



ASL MARINE HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
Co. Reg. No. 200008542N

UNAUDITED QUARTERLY FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 31 December			6 months ended 31 December		
	2Q FY2017 \$'000	2Q FY2016 \$'000	Inc/ (Dec) %	1H FY2017 \$'000	1H FY2016 \$'000	Inc/ (Dec) %
Revenue	83,663	99,682	(16.1)	180,356	175,632	2.7
Cost of sales	(73,598)	(84,778)	(13.2)	(157,209)	(149,231)	5.3
Gross profit	10,065	14,904	(32.5)	23,147	26,401	(12.3)
Other operating income	1,222	1,440	(15.1)	2,641	2,706	(2.4)
Administrative expenses	(5,365)	(5,921)	(9.4)	(11,005)	(10,880)	1.1
Other operating expenses	(7)	(2,188)	(99.7)	(1,646)	(2,490)	(33.9)
Finance costs	(4,667)	(4,823)	(3.2)	(9,175)	(9,295)	(1.3)
Share of results of joint ventures and associates	(414)	(1,897)	(78.2)	(1,456)	661	Nm
Profit before tax	834	1,515	(45.0)	2,506	7,103	(64.7)
Tax (expense)/credit						
- current period	(377)	432	Nm	(1,809)	(97)	1,764.9
- over/(under) provision in prior years	117	(4)	Nm	112	(122)	Nm
Profit for the period	574	1,943	(70.5)	809	6,884	(88.2)
Attributable to:						
Owners of the Company	883	1,824	(51.6)	2,486	7,073	(64.9)
Non-controlling interests	(309)	119	Nm	(1,677)	(189)	787.3
	574	1,943	(70.5)	809	6,884	(88.2)

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 31 December			6 months ended 31 December		
	2Q	2Q	Inc/ (Dec)	1H	1H	Inc/ (Dec)
	FY2017	FY2016	(Dec)	FY2017	FY2016	(Dec)
Note	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the period	574	1,943	(70.5)	809	6,884	(88.2)
<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) 4,062	187	2,072.2	4,851	3,536	37.2
Share of other comprehensive income of joint ventures and associates	569	(53)	Nm	678	818	(17.1)
Net fair value changes to cash flow hedges	(ii) 228	1,239	(81.6)	191	(2,586)	Nm
Other comprehensive income for the period, net of tax	4,859	1,373	253.9	5,720	1,768	223.5
Total comprehensive income for the period	5,433	3,316	63.8	6,529	8,652	(24.5)
Attributable to:						
Owners of the Company	5,531	3,143	76.0	7,931	8,575	(7.5)
Non-controlling interests	(98)	173	Nm	(1,402)	77	Nm
	5,433	3,316	63.8	6,529	8,652	(24.5)

Nm: Not meaningful

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		6 months ended	
	31 December		31 December	
	2Q	2Q	1H	1H
	FY2017	FY2016	FY2017	FY2016
	\$'000	\$'000	\$'000	\$'000
Write back of impairment of doubtful receivables (net)	-	169	3	124
Amortisation of intangible assets	(205)	(208)	(408)	(414)
Amortisation of lease prepayments	(75)	(89)	(150)	(204)
Depreciation of property, plant and equipment	(15,000)	(14,820)	(30,318)	(25,936)
Gain on disposal of property, plant and equipment	290	61	673	813
Loss on disposal of assets held for sale	(6)	-	(6)	-
Gain/(loss) on foreign exchange (net)	10	(2,188)	(1,639)	(2,490)
Interest income from bank balances	15	12	25	29
Interest income from finance lease receivables	185	200	368	398
Property, plant and equipment written off	1	-	1	-
Provision for pension liabilities	-	(210)	(29)	(239)
Reversal/ (provision) for warranty	10	(179)	(374)	225
Over/ (under) provision of tax in respect of prior years				
- current tax expense	117	(4)	112	(122)

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

	Group		Company	
	31-Dec-16 \$'000	30-Jun-16 \$'000	31-Dec-16 \$'000	30-Jun-16 \$'000
Non-current assets				
Property, plant and equipment	604,860	603,114	-	-
Lease prepayments	5,908	5,647	-	-
Investment in subsidiaries	-	-	70,713	70,713
Investment in joint ventures and associates	13,840	14,726	-	-
Intangible assets	17,649	17,840	-	-
Finance lease receivable	9,014	8,759	-	-
	651,271	650,086	70,713	70,713
Current assets				
Inventories	242,964	238,481	-	-
Construction work-in-progress	111,583	108,958	-	-
Trade and other receivables	218,876	248,767	317,980	270,294
Finance lease receivable	724	650	-	-
Derivative financial instruments	-	313	-	-
Cash and bank balances	40,930	24,710	428	290
	615,077	621,879	318,408	270,584
Assets classified as held for sale	3,128	3,708	-	-
	618,205	625,587	318,408	270,584
Current liabilities				
Trade and other payables	224,664	223,371	114,258	90,987
Provision for warranty	202	54	-	-
Progress billings in excess of construction work-in-progress	9,900	6,862	-	-
Trust receipts	38,711	72,196	-	-
Interest-bearing loans and borrowings	300,512	290,724	100,000	100,000
Derivative financial instruments	366	897	-	-
Income tax payables	4,872	2,810	-	-
	579,227	596,914	214,258	190,987
Net current assets	38,978	28,673	104,150	79,597
Non-current liabilities				
Other liabilities	13,905	9,272	-	-
Interest-bearing loans and borrowings	204,783	229,266	50,000	50,000
Deferred tax liabilities	15,663	15,816	-	-
	234,351	254,354	50,000	50,000
Net assets	455,898	424,405	124,863	100,310
Equity attributable to owners of the Company				
Share capital	108,056	83,092	108,056	83,092
Treasury shares	(923)	(923)	(923)	(923)
Reserves	345,396	337,465	17,730	18,141
	452,529	419,634	124,863	100,310
Non-controlling interests	3,369	4,771	-	-
Total equity	455,898	424,405	124,863	100,310

