ASL Marine

UNWAVERING COMMITMENT, ENDURING STRENGTH

ASL Marine Holdings Ltd. Annual Report 2017

CONTENTS

ASL MARINE HOLDINGS LIMITED IS A VERTICALLY-INTEGRATED MARINE SERVICES GROUP PRINCIPALLY ENGAGED IN SHIPBUILDING, SHIPREPAIR AND CONVERSION, SHIPCHARTERING, DREDGE ENGINEERING AND OTHER MARINE RELATED SERVICES, CATERING TO CUSTOMERS FROM ASIA PACIFIC, SOUTH ASIA, EUROPE, AUSTRALIA AND THE MIDDLE EAST.

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

Today, ASL Marine owns five shipyards in Singapore, Indonesia (Batam) and People's Republic of China (Guangdong), providing a comprehensive range of shipbuilding, shiprepair and conversion services spanning myriad sectors and industries. As at 30 June 2017, it has a vessel fleet of 242, providing shipchartering services to various industries, including marine infrastructure and construction, dredging, land reclamation and cargoes transportation. ASL Marine added an engineering segment to its business model with its acquisition of VOSTA LMG International B.V. and its subsidiaries (the "VOSTA LMG") in 2012. The VOSTA LMG designs and manages the construction of dredgers, makes and supplies specialised dredging components, and owns several important patents.

BUSINESS OVERVIEW

Shipbuilding

The Group has a proven track record of building specialised and niche vessels ranging from dredgers, tugs, barges and tankers for customers globally. Currently, the Group owns a total of five shipyards, with three in Indonesia (Batam) and one each in Singapore and the People's Republic of China (Guangdong), on a combined land areas of approximately 85 hectares.

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

The Group's established client network and track record in shipbuilding are backed by its strong expertise in project handling, time management and quality control. Over the last three years, the Group has built a diverse range of flagship vessels such as Diesel Electric Hybrid, eco-friendly Terminal Escort Tugs, Emergency Response and Rescue Vessels, Rotor tugs, multi-purpose offshore support vessels ("OSVs") and a variety of barges.

Shiprepair and Conversion

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

We provide full spectrum of shiprepair and ship conversion services to customers all over the world. These services include retrofitting and conversion, steel renewal, blasting and painting, electrical and electronic works and mechanical works, for the repair and life-extension of various types of vessels. The repair capabilities also extend to the offshore oil and gas side, where the Group is capable of repairing, reactivating and retrofitting drilling rigs and other complex vessels.

The Group has successfully completed some milestone projects such as the conversion of a crude oil tanker into a FSO, the conversion of single hull to double hull oil tanker, and certain repair works for customers mainly from Singapore, Indonesia and Australia. Approximately 52% of the customers are our regular group of customers that have had a business relationship with the Group for a few years.

Shipchartering

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

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

Type of vessel	No. of vessels	Average useful life (year)
Towing Tugs	53	9
Barges	135	7
Split Hopper Barges	25	4
Dredge Workboats	9	6
Grab Dredgers	5	10
Landing Crafts	5	3
Chemical Tankers	2	7
AHT / AHTS	8	5

BUSINESS OVERVIEW

Dredge Engineering

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

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

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

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

VOSTA LMG combines its network of suppliers and shipyards to provide flexible, tailor-made solutions. Our tailor-made Engineering & Components (E&C) packages are designed to suit capabilities of shipyards worldwide.

We also provide additional services such as engineering, production support, conversion and refits, spare parts, service inspections, maintenance management as well as training. By increasing the efficiency of our customers' operations, we contribute directly to a more environmental-friendly approach to dredging work. The benefits are reduced fuel consumption and shorter lead times.

Precast Reinforced Concrete Manufacturing

As part of the strategy to expand the footprint along the value chain, the Group set up a joint-venture company, Sindo-Econ Pte. Ltd. ("Sindo-Econ") in May 2013 with a 50% stake and the remaining 50% held by Koon Holdings Limited. Sindo-Econ is engaged in the business of manufacturing precast reinforced concrete products through its wholly owned subsidiary in Batam, PT. Sindomas Precas. The precast plant is situated within the 27 hectares premise of PT. Cemara Intan Shipyard, a wholly-owned subsidiary of the Group. All finished precast products are loaded onto the landing crafts (long-term chartered from the Group) and exported to Singapore by sea.

Over the years, precast products have gained acceptance and popularity in both private and public construction projects in Singapore along with the improved understanding of the underlying benefits. Sindo-Econ manufactures and markets a comprehensive range of precast products, including pre-stressed and precast beams and columns, tunnel segments, reinforced concrete piles, refuse chutes, staircase flights, architectural facade wall panels and external walls, as well as volumetric components such as space adding items, utility rooms and lift-wells used mainly in public housing and transport projects in Singapore.

The sea transportation of the precast products from Batam to Singapore supports long-term and sustainable deployment of the Group's vessels.

CORPORATE INFORMATION

Board of Directors

Executive Directors
Ang Kok Tian
(Chairman, Managing Director and CEO)
Ang Ah Nui
(Deputy Managing Director)
Ang Kok Leong
Ang Kok Eng *(Resigned on 18 September 2017)*

Non-Executive and Independent Directors
Andre Yeap Poh Leong
Christopher Chong Meng Tak
(Lead Independent Director)
Tan Sek Khee

Audit Committee
Christopher Chong Meng Tak *(Chairman)*
Andre Yeap Poh Leong
Tan Sek Khee

Nominating Committee
Andre Yeap Poh Leong *(Chairman)*
Christopher Chong Meng Tak
Tan Sek Khee

Remuneration Committee
Tan Sek Khee *(Chairman)*
Andre Yeap Poh Leong
Christopher Chong Meng Tak

Company Secretary
Koh Kai Kheng Irene

Investor Relations
ASL Marine Holdings Ltd.
corporate@aslmarine.com

Financial PR Pte Ltd
romil@financialpr.com.sg

Registered Office
19 Pandan Road
Singapore 609271
Telephone: (65) 6264 3833
Facsimile: (65) 6268 0274
Email: corporate@aslmarine.com
Website: www.aslmarine.com

Incorporation Data
Place of Incorporation: Singapore
Date of Incorporation: 4 October 2000
Co. Reg. No. 200008542N

Share Listing
ASL Marine Holdings Ltd.'s shares are listed and traded on the Main Board of the Singapore Exchange Securities Trading Limited since March 2003

Share Registrar
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Telephone: (65) 6227 6660
Facsimile: (65) 6225 1452

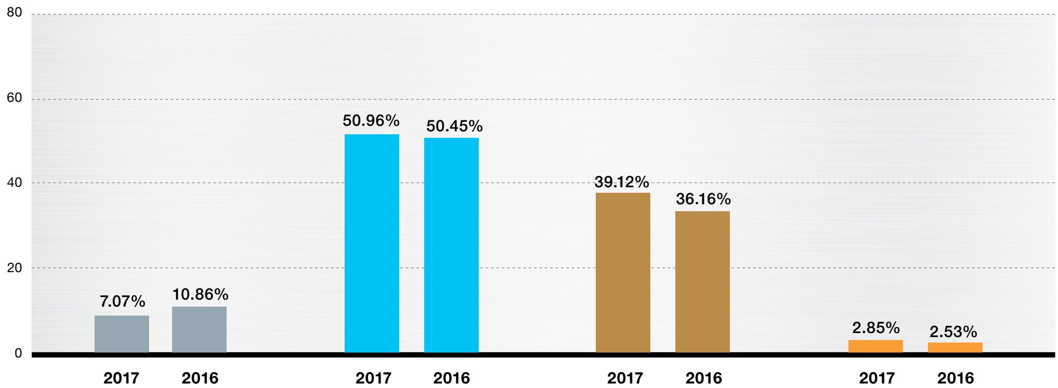
Auditors
Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-In-Charge: Adrian Koh
(appointed since the financial year ended 30 June 2015)

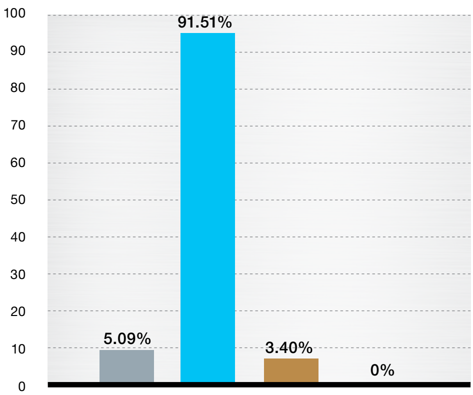
Principal Bankers
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

BREAKDOWN OF REVENUE

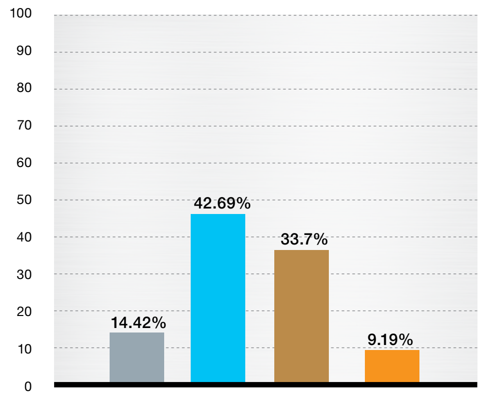
Revenue by Industry (%)



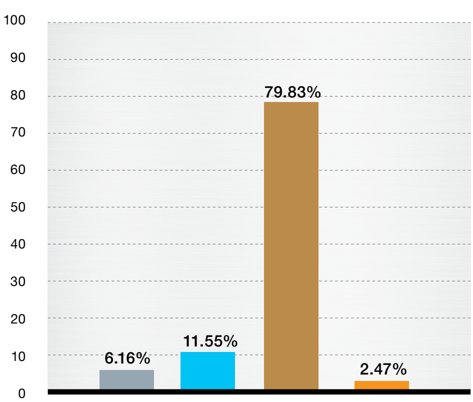
Revenue by Operation (%)



