



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 2017

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 FY2018 \$'000	1Q FY2017 \$'000	Inc/ (Dec) %
Revenue	72,264	96,693	(25.3)
Cost of sales	(67,027)	(83,611)	(19.8)
Gross profit	5,237	13,082	(60.0)
Other operating income	761	1,429	(46.8)
Administrative expenses	(5,144)	(5,640)	(8.8)
Other operating expenses	-	(1,649)	(100.0)
Finance costs	(5,623)	(4,508)	24.7
Share of results of joint ventures and associates	(2,041)	(1,042)	95.9
(Loss)/ profit before tax	(6,810)	1,672	Nm
Tax (expense)/ credit			
- current period	(516)	(1,432)	(64.0)
- over/(under) provision in prior years	193	(5)	Nm
(Loss)/ profit for the period	(7,133)	235	Nm
Attributable to:			
Owners of the Company	(6,739)	1,603	Nm
Non-controlling interests	(394)	(1,368)	(71.2)
	(7,133)	235	Nm
Adjusted EBITDA* for the period	15,463	22,621	(31.6)

Nm: Not meaningful

* Adjusted EBITDA is computed based on earnings before interests, tax, depreciation, amortisation, and after adjusted for/ add back of allowance for impairment of doubtful debts, impairments, write-offs and any other non-cashflow items.

- 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		
Note	1Q FY2018 \$'000	1Q FY2017 \$'000	Inc/ (Dec) %
(Loss)/ profit for the period	(7,133)	235	Nm
<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) (1,362)	789	(272.6)
Share of other comprehensive income of joint ventures and associates	(158)	109	(245.0)
Net fair value changes to cash flow hedges	(ii) (25)	(37)	(32.4)
Other comprehensive income for the period, net of tax	(1,545)	861	Nm
Total comprehensive income for the period	(8,678)	1,096	Nm
Attributable to:			
Owners of the Company	(8,195)	2,400	Nm
Non-controlling interests	(483)	(1,304)	(63.0)
	(8,678)	1,096	Nm

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
	FY2018	FY2017
	\$'000	\$'000
Write back of allowance for impairment of doubtful receivables (net)	4	3
Amortisation of intangible assets	(215)	(203)
Amortisation of lease prepayments	(107)	(75)
Depreciation of property, plant and equipment	(14,571)	(15,318)
Gain on disposal of property, plant and equipment	158	383
Gain/ (loss) on foreign exchange (net)	15	(1,649)
Interest income from bank balances	98	10
Interest income from finance lease receivables	182	183
Provision for pension liabilities	(9)	(29)
Reversal/ (provision) for warranty	138	(384)
Over/ (under) provision of tax in respect of prior years	193	(5)

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-17 \$'000	30-Jun-17 \$'000	30-Sep-17 \$'000	30-Jun-17 \$'000
Non-current assets				
Property, plant and equipment	613,982	611,887	-	-
Lease prepayments	5,623	5,731	-	-
Investment in subsidiaries	-	-	50,438	50,388
Investment in joint ventures and associates	6,751	9,008	-	-
Intangible assets	18,142	17,877	-	-
Finance lease receivables	8,063	8,865	-	-
	652,561	653,368	50,438	50,388
Current assets				
Inventories	180,844	182,015	-	-
Construction work-in-progress	70,195	85,345	-	-
Trade and other receivables	186,549	187,127	374,644	359,274
Finance lease receivables	1,299	1,001	-	-
Derivative financial instruments	-	15	-	-
Cash and bank balances	44,264	36,141	5,275	1,504
	483,151	491,644	379,919	360,778
Current liabilities				
Trade and other payables	180,406	184,700	118,253	108,249
Provision for warranty	33	169	-	-
Progress billings in excess of construction work-in-progress	2,881	1,437	-	-
Trust receipts	21,772	20,515	-	-
Interest-bearing loans and borrowings	230,721	215,233	77,656	65,295
Derivative financial instruments	19	-	-	-
Income tax payables	6,541	5,779	-	-
	442,373	427,833	195,909	173,544
Net current assets	40,778	63,811	184,010	187,234
Non-current liabilities				
Other payables and liabilities	12,066	10,081	-	-
Interest-bearing loans and borrowings	297,388	313,751	140,000	142,500
Deferred tax liabilities	13,785	14,569	-	-
	323,239	338,401	140,000	142,500
Net assets	370,100	378,778	94,448	95,122
Equity attributable to owners of the Company				
Share capital	108,056	108,056	108,056	108,056
Treasury shares	(923)	(923)	(923)	(923)
Reserves	260,203	268,398	(12,685)	(12,011)
	367,336	375,531	94,448	95,122
Non-controlling interests	2,764	3,247	-	-
Total equity	370,100	378,778	94,448	95,122

