75.7 million in FY2019, including (1) impairment of trade receivables of $7.1 million based on debtor-specific assessment for credit-impaired debtors as well as application of the expected credit loss model; (2) impairment of other receivables of $1.5 million which included an amount of $1.1 million on deposits paid for purchase of equipment on previously cancelled projects. Such deposits were impaired in full as the probability of recovering from suppliers was remote; (3) impairment of amount due from joint ventures and associates of $65.4 million due to: i) application of the expected credit losses on trade balances; and ii) specific impairment made on non-trade balances as the probability of recovery was remote based on the current market situation; and (4) impairment of finance lease receivables of $1.6 million based on the offer price negotiated with the lessee for an outright sale subsequent to the financial year end under review.

The Group also recognised impairment losses of $91.5 million on non-financial assets under “Other Operating Expenses” in FY2019, including (1) impairment on inventories (Finished goods) of $55.3 million on vessels which the Group holds as inventories based on net realisable value in respect of indicative offer received; (2)impairment on inventories (Work-in-progress and Raw materials) of $17.0 million on one unit of Seismic Support Vessel and two previously cancelled, built-to-stock offshore supply support vessels based on net realisable value of the remaining equipment and raw materials estimated by the management; (3) impairment on the Group’s chartering fleet of vessels, of $13.7 million based on market value derived from valuation guidance from independent valuers; and (4) impairment of $5.5 million on goodwill and customer relationships which arose from the Group’s acquisition of VOSTA LMG group in December 2012 due to continued loss making performance.

Finance Costs

Finance costs increased by 2.1% yoy to $23.2 million in FY2019 mainly due to (1) increase in floating-rate loans; (2) amortisation of the fair value recognised on the Notes and term loans, partially offset by (3) lower interest rate payable under the Notes with effect from 1 October 2018 pursuant to the consent obtained from the Noteholders on 30 January 2019 and (4) lower average bank loan balances during the year under review.

Share of Results of Joint Ventures and Associates

The share of results of joint venture and associates was a profit of $0.9 million in FY2019, compared to a loss of $3.8 million in FY2018. This was due to share of profit from PT Hafar of $0.7 million recorded in FY2019. The Group has restricted its share of losses from Sindo-Econ group and PTCNI to its cost of investments since 1Q FY2018 and 4Q FY2017 respectively.

OPERATIONS AND FINANCIAL REVIEW

Loss Before Tax

The Group recorded a higher loss before tax of $141.7 million in FY2019 as compared to $69.6 million in FY2018 mainly due to one-off impairment losses of $167.2 million partially offset by fair value adjustments arising from debt refinancing exercise of $59.2 million.

Funding Arrangement

The Notes

Pursuant to the passing of consent solicitation exercise on 30 January 2019, amongst other changes made included:

(1) extension of the tenor of its existing Notes by another five years from the last maturity dates to 28 March 2025 (Series 006 notes) and 1 October 2026 (Series 007 notes);

(2) revision of coupon rate to a base rate of 3% p.a. and mandatory redemption rate to 1% p.a., payable semi-annually;

(3) inclusion of performance-triggered variable payments which comprise additional coupon of up to 2% p.a. and additional principal redemption of up to 4% p.a. depending on the Company's financial performance; and

(4) noteholders were given warrants that are exercisable into new shares of the Company.

Banking Facilities

The principal lenders and certain secured lenders of the Group have re-profiled (extending loans tenure thereby reducing monthly instalment) our existing term loans. In addition, subsequent to the financial year under review, the principal lenders granted a revolving project financing and trade lines of $114 million.

As at 30 June 2019, the Group's total borrowings of $363.1 million (30 June 2018: $502.1 million) were as follows:

($ Million)	30 June 2019	30 June 2018
Current		
Bonds	**1.5**	**7.5**
Short term loan		
– shipbuilding related	–	24.5
– general	2.2	13.0
	2.2	**37.5**
Trust receipts		
– shipbuilding related	–	10.4
– general	1.1	3.4
	1.1	**13.8**
Long term loan		
– vessels loan	12.3	29.0
– assets financing	9.4	11.7
– working capital	18.6	7.9
	40.3	**48.6**
Finance lease liabilities	**1.1**	**6.0**
	46.2	**113.4**
Non-current		
Bonds	**84.0**	**135.0**
Long term loan		
– vessels loan	70.4	81.4
– assets financing	76.4	76.5
– working capital	84.3	93.7
	231.1	**251.6**
Finance lease liabilities	**1.8**	**2.1**
	316.9	**388.7**
Total Borrowings	**363.1**	**502.1**

BOARD OF DIRECTORS

ANG KOK TIAN
Chairman,
Managing Director
and CEO

Mr KT Ang was appointed an Executive Director of the Company in October 2000, and Chairman of the Board, Managing Director and CEO since January 2003.

Mr KT Ang has been with the Group for more than 20 years and has extensive knowledge and experience in the industry. Mr KT Ang is responsible for the Group's business strategies and direction, corporate plans and policies as well as the overall management of the Group. He oversees the overall development, operations, finance and treasury functions of the Group. In particular, he is in charge of the shipbuilding division, including estimations, negotiations and contract finalisation. Mr KT Ang began his career at Ang Sin Liu Hardware, handling administration, purchasing and marketing for the company. He graduated from the National University of Singapore in 1986 with a Bachelor's Degree in Science.

ANG AH NUI
Deputy Managing Director

Mr AN Ang was appointed an Executive Director of the Company since October 2000 and Deputy Managing Director in January 2003.

Mr AN Ang, having been with the Group for more than 20 years, has extensive industry knowledge and experience. Mr AN Ang is instrumental in developing and managing the shiprepair and conversion and shipchartering businesses, including building on customer relations and connections and seeking potential markets for the growth of the Group. Mr AN Ang is also jointly responsible for the Group's business strategies and direction, corporate plans and policies, oversees the operations of the 4 shipyards (3 in Indonesia and 1 in Singapore). Mr AN Ang is also the non-executive director of listed company, Koon Holdings Limited.

BOARD OF DIRECTORS

ANG KOK LEONG
Executive Director

Mr KL Ang was appointed an Executive Director of the Company in October 2002.

Mr KL Ang is responsible for developing marketing strategies, identifying new businesses and markets and customers for Europe, Middle East, Australia, South America and East Malaysia. He also oversees the engineering and research development division of the Group. Mr KL Ang joined the Group on 1 January 1995 as a Marketing Executive in the shipbuilding division. He graduated from Carnegie Mellon University in 1994 with a Bachelor of Science Degree in Industrial Management.

ANDRE YEAP POH LEONG
Independent Director

Mr Yeap joined the Board in January 2003.

Mr Yeap is a Senior Counsel at Rajah & Tann LLP where as its Senior Partner, he oversees its disputes practice and also directly heads its International Arbitration Practice. He is also a Director of Energy Market Authority, a statutory board under the Ministry of Trade and Industry of Singapore. Prior to joining Rajah & Tann LLP in 2004, he ran his own practice under the name “Andre Yeap & Co”. Mr Yeap had worked in various law firms in Singapore. He was a Senior Litigation Partner at Allen & Gledhill (now known as Allen and Gledhill LLP) where he had worked from 1987 to 2000, before joining the partnership of Lee & Lee in 2001. Apart from International Arbitration Work, his practice focuses on banking, commercial and corporate litigation with special emphasis on securities and stockbroking-related litigation as well as construction litigation, including ship and oil-rig matters. He was appointed Senior Counsel on 4 January 2003. He graduated from the National University of Singapore with a Bachelor’s Degree in Law and is a Fellow of the Singapore Institute of Arbitrators.

TAN HUAY LIM
Independent Director

Mr Tan Huay Lim joined the Board in August 2019.

Mr Tan is currently an Independent Director of three other SGX-listed companies including: China Jinjiang Environment Holding Company Limited; Dasin Retail Trust Management Pte. Ltd., the trustee-manager of Dasin Retail Trust, a listed business trust; and Koufu Group Limited.

Mr Tan started his career in accounting and audit at KPMG LLP (formerly known as Peat Marwick, Mitchell & Co.) in April 1981 and was admitted as a Partner in October 1991. He has over 30 years of experience in the audit of privately-owned enterprises, multi-national corporations and public listed companies. Mr Tan was the Singapore Head of KPMG Global China Practice from September 2010 until his retirement from KPMG LLP in September 2015. In addition, he was involved in a number of initial public offerings, debt financing and merger and acquisition transactions during his tenure in KPMG LLP.

Mr Tan graduated with a Bachelor of Commerce (Accountancy) from Nanyang University, Singapore in 1978. He is a Fellow Member of the Institute of Singapore Chartered Accountants, the Association of Chartered Certified Accountants (United Kingdom) and the Certified Practising Accountants (Australia).

TAN SEK KHEE
Independent Director

Mr Tan Sek Khee joined the Board in January 2014.

Mr Tan is currently an Independent Director of SGX listed Ying Li International Real Estate Limited. Mr Tan is also currently hold directorship in several private companies in Singapore, Indonesia, Thailand and China. Mr Tan brings to the Group extensive experience in general management, business strategy formulation, business development & marketing, procurement and logistics. He has more than 40 years of corporate and business experience in Singapore, Indonesia, Thailand and China.

Mr Tan graduated with a Bachelor of Commerce from Nanyang University in 1979. He is also a registered member of Singapore Institute of Directors.

SENIOR MANAGEMENT

TAY KES SIONG
General Manager (Shipchartering)

Capt. Tay joined the Group in October 2002 and is responsible for managing the shipping operations of the Group, including marketing, overall fleet scheduling, maintenance, crew management, insurance, shipping agencies and freight forwarding.

Capt. Tay has more than 40 years of experience in the shipping and marine industry. Prior to joining the Group, Capt. Tay was a Marine Surveyor and a Director of Marine Management Surveyors and Services Pte Ltd which engaged in marine and cargo surveys, consultancy, sea trials, compass adjustments, pre-purchase inspections, shipping agencies, forwarding and crew management.

KOH KAI KHENG IRENE
Group Financial Controller and Company Secretary

Irene joined the Group in April 2016 and is responsible for financial, accounting and corporate secretarial functions of the Group. Irene holds a professional qualification from the Association of Chartered Certified Accountants (ACCA) and is a fellow member of the ACCA and Institute of Singapore Chartered Accountants.

Irene first joined the Group as Accountant in July 2002 culminating to her last position as Senior Group Finance Manager in April 2014. She worked as external auditors in public accounting firms prior to joining the Group in 2002.

GOVERNANCE

FINANCIAL STATEMENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of ASL Marine Holdings Ltd. (the "Company") recognises the importance of corporate governance and is committed to maintaining a high standard of corporate governance across the Company and its subsidiaries (the "Group").

This report covers the Group's corporate governance practices that were in place for the financial year ended 30 June 2019 ("FY2019") with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 issued by the Ministry of Finance in Singapore in May 2012 (the "Code").

The Board is pleased to confirm that the Group has complied in all material aspects with the principles and guidelines set out in the Code, and deviations are explained in this report.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and management remains accountable to the Board.

Role of the Board

The primary function of the Board is to protect the assets and to enhance the long-term value of the Company for its shareholders. Besides carrying out its statutory responsibilities, the Board oversees the businesses and affairs of the Group. It reviews and advises on overall strategies, policies and objectives, sets goals, supervises management and monitors business performance and goals achievement. The Board also oversees the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance and assumes responsibility for overall corporate governance of the Group. Each director is expected, in the course of carrying out his duties, to exercise independent judgment and act in good faith in the best interests of the Company.

Governance Disclosure Guide

General:
(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.

(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?

The Board's approval is required for matters such as the Group's financial plans and annual budget, acceptance of bank facilities, major investment and divestment proposals, material acquisitions and disposal of assets, interested person transactions of a material nature and release of the Group's quarterly and full year financial results to the Singapore Exchange Securities Trading Limited ("SGX-ST"). Apart from matters that specifically require the Board's approval, in accordance with applicable financial authority limit, the Board approves transactions exceeding certain threshold limits and delegates authority for transactions below those limits to management so as to optimise operational efficiency. The Board has to, among others, approve contracts secured with value of more than $10 million to be entered into by the Group.

Governance Disclosure Guide

Guideline 1.5:
What are the types of material transactions which require approval from the Board?

Board committees

To assist the Board in the execution of its responsibilities and to provide independent oversight of management, various Board Committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), have been constituted with written terms of reference. These Committees are made up solely of independent directors and the effectiveness of each Committee is constantly monitored by the Board. These Board Committees have the authority to review and examine particular issues and to report to the Board their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board, which will take into consideration the overall interests of the Company.

Board orientation and training

There was no new director appointed by the Company during FY2019. On 13 August 2019, Mr Tan Huay Lim was appointed as independent non-executive director as well as the lead independent director, Chairman of AC, member of NC and RC to replace Mr Christopher Chong Meng Tak who had resigned on the same date.

Guideline 1.6:
(a) Are new directors given formal training? If not, please explain why.

(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?

For new appointments to the Board, the newly-appointed director will be given a formal letter setting out his duties and obligations. The newly appointed director will be briefed by the Managing Director and Chief Executive Officer ("CEO") of the Company and provided with a director's folder containing materials relating to the Group's businesses and governance practices, including information such as organisation structure, contact details of senior management, Company's Constitution, respective Board Committees' terms of reference and financial and corporate policies and procedures. All directors are also invited to visit the yards and meet with middle management to gain a better understanding of the Group's business operations.

Governance Disclosure Guide

To keep pace with regulatory changes including changes in legislation and financial reporting standards, government policies and regulations and guidelines from SGX-ST that affect the Group and/or the directors in discharging their duties, the directors' own initiatives to keep themselves up-to-date are supplemented from time to time with information, updates and sponsored seminars conducted by external professionals.

The Company Secretary informs the directors of upcoming conferences and seminars relevant to their roles as directors of the Company. The Company will bear the costs for all directors to attend appropriate courses, conferences and seminars conducted by external professionals.

During FY2019, besides briefings on developments in financial reporting standards presented by the Group's external auditors at AC meetings, the directors attended, among others, briefings/seminars/networking events organised/ hosted by various bodies including Singapore Institute of Directors, accounting bodies and professional firms. Directors, in particular independent directors, are also encouraged to read and to engage in informal discussions on subjects which are relevant to the Group.

Meetings and attendance

The Board conducts regular scheduled meetings and ad hoc meetings are convened when warranted by circumstances relating to matters that are material to the Group. The schedule of all Board Committee meetings for the financial year is usually provided in advance before a new financial year commences. The Board meets at least four times a year on a quarterly basis to review and approve the release of the Company's quarterly results and to deliberate on any key activities and business strategies including major acquisitions and disposals. Telephonic attendance and video conferencing at Board meetings are allowed under the Company's Constitution to allow participation of directors who are unable to attend in person. Decisions made by the Board and Board Committees may be obtained at meetings or via circular resolutions.

The number of meetings held and the attendance of each director at every Board and Board Committee meeting during FY2019 are as follows:

Attendance at Board and Board Committee meetings	**Board**	**AC**	**NC**	**RC**
Total number of meetings held	**6**	**6**	**1**	**2**
Number of meetings attended				
Executive directors				
Ang Kok Tian	6	6*	1*	2*
Ang Ah Nui	5	4*	1*	2*
Ang Kok Leong	6	–	–	–
Independent directors				
Andre Yeap Poh Leong (Chairman of NC)	6	5	1	2
Christopher Chong Meng Tak# (Chairman of AC)	6	6	1	2
Tan Sek Khee (Chairman of RC)	6	6	1	2

* Attendance by invitation of the respective committee

\# Mr Christopher Chong Meng Tak resigned as independent director on 13 August 2019

Governance Disclosure Guide

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guideline 2.1: Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.

During FY2019, the Board comprises six directors, three of whom are independent directors which make up 50% of the Board. The Company complies with Guideline 2.2 of the Code which stipulates that independent directors should make up at least half of the Board where, among others, the Chairman and the CEO is the same person.

Guideline 2.3: (a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.

The NC determines, on an annual basis, the independence of each independent director based on the guidelines provided in the Code as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment in the conduct of the Company's affairs. There is no director who is deemed independent notwithstanding the existence of a relationship that would otherwise deem him not to be independent under the Code.

The Board considers the current Board size and composition including the diversity of skills, experience, competences and industry knowledge of directors, appropriate for the nature and scope of the Group's operations. The Board will continue to review its Board size and composition to ensure that 1) the Board will comprise directors who as a group provide an appropriate balance and diversity and taking into consideration core competencies such as accounting, finance, legal, business, management, strategic planning or customer-based experiences and industry knowledge; and 2) each director should bring to the Board independent and objective perspectives to enable balanced and well-considered decisions to be made. The Board noted the broader view of board diversity recommended under the Code to include gender. The Board considers that such factor has less direct bearing in view of the nature of business and industry of the Group but will nevertheless bear this factor in mind when sourcing for new directors.

Our Board members include business leaders, financial and legal professionals who possess the relevant expertise and skill sets for effective decision-making. Our former lead independent director whilst never having held an executive position with a ship builder and ship repairer, has over 25 years' experience analysing, reviewing and advising companies in such businesses. Our current lead independent director was an Audit Partner of KPMG Singapore with more than 30 years of accounting and auditing experience until his retirement in September 2015 and was involved in a number of initial public offerings, debt financing and merger and acquisition transactions during his tenure at KPMG Singapore. The profiles of the directors are set out on pages 17 to 19 of this Annual Report. The combined business, financial, legal, management, strategic planning and professional experience, knowledge and expertise of the directors provide the necessary core competencies for the Board to effectively lead and manage the Group's businesses and operations.

The size and composition of the Board are reviewed by the NC periodically to ensure that the Board is of an adequate size with the right mix of expertise, skills and attributes of directors for meeting the business and governance needs of the Group.

The independent directors participate actively during Board meetings. In addition to providing constructive advice to management on pertinent issues affecting the affairs and businesses of the Group, they also review management's performance in meeting goals and objectives of the Group's business segments. The Company has benefited from management's access to its directors for guidance and exchange of views both within and outside of the meetings of the Board and Board Committees. The independent directors communicate among themselves and with the Company's auditors and senior managers. The independent directors meet without the presence of the executive directors and/or management, where necessary.

Governance Disclosure Guide

(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.

Guideline 2.6:
(a) What is the Board's policy with regard to diversity in identifying director nominees?

(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.

(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?

Chairman and Chief Executive Officer

Governance Disclosure Guide

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Ang Kok Tian is the Chairman of the Board, Managing Director and CEO of the Company. Mr Ang Kok Tian is involved in the day-to-day running of the Group. He leads management in setting marketing strategies and objectives and ensures accurate, adequate and timely flow of information between the Board, management and shareholders of the Company. He facilitates constructive discussions between the Board and management and encourages their effective contributions. Whilst the independent directors of the Company possess the relevant expertise and experience in their respective professional fields, none have had significant hands-on experience in the marine industry. Consequently, and given the volatility and challenges of the marine industry, the Board is of the view that it is in the best interests of the Group to have Mr Ang Kok Tian as CEO and Chairman of the Board so as to facilitate the decision-making process of the Group and have the benefit of a Chairman who is knowledgeable about the marine industry and the businesses of the Group and is thereby better able to guide discussions and ensures that the Board is properly briefed in a timely manner on pertinent issues and developments. The Chairman takes a leading role in ensuring the Company's compliance with corporate governance guidelines with the full support of the directors, Company Secretary and management.

Mr Ang Ah Nui is the Deputy Managing Director and is involved in the day-to-day running of the Group and is in charge of operations. To ensure there is no over concentration of power in the hands of Mr Ang Kok Tian, the Board has granted exclusive powers to Mr Ang Ah Nui with respect to operations. This means that in the area of operations, Mr Ang Ah Nui discusses matters with Mr Ang Kok Tian but is directly responsible to the Board. In the absence of Mr Ang Kok Tian, Mr Ang Ah Nui would stand in as the acting Managing Director to ensure continuity of the business operations of the Company.

The lead independent non-executive director coordinates the activities of the independent directors and act as principal liaison between the independent directors and the CEO and Deputy Managing Director on sensitive Board issues. To empower the lead independent director and the independent directors, the Company pays for advisors appointed by and solely responsible to the lead independent director or the independent directors. These may include legal, accounting, finance, treasury or persons familiar with the industry. This is a right the independent directors have availed themselves to from time to time. The lead independent director is also available to shareholders where they have concerns, for which contact through the normal channels of the executive Chairman, Managing Director and CEO has failed to resolve or for which such contact is inappropriate.

All major decisions made by Mr Ang Kok Tian are subject to majority approval of the Board and are reviewed by the Board Committees, whose members comprise only independent directors. Mr Ang Kok Tian's performance and remuneration are reviewed by the NC and RC respectively, whose members comprise only independent directors. The Board believes that there are adequate safeguards in place to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

The independent directors, led by the lead independent director, meet and/or communicate without the presence of the other directors, and the lead independent director will provide feedback to the Chairman after such meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Board established the NC in March 2003 which during FY2019 consists of three independent directors, namely, Mr Andre Yeap Poh Leong, Mr Tan Sek Khee and Mr Christopher Chong Meng Tak. Upon the resignation of Mr Christopher Chong Meng Tak on 13 August 2019, Mr Tan Huay Lim was appointed as a member of the NC. Mr Andre Yeap Poh Leong is the Chairman of the NC and he is not associated in any way with the substantial shareholders of the Company.

The operations of the NC are regulated by its terms of reference, which were approved and are subject to periodic review by the Board. The functions of the NC include making recommendations to the Board on all appointments and re-appointments of directors taking into consideration the mix of expertise, skills and attributes of the directors for meeting the business and governance needs of the Group. The NC is also tasked to assess the independence of the directors annually.

Process for selection and appointment of new directors

For appointment of new directors to the Board if a vacancy arises, the NC will, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The selection criterion includes integrity, diversity of competencies, expertise and financial literacy. The NC's selection process involves evaluating the existing strength and capabilities of the Board and determining the desirable competencies for a particular appointment, seeking suitably qualified candidates widely, reviewing and undertaking background checks on the resumes received, short-listing and interviewing potential candidates including briefing candidates of the duties expected to ensure that there are no expectation gaps and the level of commitment required. The NC will seek candidates widely and beyond persons directly known to the directors and is empowered to engage professional search firms and also give due consideration to candidates identified by any person. The NC will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

Governance Disclosure Guide

Guideline 4.6: Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.

There was no appointment of new director or alternate director during FY2019. On 13 August 2019, Mr Tan Huay Lim was appointed an independent non-executive director as well as the lead independent director, Chairman of AC, member of NC and RC. The NC considered (i) the size and structure of the Board; (ii) the composition of the Board, including the balance and diversity of skills, experience and knowledge of members of the Board; and (iii) the accounting and auditing experience, skills and qualifications of Mr Tan Huay Lim. The NC recommended the appointment of Mr Tan as he possesses the necessary expertise, qualifications and working experience required to perform his role as an independent non-executive director serving as the lead independent director and Chairman of the AC. The Board is of the view that Mr Tan's accounting and auditing experience will further complement and strengthen the core competencies of the Board.

Governance Disclosure Guide

Annual review of director's independence

The NC is charged with determining the independence of the directors as set out under Guidelines 2.3 and 2.4 under the Code. Every year, the NC reviewed and affirmed the independence of the Company's independent directors. Each independent director is required to confirm his independence on an annual basis. The Confirmation of Independence (the "Confirmation") is drawn up based on the guidelines provided in the Code and requires each director to assess whether he considers himself independent despite not being involved in any of the relationships identified in the Code. The Confirmation requires each director to disclose any relationship which would interfere or be reasonably perceived to interfere with the exercise of independent judgment in carrying out the functions as an independent director of the Company. Among the items included in the Confirmation are disclosure pertaining to any employment including compensation received from the Company or any of its related corporations, relationship to an executive director of the Company, its related corporations or its 10% shareholders, immediate family members employed by the Company or any of its related corporations as senior executive officer whose remuneration is determined by the RC, shareholding or partnership or directorship (including those held by immediate family members) in an organisation to which the Company or any of its subsidiaries made, or from which the Company or its subsidiaries received, significant payments in the current or immediate past financial year. The NC will then review the Confirmation completed by each director to determine whether the director is independent.

The Board recognises the valuable contributions of independent directors who have over time developed in-depth knowledge of the Group's businesses and operations. The independent directors do not exercise management functions in the Group. They ensure that key issues and decisions made are constructively challenged and thoroughly reviewed and monitor the performance of management in meeting agreed goals and objectives. For this reason, the Board has not set a fixed term of office for the independent directors as the Board believes that their tenure would not materially interfere with their ability to exercise independent judgment in the best interests of the Group and its shareholders.

CORPORATE GOVERNANCE REPORT

The NC pays special attention to independent directors whose terms exceed 9 years to determine if there is any impairment with respect to their independence and if no renewal occurs whether the Board and the Company will suffer from the lack of renewal. A formal review was undertaken, lead and conducted by independent director Mr Tan Sek Khee on the two independent directors, Mr Andre Yeap Poh Leong and Mr Christopher Chong Meng Tak (who was until 13 August 2019 an independent non-executive director), both of whom have served more than 9 years on the Board. Mr Yeap has served on the Board for more than 16 years while Mr Chong has served more than 13 years from the date of their first appointment. The rigorous review and the factors taken into consideration by the NC and the Board to assess and determine their independence include:

(a) their contribution in terms of professionalism, integrity, objectivity and ability to exercise independent judgement in their deliberation of matters in the interest of the Company;

(b) they have no personal and business relationship with the Company's substantial shareholders, executive directors or management that could impair their fair judgement;

(c) they are non-executives and they do not interfere with the day to day management of the business operations or participate in any operational or management meetings;

(d) their attendance in Board Committee meetings and time commitment to the affairs of the Group;

(e) they did not receive any gift or financial assistance from the Group; and

(f) they are not financially dependent on fees received from the Company and their fees are not linked to the performance of the Group.

Based on the above assessments and with the concurrence of the NC, the Board is of the view that both Mr Yeap and Mr Chong (who was until 13 August 2019 an independent non-executive director) are considered independent directors notwithstanding that they have served on the Board for more than 9 years. They have demonstrated strong independence in character and judgement as there were no circumstances which have affected or appeared to have affected their judgement. They have expressed individual viewpoints and exercised objective and constructive skepticism to act in the best interests of the Company and its shareholders. They have sought clarification and amplification on matters discussed during Board Committee meetings. In the current difficult conditions faced by the Company and the industry, they provide important guidance to management and liaison with the auditors and their presence gives comfort to the capital providers to the Company. There has been no increase in directors' fees since FY2014 and the level of remuneration paid to them would not compromise their independence.

Governance Disclosure Guide

Guideline 2.4:
Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.

Both Mr Yeap, a Senior Counsel with considerable experience in construction, insolvency and arbitration matters, and Mr Chong, a veteran in capital markets, securities law, corporate governance and corporate affairs, possess specialist knowledge and experience which are directly relevant to various aspects of the industry the Group is in, and their in-depth knowledge and experience cannot be easily or readily found in other potential candidates. Mr Chong resigned from his positions on 13 August 2019 after having considered his various recent appointments which might cause potential conflict of interest and health and personal reasons.

Mr. Andre Yeap is a Senior Partner of Rajah & Tann Singapore LLP ("R&T"), one of several law firms which provide legal services to and receive fees from the Group. Although the aggregate amount of fees paid to R&T in FY2019 for legal services provided by other partners of R&T exceeded the threshold amount of $200,000 (which is provided as a general guide in the Code), Mr. Yeap's interest in R&T is however less than 5% and the fees paid by the Group do not form a significant portion of R&T's revenue and the Group's total expenses. The NC is of the view that the business relationship with R&T does not affect his disposition to act independently.

For FY2019, the NC has ascertained and is satisfied with the independence of the Company's independent directors.

With reference to Rule 210(5)(d)(iii) of the Listing Rules which will take effect on 1 January 2022 and the Transitional Practice Note issued by SGX on 28 November 2018, Mr Andre Yeap's independence designation will be subject to a two-tier vote no later than 1 January 2022.

Multiple Board Representations

All directors are required to declare their Board representations. With the exception of Mr Christopher Chong Meng Tak (who was until 13 August 2019 an independent non-executive director) and Mr Tan Huay Lim (appointed an independent non-executive director on 13 August 2019) who hold three concurrent directorships in other listed companies, the remaining five directors do not hold more than one concurrent directorship in other listed companies. For FY2019, the NC is satisfied that Mr Chong, notwithstanding his multiple board appointments, had given adequate time and attention to the affairs of the Group to discharge his duties as director of the Company through his attendance, preparedness and participation at meetings of the Board and Board Committees.

Governance Disclosure Guide

Guideline 4.4:
(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?

(b) If a maximum number has not been determined, what are the reasons?

(c) What are the specific considerations in deciding on the capacity of directors?

Re-appointment of directors

Governance Disclosure Guide

The NC is responsible for making recommendations to the Board on the re-appointment of directors. In recommending a director for re-appointment to the Board, the NC considers, among other things, his contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Group's business and affairs), his performance and independence.

Pursuant to Regulation 91 of the Company's Constitution, subject to the listing rules of the Stock Exchange, every director (other than director holding office as CEO or Managing or Joint Managing Director) shall retire from office once every three years and for this purpose, one-third of the directors are to retire from office by rotation and be subject to re-election at the Company's annual general meeting ("AGM"). In addition, Regulation 97 of the Company's Constitution provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to re-election at least once in every three years.

With reference to Regulation 91 of the Company's new Constitution, Rule 720(5) of the Listing Rules which took effect on 1 January 2019 and the Transitional Practice Note issued by SGX on 28 November 2018, Mr Ang Kok Tian, the Managing Director and CEO of the Company will be due for re-election no later than 31 December 2021.

At the forthcoming AGM, Mr Tan Sek Khee and Mr Ang Ah Nui will be retiring by rotation pursuant to Regulation 91 of the Company's Constitution. Both of them, being eligible for re-election, have offered themselves for re-election. Mr Tan Huay Lim will cease to hold office at the forthcoming AGM in accordance with Regulation 97 of the Company's Constitution and, being eligible, he has offered himself for re-election.

Mr Tan Huay Lim and Mr Tan Sek Khee do not have any relationship including immediate family relationship with the executive directors, the Company or its 10% shareholders while Mr Ang Ah Nui and the other executive directors are brothers and is deemed to have an interest in the shares held by the other.

Mr Tan Huay Lim is deemed to have an interest of (1) $690,000 in the $50,000,000 Series 007 Notes (comprising 0.5% of the outstanding principal amount of the Series 006 and Series 007 Notes of S$138.0 million); and (2) 1,734,375 warrants over ordinary shares, registered in the name of a nominee as at the date of his appointment as a director on 13 August 2019. Mr Tan will abstain where necessary from voting in respect of any resolution in connection with the Notes.

