



ASL MARINE HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
Co. Reg. No. 200008542N

UNAUDITED QUARTERLY FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2016

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

Income Statement

| | Group | | |
|--|--|---------------------------------|-----------------------------|
| | 3 months ended 30 September | | |
| | 1Q FY2017 \$'000 | 1Q FY2016 \$'000 | Inc/ (Dec) % |
| Revenue | 96,693 | 75,950 | 27.3 |
| Cost of sales | (83,611) | (64,104) | 30.4 |
| Gross profit | 13,082 | 11,846 | 10.4 |
| Other operating income | 1,429 | 1,311 | 9.0 |
| Administrative expenses | (5,640) | (5,308) | 6.3 |
| Other operating expenses | (1,649) | (347) | 375.2 |
| Finance costs | (4,508) | (4,472) | 0.8 |
| Share of results of joint ventures and associates | (1,042) | 2,558 | Nm |
| Profit before tax | 1,672 | 5,588 | (70.1) |
| Tax expense | | | |
| - current period | (1,432) | (529) | 170.7 |
| - under provision in prior years | (5) | (118) | (95.8) |
| Profit for the period | 235 | 4,941 | (95.2) |
| Attributable to: | | | |
| Owners of the Company | 1,603 | 5,249 | (69.5) |
| Non-controlling interests | (1,368) | (308) | 344.2 |
| | 235 | 4,941 | (95.2) |

Nm: Not meaningful

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

Statement of Comprehensive Income

| | Group | | |
|--|-----------------------|---------------|---------------|
| | 3 months ended | | |
| | 30 September | | |
| | 1Q | 1Q | Inc/ |
| | FY2017 | FY2016 | (Dec) |
| Note | \$'000 | \$'000 | % |
| Profit for the period | 235 | 4,941 | (95.2) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Translation differences relating to financial statements of foreign subsidiaries, net of tax | (i) 789 | 3,349 | (76.4) |
| Share of other comprehensive income of joint ventures and associates | 109 | 871 | (87.5) |
| Net fair value changes to cash flow hedges | (ii) (37) | (3,825) | (99.0) |
| Other comprehensive income for the period, net of tax | 861 | 395 | 118.0 |
| Total comprehensive income for the period | 1,096 | 5,336 | (79.5) |
| Attributable to: | | | |
| Owners of the Company | 2,400 | 5,432 | (55.8) |
| Non-controlling interests | (1,304) | (96) | 1,258.3 |
| | 1,096 | 5,336 | (79.5) |

Notes:

- (i) The movement in foreign currency translation reserves arose mainly from the consolidation of subsidiaries whose functional currencies are United States Dollar ("USD"), Euro ("EUR") and Indonesian Rupiah ("IDR").
- (ii) The fair value loss on cash flow hedges was primarily due to fair value adjustments on foreign currency forward contracts and interest rate swaps.

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

| | Group | |
|--|-----------------------|---------------|
| | 3 months ended | |
| | 30 September | |
| | 1Q | 1Q |
| | FY2017 | FY2016 |
| | \$'000 | \$'000 |
| Write back of/ (allowance) for | | |
| impairment of doubtful receivables (net) | 3 | (45) |
| Amortisation of intangible assets | (203) | (206) |
| Amortisation of lease prepayments | (75) | (115) |
| Depreciation of property, plant | | |
| and equipment | (15,318) | (11,116) |
| Gain on disposal of property, | | |
| plant and equipment | 383 | 752 |
| Loss on foreign exchange (net) | (1,649) | (302) |
| Interest income from bank balances | 10 | 17 |
| Interest income from finance lease | | |
| receivables | 183 | 198 |
| Provision for pension liabilities | (29) | (29) |
| (Provision)/ reversal for warranty | (384) | 404 |
| Under provision of tax in | | |
| respect of prior years | | |
| - current tax expense | (5) | (118) |

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

| | Group | | Company | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 30-Sep-16 \$'000 | 30-Jun-16 \$'000 | 30-Sep-16 \$'000 | 30-Jun-16 \$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 602,296 | 603,114 | - | - |
| Lease prepayments | 5,577 | 5,647 | - | - |
| Investment in subsidiaries | - | - | 70,713 | 70,713 |
| Investment in joint ventures and associates | 13,736 | 14,726 | - | - |
| Intangible assets | 18,019 | 17,840 | - | - |
| Finance lease receivable | 8,692 | 8,759 | - | - |
| | 648,320 | 650,086 | 70,713 | 70,713 |
| Current assets | | | | |
| Inventories | 245,324 | 238,481 | - | - |
| Construction work-in-progress | 88,709 | 108,958 | - | - |
| Trade and other receivables | 268,854 | 248,767 | 306,642 | 270,294 |
| Finance lease receivable | 671 | 650 | - | - |
| Derivative financial instruments | 1 | 313 | - | - |
| Cash and bank balances | 36,888 | 24,710 | 1,565 | 290 |
| | 640,447 | 621,879 | 308,207 | 270,584 |
| Assets classified as held for sale | 3,708 | 3,708 | - | - |
| | 644,155 | 625,587 | 308,207 | 270,584 |
| Current liabilities | | | | |
| Trade and other payables | 252,922 | 223,371 | 128,898 | 90,987 |
| Provision for warranty | 216 | 54 | - | - |
| Progress billings in excess of construction work-in-progress | 13,629 | 6,862 | - | - |
| Trust receipts | 63,323 | 72,196 | - | - |
| Interest-bearing loans and borrowings | 284,303 | 290,724 | 100,000 | 100,000 |
| Derivative financial instruments | 651 | 897 | - | - |
| Income tax payables | 3,954 | 2,810 | - | - |
| | 618,998 | 596,914 | 228,898 | 190,987 |
| Net current assets | 25,157 | 28,673 | 79,309 | 79,597 |
| Non-current liabilities | | | | |
| Other liabilities | 13,628 | 9,272 | - | - |
| Interest-bearing loans and borrowings | 218,232 | 229,266 | 50,000 | 50,000 |
| Deferred tax liabilities | 16,116 | 15,816 | - | - |
| | 247,976 | 254,354 | 50,000 | 50,000 |
| Net assets | 425,501 | 424,405 | 100,022 | 100,310 |
| Equity attributable to owners of the Company | | | | |
| Share capital | 83,092 | 83,092 | 83,092 | 83,092 |
| Treasury shares | (923) | (923) | (923) | (923) |
| Reserves | 339,865 | 337,465 | 17,853 | 18,141 |
| | 422,034 | 419,634 | 100,022 | 100,310 |
| Non-controlling interests | 3,467 | 4,771 | - | - |
| Total equity | 425,501 | 424,405 | 100,022 | 100,310 |