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

	Group					
	As at 30-Sep-17			As at 30-Jun-17		
	Secured \$'000	Unsecured \$'000	Total \$'000	Secured \$'000	Unsecured \$'000	Total \$'000
Amount repayable in one year or less, or on demand	234,272	18,221	252,493	216,744	19,004	235,748
Amount repayable after one year	152,388	145,000	297,388	166,251	147,500	313,751
	386,660	163,221	549,881	382,995	166,504	549,499

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 FY2018	1Q FY2017
	\$'000	\$'000
Cash flows from operating activities		
(Loss)/ profit before tax	(6,810)	1,672
Adjustments for:		
Amortisation of intangible assets	215	203
Amortisation of lease prepayments	107	75
Write back of allowance for impairment of doubtful receivables (net)	(4)	(3)
Depreciation of property, plant and equipment	14,571	15,318
Gain on disposal of property, plant and equipment	(158)	(383)
Interest expense	5,623	4,508
Interest income	(280)	(193)
(Reversal)/ provision for warranty (net)	(138)	384
Provision for pension liabilities	9	29
Share of results of joint venture and associates	2,041	1,042
Operating cash flows before changes in working capital	15,176	22,652
Changes in working capital:		
Inventories	768	(6,844)
Construction work-in-progress and progress billings in excess of construction work-in-progress	18,460	25,861
Trade and other receivables	(289)	(12,159)
Trade and other payables	(3,442)	15,378
Finance lease receivables	313	158
Other payables and liabilities	(1,631)	(261)
Balances with related parties (trade)	(4,137)	(358)
Cash flows generated from operations	25,218	44,427
Interest received from finance lease receivables	182	183
Tax paid	(14)	(115)
Net cash flows generated from operating activities	25,386	44,495
Cash flows from investing activities		
Interest received from bank balances	98	11
Purchase of property, plant and equipment	(10,304)	(15,567)
Proceeds from disposal of property, plant and equipment	162	6,182
Balances with related parties (non-trade)	2,473	(4,453)
Net cash flows used in investing activities	(7,571)	(13,827)

	Group	
	3 months ended	
	30 September	
	1Q FY2018	1Q FY2017
	\$'000	\$'000
Cash flows from financing activities		
Interest paid	(6,647)	(4,508)
Repayment of interest-bearing loans and borrowings	(22,196)	(31,067)
Proceeds from interest-bearing loans and borrowings	18,061	9,800
Repayment of trust receipts	(4,534)	(23,581)
Proceeds from trust receipts	5,705	14,484
Deposits received from shareholders pursuant to Rights Issue	-	16,920
Cash and bank balances (restricted use)	(1,159)	(6,077)
Net cash flows used in financing activities	(10,770)	(24,029)
Net increase in cash and cash equivalents	7,045	6,639
Cash and cash equivalents at beginning of period	21,903	21,621
Effects of exchange rate changes on cash and cash equivalents	(79)	(538)
Cash and cash equivalents at end of period	28,869	27,722

Note 1:

Cash and cash equivalents comprise the followings:

Cash and bank balances	44,264	36,888
Less: Restricted cash		
- Cash at banks	(5,053)	(2,353)
- Fixed deposits with banks	(10,342)	(6,813)
Cash and cash equivalents at end of period	28,869	27,722