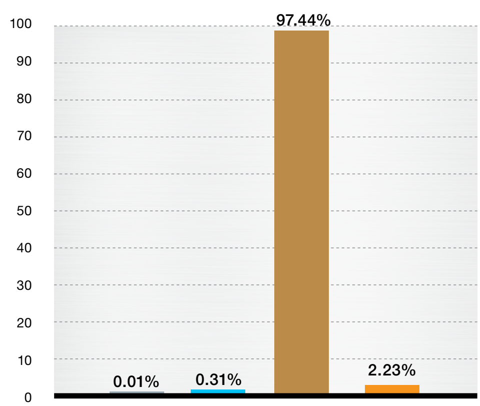
SHIPBUILDING



SHIPREPAIR & CONVERSION



SHIPCHARTERING



ENGINEERING

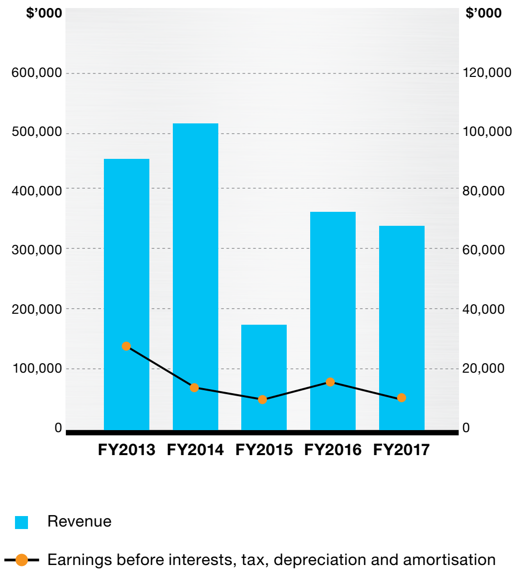
Offshore Oil & Gas Support | Transportation | Infrastructure & Construction | Others

FINANCIAL SUMMARY

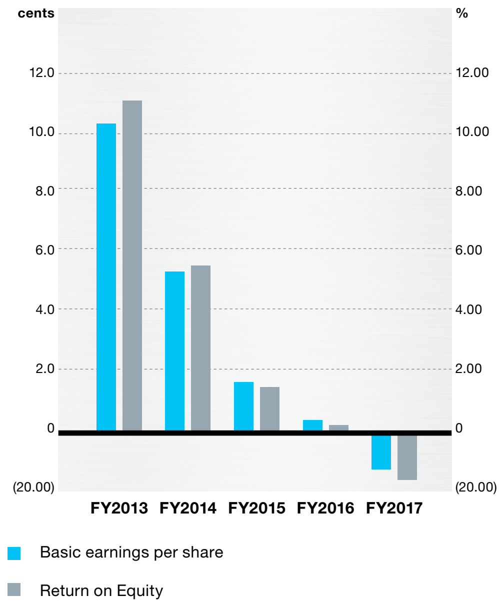
	FY2017	FY2016	FY2015	FY2014	FY2013
For The Year ($'000)					
Revenue	**342,261**	364,439	184,156	509,797	465,441
Earnings before interests, tax, depreciation, amortisation and other items*	**72,461**	87,796	70,077	84,873	110,221
(Loss)/profit before tax	**(71,273)**	520	8,611	26,139	55,158
(Loss)/profit attributable to owners of the Company	**(71,659)**	1,985	7,931	22,118	44,466
At Year End ($'000)					
Total assets	**1,145,012**	1,275,673	1,208,472	1,216,945	1,124,813
Total liabilities	**766,234**	851,268	783,163	800,437	720,139
Total equity	**378,778**	424,405	425,309	416,508	404,674
Property, plant & equipment	**611,887**	603,114	582,872	542,777	478,656
Cash and bank balances	**36,141**	24,710	77,919	73,155	88,243
Borrowings	**549,499**	592,186	543,483	545,807	469,913
Shareholders' funds	**375,531**	419,634	419,523	410,602	397,804
Per Share (cents)					
Basic earnings per share	**(13.44)**	0.47	1.89	5.27	10.60
Net assets per share	**59.68**	100.03	100.00	97.88	94.83
Dividend per share	**-**	-	0.40	1.00	2.00
Financial Ratios					
Net (loss)/ profit margin (%)	**(20.9)**	0.5	4.3	4.3	9.6
Return on equity (%)	**(18.9)**	0.5	1.9	5.3	11.0
Net gearing ratio (times)	**1.37**	1.35	1.11	1.15	0.96
Number of Vessels	**242**	229	204	193	156

* Other items represent allowance for impairment of doubtful debts, impairments, write-offs and any other non-cashflow items.

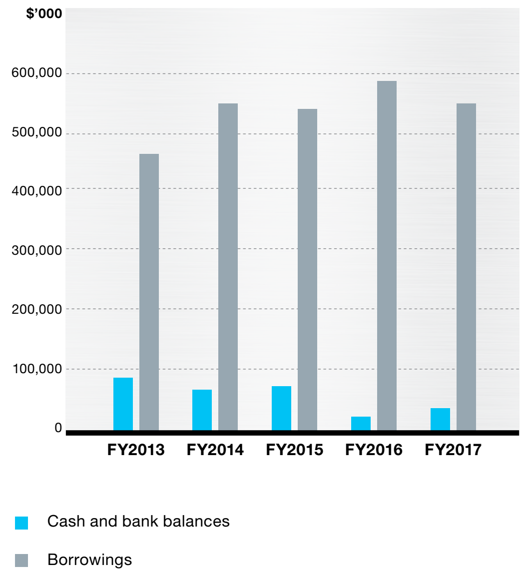
Revenue vs EBITDA



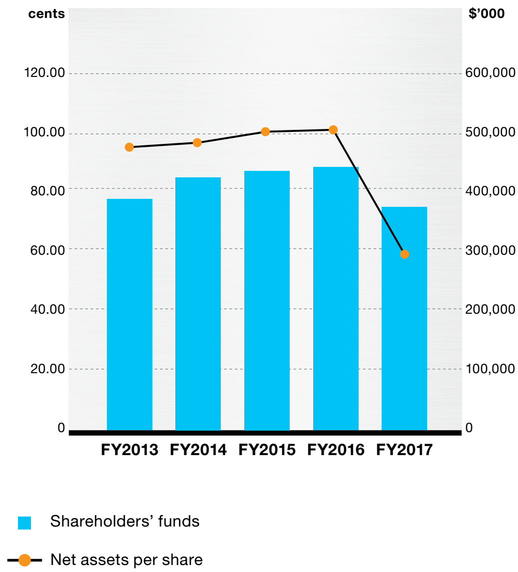
Basic Earnings Per Share vs Return on Equity



Cash and Bank Balances vs Total Debts



Net Assets Per Share vs Shareholders' Funds



FINANCIAL YEAR REVIEW

CONSOLIDATED INCOME STATEMENT

	FY2017 $'000	FY2016 $'000
Revenue	342,261	364,439
Cost of sales	(308,637)	(313,977)
Gross profit	**33,624**	**50,462**
Other operating income	5,197	5,532
Administrative expenses	(27,900)	(23,368)
Other operating expenses	(57,066)	(9,727)
Finance costs	(19,333)	(19,126)
Share of results of joint ventures and associates	(5,795)	(3,253)
(Loss)/profit before tax	**(71,273)**	**520**
Income tax (expense)/credit	(2,032)	423
(Loss)/profit for the year	**(73,305)**	**943**
Attributable to:		
Owners of the Company	(71,659)	1,985
Non-controlling interests	(1,646)	(1,042)
	(73,305)	**943**

Decrease in Revenue
Due to lower revenue from shipbuilding ("SB") partially offset by higher revenue from shiprepair ("SR") and shipchartering ("SC") segments. Revenue from SB decreased by $45.7 million due to lower contribution from OSV vessels and decrease in the number of vessels recognised based on reducing order books.

Decrease in Gross Profit
Due to the reduction in revenue coupled with decreased margins in all business segments.

Decrease in Other Operating Income
Mainly due to lower gain on disposal of plant and equipment, partially offset by higher rental income.

Increase in Administrative Expenses
Due to one-off transaction costs of $4.3 million related to the Consent Solicitation Exercise undertaken and the $99.9 million 5-year club term loan facility ("CTL Facility") secured in FY2017.

Increase in Other Operating Expenses
Due to higher allowance for impairment of doubtful receivables and impairment loss on vessels held as inventories and property, plant and equipment recorded in FY2017.

Increase in Finance Costs
Due to increased interest rate payable under the fixed rate bonds and partial drawdown of CTL facility in March 2017.

Share of Results of Joint Ventures and Associates
Mainly due to higher share of losses from precast operations in Indonesia as a result of low margin derived from competitive market condition. The Group has restricted its share of loss from a shipchartering associate to its cost of investment.

Income Tax
Lower taxation in FY2017 and tax adjustments in prior years.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	FY2017 $'000	FY2016 $'000
Non-current assets		
Property, plant and equipment	611,887	603,114
Lease prepayments	5,731	5,647
Investment in joint ventures and associates	9,008	14,726
Intangible assets	17,877	17,840
Finance lease receivable	8,865	8,759
Total non-current assets	**653,368**	**650,086**
Current assets		
Inventories	182,015	238,481
Construction work-in-progress	85,345	108,958
Trade and other receivables	187,127	248,767
Finance lease receivable	1,001	650
Derivative financial instruments	15	313
Cash and bank balances	36,141	24,710
Assets classified as held for sale	-	3,708
Total current assets	**491,644**	**625,587**
Current liabilities		
Trade and other payables	184,700	223,371
Provision for warranty	169	54
Progress billings in excess of construction work-in-progress	1,437	6,862
Trust receipts	20,515	72,196
Interest-bearing loans and borrowings	215,233	290,724
Derivative financial instruments	-	897
Income tax payables	5,779	2,810
Total current liabilities	**427,833**	**596,914**
Net current assets	**63,811**	**28,673**
Non-current liabilities		
Other liabilities	10,081	9,272
Interest-bearing loans and borrowings	313,751	229,266
Deferred tax liabilities	14,569	15,816
Total non-current liabilities	**338,401**	**254,354**
Net assets	**378,778**	**424,405**
Equity attributable to owners of the Company		
Share capital	108,056	83,092
Treasury shares	(923)	(923)
Reserves	268,398	337,465
	375,531	**419,634**
Non-controlling interests	3,247	4,771
Total equity	**378,778**	**424,405**

Decrease in Investment in Joint Ventures and Associates
Mainly due to share of loss recorded in FY2017.

Decrease in Inventories
Mainly due to transfer of three AHTS to plant and equipment as the Group managed to secure charter contracts for these vessels, and write-off of two vessels which were built under the former Built-to-Stocks program in view of the protracted downturn of the global marine industry.

Decrease in Net Construction Work-in-progress in excess of Progress Billings
Mainly attributed to completion of projects during the financial year.

Decrease in Trade and Other Receivables
Mainly due to higher receipts, specific allowances for doubtful debts and settlement agreements entered in FY2017.

Increase in Cash and Bank Balances
Due to higher cash inflow from operating activities, lower cash outflow on purchase of property, plant and equipment, partially offset by lower borrowings on trust receipts and interest-bearing loans and borrowings.

Assets Classified as Held for Sale
Due to transfer of a barge to Construction work-in-progress and disposal of six pontoons in FY2017.