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

| | Group | | | | | |
|--|---------------------------|-----------------------------|-------------------------|---------------------------|-----------------------------|-------------------------|
| | As at 30-Sep-16 | | | As at 30-Jun-16 | | |
| | Secured \$'000 | Unsecured \$'000 | Total \$'000 | Secured \$'000 | Unsecured \$'000 | Total \$'000 |
| Amount repayable in one year or less, or on demand | 205,323 | 142,303 | 347,626 | 223,798 | 139,122 | 362,920 |
| Amount repayable after one year | 168,232 | 50,000 | 218,232 | 179,266 | 50,000 | 229,266 |
| | 373,555 | 192,303 | 565,858 | 403,064 | 189,122 | 592,186 |

Details of any collateral

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

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

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

| | Group | |
|--|-----------------------|------------------|
| | 3 months ended | |
| | 30 September | |
| | 1Q FY2017 | 1Q FY2016 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Profit before tax | 1,672 | 5,588 |
| Adjustments for: | | |
| Amortisation of intangible assets | 203 | 206 |
| Amortisation of lease prepayments | 75 | 115 |
| (Write back of)/ allowance for impairment of doubtful receivables (net) | (3) | 45 |
| Depreciation of property, plant and equipment | 15,318 | 11,116 |
| Gain on disposal of property, plant and equipment | (383) | (752) |
| Interest expense | 4,508 | 4,472 |
| Interest income | (193) | (215) |
| Provision/ (reversal) for warranty (net) | 384 | (404) |
| Provision for pension liabilities | 29 | 29 |
| Share of results of joint venture and associates | 1,042 | (2,558) |
| Operating cash flows before changes in working capital | 22,652 | 17,642 |
| Changes in working capital: | | |
| Inventories | (6,844) | (10,846) |
| Construction work-in-progress and progress billings in excess of construction work-in-progress | 25,861 | (26,573) |
| Trade and other receivables | (12,159) | (14,393) |
| Trade and other payables | 15,378 | (9,341) |
| Finance lease receivable | 158 | 49 |
| Other liabilities | (261) | (192) |
| Balances with related parties (trade) | (358) | (2,941) |
| Cash flows generated from/ (used in) operations | 44,427 | (46,595) |
| Interest received | 183 | 198 |
| Tax (paid)/ refunded | (115) | 848 |
| Net cash flows generated from/ (used in) operating activities | 44,495 | (45,549) |
| Cash flows from investing activities | | |
| Interest received | 11 | 17 |
| Purchase of property, plant and equipment | (15,567) | (20,671) |
| equipment | 6,182 | 5,269 |
| Lease prepayments | - | (53) |
| Balances with related parties (non-trade) | (4,453) | 3,097 |
| Net cash flows used in investing activities | (13,827) | (12,341) |

| | Group | |
|--|-----------------------|------------------|
| | 3 months ended | |
| | 30 September | |
| | 1Q FY2017 | 1Q FY2016 |
| | \$'000 | \$'000 |
| Cash flows from financing activities | | |
| Interest paid | (4,508) | (4,685) |
| Repayment of interest-bearing loans and borrowings | (31,067) | (24,932) |
| Proceeds from interest-bearing loans and borrowings | 9,800 | 49,073 |
| Repayment of trust receipts | (23,581) | (14,588) |
| Proceeds from trust receipts | 14,484 | 26,237 |
| Deposits received from shareholders pursuant to Rights Issue | 16,920 | - |
| Cash and bank balances (restricted use) | (6,077) | (2,703) |
| Net cash flows (used in)/ generated from financing activities | (24,029) | 28,402 |
| Net increase/ (decrease) in cash and cash equivalents | 6,639 | (29,488) |
| Cash and cash equivalents at beginning of period | 21,621 | 74,865 |
| Effects of exchange rate changes on cash and cash equivalents | (538) | (483) |
| Cash and cash equivalents at end of period (Note 1) | 27,722 | 44,894 |

Note 1:

Cash and cash equivalents comprise the followings:

| | | |
|---|---------------|---------------|
| Cash and bank balances | 36,888 | 51,235 |
| Less: Restricted cash | | |
| - Cash at banks | (6,813) | (1,932) |
| - Fixed deposits with banks | (2,353) | (2,695) |
| | 27,722 | 46,608 |
| Bank overdrafts | - | (1,714) |
| Cash and cash equivalents at end of period | 27,722 | 44,894 |

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

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

| Statement of Changes in Equity for the period ended 30-Sep-16 | | | | | | | | | |
|--|---------------------------------------|---------------------------|--|---------------------------|-------------------------------|--------------------------|--|-------------------------------------|------------------------|
| Group | Attributable to owners of the Company | | | | | | Equity attributable to owners of the Company \$'000 | Non-controlling interests \$'000 | Total Equity \$'000 |
| | Share capital \$'000 | Treasury shares \$'000 | Foreign currency translation reserve \$'000 | Hedging reserve \$'000 | Accumulated profits \$'000 | Total reserves \$'000 | | | |
| FY2017 | | | | | | | | | |
| At 1-Jul-16 | 83,092 | (923) | 986 | (482) | 336,961 | 337,465 | 419,634 | 4,771 | 424,405 |
| Profit for the period | - | - | - | - | 1,603 | 1,603 | 1,603 | (1,368) | 235 |
| <u>Other comprehensive income</u> | | | | | | | | | |
| Translation differences relating to financial statements of foreign subsidiaries, net of tax | - | - | 735 | - | - | 735 | 735 | 54 | 789 |
| Share of other comprehensive income of joint ventures and associates | - | - | 99 | - | - | 99 | 99 | 10 | 109 |
| Net fair value changes to cash flow hedges | - | - | - | (37) | - | (37) | (37) | - | (37) |
| Other comprehensive income for the year, net of tax | - | - | 834 | (37) | - | 797 | 797 | 64 | 861 |
| Total comprehensive income for the period | - | - | 834 | (37) | 1,603 | 2,400 | 2,400 | (1,304) | 1,096 |
| At 30-Sep-16 | 83,092 | (923) | 1,820 | (519) | 338,564 | 339,865 | 422,034 | 3,467 | 425,501 |

Statement of Changes in Equity for the period ended 30-Sep-15

| <u>Group</u> | Attributable to owners of the Company | | | | | | Equity attributable to owners of the Company \$'000 | Non-controlling interests \$'000 | Total Equity \$'000 |
|--|---------------------------------------|------------------------|---|------------------------|----------------------------|-----------------------|---|----------------------------------|---------------------|
| | Share capital \$'000 | Treasury shares \$'000 | Foreign currency translation reserve \$'000 | Hedging reserve \$'000 | Accumulated profits \$'000 | Total reserves \$'000 | | | |
| FY2016 | | | | | | | | | |
| At 1-Jul-15 | 83,092 | (923) | 742 | (422) | 337,034 | 327,354 | 419,523 | 5,786 | 425,309 |
| Profit for the period | - | - | - | - | 5,249 | 5,249 | 5,249 | (308) | 4,941 |
| <u>Other comprehensive income</u> | | | | | | | | | |
| Translation differences relating to financial statements of foreign subsidiaries, net of tax | - | - | 3,216 | - | - | 3,216 | 3,216 | 133 | 3,349 |
| Share of other comprehensive income of joint ventures and associates | - | - | 792 | - | - | 792 | 792 | 79 | 871 |
| Net fair value changes to cash flow hedges | - | - | - | (3,825) | - | (3,825) | (3,825) | - | (3,825) |
| Other comprehensive income for the year, net of tax | - | - | 4,008 | (3,825) | - | 183 | 183 | 212 | 395 |
| Total comprehensive income for the period | - | - | 4,008 | (3,825) | 5,249 | 5,432 | 5,432 | (96) | 5,336 |
| At 30-Sep-15 | 83,092 | (923) | 4,750 | (4,247) | 342,283 | 342,786 | 424,995 | 5,690 | 430,645 |

Statement of Changes in Equity for the period ended 30-Sep-16 and 30-Sep-15

| <u>Company</u> | Share capital \$'000 | Treasury shares \$'000 | Hedging reserve \$'000 | Accumulated profits \$'000 | Total reserves \$'000 | Total equity \$'000 |
|--|-------------------------|---------------------------|---------------------------|-------------------------------|--------------------------|------------------------|
| <u>FY2017</u> | | | | | | |
| At 1-Jul-16 | 83,092 | (923) | - | 18,141 | 18,141 | 100,310 |
| Profit for the period, representing total comprehensive income for the period | - | - | - | (288) | (288) | (288) |
| <u>Distributions to owners</u> | | | | | | |
| Dividends on ordinary shares | - | - | - | - | - | - |
| Total distributions to owners | - | - | - | - | - | - |
| At 30-Sep-16 | 83,092 | (923) | - | 17,853 | 17,853 | 100,022 |
| <u>FY2016</u> | | | | | | |
| At 1-Jul-15 | 83,092 | (923) | - | 18,799 | 18,799 | 100,968 |
| Profit for the period, representing total comprehensive income for the period | - | - | - | (120) | (120) | (120) |
| <u>Distributions to owners</u> | | | | | | |
| Dividends on ordinary shares | - | - | - | - | - | - |
| Total distributions to owners | - | - | - | - | - | - |
| At 30-Sep-15 | 83,092 | (923) | - | 18,679 | 18,679 | 100,848 |

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

| | Number of Ordinary Shares (excluding treasury shares) |
|---------------------------------------|--|
| Balance as at 30-Sep-16 and 30-Jun-16 | <u>419,511,294</u> |

There have been no changes in the issued and paid-up capital of the Company since 30 June 2016.