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

	Group					
	As at 31-Dec-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	197,565	141,658	339,223	223,798	139,122	362,920
Amount repayable after one year	154,783	50,000	204,783	179,266	50,000	229,266
	352,348	191,658	544,006	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 31 December		6 months ended 31 December	
	2Q FY2017	2Q FY2016	1H FY2017	1H FY2016
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	834	1,515	2,506	7,103
Adjustments for:				
Amortisation of intangible assets	205	208	408	414
Amortisation of lease prepayments	75	89	150	204
Write back of impairment of doubtful receivables (net)	-	(169)	(3)	(124)
Depreciation of property, plant and equipment	15,000	14,820	30,318	25,936
Gain on disposal of property, plant and equipment	(290)	(61)	(673)	(813)
Loss on disposal of assets held for sale	6	-	6	-
Interest expense	4,667	4,823	9,175	9,295
Interest income	(200)	(212)	(393)	(427)
(Reversal)/ provision for warranty (net)	(10)	179	374	(225)
Property, plant and equipment written off	1	-	1	-
Provision for pension liabilities	-	210	29	239
Share of results of joint venture and associates	414	1,897	1,456	(661)
Operating cash flows before changes in working capital	20,702	23,299	43,354	40,941
Changes in working capital:				
Inventories	1,648	(7,108)	(5,196)	(17,954)
Construction work-in-progress and progress billings in excess of construction work-in-progress	(26,105)	(44,712)	(244)	(71,285)
Trade and other receivables	52,627	(3,522)	40,468	(17,915)
Trade and other payables	(5,038)	14,249	10,340	4,908
Finance lease receivable	167	153	325	202
Other liabilities	(2)	(527)	(263)	(719)
Balances with related parties (trade)	(3,018)	287	(3,376)	(2,654)
Cash flows generated from/ (used in) operations	40,981	(17,881)	85,408	(64,476)
Interest received	185	200	368	398
Tax refunded/(paid)	142	(242)	27	606
Net cash flows generated from/ (used in) operating activities	41,308	(17,923)	85,803	(63,472)
Cash flows from investing activities				
Interest received	14	12	25	29
Purchase of property, plant and equipment	(9,056)	(36,394)	(24,623)	(57,065)
Proceeds from disposal of assets held for sale	574	-	574	-
Proceeds from disposal of property, plant and equipment	1,090	230	7,272	5,499
Lease prepayments	(388)	-	(388)	(53)
Balances with related parties (non-trade)	(775)	(658)	(5,228)	2,439
Net cash flows used in investing activities	(8,541)	(36,810)	(22,368)	(49,151)

	Group			
	3 months ended 31 December		6 months ended 31 December	
	2Q FY2017	2Q FY2016	1H FY2017	1H FY2016
	\$'000	\$'000	\$'000	\$'000
Cash flows from financing activities				
Interest paid	(4,667)	(4,142)	(9,175)	(8,827)
Dividends paid	-	(1,678)	-	(1,678)
Repayment of interest-bearing loans and borrowings	(32,409)	(46,381)	(63,476)	(71,313)
Proceeds from interest-bearing loans and borrowings	25,055	98,260	34,855	147,333
Repayment of trust receipts	(41,134)	(27,210)	(64,715)	(41,798)
Proceeds from trust receipts	16,263	35,777	30,747	62,014
Deposits received from shareholders pursuant to Rights Issue	(16,920)	-	-	-
Proceeds from issue of shares by the Company	24,964	-	24,964	-
Cash and bank balances (restricted use)	(59)	1,927	(6,136)	(776)
Net cash flows (used in)/ generated from financing activities	(28,907)	56,553	(52,936)	84,955
Net increase/ (decrease) in cash and cash equivalents	3,860	1,820	10,499	(27,668)
Cash and cash equivalents at beginning of period	27,722	44,894	21,621	74,865
Effects of exchange rate changes on cash and cash equivalents	123	(18)	(415)	(501)
Cash and cash equivalents at end of period (Note 1)	31,705	46,696	31,705	46,696

Note 1:

Cash and cash equivalents comprise the followings:

Cash and bank balances	40,930	49,396
Less: Restricted cash		
- Cash at banks	(6,813)	(2,251)
- Fixed deposits with banks	(2,412)	(449)
Cash and cash equivalents at end of period	31,705	46,696

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 31-Dec-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			
<u>1H FY2017</u>									
At 1-Jul-16	83,092	(923)	986	(482)	336,961	337,465	419,634	4,771	424,405
Profit for the period	-	-	-	-	2,486	2,486	2,486	(1,677)	809
<u>Other comprehensive income</u>									
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	4,637	-	-	4,637	4,637	214	4,851
Share of other comprehensive income of joint ventures and associates	-	-	617	-	-	617	617	61	678
Net fair value changes to cash flow hedges	-	-	-	191	-	191	191	-	191
Other comprehensive income for the year, net of tax	-	-	5,254	191	-	5,445	5,445	275	5,720
Total comprehensive income for the period	-	-	5,254	191	2,486	7,931	7,931	(1,402)	6,529
<u>Contributions by owners</u>									
Right issue of shares	24,964	-	-	-	-	-	24,964	-	24,964
Total contributions by owners	24,964	-	-	-	-	-	24,964	-	24,964
At 31-Dec-16	108,056	(923)	6,240	(291)	339,447	345,396	452,529	3,369	455,898

Statement of Changes in Equity for the period ended 31-Dec-15

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			
<u>1H FY2016</u>									
At 1-Jul-15	83,092	(923)	742	(422)	337,034	327,354	419,523	5,786	425,309
Profit for the period	-	-	-	-	7,073	7,073	7,073	(189)	6,884
<u>Other comprehensive income</u>									
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	3,344	-	-	3,344	3,344	192	3,536
Share of other comprehensive income of joint ventures and associates	-	-	744	-	-	744	744	74	818
Net fair value changes to cash flow hedges	-	-	-	(2,586)	-	(2,586)	(2,586)	-	(2,586)
Other comprehensive income for the year, net of tax	-	-	4,008	(2,586)	-	1,502	1,502	266	1,768
Total comprehensive income for the period	-	-	4,008	(2,586)	7,073	8,575	8,575	77	8,652
<u>Distributions to owners</u>									
Dividends on ordinary shares	-	-	-	-	(1,678)	(1,678)	(1,678)	-	(1,678)
Total distributions to owners	-	-	-	-	(1,678)	(1,678)	(1,678)	-	(1,678)
At 31-Dec-15	83,092	(923)	4,830	(3,008)	342,429	344,251	426,420	5,863	432,283

Statement of Changes in Equity for the period ended 31-Dec-16 and 31-Dec-15

<u>Company</u>	Share capital \$'000	Treasury shares \$'000	Hedging reserve \$'000	Accumulated profits \$'000	Total reserves \$'000	Total equity \$'000
<u>1H 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	-	-	-	(411)	(411)	(411)
<u>Contributions by owners</u>						
Rights issue of shares	24,964	-	-	-	-	24,964
Total contributions by owners	24,964	-	-	-	-	24,964
At 31-Dec-16	108,056	(923)	-	17,730	17,730	124,863
<u>1H 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	-	-	-	1,739	1,739	1,739
<u>Distributions to owners</u>						
Dividends on ordinary shares	-	-	-	(1,678)	(1,678)	(1,678)
Total distributions to owners	-	-	-	(1,678)	(1,678)	(1,678)
At 31-Dec-15	83,092	(923)	-	18,860	18,860	101,029

- 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)	
	As at 31-Dec-16	As at 31-Dec-15
Balance as at 1 July	419,511,294	419,511,294
Rights issue of shares	209,755,647	-
Balance as at 31 December	629,266,941	419,511,294

During the second quarter of 2017, the Company has undertaken a renounceable non-underwritten rights issue of 209,755,647 new ordinary shares in the share capital of the Company (the "Rights Shares") at an issue price of S\$0.12 for each Rights Share on the basis of one (1) Rights Share for every two (2) existing ordinary shares in the share capital of the Company (the "Rights Issue"). The Rights Shares has been issued and allotted on 19 December 2016, and listed for quotation on the Main Board of the SGX-ST on 21 December 2016. The newly issued shares rank pari passu in all respects with the previously issued shares.

There are no outstanding share options granted under the ESOS as at 31 December 2016 and 31 December 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 31-Dec-16	As at 30-Jun-16	As at 31-Dec-15
Total number of issued shares	631,778,541	422,022,894	422,022,894
Total number of treasury shares	(2,511,600)	(2,511,600)	(2,511,600)
Total number of issued shares (excluding treasury shares)	629,266,941	419,511,294	419,511,294

- 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 31 December		6 months ended 31 December	
Earnings per ordinary share:	2Q FY2017	2Q FY2016 (Restated)	1H FY2017	1H FY2016 (Restated)
(i) On weighted average no. of ordinary shares in issue	0.19 cents	0.43 cents	0.57 cents	1.67 cents
(ii) On a fully diluted basis	0.19 cents	0.43 cents	0.57 cents	1.67 cents
Net profit attributable to shareholders:	\$883,000	\$1,824,000	\$2,486,000	\$7,073,000
Number of shares in issue:				
(i) Weighted average no. of shares in issue	453,083,535	424,091,329	438,587,432	424,091,329
(ii) On a fully diluted basis	453,083,535	424,091,329	438,587,432	424,091,329