Decrease in Trade and Other Payables
Mainly attributed to higher payment and settlement agreement entered.

Decrease in Interest-bearing Loans and Borrowings
Total Borrowings decreased by $42.7 million (7.2%) mainly due to repayment of long term loans and trust receipts upon completion of SB projects, partially offset by addition of working capital loans.

Increase in Share Capital
Pursuant to Right Issue undertaken in December 2016, the Company issued 209,755,647 Rights Shares and received a net proceeds of $25.0 million.

GROUP STRUCTURE

As at 30 June 2017

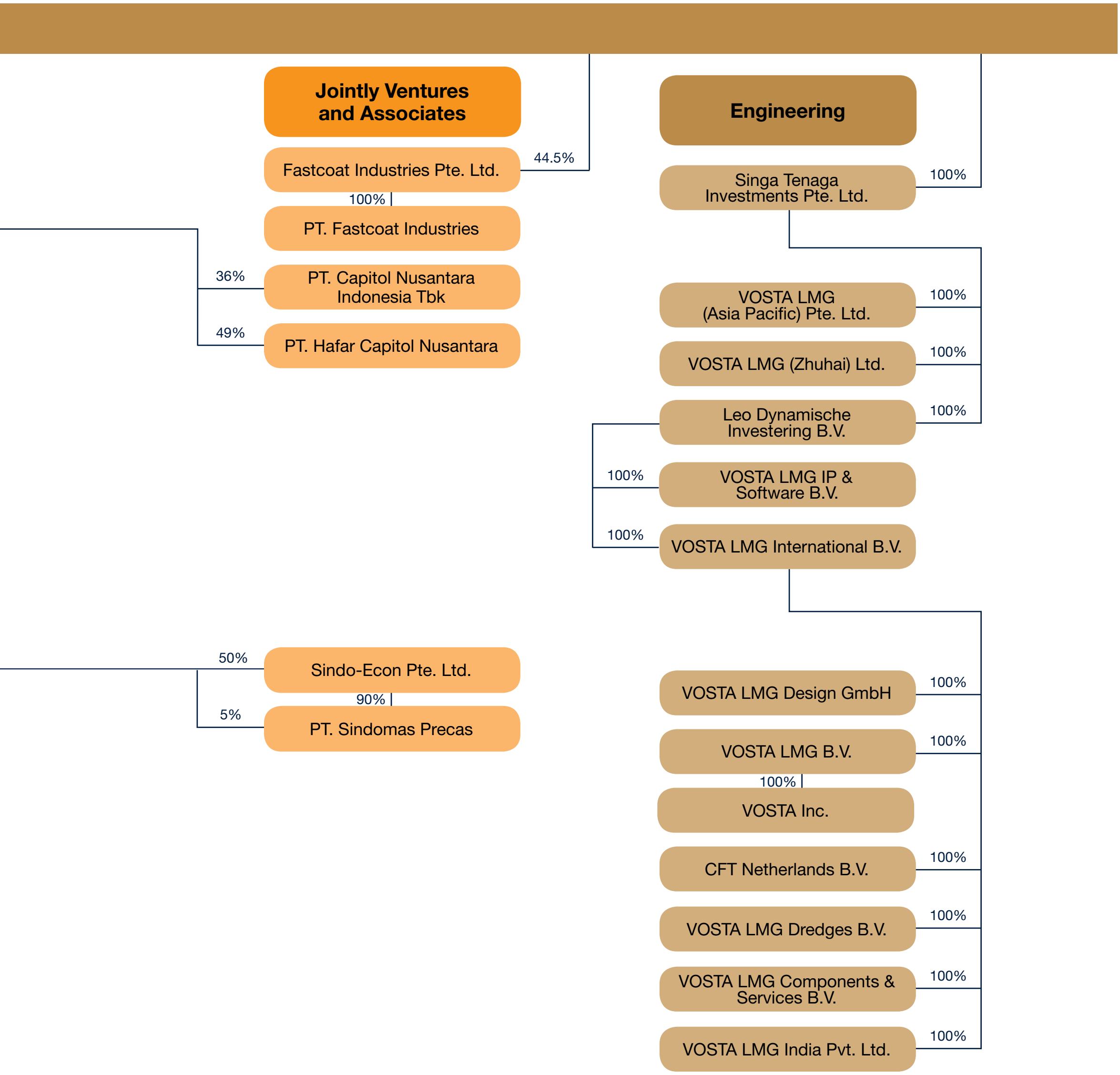
ASL Marine Holdings Ltd.

Shipbuilding and Shiprepair

- 100% ASL Shipyard Pte Ltd
  - 90% PT. ASL Shipyard Indonesia
- 10% PT. ASL Shipyard Indonesia
- 60% Hongda Investment Pte. Ltd.
  - 100% Jiang Men Hongda Shipyard Ltd.
- 100% Intan Overseas Investments Pte. Ltd.
  - 100% PT. Cemara Intan Shipyard
  - 100% PT. Sukses Shipyard Indonesia

Shipchartering

- 100% ASL Offshore & Marine Pte. Ltd.
- 100% Capitol Marine Pte Ltd
  - 75% PT. Cipta Nusantara Abadi
  - 100% PT. Bina Kontinental Lestari
    - 100% PT. Awak Samudera Transportasi
- 100% Capitol Offshore Pte Ltd
- 100% Capitol Shipping Pte Ltd
- 100% Capitol Tug & Barge Pte Ltd
- 100% Lightmode Pte Ltd
- 100% Capitol Logistics Pte. Ltd.
- 100% Capitol Navigation Pte. Ltd.
- 100% Capitol Aquaria Pte. Ltd.
- 100% Capitol Oceans Pte. Ltd.
- 100% ASL Maritime Services Pte. Ltd.
- 100% Intan Maritime Investments Pte. Ltd.
- 100% Intan Synergy Pte. Ltd.
- 100% Intan Offshore Pte. Ltd.
- 100% Intan Oceans Pte. Ltd.
- 100% Intan Scorpio Pte. Ltd.
- 100% Intan OSV Pte. Ltd.
- 60% ASL Triaksa Offshore Pte. Ltd.
- 100% Harmony PSV Pte. Ltd.
- 100% ASL Leo Pte. Ltd.
- 100% ASL Marine Contractor Pte. Ltd.
- 100% ASL Project Logistics Pte. Ltd.
- 100% ASL Towage & Salvage Pte. Ltd.


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

FOUNDER'S MESSAGE

> IN THE TIMES OF DIFFICULTIES, TRUST AND SUPPORT FROM FRIENDS AND PARTNERS BECOME EXTREMELY PRECIOUS. ASL HAS BEEN FORTUNATE TO HAVE OBTAINED SUCH TRUST AND SUPPORT.

Dear Shareholders,

With 43 years of operating history, ASL Marine has gone through several business cycles. The path has not been always even and smooth, yet we not only survived, but also expanded our business and services and achieved decent growth in good days.

FY2017 was not an easy year for us. It was disheartening to see some of the old friends and partners in our industry suffer from severe financial distress as the market downturn deepened. In the times of difficulties, trust and support from friends and partners become extremely precious. ASL has been fortunate to have obtained such trust and support, which helped us overcome the financial challenges and keep ASL's assets and operations intact.

I would like to express my heartfelt gratitude to all our staff, management, directors, customers, suppliers, business partners, banks, and stakeholders. Thank you for your unwavering support.

Ang Sin Liu
Founder and Advisor

CHAIRMAN'S MESSAGE

Dear Shareholders,

The past financial year has been an extraordinary one for ASL Marine. Many companies in the offshore and marine industry barely survived in the deep and prolonged recession. We overcame some critical financial challenges, carried out comprehensive financial restructuring and maintained business operation as usual. It has been another difficult year, and we strengthened our business foothold yet again.

Although oil prices recovered slightly to the US$42-US$54 range over the past year, upstream activities in the offshore oil and gas industry remained weak. The oversupply of vessels, including offshore support vessels ("OSVs"), containerships and dry bulk carriers, weighed on charter rates. Our businesses, such as shipbuilding, chartering, repair and conversion, were inevitably impacted. Nonetheless, through our sheer effort, our revenue for FY2017 declined by a mere 6.1%. The weak and competitive market squeezed pricing though, and in some cases, we only managed to achieve single-digit margins.

As the industry recession deepened, capital values decreased and credit risk heightened, we had to recognise impairment losses on doubtful receivables, and the value of vessels in our inventories and chartering fleet. This resulted in an increase in our other operating expenses by S$47.3 million and a sizable loss in FY2017. These impairment losses were mitigated by a reasonable performance in our shipbuilding, chartering, and repair & conversion businesses. This was encouraging, especially considering the prolonged weak market condition. Despite being a challenging year, the Group recorded Earnings before interests, tax, depreciation, amortisation, and other items including impairment losses of S$72.5 million.

"WITH ASL'S CORE ASSETS, EXPERTISE, REPUTATION AND CONTINUED EFFORT IN SEEKING FEASIBLE BUSINESS OPPORTUNITIES, ASL WILL EMERGE STRONGER ONCE WE PULL THROUGH THIS BUSINESS DOWN CYCLE.

CHAIRMAN'S MESSAGE

A Review of Business Segments

Shipbuilding

The low level of exploration and production activities in the oil and gas industry had led to low utilization of OSVs, and hence less shipbuilding demand for the past few years. Thanks to our capability and track record in building non-OSV vessels such as tugs and barges, the Group delivered a total of eight tugs and two barges in FY2017.

To build up our shipbuilding order book, we will continue to seek orders for non-OSV vessels. As at 30 June 2017, we had an outstanding shipbuilding order book from external customers of approximately S$39 million for the building of 10 vessels, comprising largely harbour tugs, barges and tankers. These vessels will be progressively delivered in FY2018, and revenue is expected to be fully recognised in FY2018. Subsequent to 30 June 2017, we secured additional shipbuilding contracts for two tugs and two barges totaling S$21 million, of which 50% is expected to be recognised in FY2018.

Shiprepair and conversion

As the demand for mandatory repair and docking of vessels remained stable, our shiprepair and conversion segment continued to perform well in FY2017. This was attributable to our excellent shipyard facilities and resources, our strong capability, track record and stable client network in the shiprepair and conversion business. As more high-value shiprepair jobs were undertaken, revenue increased by 17.8% to S$72.7 million in FY2017. Although the competitive pricing in a weak market lowered gross margin, we expect this segment to continue to contribute a healthy level of gross profit going forward. We will continue to improve our operational efficiency and tighten cost control to strengthen our competitiveness, and also offer maintenance services to stimulate the business.