The dates of first appointment and last re-election of each director, together with their existing directorships in listed companies as well as past directorships in other listed companies in the last three years are set out below:

Name of director	Date of first appointment/last re-election	Current directorships in listed companies	Past directorships in other listed companies (from 1 July 2016 to 30 June 2019)
Ang Kok Tian *(Chairman, Managing Director and CEO)*	4 October 2000/ 12 November 2002	ASL Marine Holdings Ltd.	Nil
Ang Ah Nui *(Deputy Managing Director)*	4 October 2000/ 28 October 2017	ASL Marine Holdings Ltd. Koon Holdings Limited[1]	Nil
Ang Kok Leong *(Executive Director)*	18 October 2002/ 31 October 2018	ASL Marine Holdings Ltd.	Nil
Andre Yeap Poh Leong *(Independent Director)*	17 January 2003/ 31 October 2018	ASL Marine Holdings Ltd.	Nil
Christopher Chong Meng Tak[2] *(Lead Independent Director)*	3 January 2006/ 28 November 2016	ASL Marine Holdings Ltd. GLG Corp Ltd[3]	Emerging Towns & Cities Singapore Ltd Forise International Limited Singapore O&G Ltd Ying Li International Real Estate Limited
Tan Huay Lim[4] *(Lead Independent Director)*	13 August 2019/ Not applicable	ASL Marine Holdings Ltd. China Jinjiang Environment Holding Company Limited Dasin Retail Trust Management Pte. Ltd., the Trustee-Manager of Dasin Retail Trust Koufu Group Limited	Auric Pacific Group Limited Hong Leong Asia Ltd.
Tan Sek Khee *(Independent Director)*	1 January 2014/ 28 October 2017	ASL Marine Holdings Ltd. Ying Li International Real Estate Limited	Europtronic Group Ltd

[1] Listed on the Australian Stock Exchange and SGX-ST
[2] Mr Christopher Chong Meng Tak resigned as director on 13 August 2019
[3] Listed on the Australian Stock Exchange
[4] Mr Tan Huay Lim appointed as director on 13 August 2019

Governance Disclosure Guide

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Governance Disclosure Guide

Guideline 5.1:
(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?

(b) Has the Board met its performance objectives?

The NC assesses the performance and effectiveness of the Board as a whole. The assessment process involves both a qualitative and quantitative assessment. The qualitative assessment is undertaken by the independent directors in the form of a discussion among themselves. The quantitative assessment involves scoring a pre-agreed weighted score card against various criteria. This process ensures that the overall evaluation is undertaken against a set of objective, quantitative and qualitative performance criteria that had been proposed by the NC and approved by the Board.

An annual Board Evaluation Questionnaire is circulated and completed collectively by members of NC to assess the overall effectiveness of the Board. The performance criteria includes the evaluation of 1) the Board size and composition, 2) the Board information, 3) the Board process, 4) the Board's accountability and performance in relation to discharging its principal functions and responsibilities and 5) the Board's standards of conduct. The collective evaluation is meant to provide constructive feedback and highlight areas of strength and weakness, and the Board acts on the evaluation to ensure continuous improvement of the Board. Based on the overall assessment for FY2019, the Board was effective as a whole.

Financial criteria such as return on assets, return-on-equity and the Company's share price performance vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers are also considered. The Board, however, notes that the financial indicators set out in the Code provide only a snapshot of the Company's performance, and do not fully reflect on-going risk or measure the sustainable long-term wealth and value creation of the Company.

Individual director's performance is evaluated annually and informally by the NC and the Chairman. In assessing the individual director's performance, the NC takes into consideration the individual director's industry knowledge, functional expertise, contribution, attendance at meetings of the Board and Board Committees and workload requirements.

To focus directors' and in particular the independent directors' mind on adding value to shareholders, the independent directors are encouraged to own shares in the Company. Currently, one of the independent directors owns shares in the Company.

Access to Information

Principle 6: ***In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

All directors have unrestricted access to the Company's records and information. The Board members receive detailed quarterly management reports of all major divisions of the Group as well as management reports, cash flow projections, and budget variance reports of the Group to enable them to oversee the Group's financial and operational performance. The Board members also receive relevant information including reports from internal and external auditors and significant developments or matters relating to the Group's business operations to be brought before the Board for discussion and decision. The independent directors, on an ad hoc basis, speak directly and privately to the Group Financial Controller of the Company concerning financial matters of the Group. The independent directors also, on an ad hoc basis, speak directly and privately to other executives concerning other matters of the Group.

The Board and the Board Committees are furnished with complete and adequate information in a timely manner to enable full deliberation on the issues to be considered at the respective meetings. Board papers with sufficient background and explanatory information are circulated at least three days before each meeting. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. From time to time, managerial staff, lawyers, the Company's auditors or external consultants engaged on specific projects are invited to attend the Board and Board Committee meetings so as to provide additional insight into the matters for discussions.

The Board has separate and independent access to the management and Company Secretary at all times through email, telephone and face to face meetings in carrying out its duties. The directors, in furtherance of their duties, are entitled to take independent professional advice at the expense of the Company when necessary. The Company Secretary assists the Chairman to ensure good information flow within the Board and Board Committees as well as between the management and the independent directors. The Company Secretary also assists the Board on compliance with regulatory requirements as well as professional development as required.

The Company Secretary attends all Board and Board Committee meetings of the Company and ensures that Board procedures are followed and that applicable statutory and regulatory rules and regulations are complied with. The appointment and removal of the Company Secretary are subject to the approval of the Board.

Governance Disclosure Guide

Guideline 6.1: What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?

REMUNERATION MATTERS

Governance Disclosure Guide

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Board established the RC in March 2003 which during FY2019 consists of three independent directors, namely, Mr Tan Sek Khee, Mr Andre Yeap Poh Leong and Mr Christopher Chong Meng Tak. Upon the resignation of Mr Christopher Chong Meng Tak on 13 August 2019, Mr Tan Huay Lim was appointed as a member of the RC. Mr Tan Sek Khee is the Chairman of the RC. In discharging their duties, the members have access to advice from the internal human resources personnel, and if required, advice from external experts. During FY2019, the RC did not require the service of an external remuneration consultant to advise on the directors' remuneration. The operations of the RC are regulated by its terms of reference, which were approved and are subject to periodic review by the Board.

The RC recommends, in consultation with the Chairman, a framework of remuneration policies for key management personnel and directors serving on the Board and Board Committees, and determines specifically the remuneration package for each executive director of the Company. The RC covers all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, grant of share options and performance shares as well as benefits in kind. The RC also reviews the remuneration of key management personnel taking into consideration the Chairman, Managing Director and CEO's assessment of and recommendation for remuneration and bonus. The RC's recommendations are submitted for endorsement by the entire Board. No director is involved in deciding his own remuneration.

The RC administers the ASL Employee Share Option Scheme 2012 ("ESOS") approved on 25 October 2012 in accordance with the rules of the ESOS.

The RC determines and approves the allocation of the share options, the date of grant and the price thereof under the ESOS. There were no share options granted during FY2019 and the executive directors are not eligible to participate in the ESOS. Details of the ESOS are set out on pages 58 and 59 of this Annual Report.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Group's remuneration policy is to provide remuneration packages which will reward performance and attract, retain and motivate directors and key management personnel to run the Group successfully. In setting the remuneration packages, the RC takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, the Group's and the individual's performance and the need for compensation to be structured in symmetric with risk outcomes and time horizon of risks.

The executive directors do not receive directors' fees. The remuneration for the executive directors and the key management personnel comprises primarily a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. This is structured so as to link rewards to corporate and individual performance and to align with the interests of shareholders so as to promote the long term sustainability of the Group. Other than payment in lieu of notice in the event of termination, there were no termination, retirement and post-employment benefits granted under the executive directors' and key management personnel's contracts of service.

Given that the variable components of remuneration of the executive directors and key management personnel are moderate, there are no contractual provisions to allow the Group to reclaim their incentive components of remuneration in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss. The executive directors owe a fiduciary duty to the Company and the Group and remedies against the executive directors are available in the event of any breach of fiduciary duties.

The service agreements entered into with the executive directors, namely, Mr Ang Kok Tian, Mr Ang Ah Nui and Mr Ang Kok Leong, are automatically renewable on a yearly basis unless terminated by either party giving written notice of not less than three months. The service agreements do not contain onerous removal clauses.

Governance Disclosure Guide

Guideline 9.6:
(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.

(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?

(c) Were all of these performance conditions met? If not, what were the reasons?

CORPORATE GOVERNANCE REPORT

The independent directors receive directors' fees, in accordance with their contributions, taking into account factors such as responsibilities, effort and time spent serving on the Board and Board Committees. The independent directors' fees were derived using the fee structure as follows:

	AC	NC	RC
Chairman	$34,800 per annum	$24,400 per annum	$24,400 per annum
Member	$23,200 per annum	$18,600 per annum	$18,600 per annum

The lead independent director gets an additional $10,000 to undertake this position.

The Company does not have service contracts with independent directors. Directors' fees are recommended by the Board and are subject to the approval of shareholders at the Company's AGM.

The Company encourages independent directors to invest in the Company. The shareholdings of the individual directors are set out on page 57 of this Annual Report.

Governance Disclosure Guide

Disclosure on Remuneration

Principle 9: ***Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.***

Remuneration of directors

The following table shows the breakdown of the directors' remuneration for FY2019:

Name of director	Total remuneration $'000	Salary[1] %	Bonus %	Other benefits[2] %	Directors' fees[3] %	Total %
Payable by the Company:						
Independent directors						
Andre Yeap Poh Leong	66	–	–	–	100	100
Christopher Chong Meng Tak (resigned on 13 August 2019)	82	–	–	–	100	100
Tan Sek Khee	66	–	–	–	100	100
	214					
Payable by subsidiaries:						
Executive directors						
Ang Kok Tian	473	78	–	22	–	100
Ang Ah Nui	454	77	–	23	–	100
Ang Kok Leong	374	78	–	22	–	100
	1,301					
Total for directors of the Company	1,515					

1 Inclusive of Employer's Central Provident Fund contributions

2 Other benefits refer to car benefits

3 The directors' fees will only be paid upon shareholders' approval at the forthcoming AGM

Governance Disclosure Guide

Guideline 9.2: Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

Remuneration of top five key management personnel

In the interest of maintaining good morale and a strong spirit of teamwork within the Group, the disclosure relating to the top five key management personnel of the Group in bands of $250,000 and in percentage terms for FY2019 is set out as follows:

Name of key management personnel	Salary[1] %	Bonus %	Other benefits[2] %	Total %
Payable by subsidiaries:				
$250,000 to below $500,000				
Ang Kok Eng	92	–	8	100
Tay Kes Siong	100	–	–	100
Below $250,000				
Kim Dong Gyun	100	–	–	100
Koh Kai Kheng	100	–	–	100
You Bom Lee	100	–	–	100
Total remuneration				$1,095,000

1 Inclusive of Employer's Central Provident Fund contributions

2 Other benefits refer to car benefits

Remuneration of employees who are immediate family members of a director or the CEO

The following table shows the breakdown of the remuneration in bands of $50,000 and in percentage terms of employees who are immediate family members of a director and the CEO, and whose remuneration exceeds $50,000 for FY2019:

Name of employee	Salary[1] %	Bonus %	Other benefits[2] %	Total %
Payable by subsidiaries:				
$350,000 to below $400,000				
Ang Kok Eng	92	–	8	100
$300,000 to below $350,000				
Ang Sin Liu	98	–	2	100

1 Inclusive of Employer's Central Provident Fund contributions

2 Other benefits refer to car benefits

Mr Ang Sin Liu, Group Advisor, is the father of the executive directors, Mr Ang Kok Tian, Mr Ang Ah Nui and Mr Ang Kok Leong.

Mr Ang Kok Eng, Executive Director of certain principal subsidiaries of the Group, is the brother of Mr Ang Kok Tian, Mr Ang Ah Nui and Mr Ang Kok Leong.

Governance Disclosure Guide

Guideline 9.3:
(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).

Guideline 9.4:
Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.

ACCOUNTABILITY AND AUDIT

Governance Disclosure Guide

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board endeavors to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis. In presenting the quarterly financial statements announcements and annual report to shareholders, the Board aims to provide shareholders with detailed analysis, explanation and assessment of the financial performance, position and prospects of the Group. The announcements on the quarterly financial results, annual report, material corporate developments can be found on the Company's website and disclosure via SGXNET.

In line with the requirements of SGX-ST, negative assurance confirmations on interim financial results were issued by the Board confirming that to the best of its knowledge, nothing had come to the attention of the Board which may render the Company's quarterly results to be false or misleading in any material aspect.

All the directors and executive officers of the Group also signed a letter of undertaking pursuant to Rule 720(1) of the SGX-ST Listing Manual.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group has a system of internal control designed to provide reasonable assurance with respect to the safeguarding of assets and maintaining proper accounting records to ensure that financial information used for financial reporting is reliable. The system of internal control is based within a wider framework that attempts to optimise the balance between growth or return and related risks. More specifically, the Board attempts to:

(a) align risk with its medium and longer term business strategy. The Board thus sets the overall risk appetite which the internal auditors and internal controls monitor;

(b) preselect risk response. For each major risk or risk category, the Board decides whether to avoid, reduce, share or accept the risk. The internal auditors and internal controls are there to ensure that the system does not deliberately or inadvertently circumvent or override this decision;

(c) reduce operational surprises and losses;

(d) identify cross border and cross business risk and such risks which are not normally within the scope or control of day-to-day management; and

(e) improve the use of capital and resources.

However, the Board recognises that no internal control system could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, fraud or other irregularities. The internal control system is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

The internal and external auditors conducted annual review on the effectiveness of the Group's key internal controls, including financial, operational, policy, compliance and information technology controls and risk management. Any material non-compliance or internal control weaknesses and recommendations for improvements are reported to the AC. A copy of the internal audit report is also issued to the relevant departments for their follow-up actions and the improvement measures are closely monitored and reviewed by the AC. In addition, any major control weaknesses on financial reporting identified in the course of the statutory audit, are highlighted by the external auditors to the AC.

For the purpose of the Board expressing its opinion and in line with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Internal Controls Integrated Framework, "internal controls" is broadly defined as "a process effected by an entity's board of directors and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

(a) effectiveness and efficiency of operations;

(b) reliability of financial reporting; and

(c) compliance with applicable laws and regulations."

The first category addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of assets. The second category relates to the preparation of reliable published financial statements, including quarterly and full year financial reports and financial information derived from such statements, reported publicly. The third category deals with complying with those laws and regulations to which the entity is subjected to.

The Group's approach to risk management with a brief description of the nature and extent of its risk exposures are set out on page 55 of this Annual Report.

Governance Disclosure Guide

Key Operational Risks

The Board is aware of the operational risks that may adversely affect the Group's operating results if any of these risk factors and uncertainties develops into actual events. The Board believes that the Group's key operational risks are as follows:

Macro Economic Risk

The Group's business is sensitive to global economic conditions. The global economic slowdown has resulted in weak charter rates for certain categories of vessels. This in turn affects the demand for new ship building, conversions and to a lesser extent repairs.

Change in Customers' Ordering Pattern

As a result of market uncertainties with regard to the industry recovery, the Group's clients may place fewer orders or may downsize the ships they wish to build or convert or delay their order or act in some other manner which adversely affects our revenues or timing of the revenue recognition.

Cancellation Risk

When market conditions are weak, there is possibility that clients may cancel signed orders. Any cancellation may affect our cash flow position, revenue or profit.

Increasing Credit Risk

The risk associated with credit is rising as a result of protracted downturn of global marine industry. The Group recorded impairment losses of financial assets of $75.7 million in FY2019 which included specific provision on certain receivables, impaired after due assessment, where final settlement sum is being negotiated or the probability of recovery is remote based on current market condition.

Working Capital

The severe challenges to the offshore and marine industry were exacerbated in the past few years, with financing options becoming the key constraint for the survival of many companies. While the Group enjoys good relations with its bankers, if in the event the Group does suffer a reduction in its banking lines and/or facilities, it may have to reduce the amount of business it undertakes as ship building, ship repairs and conversion and ship owning are capital and/or cash flow intensive activities.

Supply Disruption Risk

The Group is very reliant on its suppliers including specialist engineering suppliers and labor suppliers. If there is a disruption in supply, such as a delay in the arrival of design plans or specialist equipment or a labor strike, the Group's business will be affected.

Operational Health & Safety Risk

The Group has in place an Occupational Health and Safety System that is in line with international standards and complies with the local legislation on health and safety requirements. The Group adopts the industry best practice which sets the standard for business units to actively manage and minimize any health and safety risk at the workplace. But as in all businesses, if there is a major accident, the Group's business could be adversely affected.

Changes in Legislation (Indonesia)

A significant part of the Group's facilities are in Batam, Indonesia. The business environment in Indonesia is good and as has been the case for the last decade is getting better. However, if there is a reversal in this trend for political or other reasons, the Group's business may be adversely affected.

Currency Risk

Foreign currency exchange effects could be volatile. Examples include changes in the S$ against the US$, Euro and Indonesian Rupiah. Whilst the Group tries to bill in S$, the world quotes in US$ and many specialist equipment is priced in Euro.

The Board, with the concurrence of the AC, after carrying out an independent review, is of the opinion that the Group's internal controls and risk management are adequate and effective to address the financial, operational, compliance and information technology risks for the nature and size of the Group's assets. This assessment is based on 1) the Group's framework of management controls in place, 2) reviews and work performed by the internal auditors and external auditors on the internal controls maintained by the Group and 3) assurances obtained from the CEO and Group Financial Controller.

Governance Disclosure Guide

Guideline 11.3:
(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.

Internal controls, because of its inherent nature, can only provide reasonable but not absolute assurance in meeting the intended control objectives. The management will continue to work on improving the standard of internal controls, corporate governance and the mitigation of high risk areas identified.

For FY2019, the Board has received assurance from the CEO and Group Financial Controller that:

(a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view, in all material respects, of the Group's operations and finances; and

(b) the risk management and internal control systems (other than in the subsidiary VOSTA LMG acquired in FY2013) are adequate and operating effectively in all material respects given its current business environment. Certain internal control weakness that the external auditors become aware of during the course of their audit have been communicated to the AC.

Governance Disclosure Guide

(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and
(ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Board established the AC in March 2003 which during FY2019 consists of three independent directors, namely, Mr Christopher Chong Meng Tak, Mr Andre Yeap Poh Leong and Mr Tan Sek Khee. Upon the resignation of Mr Christopher Chong Meng Tak on 13 August 2019, Mr Tan Huay Lim was appointed as Chairman of the AC.

The Board considers Mr Christopher Chong Meng Tak, who is a member of the Institute of Chartered Accountants of Scotland and a Fellow of both the Australian and Hong Kong Institute of CPAs and who has extensive and practical financial management knowledge and experience, well qualified to chair the AC. Mr Chong resigned on 13 August 2019.

The Board considers the new AC chairman, Mr Tan Huay Lim who is a Fellow Member of the Institute of Singapore Chartered Accountants, the Association of Certified Accountants, UK, and the Certified Practising Accountants (Australia) and who has extensive accounting and auditing knowledge and experience, well qualified to chair the AC.

Mr Tan Sek Khee has considerable practical financial management experience.

The members of the AC, collectively, have considerable legal, financial management expertise and also relevant experience to discharge their duties. The operations of the AC are regulated by its terms of reference, which were approved and are subject to periodic review by the Board. The AC meets at least four times a year.

Governance Disclosure Guide

The duties of the AC include reviewing with the internal auditors, external auditors and management, the Group's policies and control procedures, interested person transactions, as well as any financial information presented to shareholders. Specifically, the AC:

- Reviews the audit plans of the internal and external auditors of the Group and the Company, and reviews the internal auditors' evaluation of the adequacy and effectiveness of the Group's system of internal controls and the assistance given by management to the external and internal auditors;
- Reviews findings and recommendations of the internal and external auditors relating to the internal control systems of the Group and management responses and actions to correct any deficiencies;
- Reviews the quarterly and the annual financial statements, results of the audit and the auditors' report on the annual financial statements of the Group and the Company before their submission to the Board;
- Reviews the adequacy and effectiveness of the Group's material internal controls, relating to financial, operational, compliance and information technology controls and risk management;
- Meet with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements and any reports received from regulators;
- Reviews the independence and objectivity of the external auditor and the nature and extent of non-audit services provided by the external auditor;
- Recommends to the Board on the appointment, re-appointment and removal of internal and external auditors and approves their fees;
- Reports actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the SGX-ST's Listing Manual.

The AC has explicit authority to investigate any matter within the scope of its duties and is authorised to obtain independent professional advice. It has full access to and co-operation of the management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any executive director or any other person to attend its meetings. The AC meets with the internal and external auditors separately, at least once a year, without the presence of management to review any areas of audit concern. Individual members of the AC also engage the internal and external auditors separately in ad hoc meetings.

For FY2019, the AC has reviewed the non-audit services provided by the Company's external auditors, which comprised attestation services required under the Approved International Shipping Enterprise Scheme and Diagnostics of SFRS(I) 15 Revenue from Contracts with Customers. The AC is satisfied that the external auditors' independence and objectivity have not been impaired by their provision of non-audit services. The fees payable to the external auditors in respect of audit and non-audit services, are set out on page 176 of this Annual Report.

The AC meets with the external auditors at least twice a year to discuss the annual audit plan and full year results audit. Apart from financial reporting standards updates, discussions on audit and risk management matters, accounting implications of any material transactions and significant financial reporting issues are also covered. From time to time, the AC is also kept abreast by the management at Board meetings on changes to financial reporting standards, SGX-ST listing rules and other regulations which could have an impact on the Group's business and financial statements and this is in addition to seminars conducted by professionals and external parties.

The AC has recommended to the Board the re-appointment of Ernst & Young LLP as the Company's external auditors at the forthcoming AGM. There is no member of the AC who 1) was a former partner or director of the Company's existing auditing firm within the past 12 months; or 2) holds any financial interest in the auditing firm.

The Group has complied with Rule 712, Rule 715 and Rule 716 of the SGX-ST Listing Manual in relation to appointment of external auditors.

Audit Committee's Commentary on Significant Financial Reporting Matters

The AC considered the following financial reporting matters as significant based on their potential impact on the Group's results, or based on the level of complexity, judgement or estimation involved in their application.

Governance Disclosure Guide

Guideline 12.6:
(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.

(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.

Governance Disclosure Guide

Going Concern

The application of the going concern basis for the preparation of the financial statements require making assumptions and significant judgement about future performance and cash flows which are inherently uncertain.

The AC held discussions with the management and the external auditors on the assessment of the ability of the Group and the Company to continue as a going concern and the relevant disclosures have been made in the Note 2.1 to the financial statements.

Impairment Losses on Financial and Non-Financial Assets

The Group recorded impairment losses of $75.7 million on financial assets and $91.5 million on non-financial assets as disclosed in Note 29 and Note 27(b) respectively to the financial statements.

The AC evaluated management's methodologies and assumptions used in determining the recoverable amounts or realisable values of the assets.

The AC held discussions with the external auditors regarding the relevant accounting treatment and their audit procedures that had been performed.

The AC was satisfied with management's assumptions, judgement and conclusion on the amount of the impairment losses recorded.

WHISTLE-BLOWING POLICY

The Company has put in place a whistle-blowing policy and procedures duly endorsed by the AC, where employees of the Group may, anonymously and in confidence, raise concerns about possible corporate improprieties in financial reporting or other matters such as suspected fraud, corruption, dishonest practices etc. to the designated persons. All reports including unsigned reports, reports weak in details and verbal reports are considered. To ensure independent investigation into such matters and for appropriate follow up action, all whistle-blowing reports are reviewed by the lead independent director, the AC and the Board. In the event that the report is about a director, that director will not be involved in the review and any decisions with respect to that report.

The policy aims to encourage the reporting of such matters in good faith, with the confidence that any employees making such reports will be treated fairly and be protected from reprisal. Details of the whistle-blowing policy have been made available to all employees. There were no reports received through the Company's whistle-blowing mechanism during FY2019.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Governance Disclosure Guide

The role of the internal auditors is to assist the AC to ensure that the Group maintains a sound system of internal controls by regular monitoring of key controls and procedures, ensuring their effectiveness and undertaking investigations as directed by the AC.

The Group has outsourced its internal audit function to a professional service firm, BDO LLP, in January 2012. BDO LLP is independent of the Company's business activities. An audit plan over a 2-3 year audit cycle approved by the AC covering the Group's main business processes of major subsidiaries has been adopted. Summary of findings and recommendations is discussed at the AC meetings and the status of implementation of the actions agreed by management is tracked and reported to the AC. BDO LLP reports directly to the AC on audit matters and the Group Financial Controller on administrative matters. The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The internal auditors have unrestricted access to documents, records, properties and personnel of the Company and the Group.

Guideline 13.1: Does the Company have an internal audit function? If not, please explain why.

The International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the Company's internal auditors. The annual conduct of audit by the internal auditors assesses the effectiveness of the Group's internal control procedures and provides reasonable assurance to the AC that the Group's risk management, controls and governance processes are adequate and effective.

The AC has reviewed the adequacy and effectiveness of the internal audit function and is satisfied that the internal audit function is independent, effective and adequately resourced. The review included examining the scope of the internal audit work and the internal auditors' independence, the internal auditors' reports and their relationship with the external auditors.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Board is mindful of its obligations to provide timely disclosure of material information presented in a fair and objective manner to shareholders and investors. The communications with shareholders and investors are carried out through various channels including annual reports, quarterly financial statements announcements, powerpoint presentations, press releases, announcements on business developments and material information on the performance of the Group through SGXNET and the Company's website, www.aslmarine.com. The Company announces the date of the release of its quarterly results at least two weeks prior to the date of announcement through SGXNET.

From time to time, the management holds meetings with investors and/or Noteholders to explain the financial results and provide insight to the Group's development and outlook of the industry. Where there is inadvertent disclosure made to a selected group, the Company will ensure the same disclosure is made publicly available to all others as promptly as possible.

The shareholders can access information on the Group at the Company's website which provides, inter alia, all publicly disclosed financial information, corporate announcements, press releases, annual reports and profile of the Group. To enable shareholders to contact the Company, the Company's website address is set out in the Corporate Information page of the annual report. The management will respond to investors' queries as soon as practical.

The independent directors engage with shareholders at the AGM and at other times seeking their views with respect to any additional information they would like to see in the annual report or on the Company's website, where appropriate changes would be made.

Governance Disclosure Guide

Guideline 15.4:
(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?

(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?

(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?

Conduct of Shareholder Meetings

Governance Disclosure Guide

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All registered shareholders are invited to participate and given the right to vote on resolutions at general meetings. Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is sent with notice of general meetings to all shareholders. Shareholders are informed of such meetings through the notices which are also published in local newspapers, released via SGXNET and posted on the Company's website.

Under the Constitution of the Company, if any shareholder is unable to attend the general meetings in person, he is allowed to appoint up to two proxies to attend and vote on his behalf at the meetings through proxy forms. Under the multiple proxy regime, "relevant intermediaries" are allowed to appoint more than two proxies to attend and participate in general meetings. Relevant intermediaries has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 which includes corporations holding licenses in providing nominee and custodial services for securities and the Central Provident Fund Board ("CPF"). This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at general meetings.

The Company conducts electronic poll voting at its general meetings since year 2015. The rules, including the voting process and procedures, will be explained by the scrutineers at such general meetings. All shareholders are entitled to vote in accordance with the established voting rules and procedures. Voting in absentia by mail, facsimile or e-mail is currently not allowed as such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identity. The detailed voting results, including the total number of votes cast for or against each resolution is tallied and displayed live on-screen to shareholders immediately after the vote has been cast. Results will also be announced after the meetings via SGXNET. Minutes of shareholders' meetings are available upon request by shareholders.

The Chairman, Managing Director and CEO delivered a short presentation at the last AGM to shareholders to update them on the Group's performance and businesses. The Board, Chairman of the AC, NC, RC and management are present at the Company's general meetings to address questions that shareholders may have concerning the Group. The Company's external auditors are also present to address any relevant queries relating to the conduct of the audit and the preparation and content of the auditors' report. Shareholders are invited to a tea reception after the meetings, thus providing a further opportunity for them to communicate their views and discuss on affairs of the Group with the Board and management.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company has not formally instituted a dividend policy. In proposing any dividend payout and/or determining the form, frequency and/or the amount of dividend, the Board will take into account, inter alia, the Group's financial position, retained earnings, results of operation and cash flow, the Group's expected working capital requirements and capital expenditure, other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

For FY2019, 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, the Board has decided not to recommend any dividends.

Governance Disclosure Guide

Guideline 15.5:
If the Company is not paying any dividends for the financial year, please explain why.

VOLUNTARY LIMITS

The Company has voluntarily reduced the limit for non-pro rata shares issue from 20% to 15% of the total number of issued shares in the capital of the Company since 2010.

DEALINGS IN SECURITIES

The Company has complied with and adopted policies in line with Rule 1207(19) of the SGX-ST Listing Manual on dealings in the Company's securities. The Company's internal compliance code provides guidance to its officers and employees with regard to dealings in the Company's securities. The Group's officers and employees are prohibited from dealing in the Company's securities while in possession of unpublished price-sensitive information of the Group, as well as during the periods commencing two weeks before the announcement of the Company's quarterly results and one month before the announcement of the Company's full year results and ending on the date of the announcement of the relevant results. The Group's officers and employees are also discouraged from dealing in the Company's securities on short-term considerations.

All directors are required to seek Board's approval before trading in the Company's shares.

MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, except as disclosed in the Directors' statement and Notes to the Financial Statements, there are no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interests of the CEO, any directors or controlling shareholders of the Company, either still subsisting as at the end of FY2019, or if not then subsisting, entered into since the end of the previous financial year.

SUSTAINABILITY REPORTING

Governance Disclosure Guide

The Board believes corporate social responsibility is a key driver towards long-term sustainability of the Company. Such responsibility is pragmatically integrated into the business practices as one of the core values in the corporate culture.

For more information, the Group's sustainability governance structure and policies can be found on the Company's website. The 2019 Sustainability Report will be published by 30 November 2019.

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.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of transactions with interested persons and has set out the procedures for quarterly review by the AC and approval of the interested person transactions to be entered into by the Group to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis on terms that are not prejudicial to the interests of the shareholders.

Shareholders have approved an interested person transaction mandate ("IPT mandate") on 28 November 2016. The IPT mandate was last renewed on 31 October 2018 and will be renewed at the forthcoming AGM. The IPT mandate defines the threshold limits and procedures for the interested person transactions. Information regarding the IPT mandate is available on the Company's server. All business units are required to be familiar with the IPT mandate.

The Group maintains a register of the interested person transactions in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual.

The following table shows the interested person transactions (of more than $100,000) entered into by the Company or any of its subsidiaries for FY2019.

Governance Disclosure Guide

	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) $'000	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
Sale of goods and services		
Contech Precast Pte Ltd	–	139
Econ Precast Pte Ltd	–	14,298
Entire Engineering Pte Ltd	–	643
Koon Construction & Transport Co Pte Ltd	–	2,394
Petra I Pte Ltd	–	738
Sindo-Econ Pte Ltd	–	1,902
PT. Sindomas Precas	–	1,557
Reem Island Pte Ltd	–	6,700
Purchase of goods and services		
Koon Holdings Limited	–	348
Koon Construction & Transport Co Pte Ltd	–	5,383
Entire Engineering Pte Ltd	–	210
Econ Precast Pte Ltd	–	1,933
Sintech Metal Industries Pte Ltd	2,869	–
Reimbursement of expenses due from		
Koon Construction & Transport Co Pte Ltd	1,808	–
Entire Engineering Pte Ltd	523	–
Econ Precast Pte Ltd	243	–
PT. Sindomas Precas	338	–
Reem Island Pte Ltd	290	–
Reimbursement of expenses due to		
Koon Holdings Limited	180	–
Koon Construction & Transport Co Pte Ltd	894	–
	7,145	**36,245**

Note:
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.

RISK MANAGEMENT STRATEGIES

The Group has established a framework for risk management to identify, assess and manage potential risks and opportunities and to assist management in making informed decisions. The Group adopts a proactive approach to managing risk of financial losses, breaches in legal and regulatory requirements, negative impact to customers and loss of business opportunities.

The Group regularly reviews the level of risk exposure in the following key risk areas which the Group operates in:

- **Legal and Country Risk**

  The Group has established subsidiaries operating in different countries. These overseas subsidiaries are exposed to changes in governmental regulations and unfavourable political developments, which may limit the realisation of business opportunities and investments in those countries.