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

	Group		Company	
	31-Dec-16	30-Jun-16	31-Dec-16	30-Jun-16
Net Asset Value (NAV) per ordinary share	71.91 cents	100.03 cents	19.84 cents	23.91 cents
NAV computed based on no. of ordinary shares issued	629,266,941	419,511,294	629,266,941	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 \$83.7 million for the 3 months ended 31 December 2016 ("2Q FY2017") was \$16.0 million (16.1%) lower compared to the corresponding period in FY2016 ("2Q FY2016"). For the 6 months ended 31 December 2016 ("1H FY2017"), the Group revenue was \$4.7 million higher compared to the corresponding period ended 31 December 2015 ("1H FY2016").

Details for revenue generated from each segment are as follows:

	Group					
	2Q	2Q	Increase/	1H	1H	Increase/
	FY2017	FY2016	(Decrease)	FY2017	FY2016	(Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Shipbuilding	34,928	61,347	(43.1)	80,935	97,647	(17.1)
Shiprepair and conversion	14,747	11,030	33.7	29,040	25,839	12.4
Shipchartering	26,589	18,229	45.9	54,381	37,975	43.2
Engineering	7,399	9,076	(18.5)	16,000	14,171	12.9
	83,663	99,682	(16.1)	180,356	175,632	2.7

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											
	2Q			2Q			1H			1H		
	Units	\$'000	Jnits	\$'000	Increase/ (Decrease) %	Units	\$'000	Units	\$'000	Increase/ (Decrease) %		
Offshore support vessels ("OSV")	3	3,538	5	11,893	(70.3)	3	7,115	5	23,007	(69.1)		
Tugs	7	29,171	13	31,568	(7.6)	11	69,102	13	51,100	35.2		
Barges and others	4	2,219	10	17,886	(87.6)	5	4,718	10	23,540	(80.0)		
	14	34,928	28	61,347	(43.1)	19	80,935	28	97,647	(17.1)		

Shipbuilding revenue in 2Q FY2017 decreased by \$26.4 million (43.1%) compared to the corresponding quarter due to lower POC achieved from the construction of OSV and decrease in number of Tugs and Barges constructed. The Group has delivered a total of 5 Tugs and 1 Barge in 1H FY2017, with one Tug being completed in 2Q 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 are now likely to be lumpy.

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

	Group							
	2Q		2Q		1H		1H	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
	\$'000	\$'000	Increase/ (Decrease) %	Increase/ (Decrease) %	\$'000	\$'000	Increase/ (Decrease) %	Increase/ (Decrease) %
Shiprepair and conversion	12,979	11,030	17.7		27,134	25,469	6.5	
Other marine related services	1,768	-	Nm		1,906	370	415.1	
	14,747	11,030	33.7		29,040	25,839	12.4	

Shiprepair and conversion revenue increased by \$3.7 million (33.7%) in 2Q FY2017 and \$3.2 million (12.4%) in 1H FY2017 when compared to corresponding periods mainly due to more projects completed in 2Q FY2017. The Group traded some steel plates amounting to \$1.6 million during the quarter under review.

Shipchartering

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

	Group					
	2Q	2Q	Increase/	1H	1H	Increase/
	FY2017	FY2016	(Decrease)	FY2017	FY2016	(Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
OSV	2,914	2,811	3.7	6,162	6,518	(5.5)
Landing Crafts	2,381	1,502	58.5	4,079	3,148	29.6
Tug Boats	5,988	5,008	19.6	12,736	10,422	22.2
Barges	10,388	8,194	26.8	21,677	16,394	32.2
Total charter	21,671	17,515	23.7	44,654	36,482	22.4
Trade sales	4,918	714	588.8	9,727	1,493	551.5
	26,589	18,229	45.9	54,381	37,975	43.2

Shipchartering revenue was higher in 2Q FY2017 and 1H FY2017 mainly due to

- (i) 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"); and
- (ii) contribution from operation of a Landing Craft acquired in 2Q FY2016 for an overseas infrastructure project commenced in 3Q FY2016.

Trade sales increased significantly in 2Q FY2017 and 1HFY2017 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					
	2Q	2Q	Increase/	1H	1H	Increase/
	FY2017	FY2016	(Decrease)	FY2017	FY2016	(Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Engineered dredgers products & dredger ("New Buildings")	-	781	(100.0)	653	1,622	(59.7)
Components & services ("Components")	7,399	8,295	(10.8)	15,347	12,549	22.3
	7,399	9,076	(18.5)	16,000	14,171	12.9

Engineering revenue were lower in 2Q FY2017 mainly due to absence of revenue recognition from New Buildings and lower POC achieved for cutting/coupling systems.

Gross profit and gross profit margin

The Group gross profit decreased by \$4.8 million (32.5%) to \$10.1 million in 2Q FY2017 and \$3.3 million (12.3%) to \$23.1 million in 1H FY2017 compared to the respective corresponding periods.