Shipchartering

The high proportion of non-OSVs, such as tugs and barges, in our fleet has been a blessing for us as the offshore and marine market conditions deteriorated. As the infrastructure and transportation demand in Singapore and South Asia remained robust, tugs and barges contributed the majority of our shipchartering revenue. However, the reduced charter rates on OSVs and some fixed costs on certain chartered non-OSV vessels weighed on gross profit.

Singapore's mega infrastructure program in Tuas is making good progress. The master plan for the next few years and the amount of construction work required will boost the demand for our barges and tugs. In addition, 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 June 2017, we had an outstanding chartering order book of approximately S$138 million in long-term contracts.

Dredge Engineering

Our engineering division (VOSTA LMG) engaged primarily in the supply of patented engineered dredging products & components used in the infrastructure and construction industry. Less affected by the weak oil price, demand for our engineering business is supported by the amount of land and coastal reclamation projects and port expansion projects. The long term demand for this segment is driven by population growth, land creation needs brought by global warming, and port expansion needs brought by increasing seaborne trade and bigger container vessels. Our current customers are primarily in Europe and USA. To grow the business, we are also looking at expanding our business in China, the largest dredging market in the world.

Joint Ventures and Associates

Our 50% stake joint-venture company, Sindo-Econ Pte Ltd, is engaged in the business of manufacturing precast reinforced concrete products. While the market has been competitive in FY2017, our business partners expect Sindo-Econ to perform better in 2018. We will conduct a strategic review on our other associated business in Indonesia that has been affected by the political environment and the subdued economic activities.

Improved Financial Flexibility

As the severe challenges to the offshore and marine industry exacerbated in the past few quarters, financing options became a key constraint for the survival of many companies. In order to enhance the viability and capital base of the Group, we introduced a comprehensive financial restructuring program. In December 2016, we raised gross proceeds of S$25.2 million through a rights issue, with major shareholders' subscribing to their entire entitlements expressing their full support. In January 2017, we obtained approval from noteholders to extend the maturity dates of our existing S$100 million and S$50 million notes originally due in March 2017 and October 2018 respectively for another three years each. We also obtained a S$99.9 million club loan facility provided by 3 local banks for our working capital needs. In 4Q FY2017, the Group's principal lenders effected the re-profiling of our existing term loans through the stretching of loans tenure thereby reducing monthly installment. This has further alleviated the Group's next 12 months debt maturity profile. The increased financial resources and flexibility will help us keep the business going, preserve ASL Marine's valuable assets and expertise in such difficult times, and enable us to seize the opportunities when the market turns around.

"

DESPITE THE IMPAIRMENT LOSS IN FY2017, OUR SHIPBUILDING, CHARTERING, AND REPAIR & CONVERSION BUSINESSES DELIVERED REASONABLE PERFORMANCE, ESPECIALLY CONSIDERING THE PROLONGED WEAK MARKET CONDITION. AS THE PATH TO RECOVERY WILL BE LONG AND UNEVEN, OUR PRIMARY GOAL NOW IS TO ACHIEVE BUSINESS VIABILITY, AND THE SUCCESSFUL IMPLEMENTATION OF THE COMPREHENSIVE FINANCIAL RESTRUCTURING PLAN PROVIDED US WITH INCREASED FINANCIAL STABILITY AS A NECESSARY CONDITION.

CHAIRMAN'S MESSAGE

Outloook and Strategies

Our businesses are primarily sensitive to macroeconomic factors such as global trade, oil prices and infrastructure spending in Asia. In the foreseeable future, oil majors are unlikely to spend on mega projects as they used to, and instead focus on smaller ones with shorter payback periods. As such, there is limited room for an outright recovery for downstream business in the oil and gas sector. On the other hand, we expect global trade volumes to remain healthy and gradually recover, especially as China's Belt-and-Road Initiative gains momentum. Infrastructure spending in select Asia regions has increased, especially in the Indian Ocean region. Overall, the macro environment has mixed implications for our various business segments. The outlook for shipbuilding, shipchartering and shiprepair businesses seems more encouraging than that for oil & gas, offshore and marine related businesses.

The path to recovery will be long and uneven. We do not foresee the operating environment for our businesses improving significantly in the next 12 months. Demand for shipbuilding and shipchartering is likely to remain weak and price-sensitive. We will continue to focus on our core business and strengthen our foothold in supporting marine infrastructure work in Singapore and abroad, and widen our revenue sources by going beyond our traditional markets (Southeast Asia, Australia and Europe) to North Asia, Indian subcontinents and Middle-east. We will continue to seek cash-flow-positive business opportunities for our various business segments and optimize our financial performance, with careful cost control, committed management and increased financial flexibility.

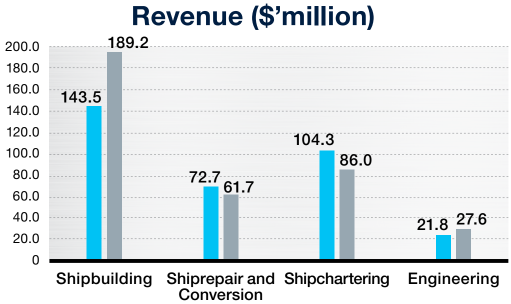
Appreciation

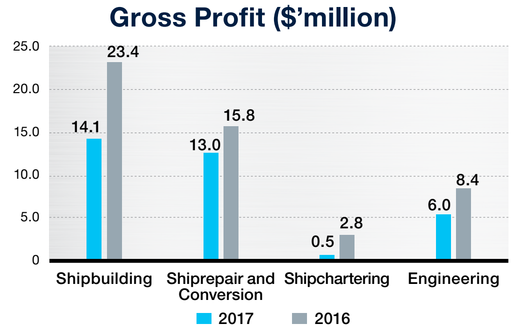
FY2017 has been a year of tests, challenges, perseverance, and rebirth for ASL Marine. I would like to express my sincere gratitude to our shareholders, investors, customers, suppliers, business partners, staff and management for your trust and support in our difficult times, and thank you, our Board of Directors, for your valuable advice. When things seemed at the worst, we endured. With ASL's core assets, expertise, reputation and continued effort in seeking feasible business opportunities, ASL will emerge stronger once we pull through this business down cycle.

Ang Kok Tian
Chairman, Managing Director and CEO

OPERATIONS AND FINANCIAL REVIEW

In FY2017, the Group's revenue declined by 6.1% to S$342.3 million compared to that of FY2016. Gross profit decreased by 33.4% year-on-year ("yoy") to S$33.6 million.





Shipbuilding

Shipbuilding revenue (calculated based on project value multiplied by the Percentage of Completion, or "POC") decreased by 24.2% to S$143.5 million in FY2017. 80% of the shipbuilding revenue was contributed by the building of 11 Tugs. In FY2017, Group delivered a total of eight tugs and two barges.

Shipbuilding gross profit decreased by 39.9% yoy in FY2017 to S$14.1 million. Gross profit margin was 9.8% for FY2017, compared to 12.4% for FY2016. The lower gross profit and gross margin were primarily due to the rescission of the three OSVs. On an adjusted basis (not considering the rescission), the gross margin for the shipbuilding segment would have been 12.2%, similar to that of FY2016.

Shiprepair and Conversion

Shiprepair and conversion revenue increased by 17.8% yoy to S$72.7 million in FY2017, supported by more high-value shiprepair jobs undertaken in 4QFY2017. Gross profit for the segment decreased by 17.6% yoy to S$13.0 million in FY2017, and gross profit margin decreased from 25.6% for FY2016 to 17.9% for FY2017, due to the competitive pricing in a weak market.

Shipchartering

Shipchartering revenue increased by 21.3% yoy to S$104.3 million in FY2017, with higher contributions from operation of Tug Boats and Barges with the commencement of large marine infrastructure projects in Singapore and South Asia (the "New Charter Contracts") in 4QFY2016. While the OSV chartering business remained weak, freight income from Landing Crafts for precast shipments from Batam to Singapore increased. Trade sales contributed S$17.4 million revenue in FY2017, supported by the increase in bunker sales and ad hoc services rendered in conjunction with the New Charter Contracts mentioned above.

Shipchartering gross profit registered at S$0.5 million in FY2017, compared to S$2.8 million in FY2016. Gross profit margin for the segment was lower at 0.5% for the period compared to 3.3% a year ago, due to lower chartering activities and charter rates, including the lower utilization rate of grab dredgers (barges) due to the completion of a local marine infrastructure project.

As at 30 June 2017, the Group's shipchartering operations had an outstanding delivery order of two AHTS, three tugs and six barges worth approximately S$50 million. With the exception of two barges with a total worth of S$5.3 million, the rest of the vessels are being built internally by the Group. Eight of these vessels are for charter already secured. The Group's shipchartering revenue consists of mainly short-term and ad-hoc contracts. Approximately 33% of shipchartering revenue in FY2017 was attributed to long-term chartering contracts (contracts with duration of more than one year). As at 30 June 2017, the Group had an outstanding chartering order book of approximately S$138 million with respect to long-term contracts.

OPERATIONS AND FINANCIAL REVIEW

Dredge Engineering

Engineering revenue decreased by 21.0% yoy to S$21.8 million in FY2017. Revenue was primarily contributed by Components & Services business, while demand for New Buildings was sluggish, due to the weak demand from Europe. Gross profit decreased by 28.6% yoy to S$6.0 million in FY2017, and gross profit margin decreased from 30.4% for FY2016 to 27.5% for FY2017.

Impairment

Group recognised some impairment losses in FY2017. These included (1) the allowance for the impairment of S$18.4 million on doubtful receivables (net) made in 4QFY2017, largely pertained to specific provision on certain receivables. The Group will continue its effort to recover the amount, especially for those receivables which the Group has possession of the vessels repaired in hand. (2) It recognised impairment of three Platform Supply Vessels ("PSV") which the Group holds as inventories (finished goods) for sale. (3) It made a write-off of two vessels (one Anchor Handling Tug and Supply vessel "AHTS" and one Multi-purpose Maintenance Workboat) which were built under former Built-to-Stocks program. An impairment loss of S$4.7 million for the full amount was made as the Group plans to discontinue the building of these vessels in view of the protracted downturn of the global marine industry. (4) It made impairment on the value of its vessels in the chartering fleet, based on the valuation guidance from independent valuers.

Net Profit

Share of results of joint ventures and associates also impacted the financial performance for FY2017. Overall, Group reported a loss attributable to shareholders of S$71.7 million for FY2017, compared to a net profit attributable to shareholders of S$2.0 million for FY2016. The Group did not propose a final dividend for FY2017.

Funding Arrangements

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

On 20 January 2017, the Company received approval from noteholders to extend the maturity dates of its existing S$100 million and S$50 million notes originally due in March 2017 and October 2018 respectively for another three years each.