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-17									
<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			
FY2018									
At 1-Jul-17	108,056	(923)	2,896	11	265,491	268,398	375,531	3,247	378,778
Loss for the period	-	-	-	-	(6,739)	(6,739)	(6,739)	(394)	(7,133)
<u>Other comprehensive income</u>									
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	(1,292)	-	-	(1,292)	(1,292)	(70)	(1,362)
Share of other comprehensive income of joint ventures and associates	-	-	(139)	-	-	(139)	(139)	(19)	(158)
Net fair value changes to cash flow hedges			-	(25)	-	(25)	(25)	-	(25)
Other comprehensive income for the year, net of tax	-	-	(1,431)	(25)	-	(1,456)	(1,456)	(89)	(1,545)
Total comprehensive income for the period	-	-	(1,431)	(25)	(6,739)	(8,195)	(8,195)	(483)	(8,678)
At 30-Sep-17	108,056	(923)	1,465	(14)	258,752	260,203	367,336	2,764	370,100

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

<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			
FY2017									
At 1-Jul-16	83,092	(923)	986	(482)	336,961	337,465	419,634	4,771	424,405
Profit/ (loss) 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-17 and 30-Sep-16

<u>Company</u>	Share capital \$'000	Treasury shares \$'000	Hedging reserve \$'000	Accumulated profits \$'000	Total reserves \$'000	Total equity \$'000
<u>FY2018</u>						
At 1-Jul-17	108,056	(923)	-	(12,011)	(12,011)	95,122
Loss for the period, representing total comprehensive income for the period	-	-	-	(674)	(674)	(674)
At 30-Sep-17	108,056	(923)	-	(12,685)	(12,685)	94,448
<u>FY2017</u>						
At 1-Jul-16	83,092	(923)	-	18,141	18,141	100,310
Loss for the period, representing total comprehensive income for the period	-	-	-	(288)	(288)	(288)
At 30-Sep-16	83,092	(923)	-	17,853	17,853	100,022

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

	As at 30-Sep-17	As at 30-Sep-16
Number of Ordinary Shares (excluding treasury shares)	629,266,941*	419,511,294

The percentage of the aggregate number of treasury shares held against the total number of shares outstanding that is listed as at 30 September 2017 and 30 September 2016 is 0.40% and 0.60% respectively.

There were no convertibles or subsidiary holdings as at 30 September 2017 and 30 September 2016.

There were no outstanding share options granted under the ESOS as at 30 September 2017 and 30 September 2016.

* The Company issued 209,755,647 new ordinary shares on 19 December 2016 pursuant to a Rights Issue.

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-17	As at 30-Sep-16
Total number of issued shares	631,778,541	422,022,894
Total number of treasury shares	(2,511,600)	(2,511,600)
Total number of issued shares (excluding treasury shares)	629,266,941	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.

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

Not applicable.

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

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

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

Not applicable.

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

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 2017.

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 FY2018	1Q FY2017
Earnings per ordinary share:		
(i) On weighted average no. of ordinary shares in issue	(1.07) cents	0.38 cents
(ii) On a fully diluted basis	(1.07) cents	0.38 cents
Net (loss)/ profit attributable to shareholders:	(\$6,739,000)	\$1,603,000
Number of shares in issue:		
(i) Weighted average no. of shares in issue	629,266,941	419,511,294
(ii) On a fully diluted basis	629,266,941	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-17	30-Jun-17	30-Sep-17	30-Jun-17
Net Asset Value (NAV) per ordinary share	<u>58.38 cents</u>	<u>59.68 cents</u>	<u>15.01 cents</u>	<u>15.12 cents</u>
NAV computed based on no. of ordinary shares issued	<u>629,266,941</u>	<u>629,266,941</u>	<u>629,266,941</u>	<u>629,266,941</u>

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

REVIEW OF GROUP PERFORMANCE

Revenue

Group revenue of \$72.3 million for the 3 months ended 30 September 2017 ("1Q FY2018") was \$24.4 million (25.3%) lower compared to the corresponding period in FY2017 ("1Q FY2017").