  Risks arising from non compliance with applicable laws and regulations are managed with the assistance of the Group's external legal advisers. Where the Group is active or has an operating presence in a foreign jurisdiction, legal counsel from that foreign jurisdiction is sought where appropriate. The operating head of the business unit is responsible for compliance with the applicable laws in the country of operations.

  The Group's business operations are also exposed to uncertainties of the global economy and international capital markets. To prepare for the fluctuations in external environment, the Board and the management consistently keep themselves up-to-date on the changes in political and industry regulations so as to implement appropriate measures against any adverse changes in market conditions in an efficient and timely manner.

- **Operational Risk**

  Operational risk is the potential loss caused by a breakdown in internal process, deficiencies in people and management, or operational failure arising from external events. The Group's operational risk is managed at each operating unit and monitored at the Group level. Whilst operational risk cannot be eliminated completely, the Group evaluates the options available by weighing the cost and effectiveness of each measure taken to minimize risk exposure. The Group has put in place operating manuals, standard operating procedures, delegation of authority threshold to optimise operational efficiency and a regular reporting structure for both operational and financial reporting. Independent checks are carried out by the Group's Internal Auditors on the Group's internal controls and risk management process to ensure their effectiveness and adequacy. Where appropriate, the Group maintains sufficient insurance coverage for those areas exposed to risks, taking into account the risk profile of the business in which it operates.

- **Financial Risk**

  The Group's financial risk management objectives and policies are set out on pages 186 to 197 of this Annual Report. Financial risk includes market risk such as interest rate risk and foreign exchange rate risk, as well as credit risk and liquidity risk.

- **Investment Risk**

  The Group evaluates any investment proposals for potential ventures and business acquisitions by conducting due diligence exercises and comparing to benchmarked rate of return taking into consideration the Group's level of risk exposure. All investment proposals are subject to the Board's approval with post-investment reviews being conducted to monitor and mitigate the risk of non-performing investments.

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of ASL Marine Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2019.

Opinion of the Directors

In the opinion of the Directors,

(a) the accompanying statements of financial position, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The Directors of the Company in office at the date of this statement are:

Ang Kok Tian
Ang Ah Nui
Ang Kok Leong
Andre Yeap Poh Leong
Tan Sek Khee
Tan Huay Lim (Appointed on 13 August 2019)

Arrangements to enable Directors to acquire shares and debentures

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of Directors	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company				
ASL Marine Holdings Ltd.				
(Ordinary shares)				
Ang Kok Tian	88,212,800	88,212,800	334,830,150*	334,830,150*
Ang Ah Nui	30,660,000	30,660,000	392,382,950*	392,382,950*
Ang Kok Leong	72,841,500	72,841,500	350,201,450*	350,201,450*
Andre Yeap Poh Leong	350,000	350,000	–	–

* Ang Kok Tian, Ang Ah Nui and Ang Kok Leong are brothers. Each of the brothers is deemed to be interested in the shares held by the other and their father (Ang Sin Liu), other brother (Ang Kok Eng) and sister (Ang Swee Kuan).

	Direct interest		Deemed interest	
Name of Directors	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Subsidiaries				
ASL Triaksa Offshore Pte. Ltd.				
(Ordinary shares)				
Ang Kok Tian	–	–	60,000	60,000
Ang Ah Nui	–	–	60,000	60,000
Ang Kok Leong	–	–	60,000	60,000
PT. Cipta Nusantara Abadi				
(Ordinary shares of Rp. 50,000 each)				
Ang Kok Tian	–	–	30,300	30,300
Ang Ah Nui	–	–	30,300	30,300
Ang Kok Leong	–	–	30,300	30,300

Directors' interests in shares and debentures (cont'd)

Name of Directors	Direct interest At the beginning of financial year	Direct interest At the end of financial year	Deemed interest At the beginning of financial year	Deemed interest At the end of financial year
Hongda Investment Pte. Ltd.				
(Ordinary shares)				
Ang Kok Tian	–	–	3,000,000	3,000,000
Ang Ah Nui	–	–	3,000,000	3,000,000
Ang Kok Leong	–	–	3,000,000	3,000,000
Jiangmen Hongda Shipyard Ltd.				
(Registered and paid in capital)				
Ang Kok Tian	–	–	5,000,000	5,000,000
Ang Ah Nui	–	–	5,000,000	5,000,000
Ang Kok Leong	–	–	5,000,000	5,000,000

There was no change in any of the abovementioned interests between the end of the financial year and 21 July 2019 except for Ang Kok Tian, Ang Ah Nui and Ang Kok Leong who on 12 July 2019 and Andre Yeap Poh Leong who on 17 July 2019 accepted their respective 44,106,400, 46,545,900, 36,420,750 and 175,000 rights warrants to subscribe for new ordinary shares in the Company in conjunction with the renounceable non-underwritten rights issue of 266,505,713 warrants that were issued on 24 July 2019 and credited on 25 July 2019. Each of Ang Kok Tian, Ang Ah Nui and Ang Kok Leong is deemed to be interested in the warrants accepted by the others, their father, Ang Sin Liu (33,951,375 warrants), their brother, Ang Kok Eng (36,899,550 warrants) and their sister, Ang Swee Kuan (13,597,500 warrants).

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Ang Kok Tian, Ang Ah Nui and Ang Kok Leong are deemed to have interests in the shares of the subsidiaries of the Company.

Except as disclosed in this statement, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Share options

The ASL Employee Share Option Scheme 2012 (the "2012 Scheme") was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 25 October 2012. The 2012 Scheme was administered by the Remuneration Committee (the "RC") comprising three Independent Directors, Tan Sek Khee, Andre Yeap Poh Leong and Christopher Chong Meng Tak. Upon the resignation of Christopher Chong Meng Tak on 13 August 2019, Tan Huay Lim was appointed as member of the RC.

Share options (cont'd)

Details of the 2012 Scheme are set out in the circular dated 8 October 2012 which is available for inspection at the registered office of the Company.

Other information regarding the 2012 Scheme is set out below:

(i) Exercise price

The exercise price for each share in respect of which an option is exercisable shall be fixed by the RC in its absolute discretion at:

(a) the Market Price; or

(b) a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the RC in its absolute discretion, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the Market Price and is approved by the shareholders in a general meeting in a separate resolution in respect of that option.

"Market Price" is defined as the average of the last dealt prices for a share, as determined by reference to the daily official list or other publication published by the Singapore Exchange Securities Trading Limited (the "SGX-ST") for five consecutive market days immediately preceding the date on which an offer to grant an option is made (the "Offer Date") rounded up to the nearest whole cent in the event of fractional prices.

(ii) Option exercise period

Options granted with the exercise price set at Market Price are exercisable at any time, after the first anniversary of the date of grant of that option and expiring on, in the case of options granted to Non-Executive Directors and/or Associated Company Employees, the day preceding the fifth anniversary of the relevant date of grant and for other than Non-Executive Directors and/or Associated Company Employees, the day preceding the tenth anniversary of the relevant date of grant.

Options granted with the exercise price set at a discount to the Market Price are exercisable at any time, after the second anniversary of the date of grant and expiring on, in the case of options granted to Non-Executive Directors and/or Associated Company Employees, the day preceding the fifth anniversary of the relevant date of grant and for other than Non-Executive Directors and/or Associated Company Employees, the day preceding the tenth anniversary of the relevant date of grant.

Since the adoption of the 2012 Scheme, no options have been granted and there were no unissued shares of the Company under options.

DIRECTORS' STATEMENT

Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditors' evaluation of the adequacy and effectiveness of the Group's system of internal controls and the assistance given by management to the external and internal auditors;
- Reviewed findings and recommendations of the internal and external auditors relating to the internal control systems of the Group and management responses and actions to correct any deficiencies;
- Reviewed the quarterly and annual financial statements, results of the audit and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviewed the adequacy and effectiveness of the Group's material internal controls, relating to financial, operational, compliance and information technology controls and risk management;
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements and any reports received from regulators;
- Reviewed the independence and objectivity of the external auditor and the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors on the appointment, re-appointment and removal of internal and external auditors and approved their fees;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the SGX-ST's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions as defined in Chapter 9 of the SGX-ST's Listing Manual.

The AC convened six meetings during the year with full attendance from all members, except for one where a member was absent. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Report.

Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors:

Ang Kok Tian
Director

Ang Ah Nui
Director

Singapore
8 October 2019

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.
For the financial year ended 30 June 2019

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ASL Marine Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 30 June 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statements of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the financial statements. The Group incurred loss after tax of $145,879,000 for the financial year ended 30 June 2019 and as at that date, the Group's current liabilities exceeded its current assets by $20,821,000. As at 30 June 2019, the Group's and Company's total borrowings amounted to $363,135,000 and $173,292,000 of which $46,264,000 and $11,965,000 were classified as current liabilities respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns. As disclosed further in that Note, the ability of the Group and the Company to continue as going concerns is dependent on the ability of the Group to generate sufficient cash flows from operations and to receive continued support from the lenders.

Material uncertainty related to going concern (cont'd)

In the event that the Group is unable to generate sufficient cash flows from operations or does not continue to receive support from the lenders, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised in a manner other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. The Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment assessment of assets

The industry in which the Group operates remains weak in terms of volume and margins. There is weak demand for various classes of vessels in the chartering fleet, including offshore support vessels. This gives rise to financial statements risk such as impairment of the Group's vessels, as well as the determination of the net realisable value of finished goods, the recoverability of finance lease receivables, trade receivables and goodwill.

Key audit matters (cont'd)

Impairment assessment of assets (cont'd)

Impairment of vessels

Refer to Note 3.2(a) (Significant judgements and estimates), Note 2.10 (Accounting policies) and Note 4 (Property, plant and equipment).

The Group owned vessels with a carrying value of $359,385,000 as at 30 June 2019. As disclosed in Note 4, management performed an annual impairment test on the vessels due to the presence of impairment indicators on these vessels as at 30 June 2019. The impairment test was conducted by comparing the carrying amount of these vessels to their respective recoverable amounts. This area was significant to our audit as the carrying value of the vessels represented 70.2% of the Group's total non-current assets as at 30 June 2019 and there is significant judgement involved in the impairment assessment to determine the recoverable amounts of these vessels.

Management had estimated the recoverable amount of the vessels based on fair value less cost of disposal and engaged external independent valuers to perform valuations of these vessels and have considered the reasonableness of the valuation, given the industry in which the Group operates in. The valuations involve various underlying key assumptions and techniques used by the external independent valuers.

Our audit procedures included, amongst others, considering the competence and objectivity of the external independent valuation experts engaged by the management. We involved our internal valuation specialist in reviewing the appropriateness and reasonableness of the external independent valuation experts' valuation methodology, key assumptions used, inter alia the specifications and the age of the vessels and considered the appropriateness of the valuations of the vessels by comparing to comparable market data.

Net realisable value of completed vessels

Refer to Note 3.2(e) (Significant judgements and estimates), Note 2.17 (Accounting policies) and Note 10 (Inventories).

As disclosed in Note 10, included in finished goods are vessels with an aggregate carrying amount of $81,245,000 as at 30 June 2019.

The Group recognised the completed vessels at the lower of cost and net realisable value. Management engaged external independent valuers to determine the net realisable values of these vessels and have considered the reasonableness of the valuations, given the current market conditions. The determination of net realisable values of these vessels was significant to our audit as the total carrying value of completed vessels amounted to 34.7% of the Group's total current assets as at 30 June 2019. The determination of the net realisable value is complex and involves management exercising significant judgement and use of assumptions and estimates.

Key audit matters (cont'd)

Impairment assessment of assets (cont'd)

Net realisable value of completed vessels (cont'd)

Our audit procedures included, amongst others, considering the competence and objectivity of the external independent valuers engaged by management. We involved our internal valuation specialist in reviewing the appropriateness, reasonableness and consistency of the external independent valuation experts' valuation methodology, key assumptions used, inter alia the specifications of the vessels and considered the appropriateness of the valuations of the vessels by checking to comparable market data.

Recoverability of finance lease receivables and trade receivables

Refer to Note 3.2(c) (Significant judgements and estimates), Notes 2.14 and 2.21 (Accounting policies) and Notes 9 and 12 (Finance lease receivables and trade and other receivables).

Finance lease receivables and trade receivable balances were significant to the Group as they represent 8.3% of the total assets on the statements of financial position. There is possibility of delays in ship building projects arising from changes in capital investments, cancellation of orders and risks of customers renegotiating for lower charter rates. The collectability of finance lease receivables and trade receivables are key elements of the Group's working capital management, which is managed on an ongoing basis by management. The Group determines impairment of finance lease receivables and trade receivables by making debtor-specific assessment for credit-impaired debtors. For the remaining group of debtors, the Group provides for lifetime expected credit losses using a provision matrix. The provision rates are determined based on the Group's historical default rates analysed in accordance to days past due by grouping customers based on customer profiles, adjusted for current and forward-looking information. Finance lease receivables and trade receivables impairment assessment requires significant management judgment hence we determined that this is a key audit matter.

As part of the audit, we assessed the Group's processes and key controls relating to the monitoring of finance lease receivables and trade receivables including the process in determining whether a debtor is credit impaired and the Group's processes on the implementation of SFRS(I) 9 expected credit loss model. We reviewed the key data sources and assumptions for data used in the determination of default rate and the current and forward-looking adjustment factor. We considered the age of the debts as well as the trend of collections to identify the collection risks. We obtained finance lease receivables and trade receivable confirmations and reviewed for collectability by way of obtaining evidence of receipts from the debtors on a sampling basis subsequent to the year end. We had discussions with management and the Board of Directors on the recoverability of long outstanding debts, analysed the Group's trend of collections for long outstanding trade debtors and reviewed legal case files.

Key audit matters (cont'd)

Impairment assessment of assets (cont'd)

Impairment assessment of goodwill and other intangible assets

Refer to Note 3.2(b) (Significant judgement and estimates), Note 2.11 (Accounting policies) and Note 8 (Intangible assets).

Goodwill and other intangible assets amounting to $5,865,000 which represents 1.1% of total non-current assets and 3.8% of total equity as at 30 June 2019 is subject to impairment testing.

We considered the audit of management's impairment test of goodwill and other intangible assets to be significant because the assessment process is subjective and involves significant judgement. This assessment requires management to make significant judgement on the selection of various key assumptions that are affected by future market and economic conditions.

As disclosed in Note 8, the Group's goodwill and other intangible assets is allocated to one cash generating unit (CGU). Management made key assumptions in respect of future market and economic conditions such as revenue and margin development, discount rates and economic growth when performing the assessment.

We evaluated management's methodology used to assess the recoverable amount of goodwill and other intangible assets. We reviewed the robustness of management's budgeting process by comparing the actual results achieved against previously forecasted budgets. Furthermore, we assessed whether these future cash flows were based on the budget approved by the Board of Directors. We assessed and tested the assumptions which the outcome of the impairment test is most sensitive to. We corroborated whether the revenue forecast is supported by customer orders secured to date.

Together with our internal valuation specialists, we assessed the appropriateness of the key assumptions used, notably the discount rate and long-term growth rate. This included an assessment of the specific inputs, inter alia, the discount rate, the risk-free rate, the equity risk premium and beta, along with gearing and cost of debt. Such inputs were benchmarked either against risk rates in specific international markets in which the Group operates or equivalent data for peer companies.

Key audit matters (cont'd)

Impairment assessment of assets (cont'd)

Impairment of investments in subsidiaries and amounts due from subsidiaries at the Company level

Refer to Note 3.2(d) (Significant judgement and estimates), Notes 2.7 and 2.14 (Accounting policies) and Notes 6 and 12 (Investments in subsidiaries and trade and other receivables).

Investments in subsidiaries and amounts due from subsidiaries were $40,723,000 and $259,333,000 respectively as at 30 June 2019. The principal activities of these subsidiaries include vessel owning and intermediate investment holding companies. We considered the audit of management's impairment test of investments in subsidiaries and amounts due from subsidiaries to be significant because their carrying amounts represented 98.8% of the Company's total assets as at 30 June 2019 and the impairment assessment involves significant management's judgement.

The audit procedures discussed in the preceding paragraphs relating to impairment of vessels and impairment assessment of intangible assets and other factors such as the various subsidiaries historical and current performances and financial position are taken into consideration when assessing the impairment of investments in subsidiaries and amounts due from subsidiaries.

Impairment of amounts due from joint ventures and associates

Refer to Note 3.2(f) (Significant judgement and estimates), Notes 2.9 and 2.14 (Accounting policies) and Note 12 (Trade and other receivables).

Amounts due from joint ventures and associates was $5,058,000 as at 30 June 2019. The principal activities of these joint ventures and associates include investment holding companies, manufacture of reinforced concrete piles and precast components as well as metal galvanising, coating and protecting operations. We considered the audit of management's impairment test of amounts due from joint venture and associates to be significant because their carrying amounts represented 2.2% of the Group's total current assets as at 30 June 2019. Amounts due from joint ventures and associates impairment assessment requires significant management's judgement hence we determine this to be a key audit matter.

As part of the audit, we assessed the Group's processes and key controls relating to the monitoring of amounts due from joint ventures and associates including the process in determining whether a joint venture or associate is credit impaired and the Group's processes on the implementation of SFRS(I) 9 expected credit loss model. We reviewed the key data sources and assumptions for data used in the determination of default rate and the current and forward-looking adjustment factor. We considered the age of the debts as well as the trend of collections to identify the collection risks. We also had discussions with management and the Board of Directors on the recoverability of long outstanding debts, analysed the Group's trend of collections for long outstanding amounts due from joint ventures and associates.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's responsibilities for the audit of the financial statements (cont'd)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Adrian Koh Hian Yan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
8 October 2019

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

	Note	Group 30 June 2019 $'000	Group 30 June 2018 $'000	Group 1 July 2017 $'000	Company 30 June 2019 $'000	Company 30 June 2018 $'000	Company 1 July 2017 $'000
Non-current assets							
Property, plant and equipment	4	490,244	577,087	611,887	–	–	–
Lease prepayments	5	4,606	5,913	5,731	–	–	–
Investment in subsidiaries	6	–	–	–	40,723	42,404	50,388
Investment in joint ventures and associates	7	5,450	4,845	9,008	–	–	–
Intangible assets	8	5,865	12,368	17,877	–	–	–
Finance lease receivables	9	5,536	7,841	8,865	–	–	–
		511,701	608,054	653,368	40,723	42,404	50,388
Current assets							
Inventories	10	99,484	171,457	182,015	–	–	–
Contract assets	11	23,617	60,418	88,048	–	–	–
Trade and other receivables	12	80,546	165,907	178,445	259,353	373,598	357,528
Prepayments		4,811	5,790	5,564	185	1,306	1,746
Finance lease receivables	9	670	905	1,001	–	–	–
Derivative financial instruments	13	–	–	15	–	–	–
Cash and bank balances	14	15,395	28,609	36,141	3,591	2,492	1,504
		224,523	433,086	491,229	263,129	377,396	360,778
Assets classified as held for sale	15	–	4,899	–	–	–	–
Assets of disposal group classified as held for sale	16	9,841	–	–	–	–	–
		234,364	437,985	491,229	263,129	377,396	360,778
Current liabilities							
Trade and other payables	17	177,961	181,908	166,407	99,480	115,720	108,249
Provision for warranty	18	42	35	169	–	–	–
Contract liabilities	11	22,149	30,586	19,730	–	–	–
Trust receipts	19	1,157	13,805	20,515	–	–	–
Interest-bearing loans and borrowings	20	45,107	99,589	215,233	11,965	14,893	65,295
Income tax payables		6,754	6,776	5,967	–	–	–
		253,170	332,699	428,021	111,445	130,613	173,544
Liabilities directly associated with disposal group classified as held for sale	16	2,015	–	–	–	–	–
		255,185	332,699	428,021	111,445	130,613	173,544
Net current (liabilities)/assets		(20,821)	105,286	63,208	151,684	246,783	187,234

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

	Note	Group 30 June 2019 $'000	Group 30 June 2018 $'000	Group 1 July 2017 $'000	Company 30 June 2019 $'000	Company 30 June 2018 $'000	Company 1 July 2017 $'000
Non-current liabilities							
Other liabilities	21	3,699	3,479	3,725	–	–	–
Contract liabilities	11	507	2,158	6,356	–	–	–
Interest-bearing loans and borrowings	20	316,871	388,714	313,751	161,327	219,262	142,500
Deferred tax liabilities	22	16,011	15,319	14,512	–	–	–
		337,088	409,670	338,344	161,327	219,262	142,500
Net assets		153,792	303,670	378,232	31,080	69,925	95,122
Equity attributable to owners of the Company							
Share capital	23	108,056	108,056	108,056	108,056	108,056	108,056
Treasury shares	23	(923)	(923)	(923)	(923)	(923)	(923)
Reserves	24	49,630	194,871	267,852	(76,053)	(37,208)	(12,011)
Reserve of disposal group classified as held for sale	16	193	–	–	–	–	–
		156,956	302,004	374,985	31,080	69,925	95,122
Non-controlling interests		(3,164)	1,666	3,247	–	–	–
Total equity		153,792	303,670	378,232	31,080	69,925	95,122

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

For the financial year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue	26	312,882	252,988
Cost of sales		(298,523)	(237,338)
Gross profit		14,359	15,650
Other operating income	27(a)	4,413	15,556
Administrative expenses		(23,088)	(20,851)
Other operating expenses	27(b)	(98,541)	(48,947)
Finance costs	28	(23,195)	(22,711)
Fair value adjustments arising from debt refinancing exercise	20, 28	59,179	–
Impairment losses on financial assets	29	(75,663)	(4,456)
Share of results of joint ventures and associates		857	(3,823)
Loss before tax	29	(141,679)	(69,582)
Income tax expense	30	(4,200)	(3,204)
Loss for the year		(145,879)	(72,786)
Attributable to:			
Owners of the Company	31	(141,027)	(71,361)
Non-controlling interests		(4,852)	(1,425)
		(145,879)	(72,786)
Earnings per share (cents per share)			
Basic and diluted	31	(22.41)	(11.34)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Loss for the year		(145,879)	(72,786)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign subsidiaries		835	(1,795)
Share of other comprehensive income of joint ventures and associates		(59)	(147)
Net fair value changes to cash flow hedges		–	(11)
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined benefit pension plans		–	177
Other comprehensive income for the year, net of tax	25	776	(1,776)
Total comprehensive income for the year		(145,103)	(74,562)
Attributable to:			
Owners of the Company		(140,273)	(72,981)
Non-controlling interests		(4,830)	(1,581)
		(145,103)	(74,562)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

Group 2019	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	Reserve of disposal group classified as held for sale $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owners of the Company								
At 1 July 2018 (FRS framework)	108,056	(923)	1,110	195,776	196,886	304,019	–	1,666	305,685
Adoption of SFRS(I) 15	–	–	–	(2,015)	(2,015)	(2,015)	–	–	(2,015)
Adoption of SFRS(I) 9	–	–	–	(4,775)	(4,775)	(4,775)	–	–	(4,775)
At 1 July 2018 (SFRS(I) Framework)	108,056	(923)	1,110	188,986	190,096	297,229	–	1,666	298,895
Loss for the year	–	–	–	(141,027)	(141,027)	(141,027)	–	(4,852)	(145,879)
Other comprehensive income									
Translation differences relating to financial statements of foreign subsidiaries	–	–	806	–	806	806	–	29	835
Share of other comprehensive income of joint ventures and associates	–	–	(52)	–	(52)	(52)	–	(7)	(59)
Other comprehensive income for the year, net of tax	–	–	754	–	754	754	–	22	776
Total comprehensive income for the year	–	–	754	(141,027)	(140,273)	(140,273)	–	(4,830)	(145,103)
Others									
Reserve attributable to disposal group classified as held for sale	–	–	(193)	–	(193)	(193)	193	–	–
At 30 June 2019	108,056	(923)	1,671	47,959	49,630	156,763	193	(3,164)	153,792

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

Group 2018	Share capital $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Total reserves $'000	Equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owners of the Company								
At 1 July 2017 (FRS framework)	108,056	(923)	2,896	11	265,491	268,398	375,531	3,247	378,778
Adoption of SFRS(I) 15	–	–	–	–	(546)	(546)	(546)	–	(546)
At 1 July 2017 (SFRS(I) Framework)	108,056	(923)	2,896	11	264,945	267,852	374,985	3,247	378,232
Loss for the year	–	–	–	–	(71,361)	(71,361)	(71,361)	(1,425)	(72,786)
Other comprehensive income									
Translation differences relating to financial statements of foreign subsidiaries	–	–	(1,656)	–	–	(1,656)	(1,656)	(139)	(1,795)
Share of other comprehensive income of joint ventures and associates	–	–	(130)	–	–	(130)	(130)	(17)	(147)
Re-measurement of defined benefit pension plans	–	–	–	–	177	177	177	–	177
Net fair value changes to cash flow hedges	–	–	–	(11)	–	(11)	(11)	–	(11)
Other comprehensive income for the year, net of tax	–	–	(1,786)	(11)	177	(1,620)	(1,620)	(156)	(1,776)
Total comprehensive income for the year	–	–	(1,786)	(11)	(71,184)	(72,981)	(72,981)	(1,581)	(74,562)
At 30 June 2018	108,056	(923)	1,110	–	193,761	194,871	302,004	1,666	303,670

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company	Share capital $'000	Treasury shares $'000	Accumulated profits/ (losses) $'000	Total reserves $'000	Total equity $'000
At 1 July 2018 (FRS framework)	108,056	(923)	(37,208)	(37,208)	69,925
Adoption of SFRS(I) 9	–	–	(16,041)	(16,041)	(16,041)
At 1 July 2018 (SFRS(I) Framework)	108,056	(923)	(53,249)	(53,249)	53,884
Loss for the year, representing total comprehensive income for the year	–	–	(22,804)	(22,804)	(22,804)
At 30 June 2019	108,056	(923)	(76,053)	(76,053)	31,080
At 1 July 2017	108,056	(923)	(12,011)	(12,011)	95,122
Loss for the year, representing total comprehensive income for the year	–	–	(25,197)	(25,197)	(25,197)
At 30 June 2018	108,056	(923)	(37,208)	(37,208)	69,925

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2019

	2019 $'000	2018 $'000
Cash flows from operating activities		
Loss before tax	(141,679)	(69,582)
Adjustments for:		
Amortisation of intangible assets	652	766
Amortisation of lease prepayments	358	358
Bad debts written off (trade)	102	–
Depreciation of property, plant and equipment	61,064	62,830
Fair value adjustments arising from debt refinancing exercise	(59,179)	–
Gain on disposal of property, plant and equipment	(327)	(7,364)
Gain on disposal of assets classified as held for sale	(941)	(1,950)
Inventories written off	1,350	330
Impairment losses on financial assets:		
– finance lease receivables	1,566	–
– trade receivables (third parties), (net)	7,086	2,547
– contract assets	123	–
– other receivables	1,464	1,909
– amounts due from:		
– joint ventures and associates	65,420	–
– companies related to directors	4	–
Impairment losses on non-financial assets:		
– property, plant and equipment	13,667	21,357
– intangible assets	5,504	5,027
– inventories	72,338	21,766
Interest expense	23,195	22,711
Interest income	(722)	(872)
Loss on disposal of short-term investment	134	–
Property, plant and equipment written off	85	467
Provision for pension liabilities	21	22
Provision/(write back) for warranty (net)	9	(128)
Share of results of joint ventures and associates	(857)	3,823
Operating cash flows before changes in working capital	50,437	64,017
Changes in working capital:		
Inventories	(1,437)	(13,023)
Contract assets and liabilities	21,972	24,324
Trade and other receivables	5,457	1,520
Prepayments	(61)	(226)
Trade and other payables	(1,470)	20,684
Finance lease receivables	1,543	1,088
Other liabilities	(2)	(4,208)
Balances with related parties (trade)	(12,583)	(6,152)
Cash flows generated from operations	63,856	88,024
Interest received	–	573
Income tax paid	(495)	(1,578)
Net cash flows generated from operating activities	63,361	87,019

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Note	2019 $'000	2018 $'000
Cash flows from investing activities			
Interest received		82	299
Purchase of assets classified as held for sale		(2,509)	(4,300)
Purchase of property, plant and equipment		(10,179)	(30,970)
Proceeds from disposal of property, plant and equipment		28,894	14,466
Proceeds from disposal of assets classified as held for sale		9,077	6,250
Proceeds from disposal of short-term investment		534	–
Lease prepayments		(505)	(531)
Balances with related parties (non-trade)		3,230	836
Net cash flows generated from/(used in) investing activities		28,624	(13,950)
Cash flows from financing activities			
Interest paid		(23,205)	(26,624)
Repayment of interest-bearing loans and borrowings		(71,253)	(98,399)
Proceeds from interest-bearing loans and borrowings		3,850	51,288
Repayment of trust receipts		(28,976)	(36,389)
Proceeds from trust receipts		16,328	29,603
Cash and bank balances (restricted use)		5,664	(1,578)
Net cash flows used in financing activities		(97,592)	(82,099)
Net decrease in cash and cash equivalents		(5,607)	(9,030)
Cash and cash equivalents at 1 July		12,793	21,903
Effect of exchange rate changes on cash and cash equivalents		(35)	(80)
Cash and cash equivalents at 30 June	14	7,151	12,793

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

ASL Marine Holdings Ltd. (the "Company"), incorporated in the Republic of Singapore, is a public limited company listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at No. 19 Pandan Road, Singapore 609271.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

For all periods up to and including the financial year ended 30 June 2018, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("SFRS"). These financial statements for the financial year ended 30 June 2019 are the first set of financial statements the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on the Group's adoption of SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Singapore Dollar ("SGD" or "$") and all values in the tables are rounded to the nearest thousand ($'000) except when otherwise indicated.

The Group incurred loss after tax of $145,879,000 (2018: $$72,786,000) for the financial year ended 30 June 2019 and as at that date, the Group's current liabilities exceeded its current assets by $20,821,000 (2018: Net current asset position of $105,286,000). As at 30 June 2019, the Group's and Company's total borrowings amounted to $363,135,000 and $173,292,000 (2018: $502,108,000 and $234,155,000) of which $46,264,000 and $11,965,000 (2018: $113,394,000 and $14,893,000) were classified as current liabilities respectively.

The matters set out in the paragraph above indicates the existence of a material uncertainty which may affect the validity of the going concern assumption on which the accompanying financial statements are prepared.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

The management and directors of the Company, having assessed the available sources of liquidity and funding, believe that the Group and the Company can continue as a going concern for the foreseeable future. In analysing the validity of the going concern basis applied in the preparation of the financial statements of the Group and the Company, the following factors were considered:

(i) The principal lenders and certain secured lenders of the Group have given their approvals on the re-scheduling (extending loans tenure thereby reducing monthly instalment) of its existing term loans which include its club term loan facility amounting to a face value of approximately $267,837,000 as at 30 June 2019, substantially based on a 10 year profile for repayment by monthly instalments over 8 years from loan restructured date. In addition, the principal lenders have granted revolving project financing and trade lines of $114,000,000 subsequent to the financial year under review;

(ii) The Group has received consent from its noteholders on 30 January 2019 to extend the tenure of its Series 006 Notes and Series 007 Notes with outstanding nominal value of $92,000,000 and $46,000,000 as at 30 January 2019 respectively by an another five years to 28 March 2025 for Series 006 Notes and 1 October 2026 for Series 007 Notes with reduced coupon rate of a base rate of 3% per annum and a mandatory redemption rate of 1% per annum, payable semi-annually; and

(iii) The Group expects that it will generate adequate cash flows from operations to meet working capital needs and to receive continued financial support from the lenders.