There are no outstanding share options granted under the ESOS as at 30 September 2016 and 30 September 2015.

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

| | As at 30-Sep-16 | As at 30-Sep-15 |
|---|----------------------------|----------------------------|
| Total number of issued shares | 422,022,894 | 422,022,894 |
| Total number of treasury shares | (2,511,600) | (2,511,600) |
| Total number of issued shares (excluding treasury shares) | <u>419,511,294</u> | <u>419,511,294</u> |

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

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

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

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

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

Not applicable.

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

The accounting policies adopted and methods of computation in the preparation of the financial statements are consistent with those of the audited financial statements as at 30 June 2016 except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning as of 1 July 2016. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group.

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

Not applicable.

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

| | Group | |
|---|-----------------------|------------------|
| | 3 months ended | |
| | 30 September | |
| | 1Q FY2017 | 1Q FY2016 |
| Earnings per ordinary share: | | |
| (i) On weighted average no. of ordinary shares in issue | 0.38 cents | 1.25 cents |
| (ii) On a fully diluted basis | 0.38 cents | 1.25 cents |
| Net profit attributable to shareholders: | \$1,603,000 | \$5,249,000 |
| Number of shares in issue: | | |
| (i) Weighted average no. of shares in issue | 419,511,294 | 419,511,294 |
| (ii) On a fully diluted basis | 419,511,294 | 419,511,294 |

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and

(b) immediately preceding financial year.

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 30-Sep-16 | 30-Jun-16 | 30-Sep-16 | 30-Jun-16 |
| Net Asset Value (NAV) per ordinary share | 100.60 cents | 100.03 cents | 23.84 cents | 23.91 cents |
| NAV has been computed based on the share capital of | 419,511,294 | 419,511,294 | 419,511,294 | 419,511,294 |

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

REVIEW OF GROUP PERFORMANCE

Revenue

Group revenue of \$96.7 million for the 3 months ended 30 September 2016 ("1Q FY2017") was \$20.7 million (27.3%) higher compared to the corresponding period in FY2016 ("1Q FY2016").

Details for revenue generated from each segment are as follows:

| | Group | | |
|---------------------------|---------------|---------------|-------------------------|
| | 1Q | 1Q | Increase/ (Decrease) |
| | FY2017 | FY2016 | % |
| | \$'000 | \$'000 | % |
| Shipbuilding | 46,007 | 36,300 | 26.7 |
| Shiprepair and conversion | 14,293 | 14,809 | (3.5) |
| Shipchartering | 27,792 | 19,746 | 40.7 |
| Engineering | 8,601 | 5,095 | 68.8 |
| | 96,693 | 75,950 | 27.3 |

Shipbuilding

Recognition of shipbuilding revenue is calculated based on project value multiplied by the percentage of completion ("POC").

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

| | Group | | | | |
|----------------------------------|--------------|---------------|--------------|---------------|-------------------------|
| | 1Q | | 1Q | | Increase/ (Decrease) |
| | Units | \$'000 | Units | \$'000 | % |
| Offshore support vessels ("OSV") | 3 | 3,577 | 5 | 11,114 | (67.8) |
| Tugs | 11 | 39,931 | 13 | 19,532 | 104.4 |
| Barges and others | 5 | 2,499 | 10 | 5,654 | (55.8) |
| | 19 | 46,007 | 28 | 36,300 | 26.7 |

Shipbuilding revenue in 1Q FY2017 improved by 26.7% compared to the corresponding quarter mainly due to:

- (i) higher POC achieved from the construction of 11 tugs, of which 4 units were completed in 1Q FY2017. Most of these tugs were at inception stage with minimal POC recognised in 1Q FY2016; partially offset by
- (ii) lower POC achieved from the construction of OSV and decrease in number of barges constructed, with one barge being completed in 1Q FY2017.

Shiprepair and conversion

Shiprepair and conversion projects are meant to be short term in nature, resulting in revenue recognised only upon completion. With several of our shiprepair jobs being partial conversions, which take far longer than historic jobs to complete (i.e. may not complete within a quarter), revenue from shiprepair and conversions can now be lumpy.

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

| | Group | | |
|-------------------------------|---------------------------------|---------------------------------|------------------------------|
| | 1Q FY2017 \$'000 | 1Q FY2016 \$'000 | Increase/ (Decrease) % |
| Shiprepair and conversion | 14,155 | 14,439 | (2.0) |
| Other marine related services | 138 | 370 | (62.7) |
| | 14,293 | 14,809 | (3.5) |

Shiprepair and conversion revenue decreased marginally by \$0.5 million (3.5%) to \$14.3 million in 1Q FY2017 when compared to 1Q FY2016.

Shipchartering

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

| | Group | | |
|----------------------|---------------------------------|---------------------------------|------------------------------|
| | 1Q FY2017 \$'000 | 1Q FY2016 \$'000 | Increase/ (Decrease) % |
| OSV | 3,248 | 3,707 | (12.4) |
| Landing crafts | 1,698 | 1,646 | 3.2 |
| Tug boats | 6,748 | 5,414 | 24.6 |
| Barges | 11,289 | 8,200 | 37.7 |
| Total charter | 22,983 | 18,967 | 21.2 |
| Trade sales | 4,809 | 779 | 517.3 |
| | 27,792 | 19,746 | 40.7 |

Shipchartering revenue was higher in 1Q FY2017 mainly due to higher contributions from operation of tug boats and barges with the commencement of large marine infrastructure projects in Singapore and South Asia in 4Q FY2016 (the "New Charter Contracts").