Details for revenue generated from each segment are as follows:

	Group		
	1Q FY2018 \$'000	1Q FY2017 \$'000	Increase/ (Decrease) %
Shipbuilding	18,314	46,007	(60.2)
Shiprepair and conversion	27,170	14,293	90.1
Shipchartering	23,240	27,792	(16.4)
Engineering	3,540	8,601	(58.8)
	<u>72,264</u>	<u>96,693</u>	<u>(25.3)</u>

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 FY2018		1Q FY2017		Increase/ (Decrease)
	Units	\$'000	Units	\$'000	%
Tugs	8	10,569	11	39,931	(73.5)
Barges and others	9	7,745	8	6,076	27.5
	17	18,314	19	46,007	(60.2)

Shipbuilding revenue in 1Q FY2018 decreased by 60.2% compared to 1Q FY2017 mainly due to:

- (i) lower POC achieved from the construction of 8 tugs. 2 units were completed; 1 unit was partly completed and 5 units (newly secured projects in 1QFY2018) were at the inception stage with minimal POC recognised in 1Q FY2018; partially offset by
- (ii) higher POC recognised on 7 barges in 1Q FY2018. 3 barges out of 5 barges were at inception stage with minimal POC recognised 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 FY2018	1Q FY2017	Increase/ (Decrease)
	\$'000	\$'000	%
Shiprepair and conversion	25,543	14,155	80.5
Other marine related services	1,627	138	1,079.0
	27,170	14,293	90.1

Shiprepair and conversion revenue increased by \$11.4 million (80.5%) to \$25.5 million in 1Q FY2018 mainly due to there being more high value (>\$1.0 million) shiprepair jobs completed in 1Q FY2018.

Shipchartering

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

	Group		
	1Q	1Q	Increase/ (Decrease)
	FY2018	FY2017	%
	\$'000	\$'000	
OSV	2,310	3,248	(28.9)
Landing Crafts	2,815	1,698	65.8
Tug Boats	6,430	6,748	(4.7)
Barges	9,491	11,289	(15.9)
Total charter	21,046	22,983	(8.4)
Trade sales	2,194	4,809	(54.4)
	23,240	27,792	(16.4)

Shipchartering revenue fell by \$1.9 million (8.4%) to \$21.0 million in 1Q FY2018 mainly due to

- (i) Reduction in charter rates and low utilisation rates from the OSVs. The utilisation of the OSVs remains low. It decreased from 38% in 1Q FY2017 to 35% in 1Q FY2018;
- (ii) Weaker contribution from operation of Grab Dredgers (classified under Barges). The utilisation rate of Grab Dredgers have fallen from 95% in 1Q FY2017 to 16% in 1Q FY2018 due to off-hire from a local marine infrastructure project;
partially offset by
- (iii) Higher freight income from Landing Crafts for precast shipments from Batam to Singapore.

Trade sales decreased in 1Q FY2018 due to lower bunker sales and absence of ad hoc services rendered at inception for one of the large marine infrastructure projects in South Asia which commenced in 4Q FY2016.

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)
	FY2018	FY2017	%
	\$'000	\$'000	
Engineered dredgers products & dredger ("New Buildings")	-	653	(100.0)
Components & services ("Components")	3,540	7,948	(55.5)
	3,540	8,601	(58.8)

Engineering revenue was lower in 1Q FY2018 mainly due to lower orders for spare parts and cutting/coupling systems.

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	
	FY2018		FY2017	
	\$'000	GPM	\$'000	GPM
Shipbuilding	998	5.4%	5,216	11.3%
Shiprepair and conversion	3,677	13.5%	3,395	23.8%
Shipchartering	(563)	(2.4%)	2,105	7.6%
Engineering	1,125	31.8%	2,366	27.5%
	<u>5,237</u>	<u>7.2%</u>	<u>13,082</u>	<u>13.5%</u>

Shipbuilding

In line with the decrease in revenue, gross profit reduced to \$1.0 million with a gross profit margin of 5.4% recorded in 1Q FY2018. The gross profit margin was lower mainly due to low margins secured on the construction of existing Tugs and Barges.

Shiprepair and conversion

Despite increase in revenue, gross profit increased marginally by \$0.3 million with a lower gross profit margin of 13.5% mainly due to competitive pricing for high value shiprepair jobs undertaken, and higher manpower overhead allocated to shiprepair jobs.