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

	Group							
	2Q		2Q		1H		1H	
	FY2017		FY2016		FY2017		FY2016	
	\$'000	GPM	\$'000	GPM	\$'000	GPM	\$'000	GPM
Shipbuilding	4,324	12.4%	8,584	14.0%	9,540	11.8%	15,753	16.1%
Shiprepair and conversion	2,985	20.2%	3,466	31.4%	6,380	22.0%	5,005	19.4%
Shipchartering	252	0.9%	218	1.2%	2,357	4.3%	1,410	3.7%
Engineering	2,504	33.8%	2,636	29.0%	4,870	30.4%	4,233	29.9%
	10,065	12.0%	14,904	15.0%	23,147	12.8%	26,401	15.0%

Shipbuilding

In line with the decrease in revenue, gross profit decreased by \$4.3 million (50%) and gross profit margin reduced to 12.4% in 2Q FY2017 mainly due to overruns in subcontractor costs on construction of certain OSV and Barges.

Shiprepair and conversion

Despite the increase in revenue in 2Q FY2017, gross profit reduced to \$3.0 million with a gross profit margin of 20.2% due to absence of reversal of costs recorded in 2Q FY2016 on several repair projects completed in prior years.

Shipchartering

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

	Group							
	2Q		2Q		1H		1H	
	FY2017		FY2016		FY2017		FY2016	
	\$'000	GPM	\$'000	GPM	\$'000	GPM	\$'000	GPM
OSV	(408)	Nm	(291)	Nm	(441)	Nm	744	11.4%
Landing Crafts	618	26.0%	64	4.3%	761	18.7%	172	5.5%
Tug boats and Barges	(1,206)	Nm	244	1.8%	70	0.2%	(8)	Nm
Total charter	(996)	Nm	17	0.1%	390	0.9%	908	2.5%
Trade sales	1,248	25.4%	201	28.2%	1,967	20.2%	502	33.6%
	252	0.9%	218	1.2%	2,357	4.3%	1,410	3.7%

Despite higher charter revenue (excluding trade sales) recorded in 2Q FY2017, gross profit and gross profit margin was lower as compared with corresponding period. This was mainly due to:

- (i) Off-hire of an Anchor Handling Tug (“AHT”) from a long term charter contract since July 2016 coupled with reduced charter rate of an Anchor Handling Tug Supply vessel (“AHTS”) since November 2016;
- (ii) Low profit contributions in 2Q FY2017 for Tug boats and Barges mainly attributed to the New Charter Contracts caused by
 - a) Costs incurred to mobilise the final batch of vessels for deployment in the South Asia; and
 - b) Low activity from the local marine infrastructure project. The Group has to standby its vessels chartered under contract of affreightment, where the revenue earned is based on the tonnage of materials transported;

partially offset by

- (iii) Higher utilisation rate from Landing crafts which increased from 67% in 2Q FY2016 to 90% in 2Q FY2017 coupled with a new addition in 2Q FY2016 which commenced operation in 3Q FY2016.

The higher trade sales profit mainly derived from ad hoc services rendered in conjunction with one of the New Charter Contracts.

Engineering

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

	Group							
	2Q FY2017		2Q FY2016		1H FY2017		1H FY2016	
	\$'000	GPM	\$'000	GPM	\$'000	GPM	\$'000	GPM
New Buildings	-	Nm	485	62.1%	611	93.6%	1,432	88.3%
Components	2,504	33.8%	2,151	25.9%	4,259	27.8%	2,801	22.3%
	2,504	33.8%	2,636	29.0%	4,870	30.4%	4,233	29.9%

The higher gross profit margin recorded in components and spare parts segment was mainly due to cost savings from the reorganisation exercise undertaken in 4Q FY2016.

Other operating income

Details for other operating income are as follows:

	Group			
	2Q	2Q	1H	1H
	FY2017	FY2016	FY2017	FY2016
	\$'000	\$'000	\$'000	\$'000
Gain on disposal of plant and equipment	290	61	673	813
Gain/(loss) on foreign exchange (net)				
- unrealised	690	-	-	-
- realised	(680)	-	-	-
Interest income from bank balances	15	12	25	29
Interest income from finance				
lease receivables	185	200	368	398
Insurance claims	-	88	-	88
Rental income	618	685	1,429	977
Write-back of allowance for impairment				
of doubtful receivables (net)	-	169	3	124
Miscellaneous income	104	225	143	277
	1,222	1,440	2,641	2,706

The higher rental income recorded in 1H FY2017 mainly derived from leasing of precast workshops.

Administrative expenses

Administrative expenses decreased by \$0.6 million (9.4%) to \$5.4 million in 2Q FY2017 when compared to corresponding period mainly due to absence of facility fees incurred on bank financing recorded in 2Q FY2016 and lower upkeep and travelling expenses resulting from cost cutting measures, partially offset by compensation incurred from rationalisation of shipyard operation in China.

Administrative expenses increased by \$0.1 million (1.1%) in 1H FY2017 mainly due to rationalisation expenses incurred, partially offset by lower upkeep and travelling expenses.