Trade sales increased significantly in 1Q FY2017 due to increase in bunker sales and ad hoc services rendered in conjunction with the New Charter Contracts mentioned above.

Engineering

Similar to shipbuilding, revenue from New Buildings is calculated based on project value multiply by POC.

The breakdown by revenue generated from the engineering segment are as follows:

| | Group | | |
|--|---------------|---------------|-------------------------|
| | 1Q | 1Q | Increase/ (Decrease) |
| | FY2017 | FY2016 | % |
| | \$'000 | \$'000 | % |
| Engineered dredgers products & dredger ("New Buildings") | 653 | 841 | (22.4) |
| Components & services ("Components") | 7,948 | 4,254 | 86.8 |
| | 8,601 | 5,095 | 68.8 |

Engineering revenue were higher in 1Q FY2017 mainly due to higher completion of orders for cutting systems and higher POC achieved for coupling system orders.

Gross profit and gross profit margin

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

| | Group | | | |
|---------------------------|---------------|--------------|---------------|--------------|
| | 1Q | | 1Q | |
| | FY2017 | | FY2016 | |
| | \$'000 | GPM | \$'000 | GPM |
| Shipbuilding | 5,216 | 11.3% | 7,169 | 19.7% |
| Shiprepair and conversion | 3,395 | 23.8% | 1,539 | 10.4% |
| Shipchartering | 2,105 | 7.6% | 1,192 | 6.0% |
| Engineering | 2,366 | 27.5% | 1,946 | 38.2% |
| | 13,082 | 13.5% | 11,846 | 15.6% |

Shipbuilding

Despite increase in revenue, gross profit decreased to \$5.2 million and gross profit margin reduced to 11.3% in 1Q FY2017 mainly due to lower profit and profit margin recognised from the OSV and barges constructed during the quarter under review. The Group recorded some overhead overruns for certain OSV in 1Q FY2017. Further, the higher gross profit in 1Q FY2016 included reversal of costs provision for completed projects.

Shiprepair and conversion

Despite the marginal decrease in revenue in 1Q FY2017, gross profit and gross profit margin more than doubled to \$3.4 million and 23.8% respectively due to absence of loss incurred on a particular rig repair project recorded in 1Q FY2016.

Shipchartering

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

| | Group | | | |
|----------------------|----------------------|-------------|----------------------|-------------|
| | 1Q FY2017 | | 1Q FY2016 | |
| | \$'000 | GPM | \$'000 | GPM |
| OSV | (33) | Nm | 1,035 | 27.9% |
| Landing crafts | 143 | 8.4% | 108 | 6.6% |
| Tug boats and barges | 1,276 | 7.1% | (252) | Nm |
| Total charter | 1,386 | 6.0% | 891 | 4.7% |
| Trade sales | 719 | 15.0% | 301 | 38.6% |
| | <u>2,105</u> | 7.6% | <u>1,192</u> | 6.0% |

In line with the increase in revenue, gross profit increased by \$0.9 million (76.6%) and gross profit margin increased to 7.6% in 1Q FY2017 when compared to the corresponding period mainly due to:

- (i) Higher utilisation rate and lower upkeep costs incurred for tug boats and barges; partially offset by
- (ii) Off-hire of an Anchor Handling Tug since July 2016 coupled with lower utilization rate from Anchor Handling Tug Supply vessel ("AHTS") and change in revenue mix for a certain AHTS from bareboat charter to towage job which generally yielded lower margin in 1Q FY2017.

Engineering

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

| | Group | | | |
|---------------|----------------------|--------------|----------------------|--------------|
| | 1Q FY2017 | | 1Q FY2016 | |
| | \$'000 | GPM | \$'000 | GPM |
| New Buildings | 611 | 93.6% | 1,121 | 133.3% |
| Components | 1,755 | 22.1% | 825 | 19.4% |
| | <u>2,366</u> | 27.5% | <u>1,946</u> | 38.2% |

Gross profit margin of 93.6% achieved in 1Q FY2017 for New Buildings was mainly due to the completion of 2 projects that had their forecasted costs adjusted downwards; offset by provision for warranty costs that corresponds with the completed projects.

The higher gross profit margin of 38.2% in 1Q FY2016 was due to the write-back of warranty provision of \$0.6 million in New Buildings. Excluding the write-back, the gross profit margin would have been 26.4%.

Other operating income

Details for other operating income are as follows:

| | Group | |
|---|---------------------------------|---------------------------------|
| | 1Q FY2017 \$'000 | 1Q FY2016 \$'000 |
| Gain on disposal of plant and equipment | 383 | 752 |
| Interest income from bank balances | 10 | 17 |
| Interest income from finance lease receivables | 183 | 198 |
| Rental income | 811 | 292 |
| Write-back of allowance for impairment of doubtful receivables (net) | 3 | - |
| Miscellaneous income | 39 | 52 |
| | 1,429 | 1,311 |

Other operating income increased by \$0.1 million (9.0%) to \$1.4 million in 1Q FY2017 mainly due to additional rental income derived from precast workshops in 1Q FY2017; partially offset by the absence of gain on disposal of plant and equipment from the sale of 4 units of crawler cranes in 1Q FY2016.