In the event that the Group is unable to generate sufficient cash flows from operations or does not continue to receive support from the lenders, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised in a manner other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. The Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities at net realisation value. No such adjustments have been made to these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 30 June 2019 are the first set of financial statements that the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 30 June 2019, together with the comparative period data for the year ended 30 June 2018, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 July 2018, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 July 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemption whereby the comparative information does not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: *Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9*.

The Group has not applied the exemption which permits the Group to reset its cumulative foreign currency translation differences for all foreign operations to be zero at the date of transition.

New accounting standards effective on 1 July 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial instruments*

On 1 July 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 July 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 9 *Financial instruments (cont'd)*

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. For debt instruments that were measured at FVOCI previously, the Group's business model is to hold the debt instrument to collect contractual cash flows and sell, and accordingly measured at FVOCI when it applies SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

SFRS(I) 9 requires the Group to record any gains or losses arising from the modification of financial liabilities that are still recognised in the financial statements as at the date of initial application (i.e. as at 1 July 2018).

The Group had previously undertaken a debt refinancing exercise whereby certain terms of the various loans and borrowings were amended. The impact arising from the application of the transition requirement resulted in an increase in carrying value of $758,000 to loans and borrowings with a corresponding decrease in retained earnings as at 1 July 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) *9 Financial instruments (cont'd)*

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's contract assets and trade receivables of $2,427,000 and amounts due from joint ventures and associates and companies related to directors of $1,590,000.

The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of $4,017,000 as at 1 July 2018.

The Company recognised an additional impairment on the Company's amounts due from subsidiaries, joint ventures and associates of $16,041,000 upon adoption of SFRS(I) 9 as at 1 July 2018.

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018. The adoption of SFRS(I) 15 results in changes in accounting policies for revenue recognition and has no significant financial impact on the financial performance or position of the Group as at 1 July 2017 and 30 June 2018, other than the disclosures in the financial statements.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 July 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior years would have been higher; and

- For the comparative year ended 30 June 2018, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers (cont'd)*

The key impact of adopting SFRS(I) 15 is as follows:

Shipbuilding revenue

Timing of revenue recognition

The Group previously recognised shipbuilding revenue using the percentage of completion method whereby the stage of completion is measured by reference to the contract cost incurred to date as a percentage of the total estimated costs for each contract. Under SFRS(I) 15, the Group has determined and concluded that certain contracts to construct vessels did not have enforceable right to payment for performance completed to date. Therefore, such revenue is recognised at a point in time under SFRS(I) 15.

As a result, the Group has recognised an adjustment to decrease contract assets by $415,000 with a corresponding adjustment to retained earnings on 1 July 2017. The Group's balance sheet as at 30 June 2018 was restated, resulting in the increase in contract assets and contract liabilities of $1,012,000 and $294,000, respectively. The consolidated income statement for the financial year ended 30 June 2018 was also restated, resulting in decreases in revenue and cost of sales of $27,469,000 and $26,163,000 respectively. As at 30 June 2018, construction work-in-progress of $46,748,000 (1 July 2017: $85,345,000) and progress billing in excess of construction work-in-progress of $5,285,000 (1 July 2017: $1,437,000) were reclassified to contract assets and contract liabilities accordingly.

As at 30 June 2018, receivables amounting to $15,096,000 (1 July 2017: $3,118,000) in respect of unbilled revenue and charter hire and/or deposits received in advance from customers of $27,165,000 (1 July 2017: $24,649,000) were reclassified as part of contract assets and contract liabilities, respectively.

Tax adjustments

The corresponding tax impact to the Group arising from the adoption of SFRS(I) 15 resulted in an increase in income tax payable of $4,000 (1 July 2017: $188,000), increase in deferred tax liabilities of $291,000 (1 July 2017: decrease of $57,000) and a corresponding increase in income tax expenses of $163,000 (1 July 2017: decrease in retained earnings amounting to $131,000) as at 30 June 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 July 2017 to the statement of financial position of the Group.

Group	1 July 2017 FRS $'000	Effect of SFRS(I) 15 $'000	1 July 2017 SFRS(I) $'000
Non-current assets	653,368	–	653,368
Current assets			
Construction work-in-progress	85,345	(85,345)	–
Contract assets	–	88,048	88,048
Trade and other receivables	181,563	(3,118)	178,445
Others	224,736	–	224,736
Total current assets	491,644	(415)	491,229
Current liabilities			
Trade and other payables	184,700	(18,293)	166,407
Progress billings in excess of construction work-in-progress	1,437	(1,437)	–
Contract liabilities	–	19,730	19,730
Income tax payable	5,779	188	5,967
Others	235,917	–	235,917
Total current liabilities	427,833	188	428,021
Net current assets	63,811	(603)	63,208
Non-current liabilities			
Other liabilities	10,081	(6,356)	3,725
Contract liabilities	–	6,356	6,356
Interest-bearing loans and borrowings	313,751	–	313,751
Deferred tax liabilities	14,569	(57)	14,512
Total non-current liabilities	338,401	(57)	338,344
Net assets	378,778	(546)	378,232
Equity attributable to owners of the Company			
Share capital	108,056	–	108,056
Treasury shares	(923)	–	(923)
Reserves	268,398	(546)	267,852
	375,531	(546)	374,985
Non-controlling interests	3,247	–	3,247
Total equity	378,778	(546)	378,232

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 30 June 2018 and 1 July 2018 to the statement of financial position of the Group.

Group	30 June 2018 FRS $'000	Effect of SFRS(I) 15 $'000	30 June 2018 SFRS(I) $'000	Effect of SFRS(I) 9 $'000	1 July 2018 SFRS(I) $'000
Non-current assets	608,054	–	608,054	–	608,054
Current assets					
Construction work-in-progress	46,748	(46,748)	–	–	–
Contract assets	–	60,418	60,418	(100)	60,318
Trade and other receivables	181,003	(15,096)	165,907	(3,917)	161,990
Others	211,660	–	211,660	–	211,660
Total current assets	439,411	(1,426)	437,985	(4,017)	433,968
Current liabilities					
Trade and other payables	206,915	(25,007)	181,908	–	181,908
Progress billings in excess of construction work-in-progress	5,285	(5,285)	–	–	–
Contract liabilities	–	30,586	30,586	–	30,586
Interest-bearing loans and borrowings	99,589	–	99,589	172	99,761
Income tax payable	6,772	4	6,776	–	6,776
Others	13,840	–	13,840	–	13,840
Total current liabilities	332,401	298	332,699	172	332,871
Net current assets	107,010	(1,724)	105,286	(4,189)	101,097
Non-current liabilities					
Other liabilities	5,637	(2,158)	3,479	–	3,479
Contract liabilities	–	2,158	2,158	–	2,158
Interest-bearing loans and borrowings	388,714	–	388,714	586	389,300
Deferred tax liabilities	15,028	291	15,319	–	15,319
Total non-current liabilities	409,379	291	409,670	586	410,256
Net assets	305,685	(2,015)	303,670	(4,775)	298,895
Equity attributable to owners of the Company					
Share capital	108,056	–	108,056	–	108,056
Treasury shares	(923)	–	(923)	–	(923)
Reserves	196,886	(2,015)	194,871	(4,775)	190,096
	304,019	(2,015)	302,004	(4,775)	297,229
Non-controlling interests	1,666	–	1,666	–	1,666
Total equity	305,685	(2,015)	303,670	(4,775)	298,895

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 30 June 2018 and 1 July 2018 to the statement of financial position of the Company.

Company	**30 June 2018 FRS $'000**	**Effect of SFRS(I) 9 $'000**	**1 July 2018 SFRS(I) $'000**
Non-current assets	42,404	–	42,404
Current assets			
Trade and other receivables	373,598	(16,041)	357,557
Others	3,798	–	3,798
Total current assets	377,396	(16,041)	361,355
Current liabilities			
Interest-bearing loans and borrowings	14,893	–	14,893
Others	115,720	–	115,720
Total current liabilities	130,613	–	130,613
Net current assets	246,783	(16,041)	230,742
Non-current liabilities			
Interest-bearing loans and borrowings	219,262	–	219,262
Total non-current liabilities	219,262	–	219,262
Net assets	69,925	(16,041)	53,884
Equity attributable to owners of the Company			
Share capital	108,056	–	108,056
Treasury shares	(923)	–	(923)
Reserves	(37,208)	(16,041)	(53,249)
Total equity	69,925	(16,041)	53,884

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards to the consolidated income statement and consolidated statement of comprehensive income of the Group for the year ended 30 June 2018.

Consolidated Income Statement	2018 FRS $'000	Effect of SFRS(I) 15 $'000	2018 SFRS(I) $'000
Revenue	280,457	(27,469)	252,988
Cost of sales	(263,501)	26,163	(237,338)
Gross profit	16,956	(1,306)	15,650
Other operating income	15,556	–	15,556
Administrative expenses	(20,851)	–	(20,851)
Other operating expenses (including impairment losses on financial assets)	(53,403)	–	(53,403)
Finance costs	(22,711)	–	(22,711)
Share of results of joint ventures and associates	(3,823)	–	(3,823)
Loss before tax	(68,276)	(1,306)	(69,582)
Income tax expense	(3,041)	(163)	(3,204)
Loss for the year	(71,317)	(1,469)	(72,786)
Attributable to:			
Owners of the Company	(69,892)	(1,469)	(71,361)
Non-controlling interests	(1,425)	–	(1,425)
Loss for the year	(71,317)	(1,469)	(72,786)
Earnings per share (cents per share)			
Basic and diluted	(11.11)	(0.23)	(11.34)
Consolidated Statement of Comprehensive Income			
Loss for the year	(71,317)	(1,469)	(72,786)
Other comprehensive income for the year, net of tax	(1,776)	–	(1,776)
Total comprehensive income for the year	(73,093)	(1,469)	(74,562)
Total comprehensive income attributed to:			
Owners of the Company	(71,512)	(1,469)	(72,981)
Non-controlling interests	(1,581)	–	(1,581)
Total comprehensive income for the year	(73,093)	(1,469)	(74,562)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term interests in Associates and Joint Ventures*	1 January 2019
Annual improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. lease liability) and an asset representing the rights to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 July 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

SFRS(I) 16 *Leases (cont'd)*

On adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 July 2019; or

(ii) 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.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 July 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group will be assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and liabilities, EBITDA and gearing ratio.

2.4 Foreign currency

The financial statements are presented in Singapore Dollar, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Foreign currency (cont'd)

(a) Transactions and balances (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operations.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the exchange rates ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or joint venture entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.5 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Basis of consolidation and business combinations (cont'd)

(b) Business combinations and goodwill (cont'd)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.11(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to the variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2.8 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.9.

2.9 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represent goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Joint ventures and associates (cont'd)

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

For financial statements of the associate or joint venture which are prepared as of the same reporting date of the Company, the most recent available audited financial statements of the associates or joint ventures are used by the Group in applying the equity method. Where the date of the audited financial statements used is not co-terminus with that of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the financial year. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in joint ventures and associates are accounted for at cost less impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.18. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold property and buildings	–	15 to 30 years
Drydocks, quays and ancillary	–	8 to 20 years
Drydocking expenditure	–	2.5 years
Plant and machinery	–	1 to 30 years
Office equipment, furniture and fittings	–	3 to 10 years
Vessels	–	1 to 25 years
Motor vehicles	–	5 to 8 years

Vessels consist of tugs and other vessels and barges. For vessels purchased second-hand, depreciation is computed on a straight-line basis over the remaining useful lives.

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.4.

(b) Other intangible assets

Other intangible assets consist of patented technology, customer relationships, brand and order backlog.

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets. Except for order backlog, which is amortised based on the pattern in which the asset's future economic benefits are expected to be consumed, amortisation is calculated on a straight-line basis over the estimated useful lives of intangible assets as follows:

Patented technology	–	15 years
Customer relationships	–	25 years
Brand	–	5 years

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.12 Lease prepayment

Leases of land under which the lessor has not transferred all the risks and rewards incidental to ownership are classified as operating leases and the payments made on acquiring the land-use right represent prepaid lease payments.

Lease prepayments for land-use right are initially measured at cost. Following initial recognition, they are amortised on a straight-line basis over the term of the respective lease.

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Impairment of non-financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally covers a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal if treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments can be categorised as follows:

Amortised costs

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or has expired. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash and cash equivalents carried in the statements of financial position are classified and accounted for as loans and receivables. The accounting policy for this category of financial assets is stated in Note 2.14(a).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of any collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. In performing the assessment, the Group has considered settlement arrangements entered into with various customers, such as instalments plans and contra settlements/arrangements with customers who are also suppliers of the Group.

The Group considers a financial asset in default when contractual payments exceed the default day. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.17 Inventories

Raw materials consist mainly of steel, consumables and other materials used for shipbuilding and shiprepair and conversion. Finished goods consist of component parts and vessels for trading purposes. Cost is determined on the following basis and includes all direct expenditure incurred in bringing the stocks to their present location and condition:

Raw materials	–	first-in-first-out basis
Finished goods – component parts	–	first-in-first-out basis
Finished goods – vessels	–	specific identification basis

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Inventories (cont'd)

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale, and after making due allowance for all damaged, obsolete and slow-moving items.

Work-in-progress comprises uncompleted shipbuilding projects. It is stated at the lower of cost and net realisable value. Cost is made up of material, direct labour, subcontractors' costs, appropriate allocation of fixed and variable production overheads and other directly related expenses. Provision is made for anticipated losses, if any, on work-in-progress when the possibility of loss is ascertained.

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 Provisions

(a) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Provisions (cont'd)

(b) Provision for liquidated damages

Provision for liquidated damages is made in respect of anticipated claims from customers on contracts of which deadlines are overdue or not expected to be completed on time in accordance with contractual obligations. The utilisation of provisions is dependent on the timing of claims.

(c) Provision for warranty

Provision for warranty represents the best estimate of the Group's liability to repair vessels or replace affected parts during the warranty period. The provision is calculated based on past experience of the level of repairs and returns.

2.20 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Employee benefits (cont'd)

(b) Defined benefit plan (cont'd)

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

(d) Employee share option plans

Employees (including Non-Executive Directors) of the Group and of the Company receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the share options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Employee benefits (cont'd)

(d) Employee share option plans (cont'd)

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation.

The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued.

2.21 Leases

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Leases (cont'd)

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of the ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased assets and are recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.23(c).

2.22 Assets classified as held for sale

Non-current assets and disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Upon classification as held for sale, the asset is not depreciated and is measured at the lower of carrying amount and fair value less costs to sell.

Property, plant and equipment once classified as held for sale are not depreciated or amortised.

2.23 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Shipbuilding

The Group enters into contracts with customers to construct vessels. The Group assesses whether shipbuilding revenue is recognised over time or at a point in time by determining whether (a) its performance creates an asset with an alternative use to the Group and (b) whether the Group has an enforceable right to payment for performance completed to date. The Group has considered that the vessels under construction does not have alternative uses for the Group due to contractual restrictions. Revenue is recognised when control over the vessel has been transferred to the customer, either over time or at a point in time, depending on the contractual terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Revenue (cont'd)

(a) Shipbuilding (cont'd)

For construction of vessels whereby the Group has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

For construction of vessels whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

Progress billings to customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(b) Shiprepair and conversion

The Group provides fabrication, outfitting works, conversion jobs and ship repair services. The Group assesses whether the revenue is recognised over time or at a point in time by determining whether (a) its performance creates or enhances an asset that the customer controls as the asset is created or enhanced and (b) it has an enforceable right to payment for performance completed to date. Revenue from fabrication and outfitting works, conversion jobs and shiprepair contracts are recognised over time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Revenue (cont'd)

(c) Shipchartering

Leasing income is recognised as operating lease income in accordance with SFRS(I) 1-17 *Leases* and is recognised on a time-apportioned basis over the charter hire period. The Group has apportioned consideration from time charter contracts between the lease and non-lease components based on their relative stand-alone selling prices. In the determination of relative stand-alone selling prices of the non-lease component, the Group considers the expected costs plus margin approach. The charters may give rise to mobilisation and demobilisation services which are necessary for the Group to fulfil obligations under the charter hire contracts. Charter hire, mobilisation and demobilisation income are collectively recognised over the charter hire period. Related costs of mobilisation and demobilisation are recognised over the charter hire period.

Freight income derived from the provision of voyage charters are recognised over the voyage duration as the freight services are rendered. Freight income is recognised as of the date on which a vessel embarks from the port where the cargo was loaded to the discharge of the cargo, and adjustments are made for any portions of uncompleted voyages based on pro-rata basis.

Revenue from provision of crew are recognised over time as the services are provided and the benefits are consumed by the customer which is on a time-apportioned basis.

Charter ancillary service income is recognised at a point in time when services are completed.

Ship management fee income is recognised over time when services are rendered.

(d) Engineering

Revenue from sales of dredging engineering products is recognised when the products are delivered to the customer and all criteria for acceptance have been satisfied. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services. The segment results are regularly reviewed by management in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.27 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.28 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

    (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

    (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.29 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. These are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Recognition of revenue from construction contracts

For shipbuilding construction contracts, the Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. In making the assessment, the Group considered the terms of the contracts entered into with customers and the provisions of relevant laws and regulations applicable to the contracts. The assessment of whether the Group has an enforceable right to payment for performance completed to date involves judgment made in determining the enforceability of the right to payment under the legal environment of the jurisdictions where the contracts are subject to.

On the construction of vessels where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a more appropriate depiction of the Group's performance in transferring control of the construction of vessels to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the construction of vessels. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the construction of vessels.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its other similar construction contracts.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumption when they occur.

(a) Impairment of property, plant and equipment

The Group determines the recoverable amount of an asset or cash-generating unit based on the higher of its fair value less costs to sell and its value in use. When value in use calculation is undertaken, management estimates the expected future cash flows from the asset or cash-generating unit by applying a suitable discount rate to calculate the present value of those cash flows. When fair value less costs to sell is used, management engages the services of external independent valuation experts to determine the fair values using valuation techniques which involve the use of estimates and assumptions which are reflective of current market conditions. The carrying amount of the Group's property, plant and equipment is disclosed in Note 4.

(b) Impairment of goodwill and other intangible assets

Goodwill and other intangible assets which are allocated to the same cash generating unit ("CGU") are tested for impairment annually. The Group estimates the value in use of the CGU to where the goodwill and other intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 8. The carrying amount of the Group's goodwill and other intangible assets as at 30 June 2019 is disclosed in Note 8.

(c) Recoverability of contract assets and trade receivables

The Group determines impairment of contract assets and trade receivables by making debtor-specific assessment for credit-impaired debtors. In addition, the Group uses a provision matrix to calculate ECL for the remaining contract assets and trade receivables. The provision rates are based on days past due for groupings of customers based on customer profiles.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(c) Recoverability of contract assets and trade receivables (cont'd)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information such as market data specific to the debtors. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The carrying amount of the Group's contract assets and trade receivables and information about the ECL are disclosed in Note 11, Note 12 and Note 35(b), respectively.

(d) Impairment of investments and amounts due from subsidiaries

The Company assesses at the end of each reporting period whether there is any objective evidence that the investments and amounts due from subsidiaries are impaired. Management considers factors such as the historical and current performances, estimated value and probability of future cash flows.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the subsidiary and choose suitable discount rates in order to calculate the present value of those cash flows. The carrying amount of the Company's investments in subsidiaries as at 30 June 2019 are disclosed in Note 6.

In relation to amounts due from subsidiaries, management provides for ECL based on the general approach and the extent of loss allowance is dependent on consideration of many factors, amongst others, the extent of credit deterioration since initial recognition, information and data that indicate the credit quality of the subsidiaries and the probability of default, amounts that are expected to be recovered in a default and adjustment for forward-looking information. The amounts due from subsidiaries, including their carrying amount and their related impairment as at 30 June 2019 are disclosed in Note 12.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(e) Determination of net realisable value of completed vessels

Included in finished goods are vessels. In accordance with SFRS(I) 1-2 Inventories, the Group has recognised completed vessels at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs for completion and the estimated costs necessary to make the sale. To determine whether there is objective evidence of impairment, the Group considers the future market demands and pricing competition. The carrying amount of the Group's inventories and related inventories written down are disclosed in Note 10.

(f) Impairment of amounts due from joint ventures and associates

The Group determines impairment of trade amounts due from joint ventures and associates by making debtor-specific assessment for credit-impaired debtors. In addition, the Group uses a provision matrix to calculate ECL for the remaining amounts due from joint ventures and associates. The provision rates are based on days past due for groupings of customers based on segments.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information such as market data specific to the debtors. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

In relation to non-trade amounts due from joint ventures and associates, management provides for ECL based on the general approach and the extent of loss allowance is dependent on consideration of many factors, amongst others, the extent of credit deterioration since initial recognition, information and data that indicate the credit quality of the joint ventures and associates and the probability of default, amounts that are expected to be recovered in a default and adjustment for forward-looking information. The non-trade amounts due from joint ventures and associates and information about the ECL are disclosed in Note 12 and Note 35(b), respectively.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property and buildings $'000	Assets under construction $'000	Drydocks, quays and ancillary $'000	Drydocking expenditure $'000	Plant and machinery $'000	Office equipment, furniture and fittings $'000	Tugs and other vessels $'000	Barges $'000	Motor vehicles $'000	Total $'000
Cost										
At 1 July 2017	63,546	49,265	121,911	4,398	137,026	17,022	352,554	245,149	2,793	993,664
Additions	–	23,769	1,758	2,281	545	147	10,070	22,390	–	60,960
Disposals	–	–	–	(54)	(7,178)	(171)	(3,215)	(7,945)	(69)	(18,632)
Write-off	(77)	–	–	–	(748)	(21)	–	–	–	(846)
Transfers	25	(44,225)	(28)	–	55	–	42,707	1,466	–	–
Transfer to assets classified as held for sale	–	–	–	–	–	–	(5,532)	–	–	(5,532)
Net exchange differences	40	–	7	9	132	99	(2,169)	(336)	(33)	(2,251)
At 30 June 2018 and 1 July 2018	63,534	28,809	123,648	6,634	129,832	17,076	394,415	260,724	2,691	1,027,363
Additions	–	2,197	–	1,564	872	3	5,957	13,774	–	24,367
Disposals	–	–	–	–	(8,973)	–	(6,750)	(22,775)	–	(38,498)
Write-off	–	(83)	–	–	(22)	(1)	–	–	–	(106)
Transfers	231	(28,569)	3,639	–	209	–	21,430	3,060	–	–
Transfer to inventories	–	–	–	–	–	–	–	(2,005)	–	(2,005)
Assets of disposal group classified as held for sale (Note 16)	(4,472)	–	(784)	–	(7,050)	(316)	–	–	(48)	(12,670)
Net exchange differences	(223)	–	(39)	(15)	(523)	(261)	(2,524)	(721)	(5)	(4,311)
At 30 June 2019	59,070	2,354	126,464	8,183	114,345	16,501	412,528	252,057	2,638	994,140

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Leasehold property and buildings $'000	Assets under construction $'000	Drydocks, quays and ancillary $'000	Drydocking expenditure $'000	Plant and machinery $'000	Office equipment, furniture and fittings $'000	Tugs and other vessels $'000	Barges $'000	Motor vehicles $'000	Total $'000
Accumulated depreciation and impairment loss										
At 1 July 2017	18,946	2,500	43,887	1,166	94,174	11,071	120,458	87,621	1,954	381,777
Depreciation charge for the year	3,181	–	6,350	2,346	8,731	890	18,858	19,309	331	59,996
Impairment charge for the year	–	603	–	–	–	–	18,638	2,116	–	21,357
Disposals	–	–	–	(30)	(3,477)	(160)	(2,752)	(5,049)	(62)	(11,530)
Write-off	(28)	–	–	–	(332)	(19)	–	–	–	(379)
Transfers	–	(2,500)	–	–	–	–	2,500	–	–	–
Transfer to assets classified as held for sale	–	–	–	–	–	–	(633)	–	–	(633)
Net exchange differences	15	–	2	7	86	97	(367)	(119)	(33)	(312)
At 30 June 2018 and 1 July 2018	22,114	603	50,239	3,489	99,182	11,879	156,702	103,878	2,190	450,276
Depreciation charge for the year	3,121	–	6,485	2,604	7,078	849	18,044	20,956	282	59,419
Impairment charge for the year	–	169	–	37	–	–	10,448	3,013	–	13,667
Disposals	–	–	–	–	(4,589)	–	(586)	(4,756)	–	(9,931)
Write-off	–	–	–	–	(20)	(1)	–	–	–	(21)
Transfer to inventories	–	–	–	–	–	–	–	(1,281)	–	(1,281)
Assets of disposal group classified as held for sale (Note 16)	(2,104)	–	(200)	–	(3,632)	(327)	–	–	(42)	(6,305)
Net exchange differences	(98)	–	(9)	(15)	(327)	(256)	(967)	(251)	(5)	(1,928)
At 30 June 2019	23,033	772	56,515	6,115	97,692	12,144	183,641	121,559	2,425	503,896

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Leasehold property and buildings $'000	Assets under construction $'000	Drydocks, quays and ancillary $'000	Drydocking expenditure $'000	Plant and machinery $'000	Office equipment, furniture and fittings $'000	Tugs and other vessels $'000	Barges $'000	Motor vehicles $'000	Total $'000
Net carrying amount										
At 1 July 2017	44,600	46,765	78,024	3,232	42,852	5,951	232,096	157,528	839	611,887
At 30 June 2018	41,420	28,206	73,409	3,145	30,650	5,197	237,713	156,846	501	577,087
At 30 June 2019	36,037	1,582	69,949	2,068	16,653	4,357	228,887	130,498	213	490,244

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment of assets

During the financial year, the Group carried out a review of the recoverable amount of its vessels, capitalised drydocking expenditure and assets under construction as there were indicators of impairment such as oversupply of vessels in the market. An impairment charge of $13,667,000 (2018: $21,357,000) (Note 27(b)), representing the write-down of these vessels, capitalised drydocking expenditure and assets under construction to their recoverable amounts was recognised in "other operating expenses" line in the consolidated income statement for the financial year ended 30 June 2019. The recoverable amounts of these vessels, capitalised drydocking expenditure and assets under construction were based on fair value less cost of disposal.

The fair values were determined by external independent valuation experts and management had estimated the cost of disposal. The fair value measurement is categorised as Level 3 of the fair value hierarchy.

The depreciation charge for the year as shown in profit or loss is arrived at as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Depreciation charge for the year	59,419	59,996
Depreciation included in construction work-in-progress carried forward (Note 11)	(3,285)	(4,930)
Depreciation previously included in inventories and construction work-in-progress now charged to profit or loss	4,930	7,764
Depreciation charge as disclosed in Note 29	61,064	62,830

Assets under construction

Assets under construction comprise mainly vessels, plant and machinery as well as cranes and yard facilities in Batam, Indonesia.

Assets under finance leases and transferred from construction work-in-progress/inventories

The Group acquired property, plant and equipment with an aggregate cost of $24,367,000 (30 June 2018: $60,960,000, 1 July 2017: $89,850,000), of which $2,181,000 (30 June 2018: $8,000,000, 1 July 2017: $1,678,000) were acquired by means of finance lease.

Included in the additions of property, plant and equipment were vessels transferred from construction work-in-progress of $134,000 (30 June 2018: $21,990,000, 1 July 2017: Nil).

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets under finance leases and transferred from construction work-in-progress/inventories (cont'd)

The Group had acquired vessels with an aggregate consideration of $11,873,000 (30 June 2018, 1 July 2017: Nil) as part of its settlement agreement reached with certain customers.

The cash outflow on acquisition of property, plant and equipment amounted to $10,179,000 (30 June 2018: $30,970,000, 1 July 2017: $29,485,000).

Included in net carrying amount of property, plant and equipment of the Group are the following assets held under finance leases:

		Group	
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Motor vehicles	177	309	448
Plant and machinery	1,122	4,634	17,509
	1,299	4,943	17,957

Assets pledged as security

		Group	
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Assets pledged as security for interest-bearing loans and borrowings and trust receipts:			
Leasehold property and buildings	24,790	27,093	31,693
Plant and machinery	702	2,979	4,966
Tugs and other vessels	202,154	222,342	219,434
Barges	115,611	135,199	115,442
Drydocks, quays and ancillary	65,817	72,011	66,224
Assets under construction	–	18,930	37,559
	409,074	478,554	475,318

5. LEASE PREPAYMENTS

Group	Leasehold land $'000
Cost	
At 1 July 2017	10,308
Additions	531
Net exchange differences	11
At 30 June 2018 and 1 July 2018	10,850
Additions	505
Disposals	(531)
Assets of disposal group classified as held for sale (Note 16)	(1,206)
Net exchange differences	(61)
At 30 June 2019	9,557
Accumulated amortisation	
At 1 July 2017	4,577
Amortisation charge for the year (Note 29)	358
Net exchange differences	2
At 30 June 2018 and 1 July 2018	4,937
Amortisation charge for the year (Note 29)	358
Assets of disposal group classified as held for sale (Note 16)	(327)
Net exchange differences	(17)
At 30 June 2019	4,951
Net carrying amount	
At 1 July 2017	5,731
At 30 June 2018	5,913
At 30 June 2019	4,606

		Group	
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Amount to be amortised:			
– Not later than one year	332	358	358
– Later than one year but not later than five years	1,135	1,246	1,228
– Later than five years	3,139	4,309	4,145
	4,606	5,913	5,731

5. LEASE PREPAYMENTS (CONT'D)

The Group has land use rights over certain plots of land in Indonesia and Singapore where the shipyards of the Group operates. These land use rights have remaining tenures ranging from 2 to 27 years (30 June 2018: 3 to 28 years, 1 July 2017: 4 to 29 years).

As at 30 June 2019, land use rights for land in the People's Republic of China were classified under assets of disposal group classified held for sale. The land use rights had a remaining tenure of 36 years (30 June 2018: 37 years, 1 July 2017: 38 years).