Shipchartering

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

	Group			
	1Q		1Q	
	FY2018		FY2017	
	\$'000	GPM	\$'000	GPM
OSV	(1,960)	(84.8%)	(33)	(1.0%)
Landing Crafts	871	30.9%	143	8.4%
Tug boats and Barges	152	1.0%	1,276	7.1%
Total charter	(937)	(4.5%)	1,386	6.0%
Trade sales	374	17.0%	719	15.0%
	<u>(563)</u>	<u>(2.4%)</u>	<u>2,105</u>	<u>7.6%</u>

Gross profit and gross profit margin was lower in 1Q FY2018 as compared to the corresponding quarter, this was mainly due to:

- (i) Negative contribution from OSV as a result of lower utilisation and charter rate; and compensation for late delivery of two AHTS to charterer in South Asia;
- (ii) In spite of lower utilisation of Grab Dredgers, the operating costs of maintaining these vessels such as crew salaries and upkeep expenses remained high; partially offset by
- (iii) Full utilisation of Landing crafts in 1Q FY2018 (1Q FY2017: 80%).

Engineering

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

	Group			
	1Q FY2018		1Q FY2017	
	\$'000	GPM	\$'000	GPM
New Buildings	-	-	611	93.6%
Components	1,125	31.8%	1,755	22.1%
	<u>1,125</u>	31.8%	<u>2,366</u>	27.5%

The higher gross profit margin of 31.8% in 1Q FY2018 was mainly due to reversal of warranty costs.

Other operating income

Details for other operating income are as follows:

	Group	
	1Q FY2018	1Q FY2017
	\$'000	\$'000
Gain on disposal of plant and equipment	158	383
Gain on foreign exchange (net)	15	-
Interest income from bank balances	98	10
Interest income from finance lease receivables	182	183
Insurance claims	1	-
Rental income from plant & equipment and yard space	199	811
Write-back of impairment of doubtful receivables (net)	4	3
Miscellaneous income	104	39
	<u>761</u>	<u>1,429</u>

Administrative expenses

Administrative expenses decreased by \$0.5 million (8.8%) to \$5.1 million in 1Q FY2018 when compared to corresponding quarter mainly due to lower staff costs, partially offset by higher legal and professional fees incurred on legal actions taken in recovery of debts.

Other operating expenses

Other operating expenses of \$1.6 million in 1Q FY2017 comprised foreign exchange loss, of which unrealised loss of \$0.8 million was mainly due to the appreciation of USD and IDR against SGD on USD and IDR denominated liabilities.

Finance costs

Finance costs increased by \$1.1 million (24.7%) to \$5.6 million in 1Q FY2018 mainly due to i) progressive drawdown of loans under the committed \$99.9 million 5-year club term loan facility (the "CTL Facility") and ii) stepped up interest rate payable under the fixed rate bonds which became effective from 1 April 2017.

Share of results of joint ventures and associates

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

	Group's effective interest	Group	
		1Q FY2018 \$'000	1Q FY2017 \$'000
<u>Joint ventures</u>			
Sindo-Econ group	50%	(1,311)	(402)
<u>Associates</u>			
PT. Hafar Capitol Nusantara ("PT Hafar")	36.75%	(785)	(228)
PT Capitol Nusantara Indonesia ("PT CNI")	27%	55	(412)
		<u>(2,041)</u>	<u>(1,042)</u>

The loss of \$1.3 million recorded by Sindo-Econ group in 1Q FY2018 was due to lower margin of precast products attributed to competitive market condition. The Group has restricted its share of losses to its cost of investment.

The share of loss from PT Hafar of \$0.8 million in 1Q FY2018 was due to the absence of charter income from its fleet of vessels during the quarter.

The share of profit from PT CNI of \$0.1 million in 1Q FY2018 mainly pertained to progressive recognition of the Group's proportionate interest of unrealised profits previously eliminated on sale of vessels to PT CNI. The required accounting policy restricts the Group share of losses to its cost of investment.

Loss before tax

The Group recorded a loss before tax of \$6.8 million in 1Q FY2018 mainly due to an overall decrease in gross profit coupled with higher share of losses of jointly-controlled entity and associates.

Tax expense

Despite the pre-tax loss position, the Group's current income tax expense was \$0.5 million in 1Q FY2018 mainly pertained to tax provided on profit of shipyard operation, which cannot be used to offset against losses recorded by the other subsidiaries within the Group.