Administrative expenses

Administrative expenses increased by \$0.3 million (6.3%) to \$5.6 million in 1Q FY2017 when compared to corresponding period mainly due to increase in legal and professional fees incurred for valuation services and corporate exercises.

Other operating expenses

Other operating expenses comprised the following:

| | Group | |
|---|---------------------------------|---------------------------------|
| | 1Q FY2017 \$'000 | 1Q FY2016 \$'000 |
| Allowance for impairment of doubtful receivables (net) | - | 45 |
| Loss on foreign exchange (net) | | |
| - unrealised | 769 | (540) |
| - realised | 880 | 842 |
| | 1,649 | 347 |

Unrealised foreign exchange loss of \$0.8 million in 1Q FY2017 was mainly due to the appreciation of USD and IDR against SGD on USD and IDR denominated liabilities. The unrealised gain in 1Q FY2016 arose mainly due to the appreciation of EUR against SGD on Euro denominated assets.

Exchange rates for the respective reporting periods were as follows:

| | 30 Sep 2016 | 30 Sep 2015 | 30 Jun 2016 | 30 Jun 2015 |
|-----------------|----------------|----------------|----------------|----------------|
| USD against SGD | 1.3651 | 1.4265 | 1.3489 | 1.3474 |
| EUR against SGD | 1.5290 | 1.6077 | 1.4967 | 1.4989 |
| IDR against SGD | 9,524 | 10,309 | 9,804 | 9,804 |

Finance costs

Finance costs increased marginally by \$36,000 (0.8%) to \$4.5 million in 1Q FY2017.

Share of results of jointly-controlled entity and associates

The Group's share of results of jointly-controlled entity and associates comprised:

| | Group's effective interest | Group | |
|------------------------|----------------------------------|------------------------|------------------------|
| | | 1Q FY2017 \$'000 | 1Q FY2016 \$'000 |
| <u>Joint ventures</u> | | | |
| Sindo-Econ group | 50% | (402) | 3,467 |
| <u>Associates</u> | | | |
| PT. Hafar Capitol | | | |
| Nusantara ("PT Hafar") | 36.75% | (228) | 25 |
| PT Capitol Nusantara | | | |
| Indonesia ("PT CNI") | 27% | (412) | (934) |
| | | (1,042) | 2,558 |

The loss of \$0.4 million recorded by Sindo-Econ group in 1Q FY2017 was due to lower sale of precast products from its concrete precast operations in Indonesia.

PT Hafar derived its profit largely from operation of its pipe lay cum accommodation barge (the "Barge") which commenced a new charter in August 2016. The share of loss in 1Q FY2017 was mainly attributed to repair costs incurred on the Barge when it was off-hired.

The share of loss from PT CNI was mainly attributable to the low utilisation of its vessels; several of its vessels have remained off-hired mainly due to the slowdown in Indonesia coal mining industry.

Profit before tax

Despite the overall increase in gross profit by \$1.2 million (10.4%) in 1Q FY2017, the Group's profit before tax decreased by 70.1% to \$1.7 million (1Q FY2016: \$5.6 million). This was mainly due to the increase in foreign exchange loss by \$1.3 million; and the decrease in share of results of joint ventures by \$3.6 million.

Tax expense

The Group's current period tax expense comprised the following:

| | Group | |
|--------------------|---------------|---------------|
| | 1Q | 1Q |
| | FY2017 | FY2016 |
| | \$'000 | \$'000 |
| Income tax | 1,192 | 142 |
| Deferred tax | 240 | 387 |
| | 1,432 | 529 |
| Effective tax rate | 52.8% | 17.4% |

The Group's current income tax expense was \$1.0 million higher in 1Q FY2017 mainly due to higher tax provision attributed to shipyard operations which cannot be offset against losses recorded by other subsidiaries within the Group.

Non-controlling interests

Non-controlling interests' share of loss of \$1.4 million for 1Q FY2017 mainly pertains to the portion of results of its non-wholly owned subsidiaries in Indonesia and China.

Operation cash flow

The Group recorded a net cash inflow of \$44.5 million from operating activities in 1Q FY2017 (1Q FY2016: cash outflow of \$45.5 million) due mainly to comparatively higher earnings, higher billings received on shipbuilding projects and lower payments made to suppliers.

The higher net cash outflow of \$13.8 million from investing activities in 1Q FY2017 as compared to \$12.3 million in 1Q FY2016 was mainly attributed to higher balances owing by related parties; partially offset by lower acquisition of property, plant and equipment during the current quarter.

The net cash outflow from financing activities of \$24.0 million (1Q FY2016: net cash inflow of \$28.4 million) arose as the Group repaid more money than it borrowed.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

Non-current assets

Property, plant and equipment ("PPE") decreased marginally by \$0.8 million (0.1%) from \$603.1 million as at 30 June 2016 to \$602.3 million as at 30 September 2016.

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

| | \$'000 |
|---|-----------------------|
| Balance as at 1 July 2016 | 603,114 |
| Acquisition of property, plant and equipment | 17,244 |
| Inclusive of : | |
| - \$5.9 million for plant and machinery | |
| - \$3.1 million for vessels | |
| - \$2.2 million for yard infrastructure under development | |
| - \$3.9 million for vessels under construction | |
| - \$2.0 million for capitalization of dry docking expenditure | |
| Disposal/ write-off | (5,799) |
| Depreciation charge | (14,163) |
| Translation differences | 1,900 |
| Balance as at 30 September 2016 | <u><u>602,296</u></u> |

The vessels acquired in 1Q FY2017 were mainly tugs and barges that will be deployed to support our customers in marine infrastructure project in South Asia.