As of the date of this report, the Group has partially drawn down S$70.6 million from an S$99.9 million club loan facility offered by the three local banks. The loan will be further drawn down in tranches according to the Group's working capital needs and availability of security.

In 4QFY2017, the Group's principal lenders have effected the re-profiling of its existing term loans (extending the loans tenure thereby reducing monthly installments), this has further alleviated the Group's debt repayment for the coming 12 months.

As at 30 June 2017, the Group's total borrowings of $549.5 million (30 June 2016: $592.2 million) were as follows:

($ Million)	30 June 2017	30 June 2016
Current		
Bonds	7.5	100.0
Short term loan		
- shipbuilding related	35.0	46.7
- general	56.9	54.4
	91.9	101.1
Trust receipts		
- shipbuilding related	11.1	58.0
- general	9.4	14.2
	20.5	72.2
Long term loan		
- vessels loan	26.5	49.9
- assets financing	27.9	33.9
- working capital	57.8	-
	112.2	83.8
Finance lease liabilities	3.7	5.8
	235.8	**362.9**
Non-current		
Bonds	142.5	50.0
Long term loan		
- vessels loan	126.3	118.4
- assets financing	31.9	55.6
- working capital	10.0	-
	168.2	174.0
Finance lease liabilities	3.0	5.3
	313.7	**229.3**
Total borrowings	**549.5**	**592.2**

BOARD OF DIRECTORS

Ang Kok Tian
Chairman, Managing Director and CEO

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

Mr KT Ang has been with the Group for more than 20 years and has extensive knowledge and experience in the industry and is instrumental in developing the shipbuilding, shiprepair and conversion and shipchartering business of the Group. Mr KT Ang is in charge of the Group's business strategies and direction, corporate plans and policies as well as the general management of the Group. In particular, he is in charge of the shipbuilding and shiprepair divisions and is responsible for all aspects of the shipyard's operations, including estimations, negotiations and contract finalisation. Mr KT Ang began his career at Ang Sin Liu Hardware, handling administration, purchasing and marketing for the company. He graduated from the National University of Singapore in 1986 where he received his Bachelor's Degree in Science.

Ang Ah Nui
Deputy Managing Director

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

Mr AN Ang, having been with the Group for more than 20 years, has extensive industry knowledge and experience and is instrumental in seeking new markets for the business. Mr AN Ang is jointly responsible for the Group's business strategies and direction, corporate plans and policies, and for the general management of the Group's shiprepair and conversion and shipchartering operations, including business development and operations. Mr AN Ang is also the non-executive director of listed company, Koon Holdings Limited.

BOARD OF DIRECTORS

Ang Kok Leong
Executive Director

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

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

Andre Yeap Poh Leong
Independent Director

Mr Yeap joined the Board in January 2003.

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

Christopher Chong Meng Tak
Independent Director

Mr Chong joined the Board in January 2006.

Mr Chong is a partner of ACH Investments Pte Ltd, a corporate advisory firm regulated by the Monetary Authority of Singapore. He is currently an independent director of 4 other public companies including: Emerging Towns & Cities Singapore Ltd (formerly known as Cedar Strategic Holdings Ltd), Singapore O&G Ltd and Forise International Limited listed on the SGX-ST; and GLG Corp Ltd listed on the Australian Stock Exchange. Mr Chong is also a Director and/or an adviser to several private companies, significant Asian families and to regulatory branches of the Singapore Government.

Mr Chong has significant experience in capital markets, securities law, corporate governance and corporate affairs. Prior to co-founding ACH Investments Pte Ltd, he was a multi-award winning analyst and the managing director of HSBC Securities (Singapore) Pte Ltd, formerly known as HSBC James Capel Securities (Singapore) Pte Ltd, and prior to this was an executive director of UOB Kay Hian Holdings Ltd, formerly known as Kay Hian James Capel Ltd.

Mr Chong holds a Bachelor of Science degree in Economics (1st Honours) from the University College of Wales and a Master of Business Administration degree from the London Business School. He is a member of the Institute of Chartered Accountants of Scotland, a Fellow of the Australian Institute of CPAs, a Fellow of the Hong Kong Institute of Certified Public Accountants, a Fellow of the Singapore Institute of Directors, a Fellow of the Australian Institute of Company Directors and a Master Stockbroker of the Stockbrokers Association of Australia.

Tan Sek Khee
Independent Director

Mr Tan Sek Khee joined the Board in January 2014.

Mr Tan is currently an Independent Director of both SGX listed Europtronic Group and Ying Li International Real Estate Limited. Mr Tan is also currently an Executive Director of several private companies in Singapore, Indonesia, Thailand and China. Mr Tan brings to the Group extensive experience in general management, business development, marketing, procurement and logistics. He has more than 30 years of corporate and business experience in Singapore, Indonesia, Thailand and China.

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

SENIOR MANAGEMENT

Tay Kes Siong

General Manager (Shipchartering)

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

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

Toh Sock Kuan

Head, Corporate Finance & Treasury

Sock Kuan joined the Group in March 2016 and is responsible for corporate finance, investor relations and treasury management functions of the Group.

Sock Kuan has over 20 years of corporate banking experience, managing Small and Medium-sized Enterprises, Large Corporates to Government-linked Corporation accounts. Prior to joining the Group, she was last with a European bank in-charge of both corporate banking and financial institution duties as its Head of Local Portfolio and Deputy Head, Corporate Banking for 9 years.

Koh Kai Kheng Irene

Group Financial Controller and Company Secretary

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

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

GOVERNANCE

FINANCIAL STATEMENTS

CORPORATE GOVERNANCE REPORT

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

This report covers the Group's corporate governance practices that were in place for the financial year ended 30 June 2017 ("FY2017") with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 issued by the Ministry of Finance in Singapore in May 2012 (the "Code").

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

BOARD MATTERS

The Board's Conduct of Affairs

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

Role of the Board

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

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

Governance Disclosure Guide

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

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

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

to, among others, approve contracts secured with value of more than $10 million to be entered into by the Group.

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

Board orientation and training

There was no new director appointed by the Company during FY2017. For new appointments to the Board, the newly-appointed director will be given a formal letter setting out his duties and obligations. The newly appointed director will be briefed by the lead independent director and management and provided with a director's folder containing materials relating to the Group's businesses and governance practices, including information such as organisation structure, contact details of senior management, Company's Constitution, respective Board Committees' terms of reference and financial and corporate policies and procedures. All directors are also invited to visit the yards and meet with middle management to gain a better understanding of the Group's business operations.

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

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

During FY2017, besides briefing on developments in financial reporting standards presented by the Group's external auditors at AC meetings, the lead independent director attended, among others, briefings/seminars on "Anti-Bribery and Corruption Enforcement Risk", "Cyber Security", "Ernst & Young Corporate Governance for Independent Directors", "Asian Investor Outlook", "ASEAN Conversation Series - Tapping into Growing Business Opportunities in Indonesia" and "HR Summit Asia 2017 with Professor Gary Hamel", organised by Australian Institute of Company Directors,

Governance Disclosure Guide

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

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

Ernst & Young LLP, International Financial Times, RHT Academy and London Business School. Directors, in particular independent directors, are also encouraged to read and to engage in informal discussions on subjects which are relevant to the Group. In aggregate, members of the Board spent over 30 hours on such events.

Governance Disclosure Guide

Meetings and attendance

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

The number of meetings held and the attendance of each director at every Board and Board Committee meeting during FY2017 are as follows:

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

* Attendance by invitation of the Committee
\# Mr Ang Kok Eng resigned as director on 18 September 2017

Board Composition and Guidance

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

During FY2017, the Board comprises seven directors, three of whom are independent directors. On 18 September 2017, Mr Ang Kok Eng stepped down as an executive director, following which, the independent directors make up 50% of the Board. With this, the Company complies with Guideline 2.2 of the Code which stipulates that independent directors should make up at least half of the Board where, among others, the Chairman and the Chief Executive Officer ("CEO") is the same person.

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

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

The current Board members include business leaders, financial and legal professionals who possess the relevant expertise and skill sets for effective decision-making. Our lead independent director whilst never having held an executive position with a ship builder and ship repairer, has over 25 years' experience analysing, reviewing and advising companies in such businesses. The profiles of the directors are set out on pages 21 to 23 of this Annual Report. The combined business, financial, legal, management,

Governance Disclosure Guide

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

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

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

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

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

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

strategic planning and professional experience, knowledge and expertise of the directors provide the necessary core competencies for the Board to effectively lead and manage the Group's businesses and operations.

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

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

Given current difficult conditions in the offshore and maritime industry, the independent directors have met separately and without the executive directors on two occasions, the lead independent director and/or independent directors have met with the auditors and without the executive directors on four or more occasions and the lead independent director has met with select executive directors on five or more occasions.

Chairman and Chief Executive Officer

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

Mr Ang Kok Tian is the Chairman of the Board, Managing Director and CEO of the Company. Mr Ang Kok Tian is involved in the day-to-day running of the Group. He leads management in setting marketing strategies and objectives and ensures accurate, adequate and timely flow of information between the Board, management and shareholders of the Company. He facilitates constructive discussions between the Board and management and encourages their effective contributions. Whilst the independent directors of the Company possess the relevant expertise and experience in their respective professional fields, none have had significant hands-on experience in the marine industry. Consequently, and given the volatility and challenges of the marine industry, the Board is of the view that it is in the best interests of the Group to have Mr Ang Kok Tian as CEO and Chairman of the Board so as to facilitate the decision-making process of the Group and have the benefit of a Chairman who is knowledgeable about

Governance Disclosure Guide

the marine industry and the businesses of the Group and is thereby better able to guide discussions and ensures that the Board is properly briefed in a timely manner on pertinent issues and developments. The Chairman takes a leading role in ensuring the Company's compliance with corporate governance guidelines with the full support of the directors, Company Secretary and management.

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

The Board has appointed Mr Christopher Chong Meng Tak as the lead independent non-executive director to coordinate the activities of the independent directors and act as principal liaison between the independent directors and the CEO and Deputy Managing Director on sensitive Board issues. Mr Christopher Chong Meng Tak is familiar with the offshore and construction industries. Mr Andre Yeap Poh Leong is familiar with contracts and legal conflicts in relations to offshore and maritime business. To empower the lead independent director and the independent directors, the Company pays for advisors appointed by and solely responsible to the lead independent director or the independent directors. These may include legal, accounting, finance, treasury or persons familiar with the industry. This is a right the independent directors have availed themselves to from time to time. The lead independent director is also available to shareholders where they have concerns, for which contact through the normal channels of the executive Chairman, Managing Director and CEO has failed to resolve or for which such contact is inappropriate.