Non-controlling interests

Non-controlling interests' share of loss of \$0.4 million for 1Q FY2018 mainly pertains to the portion of results of its non-wholly owned subsidiaries in Indonesia and China.

Operation cash flow

The Group recorded a lower net cash inflow of \$25.4 million from operating activities in 1Q FY2018 (1Q FY2017: \$44.5 million) mainly due to comparatively lower earnings, lower receipts from shipbuilding progressive billings and higher payment to suppliers.

The lower net cash outflow of \$7.6 million from investing activities in 1Q FY2018 as compared to \$13.8 million in 1Q FY2017 was mainly attributed to lower acquisition of property, plant and equipment, partially offset by lower proceeds from disposal of property, plant and equipment.

The lower net cash outflow from financing activities of \$10.8 million (1Q FY2017: \$24.0 million) was mainly due to lower repayments on trust receipts and interest-bearing loans and borrowings, coupled with progressive draw down of CTL Facility.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

Non-current assets

Property, plant and equipment ("PPE") increased by \$2.1 million (0.3%) from \$611.9 million as at 30 June 2017 to \$614.0 million as at 30 September 2017.

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

	\$'000
Balance as at 1 July 2017	611,887
Acquisition of property, plant and equipment	21,240
Inclusive of :	
- \$14.8 million for vessels	
- \$0.5 million for yard infrastructure under development	
- \$5.3 million for vessels under construction	
- \$0.6 million for capitalization of dry docking expenditure	
Disposal	(3)
Depreciation charge	(15,011)
Translation differences	(4,131)
Balance as at 30 September 2017	<u>613,982</u>

The vessels acquired in 1Q FY2018 were mainly tugs and barges that will be deployed to support our customers in marine infrastructure project in Singapore, Indonesia and South Asia.

Current assets

Current assets decreased by \$8.4 million (1.7%) from \$491.6 million as at 30 June 2017 to \$483.2 million as at 30 September 2017. The decrease was mainly from lower construction work-in-progress, partially offset by higher cash and bank balances.

Inventories comprised the following:

	Group			
	30-Sep-17	30-Jun-17	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Raw materials and consumables	19,379	20,773	(1,394)	(6.7)
Work-in-progress	7,790	7,997	(207)	(2.6)
Finished goods	153,675	153,245	430	0.3
Total inventories at cost	<u>180,844</u>	<u>182,015</u>	<u>(1,171)</u>	<u>(0.6)</u>

Bulk of the raw materials and consumables are inventories meant for ongoing shipbuilding and shiprepair projects.

Trade and other receivables comprised the following:

	Group			
	30-Sep-17	30-Jun-17	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Trade receivables	86,937	88,184	(1,247)	(1.4)
Other receivables and prepayment	21,254	19,714	1,540	7.8
Amounts due from related parties	78,358	79,229	(871)	(1.1)
	186,549	187,127	(578)	(0.3)

Increase in other receivables and prepayment was mainly due to recoverables from several regular customers and higher prepaid insurance expenses.

Of the total trade receivables, \$17.4 million was received subsequent to the quarter under review.

Current liabilities

Current liabilities increased by \$14.6 million (3.4%) from \$427.8 million as at 30 June 2017 to \$442.4 million as at 30 September 2017. The increase was mainly due to draw down of \$12.8 million on the CTL Facility, partially offset by lower trade payables and amounts due to related parties.

Trade and other payables comprised the following:

	Group			
	30-Sep-17	30-Jun-17	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Trade payables	131,316	135,712	(4,396)	(3.2)
Other payables	35,282	32,639	2,643	8.1
Amounts due to related parties	13,600	16,136	(2,536)	(15.7)
Loan from non-controlling interests of subsidiaries	208	213	(5)	(2.3)
	180,406	184,700	(4,294)	(2.3)

Other payables increased by \$2.6 million mainly due to higher deposits received from shipchartering customers, partially offset by recognition of deferred income.

Net construction work-in-progress in excess of progress billings decreased by \$16.6 million (19.8%) from \$83.9 million as at 30 June 2017 to \$67.3 million as at 30 September 2017, mainly attributed to completion of jobs during the quarter.