Current assets

Current assets increased by \$18.6 million (3.0%) from \$625.6 million as at 30 June 2016 to \$644.2 million as at 30 September 2016. The increase was mainly from inventories, trade and other receivables and cash and bank balances; offset by the decrease in construction work-in-progress.

Inventories comprised the following:

| | Group | | | |
|-------------------------------|-----------------------|-----------------------|-------------------------|-------------------|
| | 30-Sep-16 | 30-Jun-16 | Increase/ (Decrease) | |
| | \$'000 | \$'000 | \$'000 | % |
| Raw materials and consumables | 20,516 | 15,594 | 4,922 | 31.6 |
| Work-in-progress | 168,958 | 167,362 | 1,596 | 1.0 |
| Finished goods | 55,850 | 55,525 | 325 | 0.6 |
| Total inventories at cost | <u><u>245,324</u></u> | <u><u>238,481</u></u> | <u><u>6,843</u></u> | <u><u>2.9</u></u> |

Bulk of the raw materials and consumables are inventories meant for ongoing shipbuilding and shiprepair projects, the increase included certain equipment purchased but yet to be installed on projects.

The increase in inventories work-in-progress relates to the progression of AHTS under the Built-to-Stock ("BTS") program which was discontinued in 2015 when management noticed that demand had slackened.

Trade and other receivables comprised the following:

| | Group | | | |
|----------------------------------|------------------|------------------|-------------------------|------------|
| | 30-Sep-16 | 30-Jun-16 | Increase/ (Decrease) | |
| | \$'000 | \$'000 | \$'000 | % |
| Trade receivables | 167,295 | 156,601 | 10,694 | 6.8 |
| Other receivables and prepayment | 30,787 | 29,319 | 1,468 | 5.0 |
| Amounts due from related parties | 70,772 | 62,847 | 7,925 | 12.6 |
| | 268,854 | 248,767 | 20,087 | 8.1 |

The increase in trade receivables was mainly due to milestone progressive billings of \$30.3 million for shipbuilding projects which were subsequently received after the financial period end; and increased billings from shipchartering operations from the New Charter Contracts. Of the total trade receivables, \$54.0 million was received subsequent to the period under review.

Current liabilities

Current liabilities increased by \$22.1 million (3.7%) from \$596.9 million as at 30 June 2016 to \$619.0 million as at 30 September 2016. The increase was mainly from trade and other payables and progress billings in excess of construction work-in-progress; offset by the decrease in trust receipts and interest-bearing loans and borrowings.

Trade and other payables comprised the following:

| | Group | | | |
|---|------------------|------------------|-------------------------|-------------|
| | 30-Sep-16 | 30-Jun-16 | Increase/ (Decrease) | |
| | \$'000 | \$'000 | \$'000 | % |
| Trade payables | 180,172 | 177,967 | 2,205 | 1.2 |
| Other payables | 38,772 | 31,464 | 7,308 | 23.2 |
| Amounts due to related parties | 16,849 | 13,734 | 3,115 | 22.7 |
| Deposits received from shareholders | 16,920 | - | 16,920 | Nm |
| Loan from non-controlling interests of subsidiaries | 209 | 206 | 3 | 1.5 |
| | 252,922 | 223,371 | 29,551 | 13.2 |

Other payables increased by \$11.4 million (41.6%) to \$38.8 million at 30 September 2016 from \$27.4 million at 30 June 2016 mainly due to payables for the purchase of cranes and additional advance payments received that pertained to one of the New Charter Contracts.

Deposits received from shareholders pertains to the funds received from the major undertaking shareholders for the current proposed renounceable non-underwritten rights issue (the "Rights Issue") of the Company, being full subscription on their rights entitlement.

Net construction work-in-progress in excess of progress billings decreased by \$27.0 million (26.5%) from \$102.1 million as at 30 June 2016 to \$75.1 million as at 30 September 2016, mainly attributed to completion of vessels during the period.

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

| | Group | | | |
|----------------------------------|------------------|------------------|-------------------------|--------------|
| | 30-Sep-16 | 30-Jun-16 | Increase/ (Decrease) | |
| | \$'000 | \$'000 | \$'000 | % |
| Current | | | | |
| Bonds | 100,000 | 100,000 | - | Nm |
| Short term loan | | | | |
| - shipbuilding related | 41,705 | 46,730 | (5,025) | (10.8) |
| - general | 51,957 | 54,424 | (2,467) | (4.5) |
| | 93,662 | 101,154 | (7,492) | (7.4) |
| Trust receipts | | | | |
| - shipbuilding related | 49,451 | 57,990 | (8,539) | (14.7) |
| - general | 13,872 | 14,206 | (334) | (2.4) |
| | 63,323 | 72,196 | (8,873) | (12.3) |
| Long term loan | | | | |
| - vessels loan | 49,467 | 48,201 | 1,266 | 2.6 |
| - assets financing | 35,181 | 35,556 | (375) | (1.1) |
| | 84,648 | 83,757 | 891 | 1.1 |
| Finance lease liabilities | 5,993 | 5,813 | 180 | 3.1 |
| | 347,626 | 362,920 | (15,294) | (4.2) |
| Non-current | | | | |
| Bonds | 50,000 | 50,000 | - | Nm |
| Long term loan | | | | |
| - vessels loan | 108,113 | 111,311 | (3,198) | (2.9) |
| - assets financing | 54,837 | 62,636 | (7,799) | (12.5) |
| | 162,950 | 173,947 | (10,997) | (6.3) |
| Finance lease liabilities | 5,282 | 5,319 | (37) | (0.7) |
| | 218,232 | 229,266 | (11,034) | (4.8) |
| Total borrowings | 565,858 | 592,186 | (26,328) | (4.4) |
| Total shareholders' funds | 422,034 | 419,634 | | |
| Gearing ratio (times) | 1.34 | 1.41 | | |
| Net gearing ratio (times) | 1.25 | 1.35 | | |