Included in lease prepayments of the Group are the following:

		Group	
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Leasehold land pledged as security for interest-bearing loans and borrowings	1,758	2,472	3,088

6. INVESTMENT IN SUBSIDIARIES

		Company	
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Unquoted equity shares, at cost	72,428	71,902	70,713
Impairment losses	(31,705)	(29,498)	(20,325)
	40,723	42,404	50,388

During the current financial year, management performed impairment testing on the Company's investment in subsidiaries as certain subsidiaries have been loss making. Based on assessment of the subsidiaries' historical and current performance and probability of future cash flows, the Company has made an allowance for impairment against the respective investments as follows:

		Company	
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
At 1 July	29,498	20,325	–
Charge for the year	2,207	9,173	20,325
At 30 June	31,705	29,498	20,325

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

a. *Composition of the Group*

The Group has the following investment in subsidiaries:

Name of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest 30 June 2019 %	30 June 2018 %	1 July 2017 %
Held by the Company					
ASL Shipyard Pte Ltd[1]	Shipbuilding, shiprepair and conversion and general engineering	Singapore	100	100	100
PT. ASL Shipyard Indonesia[2,(a)]	Shipbuilding, shiprepair and conversion and general engineering	Indonesia	10	10	10
ASL Offshore & Marine Pte. Ltd.[1]	Chartering of vessels and ship management	Singapore	100	100	100
Capitol Marine Pte Ltd[1]	Chartering of vessels	Singapore	100	100	100
Capitol Offshore Pte Ltd[1]	Chartering of vessels	Singapore	100	100	100
Capitol Tug & Barge Pte Ltd[1]	Chartering of vessels	Singapore	100	100	100
Capitol Shipping Pte Ltd[1]	Chartering of vessels	Singapore	100	100	100
Lightmode Pte Ltd[1]	Chartering of vessels	Singapore	100	100	100
Capitol Logistics Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
Capitol Navigation Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
Capitol Aquaria Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
Capitol Oceans Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
ASL Maritime Services Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
Intan Maritime Investments Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
Intan Synergy Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
Intan Offshore Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
Intan Oceans Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
Intan Scorpio Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
Intan OSV Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
ASL Triaksa Offshore Pte. Ltd.[1,(b)]	Chartering of vessels	Singapore	60	60	60
Harmony PSV Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
ASL Leo Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
ASL Marine Contractor Pte. Ltd.[1]	Chartering of vessels and ship management	Singapore	100	100	100
ASL Project Logistics Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	100
ASL Towage & Salvage Pte. Ltd.[1,]	Chartering of vessels	Singapore	100	100	100
Capitol Workboats Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100	–
VOSTA LMG India Pvt. Ltd.[6,8,(c)]	Chartering of vessels	India	6	4	–
Hongda Investment Pte. Ltd.[1]	Investment holding	Singapore	60	60	60
Intan Overseas Investments Pte. Ltd.[1]	Investment holding	Singapore	100	100	100
Singa Tenaga Investments Pte. Ltd.[1]	Investment holding	Singapore	100	100	100

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

a. *Composition of the Group (cont'd)*

Name of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest 30 June 2019 %	30 June 2018 %	1 July 2017 %
Held through subsidiaries					
PT. ASL Shipyard Indonesia[2]	Shipbuilding, shiprepair and conversion and general engineering	Indonesia	90	90	90
PT. Cipta Nusantara Abadi[5,8]	Investment holding and provision of agency, handling and consultancy services	Indonesia	75	75	75
PT. Bina Kontinental Lestari[5,8]	Investment holding and provision of agency, handling and consultancy services	Indonesia	100	100	100
PT. Awak Samudera Transportasi[2]	Chartering of vessels	Indonesia	100	100	100
PT. Cemara Intan Shipyard[2]	Shipbuilding, shiprepair and general engineering	Indonesia	100	100	100
PT. Sukses Shipyard Indonesia[5,8]	Shipbuilding and fabrication services	Indonesia	100	100	100
Jiangmen Hongda Shipyard Ltd.[3,8]	Shipbuilding and general engineering	People's Republic of China	60	60	60
Leo Dynamische Investering B.V.[7]	Investment holding	Netherlands	100	100	100
VOSTA LMG International B.V.[5,8]	Investment holding	Netherlands	100	100	100
VOSTA LMG Component & Services B.V.[5,8]	Dredge engineering, design, trading and repair of dredging equipment	Netherlands	100	100	100
VOSTA LMG Dredges B.V.[5,8]	Dredge engineering, design, trading and repair of dredging equipment	Netherlands	100	100	100
VOSTA LMG B.V.[5,8]	Dredge engineering, design, trading and repair of dredging equipment	Netherlands	100	100	100
VOSTA LMG IP & Software B.V.[5,8]	Leasing of intellectual property	Netherlands	100	100	100
CFT Netherlands B.V.[5,8]	Market research and public opinion polling	Netherlands	100	100	100
VOSTA LMG Design GmbH[5,8]	Building of dredgers and dredging equipment	Germany	100	100	100

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

a. Composition of the Group (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest		
			30 June 2019 %	30 June 2018 %	1 July 2017 %
Held through subsidiaries (cont'd)					
VOSTA LMG (Asia Pacific) Pte Ltd[1]	Shipbuilding and repair of maritime dredging systems and equipment	Singapore	100	100	100
VOSTA LMG (Zhuhai) Ltd.[4,8]	Manufacturing and trading of dredging equipment	People's Republic of China	100	100	100
VOSTA Inc.[5,8]	Trading of dredges and maritime dredging equipment	United States of America	100	100	100
VOSTA LMG India Pvt. Ltd.[6,8,(c)]	Chartering of vessels	India	94	96	100

1 Audited by Ernst & Young LLP, Singapore

2 Audited by member firms of EY Global in their respective countries

3 Audited by Jiangmen Zhishang Certified Public Accountants, Jiangmen, China

4 Audited by Ruihua Certified Public Accountants, Jiangmen, China

5 These companies are not required to be audited under the laws of their country of incorporation

6 Audited by A P & Co., Mumbai, India

7 Audited by member firms of EY Global in their respective countries in 2016 and 2017. Not required to be audited in 2018 and 2019 and is not a significant foreign-incorporated subsidiary

8 The subsidiaries which were audited by other firms or not required to be audited under the laws of the country of incorporation, are not significant foreign-incorporated subsidiaries

(a) 90% owned by ASL Shipyard Pte Ltd, a wholly-owned subsidiary of the Company

(b) The subsidiary is dormant since financial year ended 30 June 2018

(c) 94% (30 June 2018: 96%, 1 July 2017: 100%) owned by Vosta LMG International B.V., a wholly-owned subsidiary of the Company

As required by Rule 716 of the Listing Manual of the Singapore Securities Trading Limited, the Audit Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

b. *Interest in subsidiaries with material non-controlling interest (NCI)*

The Group has the following subsidiaries that have NCI that are material to the Group:

Name of subsidiaries	Proportion of ownership held by NCI %	Loss allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000
30 June 2019			
ASL Triaksa Offshore Pte. Ltd.	40	(1,927)	80
Hongda Investment Pte. Ltd.	40	(875)	(2,966)
PT. Cipta Nusantara Abadi	25	(1,515)	722
30 June 2018			
ASL Triaksa Offshore Pte. Ltd.	40	(1)	2,012
Hongda Investment Pte. Ltd.	40	(337)	(2,147)
PT. Cipta Nusantara Abadi	25	(567)	2,271
1 July 2017			
ASL Triaksa Offshore Pte. Ltd.	40	(4)	2,044
Hongda Investment Pte. Ltd.	40	(1,012)	(1,821)
PT. Cipta Nusantara Abadi	25	(383)	2,970

c. *Summarised financial information about subsidiaries with material NCI*

Summarised financial information before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheet

	ASL Triaksa Offshore Pte. Ltd.			Hongda Investment Pte. Ltd.			PT. Cipta Nusantara Abadi		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Current assets	217	5,037	5,109	4,633	2,213	3,084	1	6,772	6,875
Non-current assets	–	–	–	7,243	8,411	9,781	5,565	4,974	7,821
Total assets	217	5,037	5,109	11,876	10,624	12,865	5,566	11,746	14,696
Current liabilities	18	7	–	19,292	15,988	16,999	2,346	2,332	2,475
Non-current liabilities	–	–	–	1	4	419	–	–	–
Total liabilities	18	7	–	19,293	15,992	17,418	2,346	2,332	2,475
Net assets/ (liabilities)	199	5,030	5,109	(7,417)	(5,368)	(4,553)	3,220	9,414	12,221

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

c. Summarised financial information about subsidiaries with material NCI (cont'd)

Summarised statement of comprehensive income

	ASL Triaksa Offshore Pte. Ltd.			Hongda Investment Pte. Ltd.			PT. Cipta Nusantara Abadi		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Revenue	–	–	–	–	–	16,803	–	–	–
Loss before tax	(4,818)	(2)	(9)	(2,188)	(842)	(2,531)	(6,060)	(2,266)	(1,533)
Income tax expense	–	–	(2)	–	–	–	–	–	–
Loss after tax	(4,818)	(2)	(11)	(2,188)	(842)	(2,531)	(6,060)	(2,266)	(1,533)
Other comprehensive income	(12)	(77)	147	139	27	(83)	(133)	(541)	354
Total comprehensive income	(4,830)	(79)	136	(2,049)	(815)	(2,614)	(6,193)	(2,807)	(1,179)

Other summarised information

	ASL Triaksa Offshore Pte. Ltd.			Hongda Investment Pte. Ltd.			PT. Cipta Nusantara Abadi		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Net cash flows generated from/ (used in) operations	6	(4,822)	(14)	1,262	(191)	6,292	(128)	439	6,754
Acquisitions of significant property, plant and equipment	–	–	–	–	–	449	–	–	–

7. INVESTMENT IN JOINT VENTURES AND ASSOCIATES

	Group			Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Interest in joint ventures						
Unquoted equity shares, at cost	909	909	909	–	–	–
Share of post-acquisition reserves	(909)	(909)	402	–	–	–
	–	–	1,311	–	–	–
Interest in associates						
Unquoted equity shares, at cost	2,313	2,313	2,313	1,558	1,558	1,558
Quoted equity, shares at cost	6,918	6,918	6,918	–	–	–
Share of post-acquisition reserves	(4,557)	(5,221)	(2,516)	–	–	–
Impairment loss	–	–	–	(1,558)	(1,558)	(1,558)
Exchange differences	776	835	982	–	–	–
	5,450	4,845	7,697	–	–	–
Total interest in joint ventures and associates	5,450	4,845	9,008	–	–	–

Investment in joint ventures

The Group's investments in joint ventures are as follows:

	Group		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Sindo-Econ Pte. Ltd. and its subsidiary, PT. Sindomas Precas	–	–	1,311

7. INVESTMENT IN JOINT VENTURES AND ASSOCIATES (CONT'D)

Investment in joint ventures (cont'd)

Details of the joint ventures are as follows:

Name of joint ventures	Principal activities	Place of incorporation and business	Proportion of ownership interest 30 June 2019 %	30 June 2018 %	1 July 2017 %
Held through subsidiaries					
Sindo-Econ Pte. Ltd.[1]	Investment holding	Singapore	50	50	50
PT. Sindomas Precas[2]	Manufacture of reinforced concrete piles and precast components	Indonesia	50	50	50

1 Audited by Ernst and Young LLP, Singapore

2 Audited by member firm of EY Global in Indonesia

The activities of the joint ventures are strategic to the Group's activities. The summarised financial information in respect of Sindo-Econ Pte. Ltd. and its subsidiary, PT. Sindomas Precas whose place of business is in Indonesia, based on its SFRS(I) financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Sindo-Econ Pte. Ltd. and its subsidiary 30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Cash and cash equivalents	66	243	741
Current assets	37,423	25,079	32,898
Non-current assets	8,223	8,715	9,159
Total assets	45,712	34,037	42,798
Current liabilities	71,440	47,677	38,183
Non-current liabilities	457	957	1,993
Total liabilities	71,897	48,634	40,176
Net (liabilities)/assets	(26,185)	(14,597)	2,622
Proportion of the Group's ownership	50%	50%	50%
Group's share of net assets	–	–	1,311
Carrying amount of the investment	–	–	1,311

7. INVESTMENT IN JOINT VENTURES AND ASSOCIATES (CONT'D)

Investment in joint ventures (cont'd)

Summarised statement of comprehensive income

	Sindo-Econ Pte. Ltd. and its subsidiary 2019 $'000	2018 $'000
Revenue	29,681	33,746
Cost of sales	(36,998)	(44,863)
Gross loss	(7,317)	(11,117)
Other operating income	427	1,204
Administrative expenses	(4,486)	(7,097)
Finance costs	(211)	(210)
Loss before tax	(11,587)	(17,220)
Income tax	–	–
Loss after tax	(11,587)	(17,220)
Other comprehensive income	–	–
Total comprehensive income	(11,587)	(17,220)

The Group has not recognised losses relating to Sindo-Econ Pte. Ltd. and its subsidiary where its share of losses exceeds the Group's interest in this joint venture. The Group's cumulative share of unrecognised losses at the end of the reporting period was $13,092,000 (2018: $7,299,000), of which $5,793,000 (2018: $7,299,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

Investment in associates

The Group's material investments in associates are as follows:

	Group 30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
PT. Hafar Capitol Nusantara	5,450	4,845	7,697
PT. Capitol Nusantara Indonesia Tbk[1]	–	–	–
Other associates	–	–	*
	5,450	4,845	7,697

* Denotes amount less than $1,000

1 The quoted market price of PT Capitol Nusantara Indonesia Tbk is $4,839,000 (30 June 2018: $6,555,000, 1 July 2017: $16,694,000)

7. INVESTMENT IN JOINT VENTURES AND ASSOCIATES (CONT'D)

Investment in associates (cont'd)

Details of the associates are as follows:

Name of associates	Principal activities	Place of incorporation and business	Proportion of ownership interest 30 June 2019 %	30 June 2018 %	1 July 2017 %
Held by the Company					
Fastcoat Industries Pte. Ltd.[2,(a)]	Investment holding and metal galvanising, coating and protecting operations	Singapore	44.5	44.5	44.5
Held through an associate					
PT. Fastcoat Industries[2, (a)]	Metal galvanising, coating and protecting operations	Indonesia	44.5	44.5	44.5
Held through a subsidiary					
PT. Hafar Capitol Nusantara[1]	Chartering of vessels	Indonesia	36.75	36.75	36.75
PT. Capitol Nusantara Indonesia Tbk[1]	Chartering of vessels and ship management	Indonesia	27	27	27

1 Audited by PKF International Limited, Indonesia

2 Audited by other firms of auditors

(a) These associates are not significant as defined under Rule 718 of the Singapore Exchange Listing Manual.

7. INVESTMENT IN JOINT VENTURES AND ASSOCIATES (CONT'D)

Investment in associates (cont'd)

The activities of the associates are strategic to the Group's activities. The summarised financial information in respect of PT. Hafar Capitol Nusantara and PT. Capitol Nusantara Indonesia Tbk and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	PT. Hafar Capitol Nusantara			PT. Capitol Nusantara Indonesia Tbk		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Cash and cash equivalents	85	245	2,712	30	81	152
Current assets	1,674	4,027	492	12,620	19,647	16,230
Non-current assets	42,251	46,944	50,844	54,308	60,212	71,660
Total assets	44,010	51,216	54,048	66,958	79,940	88,042
Current liabilities	21,894	27,107	20,262	76,456	81,779	82,820
Non-current liabilities	7,375	10,574	18,078	7,036	8,617	9,853
Total liabilities	29,269	37,681	38,340	83,492	90,396	92,673
Net assets/(liabilities)	14,741	13,535	15,708	(16,534)	(10,456)	(4,631)
Proportion of the Group's ownership	49%	49%	49%	36%	36%	36%
Group's share of net assets	7,223	6,632	7,697	–	–	–
Other adjustments	(1,773)	(1,787)	–	–	–	–
Carrying amount of the investment	5,450	4,845	7,697	–	–	–

7. INVESTMENT IN JOINT VENTURES AND ASSOCIATES (CONT'D)

Investment in associates (cont'd)

Summarised statement of comprehensive income

	PT. Hafar Capitol Nusantara		PT. Capitol Nusantara Indonesia Tbk	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue	4,494	4,248	2,758	3,112
Cost of sales	(5,640)	(5,495)	(7,655)	(8,733)
Gross loss	(1,146)	(1,247)	(4,897)	(5,621)
Other operating income	4,405	134	–	913
Administrative expenses	(404)	(317)	(690)	(863)
Other operating expenses	(914)	–	(206)	59
Finance costs	(532)	(427)	(73)	(155)
Profit/(loss) before tax	1,409	(1,857)	(5,866)	(5,667)
Income tax expense	(52)	(46)	(68)	(117)
Profit/(loss) after tax	1,357	(1,903)	(5,934)	(5,784)
Other comprehensive income	(151)	(270)	(144)	(41)
Total comprehensive income	1,206	(2,173)	(6,078)	(5,825)

The Group has not recognised losses relating to PT. Capitol Nusantara Indonesia Tbk where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was $5,993,000 (2018: $3,857,000), of which $2,136,000 (2018: $2,097,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

8. INTANGIBLE ASSETS

Group	Goodwill $'000	Patented technology $'000	Customer relationship $'000	Brand $'000	Order backlog $'000	Total $'000
Cost						
At 1 July 2017	9,145	7,243	4,349	949	920	22,606
Net exchange differences	129	103	62	13	12	319
At 30 June 2018 and 1 July 2018	9,274	7,346	4,411	962	932	22,925
Net exchange differences	(328)	(259)	(156)	(34)	(33)	(810)
At 30 June 2019	8,946	7,087	4,255	928	899	22,115
Accumulated amortisation and impairment loss						
At 1 July 2017	–	2,173	782	854	920	4,729
Amortisation	–	492	177	97	–	766
Impairment charge for the year	5,027	–	–	–	–	5,027
Net exchange differences	(27)	29	10	11	12	35
At 30 June 2018 and 1 July 2018	5,000	2,694	969	962	932	10,557
Amortisation	–	479	173	–	–	652
Impairment charge for the year	4,185	–	1,319	–	–	5,504
Net exchange differences	(239)	(102)	(55)	(34)	(33)	(463)
At 30 June 2019	8,946	3,071	2,406	928	899	16,250
Net carrying amount						
At 1 July 2017	9,145	5,070	3,567	95	–	17,877
At 30 June 2018	4,274	4,652	3,442	–	–	12,368
At 30 June 2019	–	4,016	1,849	–	–	5,865

8. INTANGIBLE ASSETS (CONT'D)

Patented technology relates to patented dredger technology that was acquired in a business combination.

Customer relationships and order backlogs acquired in a business combination are carried at fair value at the date of acquisition and amortised on a straight-line basis over the period of expected benefits.

Brand relates to the "Vosta" brand name acquired in a business combination.

Useful lives of other intangible assets

Intangible assets are amortised on a straight-line basis over the estimated useful lives of the assets as disclosed in Note 2.11(b). Patented technology, customer relationships and brand have remaining amortisation period of 8, 18 and Nil years (30 June 2018: 9, 19 and Nil years, 1 July 2017: 10, 20 and 0.5 years) respectively.

Amortisation expense

The amortisation of intangible assets are included in the "Administrative expenses" line item in the consolidated income statement.

Impairment testing of goodwill and other intangible assets

Goodwill acquired through business combinations and other intangible assets have been allocated to a cash generating unit ("CGU") within the Engineering segment.

The recoverable amount of the CGU associated with goodwill and other intangible assets have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate to extrapolate cash flow projections beyond the five-year period are 22.0% (2018: 13.2%) and 0.3% (2018: 1.7%) per annum respectively.

The calculations of value in use for both the CGUs are most sensitive to the following assumptions:

Budgeted revenues – The revenue forecast for 2020 and 2021 are based on annual revenue growth of 86.6% and 12.8% respectively. Revenue from 2022 to 2024 was forecasted to remain constant.

Budgeted gross margins – Gross margins used in the value in use calculations were based on budgeted gross margins derived from past performance and management's expectations of market developments.

Pre-tax discount rates – The pre-tax discount rate reflects the current market assessment of the risks specific to the CGU.

Growth rates – The forecasted growth rate did not exceed the long-term average growth rate for the industry in which the CGU operates.

8. INTANGIBLE ASSETS (CONT'D)

Impairment loss recognised

As a result of the above impairment testing, impairment losses of $4,185,000 and $1,319,000 (2018: $5,027,000 and Nil) were recognised to write down the carrying amount of the goodwill and customer relationships respectively. The impairment losses have been recognised in the "other operating expenses" line in the consolidated income statement.

Sensitivity to changes in assumptions

A shortfall of 5% from the 2020 budgeted revenues, would result in the recoverable amount of the CGU being lower than its carrying amount by $1,588,000.

9. FINANCE LEASE RECEIVABLES

The Group entered into agreements that provided the lessees a right to charter vessels owned by the Group. These charter agreements transfer substantially all the risks and rewards of ownership to the lessees, and provide for the transfer of ownership of the vessels to the lessees at the end of the lease terms at a nominal price.

Future minimum lease receipts under finance lease together with the present value of the net minimum lease receipts for the Group are as follows:

		Group	
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Gross receivables due:			
– Not later than 1 year	1,251	1,546	1,681
– Later than 1 year but within 5 years	5,003	5,056	6,199
– After 5 years	4,391	5,688	5,506
	10,645	12,290	13,386
Less: Unearned finance income	(2,873)	(3,544)	(3,520)
Less: Allowance for impairment	(1,566)	–	–
Net investment in finance lease (Note 12)	6,206	8,746	9,866

9. FINANCE LEASE RECEIVABLES (CONT'D)

The net investment in finance lease is analysed as follows:

	Group		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
– Not later than 1 year	670	905	1,001
– Later than 1 year but within 5 years	3,268	3,055	4,096
– After 5 years	2,268	4,786	4,769
	6,206	8,746	9,866

The weighted average effective interest rate for finance lease receivables is 8.6% (30 June 2018: 6.2%, 1 July 2017: 7.6%) per annum.

Finance lease receivables are denominated in the following currencies:

	Group		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
United States Dollar ("USD")	6,206	8,468	9,018
Singapore Dollar ("SGD")	–	278	848
	6,206	8,746	9,866

10. INVENTORIES

	Group		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Statement of financial position:			
Raw materials and consumables (at cost or net realisable value)	14,919	16,755	20,773
Work-in-progress (at cost or net realisable value)	–	17,748	7,997
Finished goods (at cost or net realisable value)	84,565	136,954	153,245
Total inventories	99,484	171,457	182,015

10. INVENTORIES (CONT'D)

	Group	
	2019	2018
	$'000	$'000
Consolidated income statement:		
Inventories recognised as an expense in cost of sales	1,784	5,458
Inventories written down recognised as an expense in other operating expenses	72,338	21,766

Inventories include interest capitalised amounting to Nil (30 June 2018: $237,000, 1 July 2017: Nil).

Included in work-in-progress as at 30 June 2018 and 1 July 2017 were vessels under construction with an aggregate carrying value of $17,748,000 and $7,997,000, respectively of which $13,087,000 and $7,997,000 have been pledged as security for the Group's interest-bearing loans and borrowings (Note 20).

Included in finished goods in the current financial year are vessels with an aggregate carrying value of $81,245,000 (30 June 2018: $134,568,000, 1 July 2017: $151,311,000) of which $79,192,000 (30 June 2018: $134,068,000, 1 July 2017: $149,688,000) respectively have been pledged as security for the Group's interest-bearing loans and borrowings (Note 20).

Included in inventories as at 30 June 2019 are raw materials of $4,135,000 (30 June 2018, 1 July 2017: Nil) pledged as security for the Group's interest-bearing loans and borrowings (Note 20).

Inventories written down to net realisable value

In the current financial year, the Group recognised impairment losses of $55,275,000 (2018: Nil) on vessels included in finished goods. The net realisable values of finished goods were based on indicative offers.

The Group had also re-evaluated its business plans and ceased the construction of one unit of seismic support vessel and two offshore supply support vessels for which contracts were previously cancelled (collectively, the "Offshore Support Vessels"). Consequently, the Group had recognised impairment losses of $17,063,000 (2018: $21,766,000) on the materials, equipment, subcontractor costs and overheads of these Offshore Support Vessels.

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

Information about contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Contract assets			
Current			
Accrued revenue (Note 12)	12,542	15,096	3,118
Construction work-in-progress	11,075	45,322	84,930
Total contract assets	23,617	60,418	88,048
Contract liabilities			
Current			
Deferred income and deposits received from customers	(15,613)	(25,007)	(18,293)
Progress billings in excess of construction work-in-progress	(6,536)	(5,579)	(1,437)
	(22,149)	(30,586)	(19,730)
Non-current			
Deferred income	(507)	(2,158)	(6,356)
Total contract liabilities	(22,656)	(32,744)	(26,086)

Expected credit losses

The movement in allowance for expected credit losses of contract assets computed based on lifetime ECL are as follows:

	2019 $'000
Balance at 1 July 2018 under SFRS	–
Adoption of SFRS(I) 9 (Note 2.2)	100
Balance at 1 July 2018 under SFRS(I) 9	100
Charge for the year	123
At 30 June	223

11. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONT'D)

Contract assets

Accrued revenue relates to the Group's right to consideration for work completed but not yet billed at reporting date.

Progress billings to the customers are based on a payment schedule in the construction contract and are typically triggered upon achievement of specified construction milestones.

At the end of each reporting period, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as construction work-in-progress.

Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities

Deferred income and deposits received from customers primarily relate to advance payments received from customers for which charter services have not been rendered and/or obligation to transfer goods.

Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as progress billings in excess of construction in work-in-progress.

Contract liabilities are recognised as revenue when the services are performed.

(i) Significant changes in contract assets are explained as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Contract assets reclassified to receivables	10,566	3,014
Impairment loss on contract assets	123	–

(ii) Significant changes in contract liabilities are explained as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Revenue recognised that was included in the contract liability balance at the beginning of the year	15,311	5,552

11. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONT'D)

Contract liabilities (cont'd)

(iii) Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the remaining performance obligation is $25,273,000 and the Group expects to recognise the revenue over the next 1 to 2 years.

As permitted under SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed.

(iv) Construction work-in-progress/Progress billings in excess of construction work-in-progress

		Group	
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Construction work-in-progress and attributable profits (less recognised losses) to date	27,956	76,339	150,988
Less: Progress billings	(23,417)	(36,596)	(67,495)
	4,539	39,743	83,493
Presented as:			
Construction work-in-progress	11,075	45,322	84,930
Progress billings in excess of construction work-in-progress	(6,536)	(5,579)	(1,437)
	4,539	39,743	83,493

Construction work-in-progress includes depreciation capitalised amounting to $3,285,000 (30 June 2018: $4,930,000, 1 July 2017: $7,764,000) (Note 4) and interest capitalised amounting to $5,000 (30 June 2018: $117,000, 1 July 2017: $192,000).

12. TRADE AND OTHER RECEIVABLES

	Group			Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Trade receivables	92,457	95,189	114,294	–	–	–
Less: Allowance for impairment	(36,682)	(29,050)	(29,228)	–	–	–
	55,775	66,139	85,066	–	–	–
Add:						
Other receivables	13,521	20,202	13,631	–	–	–
Deposits	578	2,155	618	20	–	–
Downpayment for purchase of property, plant and equipment	499	–	405	–	–	–
Amounts due from subsidiaries						
– non-trade	–	–	–	358,579	395,433	365,359
Amounts due from joint ventures and associates						
– trade	33,757	32,160	26,970	–	–	–
– non-trade	38,703	45,303	49,461	2,614	2,641	2,682
Amounts due from companies related to Directors						
– trade	8,784	2,115	1,505	–	–	–
– non-trade	212	246	1,293	–	–	–
	96,054	102,181	93,883	361,213	398,074	368,041
Less: Allowance for impairment						
Other receivables	(3,874)	(2,413)	(504)	–	–	–
Amounts due from subsidiaries						
– non-trade	–	–	–	(99,246)	(24,476)	(10,513)
Amounts due from joint ventures and associates						
– trade	(32,754)	–	–	–	–	–
– non-trade	(34,648)	–	–	(2,614)	–	–
Amounts due from companies related to Directors						
– trade	(4)	–	–	–	–	–
– non-trade	(3)	–	–	–	–	–
	24,771	99,768	93,379	259,353	373,598	357,528
Total trade and other receivables	80,546	165,907	178,445	259,353	373,598	357,528
Less: Downpayment for purchase of property, plant and equipment	(499)	–	(405)	–	–	–
Add: Accrued revenue (Note 11)	12,542	15,096	3,118	–	–	–
Add: Finance lease receivables (Note 9)	6,206	8,746	9,866	–	–	–
Add: Cash and bank balances (Note 14)	15,395	28,609	36,141	3,591	2,492	1,504
Financial assets at amortised cost	114,190	218,358	227,165	262,944	376,090	359,032

12. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 120 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amounts due from subsidiaries, joint ventures and associates and companies related to directors

The non-trade balances with subsidiaries are unsecured, interest-free, repayable on demand and are to be settled in cash except for balances amounting to $194,359,000 (30 June 2018: $224,232,000, 1 July 2017: 187,800,000) with wholly-owned subsidiaries which bear interest ranging from 3.0% to 4.72% (30 June 2018: 4.15% to 6.35%, 1 July 2017: 3.49% to 5.85%) per annum.

The balances with joint ventures and associates are unsecured, interest-free, repayable on demand and are to be settled in cash.

The balances with companies related to directors are unsecured, interest-free, repayable on demand and are to be settled in cash.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to $49,435,000 as at 30 June 2018 and $65,164,000 as at 1 July 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	30 June 2018 $'000	**1 July 2017 $'000**
Trade receivables past due but not impaired:		
Past due up to 3 months	13,953	18,734
Past due 3 to 6 months	5,911	5,826
Past due 6 to 12 months	4,856	6,633
More than 1 year	24,715	33,971
	49,435	65,164

12. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period are as follows:

	Group	
	30 June 2018 $'000	**1 July 2017 $'000**
Trade receivables – nominal amounts	57,485	67,574
Less: Allowance for impairment	(29,050)	(29,228)
	28,435	38,346

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The movement in allowance accounts used to record the impairment are as follows:

	Group 2018 $'000
At 1 July	29,228
Charge for the year	4,306
Written-back	(1,759)
Written-off	(2,686)
Net exchange differences	(39)
At 30 June	29,050

12. TRADE AND OTHER RECEIVABLES (CONT'D)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group 2019 $'000
Balance at 1 July 2018 under SFRS	29,050
Adoption of SFRS(I) 9 (Note 2.2)	2,327
Balance at 1 July 2018 under SFRS(I) 9	31,377
Charge for the year	7,649
Reversal	(343)
Written-back	(563)
Written-off	(1,394)
Net exchange differences	(44)
At 30 June	36,682
Bad debts written off directly to profit and loss	102

Allowances for doubtful debts are written back when the related debts are recovered.

Other receivables that are impaired

The movement in allowance accounts used to record the impairment are as follows:

	Group 2019 $'000	Group 2018 $'000
At 1 July	2,413	504
Charge for the year	1,464	1,909
Net exchange differences	(3)	–
At 30 June	3,874	2,413

12. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables from amounts due from joint ventures and associates, and companies related to directors that are impaired

Expected credit losses

The movement in allowance for expected credit losses of amounts due from joint ventures and associates, and companies related to directors computed based on lifetime ECL are as follows:

	Group	
	Amounts due from joint ventures and associates 2019 $'000	**Amounts due from companies related to directors 2019 $'000**
Balance at 1 July 2018 under SFRS	–	–
Adoption of SFRS(I) 9 (Note 2.2)	1,587	3
Balance at 1 July 2018 under SFRS(I) 9	1,587	3
Charge for the year	65,420	4
Net exchange differences	395	–
At 30 June	67,402	7

In the current financial year, the Group continues to focus on its core businesses such as ship repair services and divest non-core and/or underperforming assets. Accordingly, the Group had re-evaluated its ongoing businesses and scaled down its cooperation with the various counterparties resulting in the reassessment of the willingness and ability of the various counterparties to repay. Allowances of $65,420,000 (2018: Nil) on amounts due from joint ventures and associates was recorded.

12. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables from subsidiaries and amounts due from joint ventures and associates that are impaired

Expected credit losses

The movement in allowance for expected credit losses of amounts due from subsidiaries and amounts due from joint ventures and associates recorded at the Company are as follows:

	Company			
	Amount due from subsidiaries		Amount due from joint ventures and associates	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at 1 July under SFRS	24,476	10,513	–	–
Adoption of SFRS(I) 9 (Note 2.2)	16,041	–	–	–
Balance at 1 July 2018 under SFRS(I) 9	40,517	10,513	–	–
Charge for the year	58,729	13,963	2,614	–
At 30 June	99,246	24,476	2,614	–

Trade and other receivables are denominated in the following currencies:

	Group			Company		
	30 June 2019	30 June 2018	1 July 2017	30 June 2019	30 June 2018	1 July 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore Dollar ("SGD")	33,334	72,722	72,995	259,218	366,349	350,299
United States Dollar ("USD")	29,578	69,873	84,859	135	3,134	2,820
Euro ("EUR")	1,425	2,656	3,407	–	4,115	4,409
Indonesian Rupiah ("IDR")	13,300	19,070	15,964	–	–	–
Chinese Yuan Renminbi ("RMB")	1,080	1,267	810	–	–	–
Indian Rupee ("Rupee")	1,330	–	–	–	–	–
Others	–	319	5	–	–	–
	80,047	165,907	178,040	259,353	373,598	357,528

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	30 June 2019 and 30 June 2018		1 July 2017	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Interest rate swaps	–	–	15	–

The interest rate swap agreements were terminated in the prior financial year.