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

	Group			
	30-Sep-17	30-Jun-17	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
<u>Current</u>				
Bonds	7,500	7,500	-	-
Short term loan				
- shipbuilding related	35,151	34,954	197	0.6
- general	57,385	56,884	501	0.9
	92,536	91,838	698	0.8
Trust receipts				
- shipbuilding related	14,458	11,076	3,382	30.5
- general	7,313	9,439	(2,126)	(22.5)
	21,771	20,515	1,256	6.1
Long term loan				
- vessels loan	25,727	26,474	(747)	(2.8)
- assets financing	26,152	27,941	(1,789)	(6.4)
- working capital	70,156	57,795	12,361	21.4
	122,035	112,210	9,825	8.8
Finance lease liabilities	8,651	3,685	4,966	134.8
	252,493	235,748	16,745	7.1
<u>Non-current</u>				
Bonds	140,000	142,500	(2,500)	(1.8)
Long term loan				
- vessels loan	119,364	126,321	(6,957)	(5.5)
- assets financing	25,362	31,907	(6,545)	(20.5)
- working capital	10,000	10,000	-	-
	154,726	168,228	(13,502)	(8.0)
Finance lease liabilities	2,662	3,023	(361)	(11.9)
	297,388	313,751	(16,363)	(5.2)
Total borrowings	549,881	549,499	382	0.1
Total shareholders' funds	367,336	375,531		
Gearing ratio (times)	1.50	1.46		
Net gearing ratio (times)	1.38	1.37		

The Group's total borrowings increased by \$0.4 million (0.1%) to \$549.9 million as at 30 September 2017 mainly arose from partial draw down of \$12.8 million on the CTL Facility and additions to finance lease liabilities for acquisition of vessels, partially offset by repayment of long term loans during the quarter under review.

Non-current liabilities

Non-current liabilities decreased by \$15.2 million (4.5%) to \$323.2 million as at 30 September 2017 mainly due to decrease in non-current portion of the Group's total borrowings due to repayments.

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

The current results announcement is in line with the Group's previous outlook statement made on 29 August 2017 and its profit guidance announcement released on 6 November 2017.

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

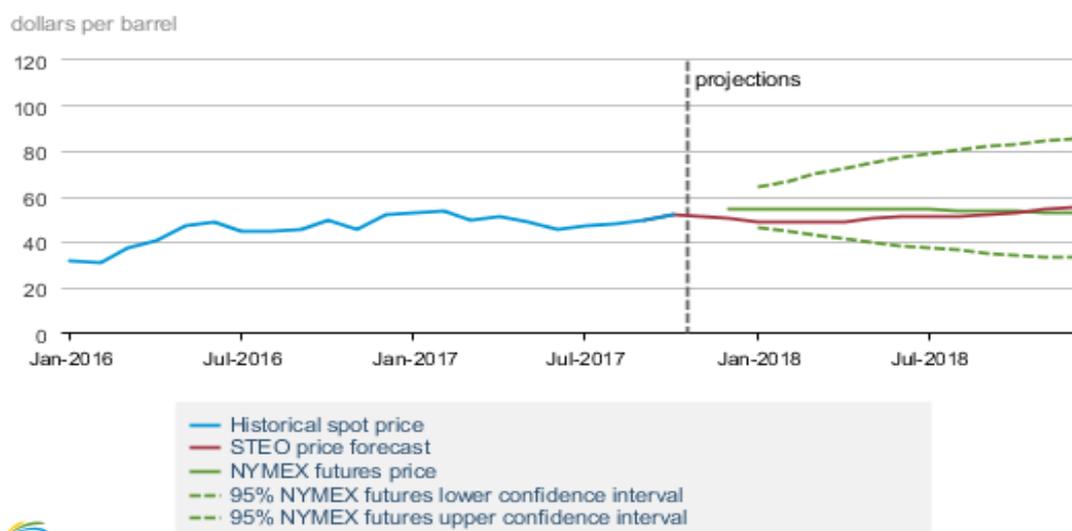
Market and industry outlook

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

As the major economies are showing signs of moderate recovery, the outlook for international trade has improved. The World Trade Organization has revised up its forecast for the 2017 trade expansion following a sharp acceleration in global trade growth in the first half of the year, from 2.4% to 3.6%. The growth is expected to continue in 2018, although at a slightly slower rate of 3.2%. The healthy trade volume is expected to help increase the utilisation rate for existing fleet and support the chartering and ship repair and conversion businesses. In addition, as the oversupply of vessels being resolved gradually, the shipbuilding industry may slowly recover, especially in the commercial vessel segment.