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

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

Governance Disclosure Guide

Board Membership

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

The Board established the NC in March 2003 which currently consists of three independent directors, namely, Mr Andre Yeap Poh Leong, Mr Christopher Chong Meng Tak and Mr Tan Sek Khee. Mr Andre Yeap Poh Leong is the Chairman of the NC and he is not associated in any way with the substantial shareholders of the Company.

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

Process for selection and appointment of new directors

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

There was no appointment of new director or alternate director during FY2017.

Annual review of director's independence

The NC is charged with determining the independence of the directors as set out in Guidelines 2.3 and 2.4 under the Code. Every year, the NC reviewed and affirmed the independence of the Company's independent directors. Each independent director is required to confirm his independence on an annual basis. The Confirmation of Independence (the "Confirmation")

Governance Disclosure Guide

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

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

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

Having said this, the NC pays special attention to directors whose terms exceed 9 years to determine if there is any impairment with respect to their independence and if no rotation occurs will the Board and the Company suffer from the lack of renewal. A formal review was undertaken, lead and conducted by independent director, Mr Tan Sek Khee on independent directors who have served more than 9 years on the Board. Mr Andre Yeap Poh Leong has served on the Board for more than 14 years while Mr Christopher Chong Meng Tak served more than 11 years from the date of their first appointment. The rigorous review and the factors taken into consideration by the NC and the Board to assess and determine their independence include:

(i) their contribution in terms of professionalism, integrity, objectivity and ability to exercise independent judgment in their deliberation in the interest of the Company;
(ii) they have no personal and business relationship with the Company's substantial shareholders, executive directors or management that could impair their fair judgment;

Governance Disclosure Guide

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

(iii) their attendance in Board Committee meetings and time commitment to the affairs of the Group;
(iv) they did not receive any gift or financial assistance from the Group; and
(v) they are not financially dependent on fees received from the Company and their fees are not linked to the performance of the Group.

Based on the above assessments and with the concurrence of the NC, the Board is of the view that both Mr Yeap and Mr Chong should still be considered independent directors. They have demonstrated strong independence in character and judgment as there were no circumstances which have affected or appeared to have affected their judgement. They have expressed individual viewpoints and exercise objective and constructive skepticism to act in the best interests of the Company and its shareholders. They have sought clarification and amplication on matters discussed during Board Committee meetings. In the current difficult conditions faced by the Company and the industry their presence provides important guidance to management, important liaison with the auditors and comfort to the capital providers to the Company.

In addition, Mr Yeap who is a Senior Counsel with considerable experience in construction, insolvency and arbitration matters and Mr Chong, a veteran in capital markets, securities law, corporate governance and corporate affairs, possess specialist knowledge and experience which are directly relevant to various aspects of the industry and the Group, and these knowledge and experience cannot be easily or readily found in other potential candidates.

For FY2017, the NC has ascertained and is satisfied with the independence of the Company's independent directors.

Multiple Board Representations

All directors are required to declare their Board representations. With the exception of Mr Tan Sek Khee and Mr Christopher Chong Meng Tak who respectively hold two and three concurrent directorships in other companies that have a primary listing on SGX-ST, the remaining five directors hold not more than two concurrent directorships in other listed companies in SGX-ST. For FY2017, the NC is satisfied that Mr Tan Sek Khee and Mr Christopher Chong Meng Tak, notwithstanding their multiple board appointments, have given adequate time and attention to the affairs of the Group to discharge their duties as directors of the Company through their attendance, preparedness and participation at meetings of the Board and Board Committees.

Governance Disclosure Guide

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

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

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

Governance Disclosure Guide

Mr Christopher Chong Meng Tak has kept his number of listed company board representations to not more than 6 so as to ensure he has sufficient time and attention to adequately perform his role. Given Mr Chong's relevant expertise and skill sets for effective decision-making, availability and his past and current active commitment in the Company, the Board and the NC does not see the need to set the maximum number of listed company board representations which any director may hold.

Re-appointment of directors

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

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

At the forthcoming AGM, Mr Ang Ah Nui and Mr Tan Sek Khee will be retiring by rotation pursuant to Article 91 of the Company's Constitution. Both of them, being eligible for re-election, have offered themselves for re-election.

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

CORPORATE GOVERNANCE REPORT

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

Name of director	Date of first appointment/ last re-election	Current directorships in listed companies	Past directorships in other listed companies (from 1 July 2014 to 30 June 2017)
Ang Kok Tian *(Chairman, Managing Director and CEO)*	4 October 2000/ 12 November 2002	ASL Marine Holdings Ltd.	Nil
Ang Ah Nui *(Deputy Managing Director)*	4 October 2000/ 28 October 2014	ASL Marine Holdings Ltd. Koon Holdings Limited[2]	Nil
Ang Kok Eng[1] *(Executive Director)*	18 October 2002/ 29 October 2015	ASL Marine Holdings Ltd.	Nil
Ang Kok Leong *(Executive Director)*	18 October 2002/ 28 November 2016	ASL Marine Holdings Ltd.	Nil
Andre Yeap *Poh Leong (Independent Director)*	17 January 2003/ 29 October 2015	ASL Marine Holdings Ltd.	Nil
Christopher Chong Meng Tak *(Lead Independent Director)*	3 January 2006/ 28 November 2016	ASL Marine Holdings Ltd. Emerging Towns & Cities Singapore Ltd Forise International Limited GLG Corp Ltd[3] Singapore O&G Ltd	Lorenzo International Limited Koon Holdings Limited[2] Ying Li International Real Estate Limited
Tan Sek Khee *(Independent Director)*	1 January 2014/ 28 October 2014	ASL Marine Holdings Ltd. Europtronic Group Ltd Ying Li International Real Estate Limited	Nil

1 Mr Ang Kok Eng resigned as director on 18 September 2017
2 Listed on both the Singapore and Australian Stock Exchanges
3 Listed on the Australian Stock Exchange

Governance Disclosure Guide

Board Performance

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

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

An annual Board Evaluation Questionnaire is circulated and completed collectively by members of NC to assess the overall effectiveness of the Board. The performance criteria includes the evaluation of 1) the Board size and composition, 2) the Board information, 3) the Board process, 4) the Board's accountability and performance in relation to discharging its principal functions and responsibilities and 5) the Board's standards of conduct. The collective evaluation is meant to provide constructive feedback, to highlight areas of strength and weakness and the Board acts on the evaluation to ensure continuous improvement of the Board. Based on the overall assessment for FY2017, the Board was effective as a whole.

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

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

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

Governance Disclosure Guide

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

(b) Has the Board met its performance objectives?

Access to Information

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

Governance Disclosure Guide

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

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

The Board and the Board Committees are furnished with complete and adequate information in a timely manner to enable full deliberation on the issues to be considered at the respective meetings. Board papers with sufficient background and explanatory information are circulated at least three days before each meeting. From time to time, managerial staff, lawyers, the Company's auditors or external consultants engaged on specific projects are invited to attend the Board and Board Committee meetings so as to provide additional insight into the matters for discussions.

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

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

REMUNERATION MATTERS

Governance Disclosure Guide

Procedures for Developing Remuneration Policies

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

The Board established the RC in March 2003 which currently consists of three independent directors, namely, Mr Tan Sek Khee, Mr Andre Yeap Poh Leong and Mr Christopher Chong Meng Tak. Mr Tan Sek Khee is the Chairman of the RC. In discharging their duties, the members have access to advice from the internal human resources personnel, and if required, advice from external experts. During FY2017, the RC did not require the service of an external remuneration consultant to advise on the directors' remuneration. The operations of the RC are regulated by its terms of reference, which were approved and are subject to periodic review by the Board.

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

The RC administers the ASL Employee Share Option Scheme 2012 ("ESOS") approved on 25 October 2012 and the ASL Marine Performance Shares Scheme ("PSS") adopted on 20 July 2007, in accordance with the rules of the ESOS and PSS.

The RC determines and approves the allocation of the share options, the date of grant and the price thereof under the ESOS. There were no share options granted during FY2017 and the executive directors are not eligible to participate in the ESOS. Details of the ESOS are set out on pages 59 and 61 of this Annual Report.

The share-based incentive plan, PSS, was put in place to allow certain employees to participate in the Company's growth and to attract and retain such key management personnel. As at the end of FY2017, there were no shares issued under the PSS. Details of the PSS are set out on page 61 of this Annual Report. The PSS had expired on 19 July 2017.

Level and Mix of Remuneration

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

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

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

The Company did not utilize the share-based incentive plan, PSS, involving the offer of shares since its adoption in 2007. The PSS has expired on 19 July 2017.

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

Governance Disclosure Guide

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

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

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

The service agreements entered into with the executive directors, namely, Mr Ang Kok Tian, Mr Ang Ah Nui, Mr Ang Kok Eng (resigned as director on 18 September 2017) and Mr Ang Kok Leong, are automatically renewable on a yearly basis unless terminated by either party giving written notice of not less than three months. The service agreements do not contain onerous removal clauses.

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

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

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

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

The Company encourages independent directors to invest in the Company and has taken steps in the past to ensure that this happened. The shareholdings of the individual directors are set out on page 58 of this Annual Report.

Governance Disclosure Guide

Disclosure on Remuneration

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

Remuneration of directors

The following table shows the breakdown of the directors' remuneration for FY2017:

Name of director	Total remuneration $'000	Salary[1] %	Bonus %	Other benefits[2] %	Directors' fees[3] %	Total %
Payable by the Company:						
Independent directors						
Andre Yeap Poh Leong	66	–	–	–	100	100
Christopher Chong Meng Tak	82				100	100
Tan Sek Khee	66	–	–	–	100	100
	214					
Payable by subsidiaries:						
Executive directors						
Ang Kok Tian	541	82	–	18	–	100
Ang Ah Nui	534	79	–	21	–	100
Ang Kok Eng (resigned on 18 September 2017)	363	96	–	4	–	100
Ang Kok Leong	428	81	–	19	–	100
	1,866					
Total for directors of the Company	2,080					

1 Inclusive of Employer's Central Provident Fund contributions
2 Other benefits refer to car benefits
3 The directors' fees will only be paid upon shareholders' approval at the forthcoming AGM

Governance Disclosure Guide

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

Remuneration of top five key management personnel

In the interest of maintaining good morale and a strong spirit of teamwork within the Group, the disclosure relating to the top five key management personnel of the Group in bands of $250,000 and in percentage terms for FY2017 is set out as follows:

Name of key management personnel	Salary[1] %	Bonus	Total %
Payable by subsidiaries:			
$250,000 to below $500,000			
Tay Kes Siong	100	–	100
Toh Sock Kuan	100	–	100
Below $250,000			
Kim Dong Gyun	100	–	100
Koh Kai Kheng	100	–	100
You Bom Lee	100	–	100
Total remuneration			$1,065,000

1 Inclusive of Employer's Central Provident Fund contributions

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

The following table shows the breakdown of the remuneration in bands of $50,000 and in percentage terms of an employee who is an immediate family member of a director and the CEO, and whose remuneration exceeds $50,000 for FY2017:

	Salary[1] %	Bonus %	Other benefits[2] %	Total %
Name of employee				
Payable by subsidiaries:				
$300,000 to below $350,000				
Ang Sin Liu	99	–	1	100

1 Inclusive of Employer's Central Provident Fund contributions

2 Other benefits refer to car benefits

Mr Ang Sin Liu, the Group Advisor, is the father of the executive directors, Mr Ang Kok Tian, Mr Ang Ah Nui, Mr Ang Kok Eng (resigned as director on 18 September 2017) and Mr Ang Kok Leong.