Other operating expenses

Other operating expenses comprised the following:

	Group			
	2Q	2Q	1H	1H
	FY2017	FY2016	FY2017	FY2016
	\$'000	\$'000	\$'000	\$'000
Loss/ (gain) on foreign exchange (net)				
- unrealised	-	2,509	79	1,969
- realised	-	(321)	1,560	521
Loss on disposal of assets held for sale	6	-	6	-
Property, plant and equipment written off	1	-	1	-
	7	2,188	1,646	2,490

The foreign exchange losses in 1H FY2017 arose mainly due to the appreciation of USD against SGD on USD denominated liabilities.

Exchange rates for the respective reporting periods were as follows:

	31 Dec 2016	31 Dec 2015	30 Sep 2016	30 Sep 2015	30 Jun 2016	30 Jun 2015
USD against SGD	1.4449	1.4218	1.3651	1.4265	1.3489	1.3474
EUR against SGD	1.5150	1.5454	1.5290	1.6077	1.4967	1.4989
IDR against SGD	9,259	9,751	9,524	10,309	9,804	9,804

Finance costs

Finance costs decreased slightly by \$0.2 million (3.2%) to \$4.7 million in 2Q FY2017 and by \$0.1 million (1.3%) to \$9.2 million in 1H FY2017 when compared to corresponding periods due to repayment of long term loans.

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			
		2Q FY2017 \$'000	2Q FY2016 \$'000	1H FY2017 \$'000	1H FY2016 \$'000
<u>Joint ventures</u>					
Sindo-Econ group	50%	(374)	(1,133)	(776)	2,334
<u>Associates</u>					
PT. Hafar Capitol					
Nusantara ("PT Hafar")	36.75%	566	262	338	287
PT Capitol Nusantara					
Indonesia ("PT CNI")	27%	(606)	(1,026)	(1,018)	(1,960)
		(414)	(1,897)	(1,456)	661

The share of loss from Sindo-Econ group of \$0.4 million in 2Q FY2017 was attributed by low margin due to competitive market conditions from precast operation in Indonesia.

The higher share of profit from PT Hafar of \$0.3 million in 2Q FY2017 was due to reversal of tax overprovided in prior years and higher exchange gain; partially offset by lower profit from charter of vessels.

The lower share of loss from PT CNI in 2Q FY2017 as compared to the corresponding period was due to higher utilisation of vessels.

Profit before tax

Despite an overall decrease in gross profit by \$4.8 million (32.5%) in 2Q FY2017, the Group's profit before tax decreased by \$0.7 million (45.0%) to \$0.8 million (2Q FY2016: \$1.5 million). This was mainly due to the decrease in foreign exchange loss by \$2.2 million, lower share of losses of joint ventures and associates by \$1.5 million and lower administrative expenses by \$0.6 million.

The Group recorded a lower profit before tax of \$4.6 million in 1H FY2017 mainly due to an overall decrease in gross profit by \$3.3 million (12.3%) and higher share of losses of joint ventures and associates of \$2.1 million; partially offset by lower foreign exchange loss of \$0.8 million.

Tax (expense)/credit

The Group's current period tax (expense)/credit comprised the following:

	Group			
	2Q	2Q	1H	1H
	FY2017	FY2016	FY2017	FY2016
	\$'000	\$'000	\$'000	\$'000
Income tax	(838)	(296)	(2,030)	(438)
Deferred tax	461	728	221	341
	(377)	432	(1,809)	(97)
Effective tax rate			45.6%	3.7%

The Group's current income tax expense was \$0.5 million and \$1.6 million higher in 2Q FY2017 and 1H FY2017 respectively compared to the corresponding periods 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 \$0.3 million for 2Q FY2017 and \$1.7m for 1H FY2017 mainly pertains to the portion of results of its non-wholly owned subsidiaries in Indonesia and China.

Operation cash flow

2Q FY2017

The Group recorded a net cash inflow of \$41.3 million from operating activities in 2Q FY2017 (2Q FY2016: cash outflow of \$17.9 million) mainly due to lower construction costs incurred on projects and higher receipts from customers.

The lower net cash outflow of \$8.5 million from investing activities in 2Q FY2017 as compared to \$36.8 million in 2Q FY2016 was mainly attributed to lower acquisition of property, plant and equipment during the current quarter.

The net cash outflow from financing activities of \$28.9 million (2Q FY2016: net cash inflow of \$56.6 million) arose as the Group repaid more money than it borrowed.

1H FY2017

In 1HFY2017, the Group recorded a net cash inflow of \$85.8 million from operating activities (1H FY2016: cash outflow of \$63.5 million). The higher cash inflow was mainly due to lower purchase of inventories and construction costs incurred on projects, higher receipts from customers and lower payments made to suppliers.

The lower net cash outflow of \$22.4 million from investing activities in 1H FY2017 as compared to \$49.2 million in 1H FY2016 was due to lower acquisition of property, plant and equipment and higher non-trade balances owing from related parties.

The net cash outflow from financing activities of \$52.9 million in 1H FY2017 (1H FY2016: net cash inflow of \$85.0 million) arose as the Group repaid more money than it borrowed.