The Group's total borrowings decreased by \$26.3 million (4.4%) to \$565.9 million as at 30 September 2016 mainly due to repayment of loans being higher than new drawdowns.

Non-current liabilities

Non-current liabilities decreased by \$6.4 million (2.5%) to \$248.0 million as at 30 September 2016 mainly due to decrease in the non-current portion of the Group's total borrowings; partially offset by the increase in other liabilities as a result of additional advance payments received that pertained to one of the New Charter Contracts.

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

In line with the Group's announcement made on 29 August 2016, the Company reported no significant changes in its Group's revenue in 1Q FY2017 as compared to last immediately preceding quarter, 4Q FY2016 and last corresponding quarter, 1Q FY2016.

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

Shipbuilding and Shiprepair

With the expectation that the oil price will remain subdued for the next 1-2 years and given the interlinked nature of the offshore and marine industry, to cope with the uncertainty and challenging operating environment, the Group remains focused on

- (i) making efforts to increase its shipbuilding order books on non-OSV vessels such as tanker, tugs and barges;
- (ii) improving operational efficiency and tightening cost control to ensure it remains competitive; and
- (iii) shiprepair and conversion segment by offering maintenance services to ship owners and/or undertake conversion jobs with the enhancements made to its Batam facilities.

Shipchartering Operations

Out of the Group's operating fleet of 234 vessels, we have 7 OSV. OSV chartering segment will remain weak in the current financial year. Our larger tug and barge fleet, which is our core chartering business, remains profitable as it supports the marine infrastructure business in the region.

With the commencement of the large infrastructure projects in Singapore and South Asia in 4Q FY2016, the overall utilization of our tugs and barges is expected to improve. However, due to market competition, the Group expects continued pressure on charter rates.

The transportation of precast concrete products from the precast yard in Batam to Singapore by our landing crafts will continue to provide a steady flow of income to the Group's shipchartering operations, with the commencement of new contracts secured by our joint ventures precast operations at Batam.

As at 30 September 2016, the Group's shipchartering operations have an outstanding delivery order of 15 vessels worth approximately \$21.9 million, comprising tugs and barges. With the exception of 3 vessels with a total worth of \$1.8 million, these vessels are being built internally by the Group. 10 of these vessels are for charter contracts already secured.

Engineering Operations

Our engineering division (VOSTA LMG) engages primarily in the infrastructure and construction industry which is less affected by the weak oil price. Due to sluggish economic condition in Europe, we expect the revenue of our engineering division to stay flat for FY2017. However, the reorganization exercise conducted in May 2016 is expected to reduce our cost and hence, improve our bottom line.

Order Book

As at 30 September 2016, the Group had an outstanding shipbuilding order book from external customers of approximately \$177 million for the building of 17 vessels with progressive deliveries up to fourth quarter of FY2018. The order book comprises OSV, harbour tugs, barges and tankers. Barring any unforeseen circumstances, approximately 59% of the order book is expected to be recognised in the financial year ending 30 June 2017 ("FY2017").

The Group's shipchartering revenue consists of mainly short-term and ad-hoc contracts. Approximately 35% of shipchartering revenue in 1Q FY2017 was attributed to long-term chartering contracts (meaning contracts with a duration of more than one year). As at 30 September 2016, the Group had an outstanding chartering order book of approximately \$145 million with respect to long-term contracts.

Funding Arrangements

The Company has signed a commitment letter with various lenders for a 5-year club term loan facility of \$99.9 million (the "Facility") for working capital usage. The availability of the Facility is subject to, amongst others, a successful conclusion of a consent solicitation exercise to extend the tenor of its existing \$150 million fixed rate notes by 3 years or more and to seek any other waivers called for. The Company has appointed a consent solicitation agent and will be engaging its note holders to work out a viable proposal for their continuing support.

On 11 November 2016, the Company announced the revised books closure date, being 24 November 2016 on the Rights Issue which is expected to be concluded in December 2016. On the assumption of maximum subscription, other than the \$16.9 million which was already received from its major undertaking shareholders, an additional net cash inflow of approximately \$8 million is expected for working capital usage.

11. Dividend

(a) Current Financial Period

Any dividend recommended for the current financial period reported on?
None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No interim dividend has been declared for the period ended 30 September 2016.

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

The Group did not obtain a general mandate from shareholders for Interested Person Transactions.

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

We, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial statements of the Group and the Company for the first quarter ended 30 September 2016 to be false or misleading in any material aspect.

15. Undertakings pursuant to Rule 720(1).

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

On behalf of the Board

Ang Kok Tian
Chairman, Managing Director and CEO

Ang Ah Nui
Deputy Managing Director

BY ORDER OF THE BOARD

Ang Kok Tian
Chairman, Managing Director and CEO
28 November 2016