Governance Disclosure Guide

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

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

Guideline 9.4:
Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO. based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

ACCOUNTABILITY AND AUDIT

Governance Disclosure Guide

Accountability

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

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

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

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

Risk Management and Internal Controls

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

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

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

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

(c) reduce operational surprises and losses;

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

(e) improve the use of capital and resources.

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

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

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

(a) effectiveness and efficiency of operations;
(b) reliability of financial reporting; and
(c) compliance with applicable laws and regulations.

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

Governance Disclosure Guide

The Group's approach to risk management with a brief description of the nature and extent of its risk exposures are set out on page 56 of this Annual Report.

Governance Disclosure Guide

Key Operational Risks

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

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

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

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

Increasing Credit Risk
The risk associated with credit is rising as a result of protracted downturn of global marine industry. The Group recorded a provision for doubtful debts of $18.4 million in FY2017 largely pertained to specific provision on certain receivables, impaired after due assessment, who either was being wound up or where final settlement sum is being negotiated or the probability of recovering is remote.

Working Capital
The severe challenges to the offshore and marine industry were exacerbated in the past few quarters, with financing options becoming the key constraint for the survival of many companies. In FY2017, the Group adopted a comprehensive financial restructuring program, including undertaking rights issue that raised a gross proceed of S$25.2 million, obtaining noteholders' approval for the extension of Series 006 and Series 007 notes by three years each, and obtaining the S$99.9 million club loan facility provided by local banks for working capital needs. While the Group enjoys good relations with its bankers, if in the event the Group does suffer a reduction in its banking lines and/or facilities, it may have to reduce the amount of business it undertakes as ship building, conversion and ship owning are capital and/or cash flow intensive activities.

Supply Disruption Risk

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

Operational Health & Safety Risk

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

Changes in Legislation (Indonesia)

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

Currency Risk

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

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

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

Governance Disclosure Guide

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

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

For FY2017, the Board has received assurance from the CEO and Group Financial Controller that:

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

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

Governance Disclosure Guide

Audit Committee

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

The Board established the AC in March 2003 which currently consists of three independent directors, namely, Mr Christopher Chong Meng Tak, Mr Andre Yeap Poh Leong and Mr Tan Sek Khee. The Board considers Mr Christopher Chong Meng Tak, who is a member of the Institute of Chartered Accountants of Scotland and a Fellow of both the Australian and Hong Kong Institute of CPAs and who has extensive and practical financial management knowledge and experience, well qualified to chair the AC. Mr Tan Sek Khee has considerable practical financial management experience. The members of the AC, collectively, have considerable legal, financial management expertise and also business experience to discharge their duties. The operations of the AC are regulated by its terms of reference, which were approved and are subject to periodic review by the Board. The AC meets at least four times a year.

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

- reviews the audit plan and results of external audit, the cost effectiveness of the audit, the independence and objectivity of the external auditors and the nature and extent of non-audit services provided by the external auditors;
- reviews the quarterly results announcements before submission to the Board for adoption;
- reviews the audited annual financial statements of the Group, accounting principles and policies thereto and management of financial matters before endorsement by the Board;

- reviews the internal audit plan, the adequacy of the internal control procedures and their evaluation of the effectiveness of the internal control systems, including financial, operational, compliance and information technology controls and risk management;
- reviews findings and recommendations of the internal and external auditors and evaluation of the internal control systems of the Group and related management responses and actions to correct any deficiencies;
- reviews the co-operation given by the Company's officers to the internal and external auditors;
- recommends to the Board on the appointment, re-appointment and removal of internal and external auditors and approves their fees; and
- reviews interested person transactions in accordance with the requirements of the SGX-ST Listing Manual.

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

For FY2017, the AC has reviewed the non-audit services provided by the Company's external auditors, which comprised transfer pricing documentation and attestation services required under the Approved International Shipping Enterprise Scheme. The AC is satisfied that their independence and objectivity have not been impaired by their provision of non-audit services. The fees payable to the external auditors in respect of audit and non-audit services, are set out on page 152 of this Annual Report.

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

Governance Disclosure Guide

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

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

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

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

WHISTLE-BLOWING POLICY

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

The policy aims to encourage the reporting of such matters in good faith, with the confidence that any employees making such reports will be treated fairly and be protected from reprisal. Details of the whistle-blowing policy have been made available to all employees. There were no reports received through the Company's whistle-blowing mechanism during FY2017.

Internal Audit

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

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

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

Governance Disclosure Guide

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

auditors. The internal auditors have unrestricted access to the documents, records, properties and personnel of the Company and the Group.

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

Communication with Shareholders

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

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

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

Governance Disclosure Guide

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

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

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

The Managing Director and CEO when necessary and appropriate, will meet analysts and investors who like to seek better understanding of the Group's operations. The Company also engages an external investor relation consultant firm to support the Group in promoting communication with shareholders and investment community.

To enable shareholders to contact the Company, the Company's website address is set out in the Corporate Information page of the Annual Report. The management will respond to investors' queries as soon as practical.

All shareholders will receive the Annual Report of the Company with notice of AGM by post and publication in the newspapers within the mandatory period. The shareholders can also access information on the Group at the Company's website which provides, inter alia, all publicly disclosed financial information, corporate announcements, press releases, annual reports and profile of the Group.

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

Conduct of Shareholder Meetings

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

All registered shareholders are invited to participate and given the right to vote on resolutions at general meetings. Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is sent with notice of general meetings to all shareholders.

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

Governance Disclosure Guide

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

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

DIVIDEND POLICY

While the Company has not formally instituted a dividend policy, it has a good track record of paying annual dividends to shareholders in the past years since its listing in 2003. In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, inter alia, the Group's financial position, retained earnings, results of operation and cash flow, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

For FY2017, after taking into consideration the operating requirement, cash flow position of the Group and the current market weakness, and to conserve cash for working capital usage, the Board has decided not to recommend any final dividends.

VOLUNTARY LIMITS

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

Governance Disclosure Guide

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

DEALINGS IN SECURITIES

Governance Disclosure Guide

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

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

MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, except as disclosed in the Directors' statement and Notes to the Financial Statements, the Company and its subsidiary companies did not enter into any material contracts involving the interests of the CEO, any directors or controlling shareholders of the Company subsisting as at the end of the financial year under review or entered into since the end of the previous financial year.

USE OF PROCEEDS

On 19 December 2016, the Company issued 209,755,647 new ordinary shares in the issued and paid-up share capital of the Company (the "Rights Shares") pursuant to a renounceable and non-underwritten rights issue (the "Rights Issue") 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 shares then held by shareholders, based on the terms and conditions of the Offer Information Statement dated 24 November 2016 issued by the Company (the "OIS"). Net proceeds of S$25.0 million were raised from the Rights Issue.

As announced by the Company on 14 February 2017, the Group had fully utilised the net proceeds raised from the 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 in the Company's Announcement dated 29 August 2016 and the OIS.

INTERESTED PERSON TRANSACTIONS

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

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

The Group maintains a register of the interested person transactions in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual. The following table shows the interested person transactions (of more than S$100,000) entered into by the Company or any of its subsidiaries for FY2017.

	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
Sale of goods and services		
Bukit Intan Pte Ltd		
Contech Precast Pte Ltd	925	–
Econ Precast Pte Ltd	282	4,868
Koon Construction &	407	8,912
Transport Co Pte Ltd	1,380	1,780
Sindo-Econ Pte Ltd	322	3,200
PT. Sindomas Precas	814	1,384
Purchase of goods and services		
Koon Holdings Limited		
Koon Construction &	–	279
Transport Co Pte Ltd	2,399	2,797
Entire Engineering Pte Ltd	400	463
Econ Precast Pte Ltd	–	1,014
Sale of equipment		
PT. Sindomas Precas	2,279	–
Dredging and dumping services		
Koon Construction &		
Transport Co Pte Ltd	357	–
	9,565	24,697

Governance Disclosure Guide

RISK MANAGEMENT STRATEGIES

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

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

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

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

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

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

- **Financial Risk**
  The Group's financial risk management objectives and policies are set out on pages 161 to 169 of this Annual Report. Financial risk includes market risk such as interest rate risk and foreign exchange rate risk, as well as credit risk and liquidity risk.

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

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of ASL Marine Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2017.

Opinion of the Directors

In the opinion of the Directors,

(a) the accompanying statements of financial position, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

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

Directors

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

Ang Kok Tian
Ang Ah Nui
Ang Kok Leong
Andre Yeap Poh Leong
Christopher Chong Meng Tak
Tan Sek Khee

Arrangements to enable Directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

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

	Direct interest		**Deemed interest**	
Name of Directors	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
<u>The Company</u>				
ASL Marine Holdings Ltd. (Ordinary shares)				
Ang Kok Tian	58,775,200	88,162,800	223,220,100*	334,830,150*
Ang Ah Nui	45,440,000	30,660,000	236,555,300*	392,332,950*
Ang Kok Eng	49,199,400	73,799,100	232,795,900*	349,193,850*
Ang Kok Leong	48,561,000	72,841,500	233,434,300*	350,151,450*
Andre Yeap Poh Leong	350,000	350,000	–	–

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

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

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

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

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2017.

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

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

Share options

The ASL Employee Share Option Scheme 2012 (the "2012 Scheme") was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 25 October 2012. The 2012 Scheme replaced the ASL Employee Share Option Scheme (the "2003 Scheme") adopted by the shareholders at an Extraordinary General Meeting of the Company held on 23 January 2003. The 2012 Scheme is administered by the Remuneration Committee (the "RC") comprising three Independent Directors, Tan Sek Khee, Andre Yeap Poh Leong and Christopher Chong Meng Tak.

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

Share options (cont'd)

Other information regarding the 2012 Scheme is set out below:

(i) Exercise Price

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

(a) the Market Price; or

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

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

(ii) Option Exercise Period

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

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

Since the end of the previous financial year, there were no unissued shares of the Company or its subsidiaries under options. There are no options outstanding under the 2003 Scheme.