REVIEW OF FINANCIAL POSITION AS AT 31 December 2016

Non-current assets

Property, plant and equipment ("PPE") increased marginally by \$1.8 million (0.3%) from \$603.1 million as at 30 June 2016 to \$604.9 million as at 31 December 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	26,301
Inclusive of :	
- \$6.0 million for plant and machinery	
- \$10.0 million for vessels	
- \$3.4 million for yard infrastructure under development	
- \$3.6 million for vessels under construction	
- \$3.3 million for capitalization of dry docking expenditure	
Disposal/ write-off	(6,601)
Depreciation charge	(28,949)
Translation differences	10,995
Balance as at 31 December 2016	<u><u>604,860</u></u>

The vessels acquired in 2Q FY2017 were mainly tugs and barges that were deployed to support our customers in marine infrastructure project in South Asia.

Current assets

Current assets decreased by \$7.4 million (1.2%) from \$625.6 million as at 30 June 2016 to \$618.2 million as at 31 December 2016 due to the decrease in trade receivables, partially offset by increase in inventories, construction work-in-progress, amounts due from related parties and cash and bank balances.

Inventories comprised the following:

	Group			
	31-Dec-16	30-Jun-16	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Raw materials and consumables	14,254	15,594	(1,340)	(8.6)
Work-in-progress	120,345	167,362	(47,017)	(28.1)
Finished goods	108,365	55,525	52,840	95.2
Total inventories at cost	<u><u>242,964</u></u>	<u><u>238,481</u></u>	<u><u>4,483</u></u>	<u><u>1.9</u></u>

The increase in finished goods mainly relates to transfer of a platform supply vessel from work-in-progress to finished goods upon completion.

Trade and other receivables comprised the following:

	Group			
	31-Dec-16	30-Jun-16	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Trade receivables	116,838	156,601	(39,763)	(25.4)
Other receivables and prepayment	28,620	29,319	(699)	(2.4)
Amounts due from related parties	73,418	62,847	10,571	16.8
	218,876	248,767	(29,891)	(12.0)

The decrease in trade receivables was mainly due to receipt of milestone billings from shipbuilding projects; increased focus on trade debt collection; and netting agreements entered with trade creditors during the period under review. Of the total trade receivables, \$17.0 million was received subsequent to the period under review.

The increase in amounts due from related parties was mainly due to sale of assets, payments on behalf and upward revaluation of balances denominated in USD as a result of appreciation of USD against SGD during the period.

Current liabilities

Current liabilities decreased by \$17.7 million (3.0%) from \$596.9 million as at 30 June 2016 to \$579.2 million as at 31 December 2016. The decrease was mainly due to lower trade payables and repayment of trust receipts; partially offset by increase in other payables and interest-bearing loans and borrowings.

Trade and other payables comprised the following:

	Group			
	31-Dec-16	30-Jun-16	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Trade payables	169,517	177,967	(8,450)	(4.7)
Other payables	39,225	31,464	7,761	24.7
Amounts due to related parties	15,701	13,734	1,967	14.3
Loan from non-controlling interests of subsidiaries	221	206	15	7.3
	224,664	223,371	1,293	0.6

Other payables increased by \$7.8 million (24.7%) mainly due to payables for the purchase of cranes and additional advance payments received from customer for one of the New Charter Contracts.

Net construction work-in-progress in excess of progress billings increased marginally by \$0.4 million (0.4%) from \$102.1 million as at 30 June 2016 to \$101.7 million as at 31 December 2016.

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

	Group			
	31-Dec-16	30-Jun-16	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Current				
Bonds	100,000	100,000	-	Nm
Short term loan				
- shipbuilding related	35,592	46,730	(11,138)	(23.8)
- vessels loan	18,223	-	18,223	Nm
- general	54,664	54,424	240	0.4
	108,479	101,154	7,325	7.2
Trust receipts				
- shipbuilding related	25,260	57,990	(32,730)	(56.4)
- general	13,451	14,206	(755)	(5.3)
	38,711	72,196	(33,485)	(46.4)
Long term loan				
- vessels loan	52,185	48,201	3,984	8.3
- assets financing	34,399	35,556	(1,157)	(3.3)
	86,584	83,757	2,827	3.4
Finance lease liabilities	5,449	5,813	(364)	(6.3)
	339,223	362,920	(23,697)	(6.5)
Non-current				
Bonds	50,000	50,000	-	Nm
Long term loan				
- vessels loan	105,625	111,311	(5,686)	(5.1)
- assets financing	44,901	62,636	(17,735)	(28.3)
	150,526	173,947	(23,421)	(13.5)
Finance lease liabilities	4,257	5,319	(1,062)	(20.0)
	204,783	229,266	(24,483)	(10.7)
Total borrowings	544,006	592,186	(48,180)	(8.1)
Total shareholders' funds	452,529	419,634		
Gearing ratio (times)	1.20	1.41		
Net gearing ratio (times)	1.11	1.35		

The Group's total borrowings decreased by \$48.2 million (8.1%) mainly due to repayment of long term loans and trust receipts on shipbuilding projects completed during the period under review.