Interest rate swaps

The Group in prior financial years entered into interest rate swap agreements to hedge its interest rate risk on its United States Dollar loans included in interest-bearing loans and borrowings (Note 20). As at 1 July 2017, the terms of these contracts and the fair value adjustments on these interest rate swaps are as follows:

Maturity dates	Floating rate	Fixed rate	Current notional amount	Fair value adjustments	
				Assets	Liabilities
	%	%	$'000	$'000	$'000
1 March 2018 – 1 November 2019	0.45 – 1.10	1.27– 1.42	54,064	15	–

The interest rate swaps entered have the same principal terms as the interest-bearing loans and borrowings. In 2017, for cash flow hedges which were assessed to be effective, fair value gains of $15,000 were included in the Group's hedging reserves.

14. CASH AND BANK BALANCES

	Group			Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Cash on hand	15	25	22	–	–	–
Cash at banks	12,025	28,049	25,692	3,591	2,492	1,504
Fixed deposits	3,355	535	10,427	–	–	–
	15,395	28,609	36,141	3,591	2,492	1,504

Cash at banks amounting to $4,101,000 (30 June 2018: $3,934,000, 1 July 2017: $10,566,000) earns interest based on daily bank deposit rates.

Cash and bank balances are denominated in the following currencies:

	Group			Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
SGD	9,577	17,378	20,674	3,591	2,492	1,504
USD	4,257	8,280	10,612	–	–	–
EUR	329	251	197	–	–	–
IDR	1,095	1,410	3,391	–	–	–
RMB	86	776	1,258	–	–	–
Others	51	514	9	–	–	–
	15,395	28,609	36,141	3,591	2,492	1,504

Fixed deposits are placed for 1 month (30 June 2018: 1 month, 1 July 2017: 1 month). The weighted-average effective interest rate for the fixed deposits as at 30 June 2019 is 0.93% (30 June 2018: 1.93%, 1 July 2017: 0.70%) per annum.

14. CASH AND BANK BALANCES (CONT'D)

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	30 June 2019 $'000	30 June 2018 $'000
Bank balances, deposits and cash	15,395	28,609
Assets of disposal group classified as held for sale (Note 16)	1,908	–
Less: Restricted cash		
– Cash at banks	(3,355)	(15,281)
– Fixed deposits	(6,797)	(535)
Cash and cash equivalents	7,151	12,793

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 (Note 20).

15. ASSETS CLASSIFIED AS HELD FOR SALE

		Group	
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Vessels			
At 1 July	4,899	–	3,708
Additions	3,237	4,300	–
Disposals	(8,136)	(4,300)	(580)
Transfer from property, plant and equipment	–	4,899	–
Transfer to construction work-in-progress	–	–	(3,128)
At 30 June	–	4,899	–

In 2017, due to changes to the plan of sale, the remaining vessel was transferred to construction work-in-progress for additional modifications. As at 30 June 2018, assets classified as held for sale were pledged as security for the Group's interest-bearing loans and borrowings (Note 20).

During the current financial year, the Group disposed of assets classified as held for sale with an aggregate carrying value of $8,136,000 (30 June 2018: $4,300,000, 1 July 2017: $580,000), and recognised a gain on disposal of $941,000 (2018: $1,950,000) (Note 27(a)) in "other operating income" line in the consolidated income statement.

The Group had acquired a vessel, classified as held for sale, for an aggregate consideration of $728,000 (30 June 2018, 1 July 2017: Nil) as part of its settlement agreement reached with certain customer.

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 6 March 2019, Hongda Investment Pte Ltd ("HDI"), a 60% owned subsidiary of the Company entered into a memorandum of understanding with Guangdong Sanhe Pile Co., Ltd (the "Buyer") for the sale of HDI's entire equity interest in Jiangmen Hongda Shipyard Ltd ("JMHD").

The disposal was part of the Group's ongoing rationalisation of underutilised and/or non-core assets to raise monies to improve the Group's working capital. The Group subsequently announced on 29 July 2019 that HDI had entered into a share purchase agreement with the Buyer for the sale of HDI's equity interest in JMHD for a consideration of RMB35.0 million and the disposal was completed on 16 August 2019. The Company has received the consideration of RMB35.0 million.

As part of the share purchase agreement, HDI will remain liable for JMHD's operational debts and liabilities, including losses, damages, and compensation (if any), incurred in the ordinary course of business and existing prior to the completion date, up to a capped limit of:

(a) RMB35.0 million, if the Buyer makes claims within the first year from the completion date;

(b) RMB17.0 million, if the Buyer makes claims within the second year after the first anniversary of the completion date. In the event if the Buyer has made claims under paragraph (a) above of which the amount is lower than RMB17.0 million, then the aggregate amount of claims under paragraphs (a) and (b) shall not exceed RMB17.0 million. In the event the Buyer has made claims under paragraph (a), of which the claims exceed RMB17.0 million, the Buyer shall not make claims under this paragraph (b); and

(c) RMB12.0 million, if the Buyer makes claims within the third year after the second anniversary of the completion date. In the event, if the Buyer has made claims under paragraph (a) and/or paragraph (b) above the aggregate amount of which is lower than RMB12.0 million, then the aggregate amount of claims under paragraphs (a), (b) and (c) shall not exceed RMB12.0 million. In the event the Buyer has made claims under paragraph (a) and/or paragraph (b) above the aggregate amount of which exceeds RMB12.0 million, the Buyer shall not make claims under this paragraph (c).

Nonetheless, HDI shall not be exempted from assuming all the debts and liabilities of JMHD which were incurred prior to the completion date and were caused by JMHD obtaining loans, providing guarantees, and assuming or undertaking to assume third parties' debts.

The Company's wholly owned subsidiary incorporated in the PRC, VOSTA LMG (Zhuhai) Ltd, has undertaken to the Buyer and/or JMHD to be jointly liable with HDI for all the liabilities under the share purchase agreement.

16. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

Pursuant to the disposal, a wholly owned subsidiary of the Group has also received an amount of RMB50.0 million subsequent to financial year end for the settlement of outstanding debts owing from JMHD.

As at 30 June 2019, the assets and liabilities relating to JMHD have been presented in the statement of financial position as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale".

Balance sheet disclosures

	Group 30 June 2019 $'000
Assets:	
Property, plant and equipment	6,365
Lease prepayments	879
Inventories	446
Trade and other receivables	16
Prepayments	227
Cash and bank balances	1,908
Assets of disposal group classified as held for sale	9,841
Liabilities:	
Trade and other payables	2,011
Interest-bearing loans and borrowings	4
Liabilities directly associated with disposal group classified as held for sale	2,015
Net assets directly associated with disposal group classified as held for sale	7,826
Reserve:	
Foreign currency translation reserve	193

17. TRADE AND OTHER PAYABLES

	Group			Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Current						
Trade payables	113,386	115,374	115,104	208	171	797
Accrued operating expenses	30,826	26,682	20,608	7,008	2,607	2,541
Payables for yard development	1,584	2,207	3,078	–	–	–
Other payables	9,975	9,086	9,114	–	–	–
Other liabilities	–					
– Deferred income	1,615	1,881	2,147	–	–	–
– Deposits received from customers	3,958	3,614	7	–	–	–
Amounts due to subsidiaries						
– non-trade	–	–	–	92,264	112,942	104,911
Amounts due to joint ventures and associates						
– trade	1,030	5,689	6,749	–	–	–
– non-trade	–	2,408	2,837	–	–	–
Amounts due to companies related to directors						
– trade	1,582	1,266	504	–	–	–
– non-trade	7,178	6,871	6,046	–	–	–
Amounts due to non-controlling interests of subsidiaries						
– non-trade	207	210	213	–	–	–
Amounts due to a shareholder						
– non-trade	6,620	6,620	–	–	–	–
Total trade and other payables	177,961	181,908	166,407	99,480	115,720	108,249
Less: Other liabilities						
– Deferred income	(1,615)	(1,881)	(2,147)	–	–	–
– Deposits received from customers	(3,958)	(3,614)	(7)	–	–	–
Add: Trust receipts (Note 19)	1,157	13,805	20,515	–	–	–
Add: Interest bearing loans and borrowings (Note 20)	361,978	488,303	528,984	173,292	234,155	207,795
Financial liabilities at amortised cost	535,523	678,521	713,752	272,772	349,875	316,044

17. TRADE AND OTHER PAYABLES (CONT'D)

Trade payables are non-interest bearing and are normally on 30 to 120 days' credit terms.

Trade payables and other payables are denominated in the following currencies:

	Group			Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
SGD	99,615	96,987	86,806	92,212	108,186	100,806
USD	18,828	22,050	16,994	–	–	14
EUR	5,172	6,390	8,698	7,268	7,534	7,429
IDR	47,634	49,953	49,982	–	–	–
RMB	267	457	1,174	–	–	–
Others	872	576	599	–	–	–
	172,388	176,413	164,253	99,480	115,720	108,249

Amounts due to subsidiaries, joint ventures and associates, companies related to directors, non-controlling interests of subsidiaries and shareholder

The trade and non-trade balances are unsecured, interest-free, repayable on demand and to be settled in cash.

18. PROVISION FOR WARRANTY

	Group		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
At 1 July	35	169	54
Charge for the year	19	9	392
Amounts written back	(10)	(137)	(69)
Utilised	–	(9)	(215)
Net exchange differences	(2)	3	7
At 30 June	42	35	169

The provision for warranty is based on a certain fixed percentage of engineering products sold or completed during the last 12 months. Specific provisions will also be made when claims are probable. During the financial year, warranty provisions amounting to $10,000 (30 June 2018: $137,000, 1 July 2017: $169,000) have been reversed as the warranty periods had lapsed.

19. TRUST RECEIPTS

	Group		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Secured	1,157	13,805	17,468
Unsecured	–	–	3,047
	1,157	13,805	20,515

Trust receipts of the Group are secured by certain vessels under construction. Trust receipts are denominated in the following currencies:

	Group		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
SGD	1,157	10,472	15,129
USD	–	2,690	1,440
EUR	–	643	3,875
Others	–	–	71
	1,157	13,805	20,515

The average effective interest rate is 4.67% (30 June 2018: 2.65%, 1.7.2017: 2.68%) per annum.

A reconciliation of trust receipts arising from financing activities is as follows:

	Group $'000
At 1 July 2018	13,805
Cash flows	
– cash payments	(28,976)
– cash proceeds	16,328
At 30 June 2019	1,157
At 1 July 2017	20,515
Cash flows	
– cash payments	(36,389)
– cash proceeds	29,603
Non-cash items	
– foreign exchange movement	76
At 30 June 2018	13,805

20. INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rates %	Maturity dates	Group 30 June 2019 $'000	Group 30 June 2018 $'000	Group 1 July 2017 $'000
Current					
SGD Finance lease liabilities – secured (Note 32(d))	4.92	2020	738	5,969	3,683
USD Finance lease liabilities – secured (Note 32(d))	3.22	2020	341	–	–
RMB Finance lease liabilities – secured (Note 32(d))	–	–	–	3	2
SGD Floating rate – secured	5.57[1,2,3]	2020	28,686	37,086	97,688
SGD Floating rate – unsecured	–	–	–	–	2,000
USD Floating rate – secured	4.76[1]	2020	12,951	47,750	71,688
USD Floating rate – unsecured	–	–	–	–	6,457
RMB Floating rate – secured	–	–	–	–	218
SGD Fixed rate – secured	5.53[2]	2020	1,141	8,260	8,731
SGD Fixed rate – unsecured	4.91	2020	1,250	521	–
USD Fixed rate – secured	–	–	–	–	24,766
			45,107	99,589	215,233
Non-current					
SGD Finance lease liabilities – secured (Note 32(d))	4.92	2021 – 2022	576	2,085	3,015
USD Finance lease liabilities – secured (Note 32(d))	3.22	2021 – 2024	1,218	–	–
RMB Finance lease liabilities – secured (Note 32(d))	–	–	–	4	8
SGD Floating rate – secured	5.57[1,2,3]	2021 – 2028	217,089	143,262	92,264
USD Floating rate – secured	4.76[1]	2021 – 2027	90,996	97,469	31,670
RMB Floating rate – secured	–	–	–	–	411
SGD Fixed rate – secured	5.53[2]	2021 – 2023	3,763	141,415	151,313
SGD Fixed rate – unsecured	4.91	2021 – 2023	3,229	4,479	5,000
USD Fixed rate – secured	–	–	–	–	30,070
			316,871	388,714	313,751
			361,978	488,303	528,984

20. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

	Effective interest rates %	Maturity dates	Company 30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Current					
SGD Floating rate – secured	5.62[1,2,3]	2020	11,965	7,393	57,795
SGD Fixed rate – secured	–	–	–	7,500	7,500
			11,965	14,893	65,295
Non-current					
SGD Floating rate – secured	5.62[1,2,3]	2021 – 2026	161,327	84,262	–
SGD Fixed rate – secured	–	–	–	135,000	142,500
			161,327	219,262	142,500
			173,292	234,155	207,795

1 The interest rates of floating rate loans are repriced at intervals ranging from 1 – 3 months (30 June 2018: 1 – 3 months, 1 July 2017: 1 – 6 months).

2 Includes notes issued under the $500,000,000 Multicurrency Debt Issuance Programme established by the Company in May 2008 and revised in March 2015. These notes are secured and comprise notes of $100,000,000 ("Series 006 Notes") and $50,000,000 ("Series 007 Notes") (collectively, the "Notes").

3 Includes drawdown of $3,850,000 (30 June 2018: $38,255,000, 1 July 2017: $57,795,000) during the financial year under the 5 year club term loan facility ("CTL Facility") from the Banks which bears interests at 2.5% per annum above Swap Offer Rate ("SOR"). The maturity dates of the club term loan facility has been further extended to November 2026, further to the Amendment and Restatement Deed which has been effective since 1 December 2018.

Interest-bearing loans and borrowings are denominated in the following currencies:

	Group 30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	Company 30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
SGD	256,474	343,077	363,693	173,292	234,155	207,795
USD	105,504	145,219	164,652	–	–	–
RMB	–	7	639	–	–	–
	361,978	488,303	528,984	173,292	234,155	207,795

20. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Interest-bearing loans and borrowings are secured by certain assets of the Group as disclosed in Notes 4, 5, 10, 14 and 15. The Group also secure borrowings by way of corporate guarantees from the Company and certain subsidiaries, assignment of charter income and insurance of certain vessels of subsidiaries.

The club term loan facility is secured over assignment and charge over newbuildings, assignment of insurances and earnings of certain vessels and the assignment of subordination and intercompany loans.

The face value of the interest-bearing loans and borrowings are as follows:

	30 June 2019		30 June 2018		1 July 2017	
Group	**Face value $'000**	**Carrying amount $'000**	**Face value $'000**	**Carrying amount $'000**	**Face value $'000**	**Carrying amount $'000**
Current						
SGD Finance lease liabilities – secured (Note 32(d))	738	738	5,969	5,969	3,683	3,683
USD Finance lease liabilities – secured (Note 32(d))	341	341	–	–	–	–
RMB Finance lease liabilities – secured (Note 32(d))	–	–	3	3	2	2
SGD Floating rate – secured	29,680	28,686	37,086	37,086	97,688	97,688
SGD Floating rate – unsecured	–	–	–	–	2,000	2,000
USD Floating rate – secured	13,398	12,951	47,750	47,750	71,688	71,688
USD Floating rate – unsecured	–	–	–	–	6,457	6,457
RMB Floating rate – secured	–	–	–	–	218	218
SGD Fixed rate – secured	1,141	1,141	8,260	8,260	8,731	8,731
SGD Fixed rate – unsecured	1,250	1,250	521	521	–	–
USD Fixed rate – secured	–	–	–	–	24,766	24,766
	46,548	45,107	99,589	99,589	215,233	215,233

20. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Group	30 June 2019 Face value $'000	30 June 2019 Carrying amount $'000	30 June 2018 Face value $'000	30 June 2018 Carrying amount $'000	1 July 2017 Face value $'000	1 July 2017 Carrying amount $'000
Non-current						
SGD Finance lease liabilities – secured (Note 32(d))	576	576	2,085	2,085	3,015	3,015
USD Finance lease liabilities – secured (Note 32(d))	1,218	1,218	–	–	–	–
RMB Finance lease liabilities – secured (Note 32(d))	–	–	4	4	8	8
SGD Floating rate – secured	274,320	217,089	143,262	143,262	92,264	92,264
USD Floating rate – secured	92,251	90,996	97,469	97,469	31,670	31,670
RMB Floating rate – secured	–	–	–	–	411	411
SGD Fixed rate – secured	3,763	3,763	141,415	141,415	151,313	151,313
SGD Fixed rate – unsecured	3,229	3,229	4,479	4,479	5,000	5,000
USD Fixed rate – secured	–	–	–	–	30,070	30,070
	375,357	316,871	388,714	388,714	313,751	313,751
	421,905	361,978	488,303	488,303	528,984	528,984

20. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Company	30 June 2019 Face value $'000	30 June 2019 Carrying amount $'000	30 June 2018 Face value $'000	30 June 2018 Carrying amount $'000	1 July 2017 Face value $'000	1 July 2017 Carrying amount $'000
Current						
SGD Floating rate – secured	11,331	11,965	7,393	7,393	57,795	57,795
SGD Fixed rate – secured	–	–	7,500	7,500	7,500	7,500
	11,331	11,965	14,893	14,893	65,295	65,295
Non-current						
SGD Floating rate – secured	211,136	161,327	84,262	84,262	–	–
SGD Fixed rate – secured	–	–	135,000	135,000	142,500	142,500
	211,136	161,327	219,262	219,262	142,500	142,500
	222,467	173,292	234,155	234,155	207,795	207,795

Debt refinancing exercise

In the current financial year, the Group had undertaken a debt refinancing exercise with its various lenders to restructure certain terms of the loans and borrowings. The debt refinancing exercise was carried out by way of the following:

(i) *The Notes – Consent solicitation exercise*

On 30 January 2019, the Company obtained approvals from noteholders to amend the terms of the Series 006 Notes and Series 007 Notes as follows:

- Revised coupon to a base rate of 3.0% per annum with additional coupon rate of 0.15% per annum for every $1.0 million increase to prior year Adjusted Core EBITDA Amount[1] above $65.0 million, capped at 2.0%;

- Mandatory redemption rate of 1.0% per annum with additional mandatory redemption rate of 0.15% per annum for every $1.0 million increase to prior year Adjusted Core EBITDA Amount above $65.0 million, less additional coupon rate, capped at 4.0% per annum; and

- Maturity dates of the Series 006 Notes and Series 007 Notes have been further extended to March 2025 and October 2026 respectively.

20. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Debt refinancing exercise (cont'd)

(i) The Notes – Consent solicitation exercise (cont'd)

As part of the consent solicitation exercise, the Group had also issued 300,625,000 Noteholder Warrants with each warrant carrying the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S$0.06 per ordinary share subsequent to financial year ended 30 June 2019 (Note 39).

(1) "Adjusted Core EBITDA Amount" means, with respect to any financial year, the earnings of the Group during such period before taking into account interest expense, tax, depreciation and amortisation, but making adjustments by (i) adding back allowance for doubtful debts, impairments, write-offs and any other non-cashflow items (in each case to the extent deducted in arriving at such earnings) and (ii) deducting other operating income.

(ii) Loans and borrowings

In conjunction with the consent solicitation exercise, the Group had also restructured certain terms of other loans and borrowings. The changes include reduction in monthly principal repayments over the next 6 to 8 years and reduction in interest rates for these loan facilities.

(iii) Financial impact

Arising from the debt refinancing exercise, the Group had remeasured the fair value of the total loans and borrowings at inception date of the debt refinancing exercise and recognised a fair value gain of $59,179,000, net of transaction costs of $2,156,000 (Note 28), in the consolidated income statement for the financial year ended 30 June 2019. As part of the overall debt refinancing exercise, the Group made a provision of professional fees of approximately $4,000,000, of which a portion will be payable in shares of the Company.

20. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Reconciliation of liabilities arising from financing activities

	Loans and borrowings		Finance lease liabilities		
	Current $'000	Non-current $'000	Current $'000	Non-current $'000	Total $'000
Group					
At 1 July 2018 under SFRS	93,617	386,625	5,972	2,089	488,303
Adoption of SFRS(I) 9 (Note 2.2)	172	586	–	–	758
At 1 July 2018 under SFRS(I) 9	93,789	387,211	5,972	2,089	489,061
Cash flows					
– cash payments	(63,887)	–	(7,366)	–	(71,253)
– cash proceeds	3,850	–	–	–	3,850
Non-cash items					
– additions	–	–	523	1,658	2,181
– transaction costs	(119)	(484)	–	–	(603)
– fair value adjustments arising from debt refinancing exercise	(1,325)	(60,010)	–	–	(61,335)
– foreign exchange movement	(87)	(1,076)	(8)	5	(1,166)
– amortisation	(8)	1,251	–	–	1,243
– others	11,815	(11,815)	1,958	(1,958)	–
At 30 June 2019	44,028	315,077	1,079	1,794	361,978
Company					
At 1 July 2018	14,893	219,262	–	–	234,155
Cash flows					
– cash payments	(15,537)	–	–	–	(15,537)
– cash proceeds	3,850	–	–	–	3,850
Non-cash items					
– transaction costs	(119)	(484)	–	–	(603)
– fair value adjustments arising from debt refinancing exercise	1,111	(49,494)	–	–	(48,383)
– amortisation	(190)	–	–	–	(190)
– others	7,957	(7,957)	–	–	–
At 30 June 2019	11,965	161,327	–	–	173,292

20. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Reconciliation of liabilities arising from financing activities (cont'd)

	Loans and borrowings		Finance lease liabilities		
	Current $'000	Non-current $'000	Current $'000	Non-current $'000	Total $'000
Group					
At 1 July 2017	211,548	310,728	3,685	3,023	528,984
Cash flows					
– cash payments	(91,752)	–	(6,647)	–	(98,399)
– cash proceeds	13,033	38,255	–	–	51,288
Non-cash items					
– new finance lease	–	–	6,800	1,200	8,000
– foreign exchange movement	(856)	(714)	–	–	(1,570)
– non-current liabilities previously recognised as current liabilities due to the breach of financial covenants	(53,399)	53,399	–	–	–
– others	15,043	(15,043)	2,134	(2,134)	–
At 30 June 2018	93,617	386,625	5,972	2,089	488,303
Company					
At 1 July 2017	65,295	142,500	–	–	207,795
Cash flows					
– cash payments	(11,895)	–	–	–	(11,895)
– cash proceeds	–	38,255	–	–	38,255
Non-cash items					
– non-current liabilities previously recognised as current liabilities due to the breach of financial covenants	(53,399)	53,399	–	–	–
– others	14,892	(14,892)	–	–	–
At 30 June 2018	14,893	219,262	–	–	234,155

Other non-cash changes include reclassification of non-current portion of bank borrowings and finance lease liabilities due to passage of time.

Compliance with financial covenants

As at 30 June 2017, the Group and the Company had not met one of the covenants imposed by the CTL Facility. At the request of the Group and the Company, the Banks had waived the covenants that were breached subsequent to the financial year ended 30 June 2017. As the waiver was obtained subsequent to 30 June 2017, the Group and the Company did not have an unconditional right to defer its settlement for at least 12 months after 30 June 2017. As such the Group and the Company had reclassified an amount of $53,399,000 from non-current liability to current liability in 2017.

21. OTHER LIABILITIES

	Group		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Pension plans	3,668	3,445	3,683
Other long term obligations	31	34	42
	3,699	3,479	3,725

Pension plans

The Group operates defined benefit pension plans in Germany and Indonesia based on employee pensionable remuneration and length of service. The Germany plan requires contributions to be made to separately administered funds.

The Germany plan is only applicable for employees joining the subsidiary before 31 January 2002. This pension plan is unfunded and provides a pension on retirement approximate to 1.67% of average annum salary of the employees during their employment and a 60% widow's pension.

The Indonesia plan is unfunded and provides different percentage of average salary for different years of service.

The pension plans expose the Group to actuarial risks, such as life expectancy risk, interest rate risk and inflation risk.

21. OTHER LIABILITIES (CONT'D)

Pension plans (cont'd)

Changes in present value of the defined benefit obligation are as follows:

	Germany Plan			Indonesia Plan			Total		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
At 1 July	2,549	2,762	2,911	896	921	822	3,445	3,683	3,733
(Reversal)/expenses during the year (Note 33)	–	(66)	11	21	88	102	21	22	113
Remeasurement (losses)/gains									
Actuarial losses arising from changes in financial assumptions (Note 25)	236	(186)	(189)	(236)	9	–	–	(177)	(189)
Benefits paid	–	–	(103)	–	–	–	–	–	(103)
Net exchange differences	(93)	39	132	295	(122)	(3)	202	(83)	129
At 30 June	2,692	2,549	2,762	976	896	921	3,668	3,445	3,683
Net benefit expense:									
Interest costs	36	46	36	61	67	54	97	113	90
Current service costs	(36)	(112)	(25)	(40)	21	48	(76)	(91)	23
	–	(66)	11	21	88	102	21	22	113

21. OTHER LIABILITIES (CONT'D)

Pension plans (cont'd)

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuations involve making various assumptions. The principal assumptions used in determining pension obligations for the defined benefit plans are shown below:

	30 June 2019	**30 June 2018**	**1 July 2017**
Discount rates:			
Indonesia plan	7.7%	8.4%	7.5%
Germany plan	0.8%	1.5%	1.7%
Future salary increases:			
Indonesia plan	5.0%	7.0%	7.0%
Germany plan	0.0%	0.0%	2.0%
Future pension increases:			
Indonesia plan	5.0%	7.0%	7.0%
Germany plan	1.5%	1.5%	1.75%
Normal retirement age:			
Indonesia plan	55 years	55 years	55 years
Germany plan	65 years	65 years	65 years

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumption for Germany is based on postretirement mortality table RT 2018 G; while for Indonesia, the mortality of the employees are assumed to be in line with the Indonesia Mortality Tables 2011 (TM3-2011).

The average duration of the post-employment benefits at the end of the financial year is 20.46 years (30 June 2018: 20.52 years, 1 July 2017: 21.16 years).

22. DEFERRED TAX LIABILITIES

	Group				
	Statement of financial position			Consolidated income statement	
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000
Deferred tax assets					
Unutilised tax losses and wear and tear allowances	(1,359)	(6,116)	(5,283)	4,572	(1,665)
Allowance for doubtful receivables	(9)	(9)	(9)	–	–
Others	(255)	23	(326)	(348)	348
	(1,623)	(6,102)	(5,618)		
Deferred tax liabilities					
Difference in depreciation for tax purposes	15,813	19,404	17,941	(3,314)	(346)
Fair value adjustments on business combinations	1,833	1,996	2,187	(163)	(192)
Fair value gain on forward currency contracts	–	–	2	–	–
Net exchange differences	(12)	21	–	–	–
	17,634	21,421	20,130		
Net deferred tax liabilities	16,011	15,319	14,512		
Deferred tax expense				747	(1,855)

22. DEFERRED TAX LIABILITIES (CONT'D)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current income tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority. The deferred tax amounts determined after appropriate offsetting are as follows:

	Group		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Deferred tax liabilities, net	16,011	15,319	14,512

At the end of the reporting period, the Group has undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised amount to $43,703,000 (2018: $74,577,000). The deferred tax liabilities are estimated to be $11,088,000 (2018: $18,809,000).

23. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	Number of shares		Amount	
	Issued share capital '000	Treasury shares '000	Issued share capital $'000	Treasury shares $'000
Fully paid ordinary shares, with no par value				
At 1 July 2017, 30 June 2018 and 30 June 2019	629,267	2,512	108,056	(923)

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares (except for treasury shares) carry one vote per share without restriction.

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. During the financial years ended 30 June 2019 and 2018, the Company did not buy back any shares.

24. RESERVES

	Group			Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Accumulated profits/(losses)	47,959	193,761	264,945	(76,053)	(37,208)	(12,011)
Foreign currency translation reserve	1,671	1,110	2,896	–	–	–
Hedging reserve	–	–	11	–	–	–
	49,630	194,871	267,852	(76,053)	(37,208)	(12,011)

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Hedging reserve

Hedging reserve records the portion of the fair value changes of derivative financial instruments designated as hedging instruments in cash flow hedges that is deemed to be effective hedges.

25. OTHER COMPREHENSIVE INCOME, NET OF TAX

Tax effects relating to each component of other comprehensive income are set out below:

	2019			2018		
Group	Before tax $'000	Tax credit $'000	Net of tax $'000	Before tax $'000	Tax expense $'000	Net of tax $'000
Translation differences relating to financial statements of foreign subsidiaries	835	–	835	(1,795)	–	(1,795)
Share of other comprehensive income of joint ventures	(59)	–	(59)	(147)	–	(147)
Fair value changes to cash flow hedges	–	–	–	(13)	2	(11)
Remeasurement of defined benefit pension plans (Note 21)	–	–	–	177	–	177
	776	–	776	(1,778)	2	(1,776)

26. REVENUE

Disaggregation of revenue	Group		
	At a point in time $'000	Over time $'000	Total $'000
2019			
Shipbuilding segment			
– Construction of tugs	32,389	8,254	40,643
– Construction of barges and others	22,698	–	22,698
Shiprepair and conversion segment			
– Provision of shiprepair and related services	–	93,856	93,856
Shipchartering segment			
– Leasing income	–	62,975	62,975
– Mobilisation and demobilisation income	3,327	4,158	7,485
– Freight income	–	34,709	34,709
– Other charter ancillary and marine related service income	3,851	34,875	38,726
– Ship management income	–	340	340
– Trade sales	1,383	–	1,383
Engineering segment			
– Provision of dredging engineering service income	–	5,960	5,960
– Sales of components	4,107	–	4,107
	67,755	245,127	312,882
2018			
Shipbuilding segment			
– Construction of tugs	1,674	12,816	14,490
– Construction of barges and others	21,992	–	21,992
Shiprepair and conversion segment			
– Provision of shiprepair and related services	–	84,731	84,731
Shipchartering segment			
– Leasing income	–	62,010	62,010
– Mobilisation and demobilisation income	–	587	587
– Freight income	–	18,401	18,401
– Other charter ancillary and marine related service income	9,133	23,852	32,985
– Ship management income	–	315	315
– Trade sales	4,352	–	4,352
Engineering segment			
– Sales of components	13,125	–	13,125
	50,276	202,712	252,988

27(a). OTHER OPERATING INCOME

	Group	
	2019	2018
	$'000	$'000
Interest income from debt instruments at amortised costs		
– deposits and bank balances	82	–
– finance lease receivables	640	–
Interest income from loans and receivables		
– deposits and bank balances	–	299
– finance lease receivables	–	573
Insurance claims	670	449
Gain on disposal of assets classified as held for sale	941	1,950
Gain on disposal of property, plant and equipment	327	7,364
Gain on foreign exchange (net)	–	2,987
Rental income	946	1,369
Miscellaneous income	807	565
	4,413	15,556

27(b). OTHER OPERATING EXPENSES

	Group	
	2019	2018
	$'000	$'000
Impairment losses on non-financial assets:		
– property, plant and equipment (Note 4)	13,667	21,357
– intangible assets (Note 8)	5,504	5,027
– inventories (Note 10)	72,338	21,766
Bad debts written off (trade)	102	–
Inventories written off	1,350	330
Loss on disposal of short-term investment	134	–
Loss on foreign exchange (net)	4,001	–
Property, plant and equipment written off	85	467
Liquidated damages	1,360	–
	98,541	48,947

Liquidated damages relate to claims for delay in fulfilling the terms of a charter contract.