In terms of oil prices, despite its recent recovery, the consensus forecast for oil prices is for it to remain at current level (chart). Given this, oil majors are unlikely to spend on mega projects as they used to, meaning there is only an outside chance of an outright recovery in downstream businesses. As such, we don't expect any meaningful improvement in the operating environment for the offshore & marine sector in the near term.

West Texas intermediate (WTI) crude oil price



Source: Short-Term Energy Outlook, November 2017

Note: Confidence interval derived from options market information for the 5 trading days ending Nov. 2 2017.

Infrastructure spending in select Asia region, on the other hand, has increased, stimulated by China's Belt and Road Initiative. India has maintained 6.5% to 7% GDP growth, and Indochina countries, especially Vietnam and Myanmar, have reported strong economic growth too. Whilst offshore demand for infrastructure-related work is strong, competition is also very keen.

Business segments

Shipbuilding and Shiprepair

In shipbuilding, we will continue to seek orders for non-OSV vessels such as tanker, tugs and barges, improve our operational efficiency and tighten cost control to ensure our competitiveness, and stimulate shiprepair and conversion business by offering maintenance services at the enhanced facilities in Batam.

Shipchartering

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 management has been actively working on increasing utilisation of fleet.

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 30 September 2017, the Group's shipchartering operations have an outstanding delivery order of 3 tugs and 2 barges worth approximately \$8.2 million. With the exception of 2 barges with a total worth of \$5.2 million, the rest of the vessels are being built internally by the Group. 2 of these vessels are for charter already secured.

Engineering

Our engineering division (VOSTA LMG) engages primarily in the infrastructure and construction industry which is less affected by the weak oil price. The main growth drivers of the global dredging market include: i) more land and coastal areas has to be reclaimed and protected due to population growth and global warming; ii) expansion of ports due to increasing seaborne trade and growing size of container vessels. The Group is working closely with suppliers and seek to expand production capability in different regional markets to drive down costs.

Order Book

As at 30 September 2017, the Group had an outstanding shipbuilding order book from external customers of approximately \$54 million for the building of 15 vessels with progressive deliveries up to financial period ending 31 December 2018 ("2H FY2019"). The order book comprises OSV, harbour tugs, barges and tankers.

The Group's shipchartering revenue consists of mainly short-term and ad-hoc contracts. Approximately 32% of shipchartering revenue in 1Q FY2018 was attributed to long-term chartering contracts (meaning contracts with a duration of more than one year). As at 30 September 2017, the Group had an outstanding chartering order book of approximately \$129 million with respect to long-term contracts.

While the Management is actively seeking for new orders, the Board expects the Group's revenue to be lower for the financial year ending 30 June 2018.

Funding Arrangements

The Group continues to classify the non-current portion of \$64.7 million of the CTL Facility as current liabilities. Waivers have been granted for the past quarters from the lenders of CTL Facility. While the Group continues to strive to meet the covenant, it will be seeking waiver post the results announcement.

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 2017.

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

The Group has renewed the general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 28 October 2017. During the financial period, the following interested person transactions were entered into by the Group:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000)
	\$'000	\$'000
<u>Sale of goods and services</u>		
Contech Precast Pte Ltd	-	319
Econ Precast Pte Ltd	-	5,286
Koon Construction & Transport Co Pte Ltd	-	10,064
Sindo-Econ Pte Ltd	-	1,505
PT. Sindomas Precas	-	417
<u>Purchase of goods and services</u>		
Koon Construction & Transport Co Pte Ltd	-	1,190
Entire Engineering Pte Ltd	-	212
Econ Precast Pte Ltd	-	802
	-	19,795

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 2017 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
14 November 2017