Non-current liabilities

Non-current liabilities decreased by \$20.0 million (7.9%) to \$234.4 million as at 31 December 2016 mainly due to decrease in the non-current portion of the Group's total borrowings as a result of repayment; partially offset by the increase in other liabilities as a result of additional advance payments received for 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 1H FY2017 as compared to 1H 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.

Market and industry outlook

While oil prices have started to stabilize in recent months and are expected to mildly recover in 2017, the prospects for the oil and gas industry remains uncertain. These uncertainties come from various geopolitical events, including the execution of the OPEC's initiative to cut oil production, and any new policies that might be introduced by the new U.S. administration.

In addition, the recovery for the offshore oil and gas support industry is expected to lag the recovery of the oil prices. Only after the upstream activities pick up, will the demand for oil rigs increases, and only then thereafter the demand for offshore service vessels and related conversion and repair work will have a chance to recover gradually.

Hence, we do not foresee the operating environment for our businesses improving significantly in the next 12 months. The demand for shipbuilding and shipchartering remain weak and price-sensitive, and the credit tightening in the industry continue to be a challenge for many industry players.

In an effort to deal with the financial challenges, the Company has proposed a detailed financial restructuring plan. The noteholders approved a 3-year extension for the Series 006 and Series 007 notes in January 2017 and the \$99.9 million club loan facility by the three local banks have set the stage for us to regain increased financial flexibility to meet new business working capital needs. This is vital for the Company's survival and preservation of our assets and expertise in such difficult times. With careful cost management and committed management, the Company will continue to seek suitable business opportunities for our various business segments.

Business segments

Shipbuilding and Shiprepair

In shipbuilding, we are making efforts to increase shipbuilding order books on vessels such as tanker, tugs and barges, improve operational efficiency and continue to tighten cost control to ensure we remain competitive, stimulate shiprepair and conversion business by offering maintenance services at our enhanced Batam facilities.

Shipchartering

With the commencement of the large infrastructure projects in Singapore and South Asia in 4QFY2016, the overall utilization of our tugs and barges have improved from 47% for 1H FY2016 to 61% for 1H FY2017. The diversified vessel types in our fleet, especially the non-OSV vessels are expected to lend support to our chartering business in the current low-oil-price environment. 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 our shipchartering operations.

As at 31 December 2016, the Group's shipchartering operations have an outstanding delivery order of 10 vessels worth approximately \$8.9 million, comprising tugs and barges. With the exception of 3 vessel with a total worth of \$1.9 million, the rest of the vessels are being built internally by the Group.

Engineering

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 31 December 2016, the Group had an outstanding shipbuilding order book from external customers of approximately \$146 million for the building of 17 vessels with progressive deliveries up to 4Q FY2018. The order book comprises OSV, harbour tugs, barges and tankers. Barring any unforeseen circumstances, approximately 28% of the order book is expected to be recognised in 2H FY2017.

The Group's shipchartering revenue consists of mainly short-term and ad-hoc contracts. Approximately 35% of shipchartering revenue in 1H FY2017 was attributed to long-term chartering contracts (meaning contracts with a duration of more than one year). As at 31 December 2016, the Group had an outstanding chartering order book of approximately \$136 million with respect to long-term contracts.

Funding Arrangements

Pursuant to the Rights Issue exercise, the Company has on 19 December 2016, allotted and issued 209,755,647 Rights Shares and raised a total gross proceeds of \$25.2 million.

On 20 January 2017, the Company has received approval from noteholders to extend the maturity dates of its \$100 million and \$50 million notes originally due in March 2017 and October 2018 respectively for three years each. With this approval, the Company has fulfilled a major condition to drawdown the 5-year club term loan facility of up to \$99.9 million (the "Club Term Loan Facility") provided by three local banks. The Company is currently in the process of completing the legal documentation for drawing down on the Club Term Loan Facility by tranches.

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 31 December 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 has obtained a general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 28 November 2016. During the financial period, the following interested person transactions were entered into by the Group:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) \$'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
<u>Sale of goods and services</u>		
Bukit Intan Pte Ltd	925	-
Contech Precast Pte Ltd	-	4,004
Econ Precast Pte Ltd	-	1,670
Koon Construction & Transport Co Pte Ltd	1,654	807
Sindo-Econ Pte Ltd	322	615
PT. Sindomas Precas	814	410
<u>Purchase of goods and services</u>		
Koon Construction & Transport Co Pte Ltd	2,399	401
Entire Engineering Pte Ltd	493	-
<u>Sale of equipment</u>		
PT. Sindomas Precas	2,279	-
<u>Dredging and Dumping Services</u>		
Koon Construction & Transport Co Pte Ltd	572	-
Total Interested Person Transactions	9,458	7,907

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 second quarter and six months ended 31 December 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

16. Use of Proceeds

As at to-date, the Group has fully utilised the net proceeds of \$25.0 million from its recent Rights Issue 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 29 August 2016 and the Offer Information Statement dated 24 November 2016.

BY ORDER OF THE BOARD

Ang Kok Tian
Chairman, Managing Director and CEO
14 February 2017