28. FINANCE COSTS AND FAIR VALUE ADJUSTMENTS ARISING FROM DEBT REFINANCING EXERCISE

	Group	
	2019	2018
	$'000	$'000
Interest expense on:		
– bank loans and notes	23,344	23,697
– finance lease	242	376
– trust receipts	500	541
	24,086	24,614
Less:		
Interest expense capitalised in contract assets		
– bank loans	–	(12)
– trust receipts	(5)	(105)
Interest expense capitalised in inventories		
– bank loans	–	(237)
– trust receipts	–	*
Interest expenses included in contract assets now charged to profit and loss		
– bank loans	237	–
Interest expense charged to cost of sales		
– bank loans	(629)	(1,114)
– trust receipts	(494)	(435)
Finance costs	23,195	22,711
Fair value adjustments on debt securities arising from refinancing exercise, net (Note 20)	(59,179)	–

* Denotes amount less than $1,000

29. LOSS BEFORE TAX

	Group	
	2019	2018
	$'000	$'000
Loss before tax is stated after charging:		
Amortisation of lease prepayments (Note 5)	358	358
Amortisation of intangible assets (Note 8)	652	766
Audit fees paid/payable:		
– auditor of the Company	367	359
– overseas affiliates of the auditors of the Company	304	208
– other auditors	15	11
Non-audit fees paid/payable to auditor of the Company	61	21
Depreciation of property, plant and equipment	61,064	62,830
Employee benefits expense (Note 33)	41,093	37,596
Impairment losses on financial assets:		
– finance lease receivables (Note 9)	1,566	–
– trade receivables (third parties) (Note 12)	7,086	2,547
– contract assets (Note 11)	123	–
– other receivables (Note 12)	1,464	1,909
– amount due from:		
– joint ventures and associates (Note 12)	65,420	–
– companies related to directors (Note 12)	4	–
Operating lease expenses (Note 32(c))	1,794	1,784

30. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 30 June 2019 and 2018 are:

	Group	
	2019	**2018**
	$'000	**$'000**
Current income tax:		
Current income tax	(2,771)	(4,206)
Underprovision in respect of prior years	(682)	(853)
	(3,453)	(5,059)
Deferred tax:		
Movements in temporary differences	205	1,593
(Under)/overprovision in respect of prior years	(952)	262
	(747)	1,855
Total income tax expense	(4,200)	(3,204)

Relationship between tax expense and accounting loss		
Loss before tax	(141,679)	(69,582)
Income tax using Singapore statutory tax rate of 17% (2018: 17%)	24,085	11,829
Adjustments:		
Expenses not deductible for tax purposes	(34,138)	(7,040)
Income not subject to tax	10,611	397
Partial tax exemption	103	306
Net tax exempt loss under Section 13A or 13F of the Singapore Income Tax Act	(2,525)	(4,341)
Effect of different tax rates in foreign countries	2,977	(68)
Deferred tax assets not recognised	(2,106)	(2,716)
Utilisation of deferred tax asset previously not recognised	256	1,969
Share of results of joint ventures and associates	146	(650)
Underprovision in respect of prior years	(1,634)	(591)
Losses not available for carry-forward	(1,720)	(2,490)
Others	(255)	191
	(4,200)	(3,204)

30. INCOME TAX EXPENSE (CONT'D)

The Company and certain Singapore incorporated subsidiaries are granted the "Approved International Shipping Enterprise" incentive by the Maritime Port Authority, under which income from qualifying shipping operations is exempt from tax for a period of 10 years commencing 1 January 2004 under the Singapore Income Tax Act. On 1 January 2014, the extension of the scheme for another 10 years was approved by Maritime Port of Authority, subject to a review of performance at the end of 2019.

Unabsorbed tax losses

At the end of the reporting period, the Group has tax losses of approximately $42,330,000 (30 June 2018: $30,442,000, 1 July 2017: $26,048,000) that are available for offset against future taxable profits of the relevant subsidiary in which the losses arose, for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation of the respective country in which the subsidiary operates. The unabsorbed tax losses brought forward have been restated to comply with the tax returns filed in the current financial year with the relevant tax authorities.

31. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the loss and share data used in the computation of basic and diluted earnings per share for the financial years ended 30 June:

	Group	
	2019	**2018**
	$'000	**$'000**
Basic earnings per share is based on:		
(i) Loss for the year attributable to owners of the Company	(141,027)	(71,361)
	No. of shares	**No. of shares**
(ii) Weighted average number of ordinary shares in issue during the financial year applicable to basic and diluted earnings per share	629,266,941	629,266,941

Treasury shares have not been included in the calculation of both basic and diluted earnings per share because the holders of these treasury shares are not entitled to dividend of the Company.

32. COMMITMENTS AND CONTINGENCIES

(a) *Capital commitments*

Capital expenditure contracted for as at end of the reporting period but not recognised in the financial statements are as follows:

	Group		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Purchase of:			
Plant and machineries	30	167	–
Tugs and other vessels	–	11,512	–
	30	11,679	–

(b) *Operating lease commitments – As lessor*

The Group entered into operating leases on its fleet of vessels. As at 30 June 2019, these non-cancellable leases have remaining lease terms ranging from 1 month to 7 years (30 June 2018: 1 month to 8 years, 1 July 2017: 7 months to 9 years).

Future minimum lease payments receivable under non-cancellable operating leases as at 30 June are as follows:

	Group		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Not later than one year	35,421	35,407	38,705
Later than one year but not later than five years	45,876	65,573	89,213
Later than five years	4,064	6,811	10,360
	85,361	107,791	138,278

32. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) Operating lease commitments – As lessee

In addition to the land use rights disclosed in Note 5, the Group has entered into commercial leases on its office premises, yard space, office equipment and motor vehicles. There are no restrictions placed upon the Group by entering into these leases. Two of the leases which are located in Singapore include a clause to enable upward revision of the annual rental charged based on prevailing market conditions, however, not exceeding 5.5% of the annual rent for each immediately preceding year.

Operating lease expenses, excluding amortisation of land use rights recognised in the Group's consolidated income statement during the year amounted to $1,794,000 (2018: $1,784,000) (Note 29).

Future minimum lease payments payable under non-cancellable operating leases (excluding land use rights) as at 30 June are as follows:

	Group		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Not later than one year	1,758	1,747	1,709
Later than one year but not later than five years	6,307	5,133	5,508
Later than five years	1,798	2,974	4,198
	9,863	9,854	11,415

32. COMMITMENTS AND CONTINGENCIES (CONT'D)

(d) Finance lease commitments – As lessee

The Group has entered into leases for vessels, motor vehicles and plant and machinery. These leases are classified as finance leases with expiration over the next 5 years (30 June 2018: 4 years, 1 July 2017: 5 years). Under the terms of the finance lease arrangements, no contingent rents are payable. The average effective interest rate implicit in the leases is 4.4% (30 June 2018: 5.1%, 1 July 2017: 3.31%) per annum for the Group.

Future minimum lease payments under finance leases (Note 20) together with the present value of the net minimum lease payments are as follows:

	Group					
	30 June 2019		30 June 2018		1 July 2017	
	Minimum lease payments $'000	Present value of payments $'000	Minimum lease payments $'000	Present value of payments $'000	Minimum lease payments $'000	Present value of payments $'000
Not later than one year	1,323	1,079	6,264	5,972	3,836	3,685
Later than one year but not later than five years	2,020	1,794	2,220	2,089	3,154	3,023
Total minimum lease payments	3,343	2,873	8,484	8,061	6,990	6,708
Less: Amounts representing finance charges	(470)	–	(423)	–	(282)	–
Present value of minimum lease payments	2,873	2,873	8,061	8,061	6,708	6,708

(e) Contingent liabilities

Corporate guarantees (unsecured)

The Company has given the following corporate guarantees in respect of banking facilities utilised as at 30 June:

	Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Subsidiaries	203,019	307,356	465,135

32. COMMITMENTS AND CONTINGENCIES (CONT'D)

(f) Financial support

The Company has agreed to provide continuing financial support to certain subsidiary companies.

33. EMPLOYEE BENEFITS

	Group	
	2019	2018
	$'000	$'000
Employee benefits expense (including Executive Directors)		
Salaries and bonuses	38,331	34,689
Employer's contribution to defined contribution plans, including Central Provident Fund contributions	1,861	1,976
Expenses from defined benefits plan (Note 21)	21	22
Termination benefits	79	59
Other staff benefits	801	850
	41,093	37,596

ASL Employee Share Option Scheme 2012 (the "2012 Scheme")

The 2012 Scheme was approved and adopted by the shareholders of the Company at an Extraordinary General Meeting held on 25 October 2012. Details of the 2012 Scheme are set out in the Circular dated 8 October 2012. The 2012 Scheme is administered by the Remuneration Committee (the "RC") of the Company comprising three Independent Directors, Tan Sek Khee (Chairman), Christopher Chong Meng Tak and Andre Yeap Poh Leong. Upon the resignation of Christopher Chong Meng Tak on 13 August 2019, Tan Huay Lim was appointed as member of the RC.

33. EMPLOYEE BENEFITS (CONT'D)

ASL Employee Share Option Scheme 2012 (the "2012 Scheme") (cont'd)

Other information regarding the 2012 Scheme is set out below:

(i) Exercise Price

The exercise price for each share in respect of which an option is exercisable shall be fixed by the RC in its absolute discretion at:

(a) the Market Price; or

(b) a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the RC in its absolute discretion, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the Market Price and is approved by the shareholders in a general meeting in a separate resolution in respect of that option.

"Market Price" is defined as the average of the last dealt prices for a share, as determined by reference to the daily official list or other publication published by the Singapore Exchange Securities Trading Limited (the "SGX-ST") for five consecutive market days immediately preceding the date on which an offer to grant an option is made (the "Offer Date") rounded up to the nearest whole cent in the event of fractional prices.

(ii) Option Exercise Period

Options granted with the exercise price set at Market Price are exercisable at any time, after the first anniversary of the date of grant of that option and expiring on, in the case of options granted to Non-Executive Directors and/or Associated Company Employees, the day preceding the fifth anniversary of the relevant date of grant and for other than Non-Executive Directors and/or Associated Company Employees, the day preceding the tenth anniversary of the relevant date of grant.

Options granted with the exercise price set at a discount to the Market Price are exercisable at any time, after the second anniversary of the date of grant and expiring on, in the case of options granted to Non-Executive Directors and/or Associated Company Employees, the day preceding the fifth anniversary of the relevant date of grant and for other than Non-Executive Directors and/or Associated Company Employees, the day preceding the tenth anniversary of the relevant date of grant.

There are no options granted under the 2012 Scheme.

34. RELATED PARTY DISCLOSURES

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions were entered by the Group and its related parties on terms agreed between the parties during the financial year:

	Group	
	2019	**2018**
	$'000	**$'000**
Joint ventures and associates		
Miscellaneous income	*	13
Rental of premises billed	1,560	1,726
Shipcharter income	1,902	3,812
Shiprepair income	570	4,801
Trade sales income	27	–
Charter and trade expenses	(1,390)	(1,973)
Purchase of galvanising services	(14)	(161)
Companies related to directors and founder		
Engineering income	2,153	1,396
Miscellaneous income	52	–
Rental income	938	998
Shipbuilding income	–	1,100
Shipcharter income	22	155
Shiprepair income	8,536	9,741
Trade sales income	*	7
Charter and trade expenses	(6,423)	(5,860)
Consultancy fees	(348)	(348)
Purchase of materials	(2,908)	(1,977)

	Company	
	2019	**2018**
	$'000	**$'000**
Subsidiaries		
Interest income	9,138	10,757

* Denotes amount less than $1,000

34. RELATED PARTY DISCLOSURES (CONT'D)

(b) Settlement of liabilities on behalf by/(for) the Group

	Group	
	2019	2018
	$'000	$'000
Joint ventures and associates	735	428
Companies related to directors and founder	2,868	1,043
Companies related to directors and founder	(1,250)	(427)

Companies related to directors and founder:

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

Outstanding balances due from/to related parties at the end of the reporting period are disclosed in Note 12 and Note 17 to the financial statements.

(c) Compensation of key management personnel

	Group	
	2019	2018
	$'000	$'000
Short-term employee benefits	2,468	2,876
Central Provident Fund contributions	79	84
Other long-term benefits	320	321
Total compensation paid to key management personnel	2,867	3,281
Comprise amounts paid to:		
– Directors of the Group	1,832	2,087
– Other key management personnel	1,035	1,194
	2,867	3,281

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Directors are considered key management personnel of the Group.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risk includes market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk arising from its business activities. The Group's overall risk management strategy seeks to minimise the potential material adverse effects from these exposures. It is the Group's policy that no trading in derivative financial instruments for speculative purposes shall be undertaken. Exposure to foreign currency risks is also hedged naturally where possible.

The Group's policy on financial authority limit seeks to mitigate risks by setting out the threshold of approvals required for entry into contractual obligations and investments.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management is carried out under policies approved by the Board. The Board reviews and approves policies for managing each of these risks and they are summarised below.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposures to interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities, which includes bank balances and borrowings with financial institutions. The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and floating rate borrowings as well as long and short-term borrowings.

The Group seeks to minimise its exposure to interest rate fluctuations through the use of interest rate swaps, where appropriate, over the duration of its borrowings. The Group classifies these interest rate swaps as cash flow hedges. The details of the interest rates relating to interest earning financial assets and interest bearing financial liabilities are disclosed in various notes to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity analysis

For the Group's and Company's borrowings at variable rates on which effective hedges have not been entered into, an increase of 0.5% (2018: 0.5%) in interest rate at 30 June would increase loss before tax by the amounts shown below. A decrease of 0.5% (2018: 0.5%) in interest rate at 30 June would have an equal but opposite effect. The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Group		Company	
	2019	2018	2019	2018
	Loss before tax	Loss before tax	Loss before tax	Loss before tax
	$'000	$'000	$'000	$'000
Floating rate instruments	1,754	1,697	866	458

(ii) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD, EUR, IDR, and RMB. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group and the Company also holds cash and bank balances denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD, EUR, IDR and RMB.

Such risks are hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount or hedged using forward foreign exchange contracts in respect of actual or forecasted currency exposures which are reasonably certain.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including People's Republic of China (PRC), Indonesia and Netherlands.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

Sensitivity analysis

The following table demonstrates the sensitivity of the Group's and Company's profit before tax to a reasonably possible change in the USD, EUR, IDR and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

A 5% strengthening of the following foreign currencies against the Singapore Dollar at 30 June would increase/(decrease) loss before tax by the amounts shown below. A 5% weakening of the following foreign currencies against the Singapore Dollar at 30 June would have the equal but opposite effect.

	Group		Company	
	2019 Loss before tax $'000	2018 Loss before tax $'000	2019 Loss before tax $'000	2018 Loss before tax $'000
USD	(4,578)	(3,924)	7	157
EUR	(132)	(183)	(363)	(170)
IDR	(1,662)	(1,267)	–	–
RMB	(2)	(13)	–	–

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group manages its exposure to credit risk arising from sales to trade customers through credit evaluation, credit limits and debt monitoring procedures on an on-going basis. Where appropriate, the Group obtains guarantees from the customers or arrange netting agreements. Cash terms, advance payments or letters of credit are required for customers of lower credit standing.

The Group's major classes of financial assets are cash at banks, fixed deposits, trade and other receivables and finance lease receivables. Cash at banks and fixed deposits are placed in banks and financial institutions with good credit rating.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, which are derived based on the Group's historical information. The default days most appropriate to the respective segments, as follows:

Segment	Default days
Shipbuilding	More than 90 days past due
Shiprepair	More than 180 days past due
Shipchartering	More than 120 days past due
Ship Engineering	More than 90 days past due

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group writes off the financial asset when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking any credit enhancements held by the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables, contract assets, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade)

The Group determines impairment of trade receivables, contract assets, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade) by making debtor-specific assessment for credit-impaired debtors.

For the remaining group of debtors, the Group uses a provision matrix to measure the lifetime expected credit loss allowances for trade receivables, contract assets, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade). In measuring the expected credit loss, the Group has considered settlement arrangements entered into with various customers, such as instalments plans and contra settlements/arrangements with customers. In calculating the expected credit loss rates, the Group considers historical loss rates for each segment and adjust to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group considers available reasonable and supportive forward-looking information which includes actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

Trade receivables, contract assets, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade) (cont'd)

Summarised below is the information about the credit risk exposure on the Group's trade receivables, contract assets, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade) using the provision matrix:

30 June 2019	Trade receivables Gross carrying amount $'000	Trade receivables Loss allowance provision $'000	Contract assets Gross carrying amount $'000	Contract assets Loss allowance provision $'000
Current	16,684	(287)	12,765	(223)
Past due up to 3 months	16,828	(1,081)	–	–
Past due 3 to 6 months	4,025	(1,038)	–	–
Past due 6 to 12 months	6,194	(1,876)	–	–
More than 1 year	48,726	(32,400)	–	–
	92,457	(36,682)	12,765	(223)

30 June 2019	Amounts due from joint ventures and associates (trade) Gross carrying amount $'000	Amounts due from joint ventures and associates (trade) Loss allowance provision $'000	Amounts due from companies related to directors (trade) Gross carrying amount $'000	Amounts due from companies related to directors (trade) Loss allowance provision $'000
Current	–	–	487	–
Past due up to 3 months	–	–	8,266	(4)
Past due 3 to 6 months	–	–	–	–
Past due 6 to 12 months	–	–	–	–
More than 1 year	33,757	(32,754)	31	–
	33,757	(32,754)	8,784	(4)

Information regarding loss allowance movement of contract assets, trade receivables, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade) are disclosed in Note 11 and Note 12, respectively.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

Non-trade amounts due from joint ventures and associates, companies related to directors and subsidiaries (collectively the "related parties")

The Group and the Company provide for expected credit loss ("ECL") on non-trade amounts due from related parties based on the general approach and the extent of loss allowance is dependent on the extent of credit deterioration since initial recognition.

In assessing whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the non-trade amounts due from related parties of the Group and the Company as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supporting information, which includes any significant changes in the expected performance and behaviour of these receivables, including changes in the payment status, financial position and operating results, forward-looking information and market data.

The Group and the Company computes expected credit loss using the probability of default approach. In calculating the expected credit loss rates, the Group and the Company considers implied probability of default from external rating agency.

A significant increase in credit risk is presumed when there is a significant deterioration in the financial position of these related parties. A default occurs when these related parties fail to make contractual payments within 90 days of when they fall due. The non-trade amounts due from related parties are only written off when the respective subsidiary or joint venture and associate or company related to directors is liquidated or disposed.

			Group		Company	
Category	**Definition of category**	**Basis for recognition of ECL**	**Gross carrying amount $'000**	**Loss allowance provision $'000**	**Gross carrying amount $'000**	**Loss allowance provision $'000**
Stage 1	Non-trade amounts due from related parties that have a low risk of default and a strong capacity to meet contractual cash flows.	12-month expected credit loss	212	(3)	–	–
Stage 2	Non-trade amounts due from related parties which have a significant increase in credit risk.	Lifetime expected credit loss	–	–	–	–
Stage 3	Non-trade amounts due from related parties that are in net tangible liability position	Lifetime expected credit loss	38,703	(34,648)	361,193	(101,860)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

Previous accounting policy for impairment of trade receivables

In 2018, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

– Significant financial difficulties of the debtor; and

– Default or delinquency in payments.

Credit risk concentration profile

The concentration of credit risk relating to trade receivables is limited as the Group provides services spanning various sectors and industries. The Group's historical experience in the collection of trade and other receivables falls within the recorded allowances.

At 30 June 2019, 30 June 2018 and 1 July 2017, the Group's and the Company's maximum exposure to credit risk is the carrying amount of each financial asset, including derivative financial instruments. Guarantees granted by the Company and certain subsidiaries to banks in respect of banking facilities are only given for companies within the Group. The maximum exposure to credit risk in respect of financial guarantees at the end of the reporting period is disclosed in Note 32(e).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

Credit risk concentration profile (cont'd)

The Group determines concentration of credit risk by monitoring the business activities and geographical areas profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's net trade receivables is as follows:

	Group		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
By business activities			
Shipbuilding	2,816	3,138	12,898
Shiprepair	24,963	32,747	48,121
Shipchartering	27,095	28,666	23,504
Engineering	901	1,588	543
	55,775	66,139	85,066
By geographical areas			
Singapore	31,013	36,399	41,953
Indonesia	12,584	17,937	17,589
Rest of Asia	6,146	6,276	7,634
Europe	1,354	1,444	6,769
Australia	3,487	1,053	9,492
United States of America and other countries	1,191	3,030	1,629
	55,775	66,139	85,066

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The ability of the Group to meet its financial obligations is dependent on generating sufficient cash flows from operations and continued financial support from the lenders. The Group manages its liquidity risk by maintaining a level of cash and cash equivalents deemed adequate to finance the Group's and operations to meet its liabilities when due. The Group maintains flexibility in funding by keeping committed credit facilities available.

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities based on undiscounted repayment obligations.

		← Contractual Cash Flows →			
	Carrying amounts $'000	Total $'000	Within 1 year $'000	Between 1 and 5 years $'000	After 5 years $'000
Group					
30 June 2019					
Non-derivative financial instruments					
Trade and other receivables	80,047	80,047	80,047	–	–
Contract assets	12,542	12,542	12,542	–	–
Finance lease receivables	6,206	9,079	1,251	5,003	2,825
Cash and bank balances	15,395	15,395	15,395	–	–
Trade and other payables	(172,388)	(172,388)	(172,388)	–	–
Trust receipts	(1,157)	(1,165)	(1,165)	–	–
Interest-bearing loans and borrowings	(361,978)	(502,360)	(59,727)	(184,488)	(258,145)
	(421,333)	(558,850)	(124,045)	(179,485)	(255,320)
30 June 2018					
Non-derivative financial instruments					
Trade and other receivables	165,907	165,907	165,907	–	–
Contract assets	15,096	15,096	15,096	–	–
Finance lease receivables	8,746	12,290	1,546	5,056	5,688
Cash and bank balances	28,609	28,609	28,609	–	–
Trade and other payables	(176,413)	(176,413)	(176,413)	–	–
Trust receipts	(13,805)	(13,892)	(13,892)	–	–
Interest-bearing loans and borrowings	(488,303)	(545,063)	(109,242)	(421,359)	(14,462)
	(460,163)	(513,466)	(88,389)	(416,303)	(8,774)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities based on undiscounted repayment obligations.

	Carrying amounts $'000	Contractual Cash Flows: Total $'000	Within 1 year $'000	Between 1 and 5 years $'000	After 5 years $'000
Group					
1 July 2017					
Derivative financial instruments					
Derivative financial assets					
– inflow	15	122	95	27	–
Non-derivative financial instruments					
Trade and other receivables	178,040	178,040	178,040	–	–
Contract assets	3,118	3,118	3,118	–	–
Finance lease receivables	9,866	13,386	1,681	6,199	5,506
Cash and bank balances	36,141	36,141	36,141	–	–
Trade and other payables	(164,253)	(164,253)	(164,253)	–	–
Trust receipts	(20,515)	(20,611)	(20,611)	–	–
Interest-bearing loans and borrowings	(528,984)	(582,831)	(237,098)	(332,045)	(13,688)
	(486,572)	(536,888)	(202,887)	(325,819)	(8,182)

	Carrying amounts $'000	Total $'000	Within 1 year $'000	Between 1 and 5 years $'000	After 5 years $'000
Company					
30 June 2019					
Non-derivative financial instruments					
Trade and other receivables	259,353	267,507	267,507	–	–
Cash and bank balances	3,591	3,591	3,591	–	–
Trade and other payables	(99,480)	(99,480)	(99,480)	–	–
Interest-bearing loans and borrowings	(173,292)	(271,871)	(19,007)	(76,152)	(176,712)
	(9,828)	(100,253)	152,611	(76,152)	(176,712)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities based on undiscounted repayment obligations.

	Carrying amounts $'000	Contractual Cash Flows: Total $'000	Within 1 year $'000	Between 1 and 5 years $'000	After 5 years $'000
Company					
30 June 2018					
Non-derivative financial instruments					
Trade and other receivables	373,598	386,443	386,443	–	–
Cash and bank balances	2,492	2,492	2,492	–	–
Trade and other payables	(115,720)	(115,720)	(115,720)	–	–
Interest-bearing loans and borrowings	(234,155)	(264,562)	(26,986)	(237,576)	–
	26,215	8,653	246,229	(237,576)	–
1 July 2017					
Non-derivative financial instruments					
Trade and other receivables	357,528	368,285	368,285	–	–
Cash and bank balances	1,504	1,504	1,504	–	–
Trade and other payables	(108,249)	(108,249)	(108,249)	–	–
Interest-bearing loans and borrowings	(207,795)	(241,715)	(79,363)	(162,352)	–
	42,988	19,825	182,177	(162,352)	–

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Company			
	Within 1 year $'000	**Between 1 and 5 years $'000**	**After 5 years $'000**	**Total $'000**
30 June 2019				
Corporate guarantees provided to subsidiaries	41,266	104,371	57,382	203,019
30 June 2018				
Corporate guarantees provided to subsidiaries	98,030	199,965	9,361	307,356
1 July 2017				
Corporate guarantees provided to subsidiaries	276,765	175,442	12,928	465,135

36. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern by issuing new shares, obtain new borrowings or sell assets to reduce borrowings so as to maximise shareholder value. No changes were made in objectives, policies or processes during the financial years ended 30 June 2019 and 2018.

	Group	
	2019 $'000	**2018 $'000**
Net loss attributable to owners of the Company	141,027	71,361
Equity attributable to the owners of the Company	156,956	302,004
Return on shareholders' funds	(89.85%)	(23.63%)
Interest-bearing loans and borrowings (Note 20)	361,978	488,303
Trust receipts (Note 19)	1,157	13,805
Less: Cash and bank balances (Note 14)	(15,395)	(28,609)
Net borrowings	347,740	473,499
Net gearing ratio (times)	2.22	1.57

36. CAPITAL MANAGEMENT (CONT'D)

The return on shareholders' funds is calculated based on net loss attributable to owners of the Company divided by shareholders' funds as at the end of the reporting period.

The net gearing (times) ratio is calculated based on net borrowings divided by shareholders' funds. Net borrowings is the sum of total interest-bearing loans and borrowings (Note 20), trust receipts (Note 19), less cash and bank balances (Note 14).

Other than as disclosed in Note 20, the Group and the Company are in compliance with all externally imposed financial covenant requirements for the financial years ended 30 June 2019 and 2018.

37. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value that is dependent on the valuation inputs used as follows:

Level 1: Quoted prices (unadjusted) in active markets of identical assets or liabilities that the Group can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

37. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

		Group $'000			
		Fair value measurements at the end of the reporting period using			
	Note	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
30 June 2019					
Non-Financial assets					
Disposal group classified as held for sale	16	–	–	7,826	7,826
Financial liabilities					
Interest-bearing loans and borrowings	20	–	–	(117,724)	(117,724)
30 June 2018					
Financial assets					
Assets classified as held for sale	15	–	–	4,899	4,899
1 July 2017					
Financial assets					
Derivatives – Interest rate swap	13	–	15	–	15

There have been no transfers between Level 1 and Level 2 and no transfers into or out of Level 3 during financial years 30 June 2019, 30 June 2018 and 1 July 2017.

Level 2 fair value measurements

Valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy are as follows:

Derivatives

Forward currency contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

37. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value (cont'd)

Level 3 fair value measurements

Disposal group classified as held for sale

As at 30 June 2019, disposal group classified as held for sale relates to the assets and liabilities of JMHD as disclosed in Note 16. The fair value of the disposal group classified as held for sale was determined based on memorandum of agreement.

Interest-bearing loans and borrowings

Arising from the debt refinancing exercised as disclosed in Note 20, the Group and the Company had remeasured the fair value of certain loans and borrowings based on discounted cash flow method. The valuation technique incorporated various inputs including the present value of expected payments, discounted using a risk-adjusted discount rate.

Property, plant and equipment

As disclosed in Note 4, the recoverable amounts of certain vessels were based on fair value less cost of disposal which was determined by an independent valuer. These considered replacement costs of similar vessels currently owned by the Group adjusted for age, condition and technological obsolescence. In addition, the valuers also considered sales of similar vessels that have been transacted in the open market.

Assets classified as held for sale

As at 30 June 2018, assets classified as held for sale comprised vessels with an aggregate carrying value of $4,899,000. The fair value of these assets classified as held for sale was determined based on memorandum of agreements.

Valuation policies and procedures

The Group's Financial Controller who is assisted by the finance manager (collectively referred to as the "Finance Team"), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Finance Team reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 fair value measurement guidance to perform the valuation.

37. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value (cont'd)

Level 3 fair value measurements (cont'd)

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of inputs (including those developed internally by the Group) used in the valuations.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The Group's financial assets and liabilities include cash and bank balances, trade and other receivables, contract assets, trade and other payables, contract liabilities, trust receipts, floating rate loans and current portion of fixed rate loans. The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, because these are short-term in nature or that they are floating rate instruments that are repriced to market interest rates on or near to the end of the reporting period.

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value

The fair value of financial liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group					
	Carrying amount			Fair value		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Financial liabilities						
Finance lease liabilities (Non-current) (Note 20)	1,794	2,089	3,023	1,695	1,950	2,766
Fixed rate loans (Non-current) (Note 20)	6,992	145,894	186,383	5,844	126,171	178,326

37. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value (cont'd)

	Company					
	Carrying amount			Fair value		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Financial liabilities						
Fixed rate loans (Non-current) (Note 20)	–	135,000	142,500	–	117,250	137,438

These financial liabilities are categorised within Level 3 of the fair value hierarchy.

Determination of fair value

The fair values of finance lease liabilities and interest-bearing loans and borrowings with fixed interest rates are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

38. SEGMENT REPORTING

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

38. SEGMENT REPORTING (CONT'D)

Business segments

Management monitors the operating results of its business segments separately for purpose of making decisions about resource allocation and performance assessment. The Group has the following five main business segments:

Shipbuilding	:	Construction of vessels
Shiprepair and conversion	:	Provision of shiprepair and related services
Shipchartering	:	Provision for chartering of vessels and transportation services
Engineering	:	Provision of dredging engineering products and services
Investment holding	:	Provision of corporate and treasury services to the Group

Geographical segments

The Group operates in Singapore, Indonesia, Rest of Asia, Europe, Australia, United States of America and other countries. In presenting information on the basis of geographical segments, segment revenue is based on the countries in which customers are invoiced.

Non-current assets are based on the geographical location of the entities.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

38. SEGMENT REPORTING (CONT'D)

(i) Business segments

	Shipbuilding $'000	Shiprepair and conversion $'000	Ship-chartering $'000	Engineering $'000	Investment holding $'000	Eliminations $'000	Consolidated $'000	Note
Revenue and expenses								
2019								
Revenue from external customers	63,341	93,856	145,618	10,067	–	–	312,882	
Inter-segment revenue	27,254	79,442	54,695	–	–	(161,391)	–	A
Total revenue	90,595	173,298	200,313	10,067	–	(161,391)	312,882	
Segment results	(79,704)	(6,299)	(91,839)	(8,411)	(57,573)	64,666	(179,160)	
Interest income from finance lease receivables	–	–	640	–	–	–	640	
Finance costs							(23,195)	
Fair value adjustments arising from debt refinancing exercise							59,179	
Share of results of joint ventures and associates							857	
Income tax expense							(4,200)	
Loss for the year							(145,879)	

38. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

	Shipbuilding $'000	Shiprepair and conversion $'000	Ship-chartering $'000	Engineering $'000	Investment holding $'000	Eliminations $'000	Consolidated $'000	Note
Revenue and expenses								
2018								
Revenue from external customers	36,482	84,731	118,650	13,125	–	–	252,988	
Inter-segment revenue	34,773	53,915	35,970	165	–	(124,823)	–	A
Total revenue	71,255	138,646	154,620	13,290	–	(124,823)	252,988	
Segment results	(15,675)	8,753	(39,220)	(8,925)	(13,389)	24,835	(43,621)	
Interest income from finance lease receivables	–	–	573	–	–	–	573	
Finance costs							(22,711)	
Share of results of joint ventures and associates							(3,823)	
Income tax expense							(3,204)	
Loss for the year							(72,786)	

38. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

	Shipbuilding $'000	Shiprepair and conversion $'000	Ship-chartering $'000	Engineering $'000	Investment holding $'000	Eliminations $'000	Consolidated $'000	Note
Assets and liabilities								
30 June 2019								
Segment assets	140,318	169,907	413,849	12,746	3,795	–	740,615	
Unallocated assets							5,450	B
Total assets							746,065	
Segment liabilities	44,525	77,895	68,512	8,207	7,230	–	206,369	
Unallocated liabilities							385,904	C
Total liabilities							592,273	
30 June 2018								
Segment assets	231,683	263,523	518,424	20,717	6,847	–	1,041,194	
Unallocated assets							4,845	B
Total assets							1,046,039	
Segment liabilities	44,933	82,438	75,283	12,718	2,794	–	218,166	
Unallocated liabilities							524,203	C
Total liabilities							742,369	

38. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

	Shipbuilding $'000	Shiprepair and conversion $'000	Ship-chartering $'000	Engineering $'000	Investment holding $'000	Eliminations $'000	Consolidated $'000	Note
Assets and liabilities								
1 July 2017								
Segment assets	283,739	149,924	670,081	25,913	5,932	–	1,135,589	
Unallocated assets							9,008	B
Total assets							1,144,597	
Segment liabilities	75,422	49,636	59,090	8,886	3,353	–	196,387	
Unallocated liabilities							569,978	C
Total liabilities							766,365	

38. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

Note A Inter-segment revenues are eliminated on consolidation.

Note B The following unallocated assets are added to segment asset to arrive at total assets reported in the statement of financial position:

	Group		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Investment in joint ventures and associates	5,450	4,845	9,008

Note C The following unallocated liabilities are added to segment liabilities to arrive at total liabilities reported in the statement of financial position:

	Group		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Interest bearing loans and borrowings			
– Current	45,107	99,589	215,233
– Non-current	316,871	388,714	313,751
Trust receipts	1,157	13,805	20,515
Income tax payables	6,754	6,776	5,967
Deferred tax liabilities	16,011	15,319	14,512
Current portion of interest bearing loans and borrowings included in liabilities directly associated with disposal group classified as held for sale	4	–	–
	385,904	524,203	569,978

38. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

	Shipbuilding $'000	Shiprepair and conversion $'000	Ship-chartering $'000	Engineering $'000	Investment holding $'000	Consolidated $'000
Other segmental information						
2019						
Capital expenditure	1,288	1,519	21,400	160	–	24,367
Depreciation and amortisation	7,738	11,187	42,327	822	–	62,074
Other non-cash expenses	28,481	16,595	29,525	8	2,614	77,223
Impairment loss on property, plant and equipment	169	–	13,498	–	–	13,667
Impairment loss on inventories	17,063	–	55,275	–	–	72,338
Impairment loss on intangible assets	–	–	–	5,504	–	5,504
Finance cost	5,521	8,735	6,620	–	2,319	23,195
Interest income	(16)	(26)	(676)	(2)	(2)	(722)
2018						
Capital expenditure	1,935	1,534	57,418	74	–	60,961
Depreciation and amortisation	7,555	14,133	41,323	943	–	63,954
Other non-cash expenses	3,812	1,382	(228)	181	–	5,147
Impairment loss on property, plant and equipment	–	–	21,357	–	–	21,357
Impairment loss on inventories	4,727	155	16,656	228	–	21,766
Impairment loss on goodwill	–	–	–	5,027	–	5,027
Finance cost	6,783	9,080	5,796	–	1,052	22,711
Interest income	(89)	(160)	(621)	(2)	–	(872)

38. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

Information about a major customer[1]

Revenue from a major customer amounting to $98,028,000 (2018: $52,627,000) is attributable to sales across all four segments.

1 Customers who contributed more than 10% of the revenue of the Group. A group of entities known to a reporting entity to be under common control shall be considered as single customer.

(ii) Geographical segments

	Singapore $'000	Indonesia $'000	Rest of Asia $'000	Europe $'000	Australia $'000	United States of America and other countries $'000	Consolidated $'000
2019							
Revenue from external customers	170,105	55,609	23,356	11,218	5,114	47,480	312,882
Non-current assets	255,339	202,273	47,817	6,272	–	–	511,701
2018							
Revenue from external customers	133,790	43,775	39,823	9,035	16,271	10,294	252,988
Non-current assets	295,353	238,996	60,891	12,814	–	–	608,054

Non-current assets relate to property, plant and equipment, lease prepayments, investment in joint ventures and associates, intangible assets and finance lease receivables.

Non-current assets are based on the geographical location of the entities.

39. SUBSEQUENT EVENTS

As disclosed in Note 20, the Group had undertaken a debt refinancing exercise by way of a consent solicitation exercise and had also restructured the terms of various other loans and borrowings. In conjunction with the consent solicitation exercise, the Company had amended the terms of the Notes and issued 300,625,000 free warrants to the noteholders ("Noteholder Warrants") with each warrant carrying the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S$0.06 per ordinary share subsequent to financial year ended 30 June 2019.

In addition, the Company undertook a renounceable non-underwritten rights issue of up to 314,633,470 warrants ("Rights Warrants") at an issue price of $0.006 for each Right Warrant on the basis of 1 Rights Warrant for every 2 existing ordinary shares in the capital of the Company, at an exercise price of $0.06 for each Rights Warrant.

On 25 July 2019, the Company announced that it had completed the renounceable non-underwritten rights issue and allotted 266,505,713 rights shares for a total consideration of $899,000, net of transaction cost of $700,000. On the same date, the Company also completed the issuance of 300,625,000 Noteholder Warrants to the noteholders.

40. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 8 October 2019.

ANALYSIS OF SHAREHOLDINGS

As at 16 September 2019

Class of shares	:	Ordinary shares
No. of treasury shares held	:	2,511,600
No. of subsidiary holdings held	:	Nil
Voting rights (excluding treasury shares)	:	On a show of hands: one vote for each member On a poll: one vote for each share
Percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued shares	:	0.4%

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	69	2.25	669	0.00
100 – 1,000	129	4.20	65,279	0.01
1,001 – 10,000	1,157	37.70	6,163,235	0.98
10,001 – 1,000,000	1,686	54.94	85,253,367	13.49
1,000,001 and above	28	0.91	540,295,991	85.52
	3,069	100.00	631,778,541	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%*
1	Ang Kok Tian	88,212,800	14.02
2	Ang Kok Eng	73,799,100	11.73
3	Ang Kok Leong	72,841,500	11.58
4	Ang Sin Liu	58,633,350	9.32
5	Raffles Nominees (Pte) Ltd	53,465,413	8.50
6	CGS-CIMB Securities (S) Pte Ltd	52,665,008	8.37
7	Ang Ah Nui	30,660,000	4.87
8	Ang Swee Kuan	27,195,000	4.32
9	Citibank Nominees Singapore Pte Ltd	14,074,600	2.24
10	Maybank Kim Eng Securities Pte Ltd	13,683,650	2.17
11	DBS Nominees Pte Ltd	11,769,800	1.87
12	United Overseas Bank Nominees Pte Ltd	10,683,961	1.70
13	TKB C-E Contractor Pte. Ltd.	3,500,000	0.56
14	Ang Jui Khoon	3,246,750	0.52
15	OCBC Nominees Singapore Pte Ltd	2,907,222	0.46
16	Phillip Securities Pte Ltd	2,652,626	0.42
17	Ong Bee Dee	2,309,000	0.37
18	Goh Guan Siong (Wu Yuanxiang)	2,135,600	0.34
19	Koo Choon Poi	2,060,000	0.33
20	Eastern Navigation Pte Ltd	1,847,200	0.29
		528,342,580	83.98

* The percentage is calculated based on 629,266,941 issued shares of the Company (excluding 2,511,600 shares held as treasury shares) as at 16 September 2019.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company and to the best knowledge of the Company as at 16 September 2019, approximately 32.71% of the issued shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**
Ang Kok Tian[2][3][4]	88,212,800	14.02	334,830,150	53.21
Ang Ah Nui[2][3][4]	30,660,000	4.87	392,382,950[5]	62.36
Ang Kok Eng[2][3][4]	73,799,100	11.73	349,243,850	55.50
Ang Kok Leong[2][3][4]	72,841,500	11.58	350,201,450	55.65
Ang Sin Liu[3][4]	58,633,350	9.32	364,409,600[6]	57.91
Ang Swee Kuan[3][4]	27,195,000	4.32	395,847,950	62.91
FMR LLC	–	–	54,372,313[7]	8.64
Fidelity Management & Research Company	–	–	54,372,313[8]	8.64
FMR Co., Inc.	–	–	54,372,313[9]	8.64
Fidelity Puritan Trust	48,010,413	7.63	–	–

Notes

(1) The percentage is calculated based on 629,266,941 issued shares of the Company (excluding 2,511,600 shares held as treasury shares) as at 16 September 2019.

(2) Ang Kok Tian, Ang Ah Nui, Ang Kok Eng and Ang Kok Leong are brothers. Each of the brothers is deemed to have an interest in the shares held by the other.

(3) Ang Sin Liu is the father of Ang Kok Tian, Ang Ah Nui, Ang Kok Eng, Ang Kok Leong and Ang Swee Kuan. Each of them is deemed to have an interest in the shares held by the other.

(4) Ang Swee Kuan is the sister of Ang Kok Tian, Ang Ah Nui, Ang Kok Eng and Ang Kok Leong and the daughter of Ang Sin Liu. Each of them is deemed to have an interest in the shares held by the other.

(5) 62,431,800 shares are registered in the name of nominee(s).

(6) 9,269,400 shares are registered in the name of nominee(s).

(7) FMR LLC is deemed to have interest in 54,372,313 shares because such shares are held by funds and/or accounts managed by one or more of FMR LLC's direct and indirect subsidiaries, which are fund managers.

(8) Fidelity Management & Research Company is deemed to have interest in 54,372,313 shares because such shares are held by funds and/or accounts managed by one or more of Fidelity Management & Research Company's direct and indirect subsidiaries, which are fund managers.

(9) FMR Co., Inc. is deemed to have interest in 54,372,313 shares because such shares are held by funds and/or accounts managed by FMR Co., Inc. which is the fund manager.

ANALYSIS OF WARRANTHOLDINGS

As at 16 September 2019

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 – 99	1	0.33	50	0.00
100 – 1,000	1	0.33	1,000	0.00
1,001 – 10,000	83	27.12	546,852	0.10
10,001 – 1,000,000	188	61.44	34,439,836	6.07
1,000,001 and above	33	10.78	532,142,975	93.83
	306	100.00	567,130,713	100.00

TOP 20 WARRANTHOLDERS

No.	Name of Warrantholders	No. of Warrants	%
1	DBS Nominees Pte Ltd	135,542,100	23.90
2	HSBC (Singapore) Nominees Pte Ltd	47,839,925	8.44
3	Ang Kok Tian	44,106,400	7.78
4	Ang Kok Eng	36,899,550	6.51
5	Ang Kok Leong	36,420,750	6.42
6	Citibank Nominees Singapore Pte Ltd	35,090,750	6.19
7	Ang Sin Liu	29,316,675	5.17
8	CGS-CIMB Securities (Singapore) Pte Ltd	27,956,250	4.93
9	DBS Vickers Securities (S) Pte Ltd	18,500,000	3.26
10	United Overseas Bank Nominees Pte Ltd	15,963,325	2.81
11	Ang Ah Nui	15,330,000	2.70
12	Ang Swee Kuan	13,597,500	2.40
13	Raffles Nominees (Pte) Limited	11,131,225	1.96
14	Toh Ong Tiam	11,062,500	1.95
15	Maybank Kim Eng Securities Pte Ltd	5,987,900	1.06
16	RHB Bank Nominees Pte Ltd	5,087,500	0.90
17	Law Yean Muay	5,000,000	0.88
18	Phillip Securities Pte Ltd	4,459,700	0.79
19	RHB Securities Singapore Pte Ltd	3,940,700	0.69
20	BPSS Nominees Singapore (Pte.) Ltd.	3,237,500	0.57
		506,470,250	**89.31**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at 19 Pandan Road, Singapore 609271 on Wednesday, 30 October 2019 at 2.00 p.m. for the following purposes:

Ordinary Business

1 To receive and adopt the directors' statement and audited financial statements for the year ended 30 June 2019 and the auditors' report thereon. **Resolution 1**

2 To approve directors' fees of S$214,400 for the year ended 30 June 2019 (2018: S$214,400). **Resolution 2**

3 To approve directors' fees of S$214,400 for the year ending 30 June 2020, to be paid quarterly in arrears. **Resolution 3**

4 To re-elect Mr Ang Ah Nui, a director who will retire by rotation in accordance with Regulation 91 of the Company's Constitution and who, being eligible, will offer himself for re-election.[1] **Resolution 4**

5 To re-elect Mr Tan Sek Khee, a director who will retire by rotation in accordance with Regulation 91 of the Company's Constitution and who, being eligible, will offer himself for re-election.[1]

Note: Mr Tan Sek Khee, if re-elected as a director of the Company, will remain a member and the chairman of the remuneration committee, a member of the audit committee and a member of the nominating committee. Mr Tan is considered an independent director. **Resolution 5**

6 To re-elect Mr Tan Huay Lim, a director who will cease to hold office in accordance with Regulation 97 of the Company's Constitution and who, being eligible, will offer himself for re-election.[1]

Note: Mr Tan Huay Lim, if re-elected as a director of the Company, will remain as the lead independent director, a member and the chairman of the audit committee, a member of the nominating committee and a member of the remuneration committee. Mr Tan is considered an independent director. **Resolution 6**

7 To re-appoint Ernst & Young LLP as auditors of the Company and to authorise the directors to fix their remuneration. **Resolution 7**

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(1) Detailed information of the Directors seeking re-election can be found under the sections "Board of Directors", "Directors' Statement" (under the "Financial Statements") and "Additional Information on Directors Seeking Re-Election" in the Annual Report of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Special Business

To consider and, if thought fit, to pass with or without any modifications, the following resolutions as ordinary resolutions:

8 That pursuant to Section 161 of the Companies Act, Cap. 50 (the "Companies Act") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the directors of the Company to:

(a) allot and issue shares in the Company; and

(b) issue convertible securities and any shares in the Company arising from the conversion of such convertible securities,

(whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities to be issued pursuant to such authority shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, and for the purposes of this resolution and Rule 806(3) of the Listing Manual, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this resolution is passed (after adjusting for new shares arising from the conversion or exercise of any convertible securities or exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution approving the mandate, provided the options or awards were granted in compliance with the Listing Manual and any subsequent bonus issue, consolidation or subdivision of the Company's shares), and unless revoked or varied by the Company in general meeting, such authority conferred by this resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Resolution 8

[See Explanatory Note 1]

9 That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares each fully paid in the capital of the Company ("Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) transacted on the SGX-ST, through the SGX-ST's trading system and/or through one or more duly licensed dealers appointed by the Company for that purpose ("Market Purchases"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) under an equal access scheme in accordance with Section 76C of the Companies Act for the purchase or acquisition of Shares from shareholders ("Off-Market Purchases"),

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;

(ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by shareholders in general meeting; or

(iii) the date on which the Company has purchased the maximum number of Shares mandated under the Share Purchase Mandate;

(c) in this resolution:

"Average Closing Price" means the average of the closing market prices of a Share over the five consecutive Market Days on which the Shares are transacted on the SGX-ST, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five Market Days period;

"date of the making of the offer" means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"Market Day" means a day on which the SGX-ST is open for trading in securities;

"Maximum Percentage" means that number of issued Shares representing 10% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company as at the date of the passing of this resolution; and

"Maximum Price" in relation to a Share to be purchased, means the purchase price to be paid for the Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 110% of the Average Closing Price, and

(d) the directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution. **Resolution 9**

[See Explanatory Note 2]

10 That:

(a) approval be and is hereby given for the renewal of the mandate for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (within the meaning of the said Chapter 9) or any of them to enter into any of the transactions falling within the categories of Interested Person Transactions as set out in the Appendix to the Annual Report in relation to the Proposed Renewal of the Interested Person Transaction Mandate dated 15 October 2019, with any party who is of the class or classes of Interested Persons described in the Appendix, provided that such transactions are carried out in the normal course of business, at arm's length and on commercial terms and are in accordance with the procedures as set out in the Appendix (the "IPT Mandate");

(b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and

(c) the directors of the Company and/or any of them be and are hereby authorised to do all such acts and things (including, without limitation, executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this resolution. **Resolution 10**

[See Explanatory Note 3]

11 To transact such other business as can be transacted at an Annual General Meeting of the Company.

By Order of the Board

Ang Kok Tian
Chairman, Managing Director and Chief Executive Officer

Singapore
15 October 2019

Notes

1 (a) A member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2 A proxy need not be a member of the Company.

3 The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 19 Pandan Road, Singapore 609271 not less than 72 hours before the time appointed for holding the Annual General Meeting.

4 The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

Explanatory Notes

1 The ordinary resolution proposed in Resolution 8 above is to authorise the directors from the date of the above meeting until the date of the next Annual General Meeting to allot and issue shares and convertible securities in the Company. The aggregate number of shares and convertible securities which the directors may allot and issue under this resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this resolution is passed. For allotments and issues of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, at the time this resolution is passed.

2 The ordinary resolution proposed in Resolution 9 above is to authorise the directors from the date of the above meeting until the earliest of (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held, (ii) the date on which the authority conferred by this mandate is revoked or varied by shareholders in general meeting, or (iii) the date on which the Company has purchased the maximum number of shares mandated under this mandate, to purchase or otherwise acquire issued ordinary shares in the capital of the Company by way of Market Purchases or Off-Market Purchases of up to 10% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company. For more information on this resolution, please refer to the Appendix to the Annual Report in relation to the Proposed Renewal of the Share Purchase Mandate dated 15 October 2019.

3 The ordinary resolution proposed in Resolution 10 above is to authorise the Interested Person Transactions as described in the Appendix to the Annual Report in relation to the Proposed Renewal of the Interested Person Transaction Mandate dated 15 October 2019 and recurring in the year and will empower the directors of the Company to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and/or representatives appointed for the meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the warranty.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

As at 1 October 2019

The following information relating to Mr Ang Ah Nui, Mr Tan Sek Khee and Mr Tan Huay Lim, each of whom is standing for re-election as a director at the Annual General Meeting of the Company on 30 October 2019, is provided pursuant to Rule 720(6) of the Listing Manual of the SGX-ST:

Name of Director	**Ang Ah Nui**	**Tan Sek Khee**	**Tan Huay Lim**
Date of first appointment as a director	04/10/2000	01/01/2014	13/08/2019
Date of last re-appointment (if applicable)	28/10/2017	28/10/2017	Not applicable
Age	56	63	62
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation from the Nominating Committee based on Mr Ang's experience, skills and the assessment on his overall contribution and performance, is of the view that Mr Ang is suitable for re-election and will continue to contribute to the Board.	The Board, having considered the recommendation from the Nominating Committee based on Mr Tan's experience, skills and qualification and the assessment on his overall contribution and performance, is of the view that Mr Tan is suitable for re-election and will continue to contribute to the Board.	The Board, having considered the recommendation from the Nominating Committee based on Mr Tan's experience, skills and qualifications, is of the view that Mr Tan is suitable for re-election and his accounting and auditing experience will further complement and strengthen the core competencies of the Board.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

As at 1 October 2019

Name of Director	Ang Ah Nui	Tan Sek Khee	Tan Huay Lim
Whether the appointment is executive, and if so, the area of responsibility	Executive Jointly responsible for the Group's business strategies and direction, corporate plans and policies and the management of the Group's shipchartering, shiprepair and conversion business	Non-executive	Non-executive
Job title	Deputy Managing Director	Independent Non-executive Director Chairman of Remuneration Committee Member of Audit and Nominating Committees	Independent Non-executive Director Lead Independent Director Chairman of Audit Committee Member of Nominating and Remuneration Committees
Professional qualifications	–	Bachelor of Commerce from Nanyang University, Singapore	Bachelor of Commerce (Accountancy) from Nanyang University, Singapore Fellow Member of the Institute of Singapore Chartered Accountants, the Association of Certified Accountants, UK, and the Certified Practising Accountants (Australia)

Name of Director	Ang Ah Nui	Tan Sek Khee	Tan Huay Lim
Working experience and occupation(s) during the past 10 years	2000 to present Deputy Managing Director of ASL Marine Holdings Ltd. 2012 to present Non-executive Director and Member of the Remuneration Committee of Koon Holdings Limited, a company listed on the SGX and the Australian Stock Exchange	2010 to present Director of Great Asia Holding Pte. Ltd. 2011 to 2018 Non-executive Director of Europtronic Group Ltd 2013 to present Non-executive Director and Chairman of Remuneration Committee of Ying Li International Real Estate Limited, a company listed on the SGX 2014 to present Non-executive Director and Chairman of Remuneration Committee of ASL Marine Holdings Ltd.	Mr Tan was an Audit Partner of KPMG Singapore with more than 30 years of accounting and auditing experience until his retirement in September 2015. He was involved in a number of initial public offerings, debt financing and merger and acquisition transactions during his tenure at KPMG Singapore. Mr Tan is currently an Independent Non-executive Director and Chairman of the Audit Committee of three other listed entities/trust.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

As at 1 October 2019

Name of Director	Ang Ah Nui	Tan Sek Khee	Tan Huay Lim
Shareholding interest in ASL Marine Holdings Ltd. and its subsidiaries	(1) 30,660,000 ordinary shares in ASL Marine Holdings Ltd. (direct interest) (2) 392,382,950 ordinary shares in ASL Marine Holdings Ltd. (deemed interest) (3) 15,330,000 warrants over ordinary shares in ASL Marine Holdings Ltd. (direct interest) (4) 196,191,475 warrants over ordinary shares in ASL Marine Holdings Ltd. (deemed interest) Mr Ang is deemed to have interests in the shares of the subsidiaries of ASL Marine Holdings Ltd.	No	(1) S$686,250 Series 007 Notes (which comprise 0.5% of the current outstanding principal amount of the Series 006 and Series 007 Notes of S$137.25 million) issued by ASL Marine Holdings Ltd. and registered in the name of a nominee (deemed interest) (2) 1,734,375 warrants over ordinary shares in ASL Marine Holdings Ltd. registered in the name of a nominee (deemed interest)

Name of Director	**Ang Ah Nui**	**Tan Sek Khee**	**Tan Huay Lim**
Any relationship (including immediate family relationships) with any existing director, existing executive officer, ASL Marine Holdings Ltd. and/or substantial shareholder of ASL Marine Holdings Ltd. or of any of its principal subsidiaries	Brother of Ang Kok Tian and Ang Kok Leong, both of whom are Directors and substantial shareholders of ASL Marine Holdings Ltd. Son of Ang Sin Liu and brother of Ang Kok Eng and Ang Swee Kuan, all of whom are substantial shareholders of ASL Marine Holdings Ltd.	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to ASL Marine Holdings Ltd.	Yes	Yes	Yes
Other principal commitments including directorships Past (for the last 5 years) Present	<u>Present (Directorships)</u> Ang Sin Liu Construction (Pte) Ltd. Ang Sin Liu Metals Pte Ltd ASL Triaksa Offshore Pte. Ltd. ASL Leo Pte. Ltd. ASL Marine Contractor Pte. Ltd ASL Maritime Services Pte. Ltd. ASL Offshore & Marine Pte. Ltd. ASL Project Logistics Pte. Ltd. ASL Shipyard Pte Ltd ASL Towage & Salvage Pte. Ltd.	<u>Present (Directorships)</u> FMT (Thailand) Co., Ltd Great Asia Holding Pte. Ltd. PT. Timur Raya Tunggal Shanghai Chemlink Pte Ltd Ying Li International Real Estate Limited <u>Past (Directorship)</u> Europtronic Group Ltd	<u>Present (Directorships)</u> China Jinjiang Environment Holding Company Limited Dasin Retail Trust Management Pte. Ltd. Koufu Group Limited <u>Past (Directorships)</u> Sun Yat Sen Nanyang Memorial Hall Company Limited Singapore Hokkien Huay Kuan Cultural Academy Pte. Ltd. The Hokkien Foundation Yunnan Realty Pte Ltd Auric Pacific Group Limited

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

As at 1 October 2019

Name of Director	Ang Ah Nui	Tan Sek Khee	Tan Huay Lim
	Present (Directorships – Cont'd) Capitol Aquaria Pte. Ltd. Capitol Logistics Pte. Ltd. Capitol Marine Pte Ltd Capitol Navigation Pte. Ltd. Capitol Oceans Pte. Ltd. Capitol Offshore Pte Ltd Capitol Shipping Pte Ltd Capitol Tug & Barge Pte Ltd Capitol Workboats Pte. Ltd. Green LCT Pte Ltd Harmony PSV Pte. Ltd Hongda Investment Pte. Ltd. Intan Maritime Investments Pte. Ltd. Intan Oceans Pte. Ltd. Intan Offshore Pte. Ltd. Intan OSV Pte. Ltd. Intan Overseas Investments Pte. Ltd. Intan Scorpio Pte. Ltd. Intan Synergy Pte. Ltd. Koon Holdings Limited Lightmode Pte Ltd Petra I Pte Ltd PT Sindomas Precas PT. Cemara Intan Shipyard PT. ASL Shipyard Indonesia PT. Awak Samudera Transportasi PT. Capitol Nusantara Indonesia PT. Sukses Shipyard Indonesia		Past (Directorships – Cont'd) Hong Leong Asia Ltd. Singapore Hokkien Huay Kuan Ren Ci Hospital

Name of Director	Ang Ah Nui	Tan Sek Khee	Tan Huay Lim
	Present (Directorships – Cont'd) Reem Island Pte Ltd Sindo-Econ Pte Ltd Singa Tenaga Investments Pte. Ltd. VOSTA LMG (Asia Pacific) Pte. Ltd. VOSTA LMG (Zhuhai) Ltd. VOSTA LMG International B.V. Past (Directorship) Fastcoat Industries Pte. Ltd.		
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

As at 1 October 2019

Name of Director	Ang Ah Nui	Tan Sek Khee	Tan Huay Lim
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No

Name of Director	Ang Ah Nui	Tan Sek Khee	Tan Huay Lim
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

As at 1 October 2019

Name of Director	Ang Ah Nui	Tan Sek Khee	Tan Huay Lim
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

Name of Director	Ang Ah Nui	Tan Sek Khee	Tan Huay Lim
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No

Name of Director	Ang Ah Nui	Tan Sek Khee	Tan Huay Lim
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	Yes Ren Ci Hospital & Medicare Centre ("RCHMC") On 29 March 2009, Mr Tan was interviewed by the Commercial Affairs Department ("CAD") in his capacity as a member of the Management Committee of RCHMC in connection with CAD's investigations in the affairs of RCHMC. Mr Tan has clarified that he was not the subject of the foregoing investigations and following the interview, he has not been required by the CAD to provide any further assistance in the matter for which he was interviewed. RCHMC, which was registered as a society under the Societies Act, Chapter 311, was voluntarily dissolved on 31 March 2013.
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No

Name of Director	Ang Ah Nui	Tan Sek Khee	Tan Huay Lim
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

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ASL MARINE HOLDINGS LTD.

(Incorporated In The Republic Of Singapore)
Company Registration No. 200008542N

PROXY FORM

IMPORTANT

1 Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the meeting.
2 For CPF/SRS investors who have used their CPF/SRS monies to buy shares in ASL Marine Holdings Ltd., this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3 By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 15 October 2019.

I/We ______________________________ (Name), NRIC/Passport/Co. Reg. No. ____________

of ____ (Address)

being a member/members of ASL Marine Holdings Ltd. (the "Company") hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Nineteenth Annual General Meeting (the "AGM") of the Company to be held at 19 Pandan Road, Singapore 609271 on Wednesday, 30 October 2019 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion as he/they may on any other matter arising at the AGM.

Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

No.	Resolutions	No. of Votes "For"	No. of Votes "Against"
	Ordinary Business		
1	To receive and adopt the directors' statement and audited financial statements		
2	To approve directors' fees for the year ended 30 June 2019		
3	To approve directors' fees for the year ending 30 June 2020		
4	To re-elect Mr Ang Ah Nui as director		
5	To re-elect Mr Tan Sek Khee as director		
6	To re-elect Mr Tan Huay Lim as director		
7	To re-appoint Ernst & Young LLP as auditors and to authorise the directors to fix their remuneration		
	Special Business		
8	To authorise the directors to allot and issue shares and convertible securities		
9	To renew the share purchase mandate		
10	To renew the interested person transaction mandate		

Dated this ________ day of ____________________ 2019

Total Number of Ordinary Shares Held

____
Signature(s) of Member(s) or Common Seal

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes

1 If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If the number of shares is not inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2 (a) A member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

3 A proxy need not be a member of the Company.

4 The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 19 Pandan Road, Singapore 609271 not less than 72 hours before the time appointed for the meeting.

5 Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.

6 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of an officer or attorney duly authorised.

7 Where an instrument appointing a proxy or proxies is signed on behalf of a member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 179 of the Companies Act, Cap. 50.

9 The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as provided by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

Board of Directors

<u>Executive Directors</u>
Ang Kok Tian
(Chairman, Managing Director and CEO)
Ang Ah Nui
(Deputy Managing Director)
Ang Kok Leong

<u>Non-Executive and Independent Directors</u>
Andre Yeap Poh Leong
Tan Huay Lim *(Lead Independent Director)*
Tan Sek Khee

Audit Committee
Tan Huay Lim *(Chairman)*
Andre Yeap Poh Leong
Tan Sek Khee

Nominating Committee
Andre Yeap Poh Leong *(Chairman)*
Tan Huay Lim
Tan Sek Khee

Remuneration Committee
Tan Sek Khee *(Chairman)*
Andre Yeap Poh Leong
Tan Huay Lim

Company Secretary
Koh Kai Kheng Irene

Investor Relations
ASL Marine Holdings Ltd.
corporate@aslmarine.com

Registered Office
19 Pandan Road
Singapore 609271
Telephone: (65) 6264 3833
Facsimile: (65) 6268 0274
Email: corporate@aslmarine.com
Website: www.aslmarine.com

Incorporation Data
Place of Incorporation: Singapore
Date of Incorporation: 4 October 2000
Co. Reg. No. 200008542N

Share Listing
ASL Marine Holdings Ltd.'s shares are listed and traded on the Main Board of the Singapore Exchange Securities Trading Limited since March 2003

Share Registrar
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Telephone: (65) 6227 6660
Facsimile: (65) 6225 1452

Auditors
Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-In-Charge: Adrian Koh Hian Yan
(appointed since the financial year ended 30 June 2015)

Principal Bankers
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

ASL Marine

ASL MARINE HOLDINGS LTD.
Company Registration No. 200008542N

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