Since the commencement of the 2012 Scheme until the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates;
- No participant has received 5% or more of the total options available under the 2012 Scheme;
- No options have been granted to Directors and employees of the holding company and its subsidiaries;

Share options (cont'd)

(ii) Option Exercise Period (cont'd)

- No options entitle the holders to participate, by virtue of the options, in any share issue of any other company; and

- No options have been granted at a discount.

ASL Marine Performance Shares Scheme

The ASL Marine Performance Shares Scheme (the "PSS") was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 July 2007. The PSS is administered by the RC.

Details of the PSS are set out in the circular dated 4 July 2007 which is available for inspection at the registered office of the Company.

Since the end of the previous financial year, no award of shares was granted by the Company under the PSS. The PSS had expired on 19 July 2017 and the Company did not utilise the PSS since its adoption in 2007.

Audit Committee

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditors' evaluation of the adequacy of the Group's system of internal accounting controls and the assistance given by management to the external and internal auditors;

- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;

- Reviewed effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;

- Reviewed the nature and extent of non-audit services provided by the external auditor;

Audit Committee (cont'd)

- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor and reviewed the scope and results of the audit;

- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and

- Reviewed interested person transactions in accordance with the requirements of the SGX-ST's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

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

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

Auditors

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

On behalf of the Board of Directors:

Ang Kok Tian
Director

Ang Ah Nui
Director

Singapore
5 October 2017

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.

For the financial year ended 30 June 2017

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ASL Marine Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 30 June 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statements of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 2.1 to the financial statements. The Group had also incurred loss after tax of $73,305,000 (2016: profit after tax of $943,000) for the financial year ended 30 June 2017. As at 30 June 2017, the Group's and Company's total borrowings amounted to $549,499,000 and $207,795,000 of which $235,748,000 and $65,295,000 were classified as current liabilities respectively. As disclosed in that Note, the Group's loans and borrowings that are due for repayment in the next 12 months exceed its cash and bank balances of $36,141,000 as at 30 June 2017. This factor together with the others disclosed in that Note indicates the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns. As disclosed further in that Note, the ability of the Group and the Company to continue as going concerns is dependent on the ability of the Group to generate sufficient cash flows from operations as forecasted and receive continued support from the Banks. If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised in a manner other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

Project revenue recognition and the related construction work-in-progress balances

Refer to Note 3.2(d) (Significant judgements and estimates), Note 2.18 (Accounting policies) and Note 11 (Construction work-in-progress/Progress billings in excess of construction work-in-progress).

Shipbuilding revenue for the year ended 30 June 2017 amounted to $143,450,000 which comprised 41.9% of the Group's revenue. The Group accounts for shipbuilding revenue using the percentage of completion ("POC") method, whereby the stage of completion is measured by reference to the contracts costs incurred to date as a percentage of the total estimated costs for each contract. The amount of project revenue recognised and the related construction work-in-progress balances are significant to the financial statements. Moreover, the POC method involved the use of significant judgement and estimates in estimating, amongst others, the total budgeted costs, variation orders and claims amounts, as well as the remaining costs to complete each contract. We therefore have identified the audit of shipbuilding revenue recognition and the related construction work-in-progress balances to be a key audit matter.

As part of the audit, amongst other procedures, we obtained an understanding of the Group's costing and budgeting processes, and the controls in place to estimate project revenues and costs. We selected a sample of the ongoing projects and we compared the budgeted costs to actual costs incurred to date, and evaluated management's estimates of the remaining costs to be incurred to complete the projects by comparing them to similar projects completed in the recent past. We tested the actual project costs incurred by tracing them to supporting documentation such as suppliers invoices and statements. We also reviewed the terms and conditions of these contracts to gain an understanding of potential disputes or variation claims and recomputed the revenues recognised in the POC computations.

Key audit matters (cont'd)

Project revenue recognition and the related construction work-in-progress balances (cont'd)

For a sample of ongoing projects, we discussed with the Group's finance and operational management personnel regarding the project status, the probability of foreseeable losses or liquidated damages by reference to supporting evidence such as management's plans, the Group's history of turning around loss making projects and the Group's correspondences with customers, where appropriate.

Impairment assessment of assets

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

Impairment of vessels

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

The Group owned 243 vessels during the year with a carrying value of $389,624,000 as at 30 June 2017. As disclosed in Note 4, management has performed an annual impairment test on the vessels due to the presence of impairment indicators on these vessels as at 30 June 2017. The impairment test was conducted by comparing the carrying amount of the vessel to its respective recoverable amount, which is the higher of its fair value less cost to sell and the value in use. This area was significant to our audit as the carrying value of the vessels which represented 59.6% of the Group's total non-current assets as at 30 June 2017 and there is significant judgement involved in the impairment assessment to determine the recoverable amount of the vessels.

Management had estimated the recoverable amount of the vessels based on fair values less cost to sell and engaged external independent valuers to perform valuations of these vessels. The valuations involve various underlying assumptions and techniques used by the external independent valuers.

Based on management's assessment, impairment charges of $19,504,000 were recognised for the financial year ended 30 June 2017.

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

Key audit matters (cont'd)

Impairment assessment of assets (cont'd)

Net realisable value of completed vessels

Refer to Note 2.17 (Accounting policies) and Note 10 (Inventories).

As disclosed in Note 10, included in finished goods are vessels with an aggregate carrying amount of $151,311,000 as at 30 June 2017.

In accordance with FRS 2 Inventories, the Group recognised the completed vessels at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs for completion and the estimated costs necessary to make the sale. Management had engaged external independent valuers to determine the net realisable value of these vessels. The determination of net realisable value of these vessels was significant to our audit as the total carrying value of completed vessels amounted to 30.8% of the Group's total current assets as at 30 June 2017. The determination of the net realisable value is complex and involves management exercising significant judgement and use of assumptions and estimates. Based on management's assessment, inventories amounting to $13,849,000 were written down and were recognised in the income statement for the financial year ended 30 June 2017.

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

Recoverability of finance lease receivables and trade receivables

Refer to Note 3.2(c) (Significant judgements and estimates), Note 2.14 and 2.22 (Accounting policies) and Notes 9 and 12 (Finance lease receivables and trade and other receivables).

Finance lease receivables and trade receivable balances were significant to the Group as they represent 8.6% of the total assets on the statements of financial position. Due to the current state of the market, there is possibility of delays in ship building projects arising from changes in capital investments, cancellation of orders and risks of customers renegotiating for lower charter rates. The collectability of finance lease and trade receivables are key elements of the Group's working capital management, which is managed on an ongoing basis by management. Further, finance lease receivables and trade receivables impairment assessment requires significant management judgement to identify receivables that may be considered to be impaired. Based on management's assessment, $18,437,000 of impairment charges on trade receivables were recognised for the financial year ended 30 June 2017. For these reasons, we determined that this is a key audit matter.

Key audit matters (cont'd)

Impairment assessment of assets (cont'd)

Recoverability of finance lease receivables and trade receivables (cont'd)

As part of the audit, we assessed the Group's processes and key controls relating to the monitoring of finance lease receivables and trade receivables. We considered the age of the debts as well as the trend of collections to identify the collection risks. We obtained finance lease receivables and trade receivable confirmations, and reviewed for collectability by way of obtaining evidence of receipts from the debtors subsequent to the year end. We also had discussions with management on the recoverability of long outstanding debts, analysed the Group's trend of collections for long outstanding trade debtors and reviewed legal case files.

Impairment assessment of goodwill

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

Goodwill amounting to $9,145,000 which represents 1.4% of total non-current assets and 2.4% of total equity as at 30 June 2017 is subject to annual impairment testing.

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

As disclosed in Note 8, the Group's goodwill is allocated to groups of cash generating units (CGU's). Management made assumptions in respect of future market and economic conditions such as revenue and margin development, expected inflation rates and economic growth when performing the assessment. Based on management's assessment, there was no impairment of goodwill for the financial year ended 30 June 2017.

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

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

Other information

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

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

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

Responsibilities of management and Directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
5 October 2017

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	4	611,887	603,114	–	–
Lease prepayments	5	5,731	5,647	–	–
Investment in subsidiaries	6	–	–	50,388	70,713
Investment in joint ventures and associates	7	9,008	14,726	–	–
Intangible assets	8	17,877	17,840	–	–
Finance lease receivables	9	8,865	8,759	–	–
		653,368	650,086	50,388	70,713
Current assets					
Inventories	10	182,015	238,481	–	–
Construction work-in-progress	11	85,345	108,958	–	–
Trade and other receivables	12	187,127	248,767	359,274	270,294
Finance lease receivables	9	1,001	650	–	–
Derivative financial instruments	13	15	313	–	–
Cash and bank balances	14	36,141	24,710	1,504	290
		491,644	621,879	360,778	270,584
Assets classified as held for sale	15	–	3,708	–	–
		491,644	625,587	360,778	270,584
Current liabilities					
Trade and other payables	16	184,700	223,371	108,249	90,987
Provision for warranty	17	169	54	–	–
Progress billings in excess of construction work-in-progress	11	1,437	6,862	–	–
Trust receipts	18	20,515	72,196	–	–
Interest-bearing loans and borrowings	19	215,233	290,724	65,295	100,000
Derivative financial instruments	13	–	897	–	–
Income tax payables		5,779	2,810	–	–
		427,833	596,914	173,544	190,987
Net current assets		63,811	28,673	187,234	79,597

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

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current liabilities					
Other liabilities	20	10,081	9,272	–	–
Interest-bearing loans and borrowings	19	313,751	229,266	142,500	50,000
Deferred tax liabilities	21	14,569	15,816	–	–
		338,401	254,354	142,500	50,000
Net assets		378,778	424,405	95,122	100,310
Equity attributable to owners of the Company					
Share capital	22	108,056	83,092	108,056	83,092
Treasury shares	22	(923)	(923)	(923)	(923)
Reserves	23	268,398	337,465	(12,011)	18,141
		375,531	419,634	95,122	100,310
Non-controlling interests		3,247	4,771	–	–
Total equity		378,778	424,405	95,122	100,310

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

CONSOLIDATED INCOME STATEMENT

For the financial year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue	25	342,261	364,439
Cost of sales		(308,637)	(313,977)
Gross profit		33,624	50,462
Other operating income	26	5,197	5,532
Administrative expenses		(27,900)	(23,368)
Other operating expenses		(57,066)	(9,727)
Finance costs	27	(19,333)	(19,126)
Share of results of joint ventures and associates		(5,795)	(3,253)
(Loss)/profit before tax	28	(71,273)	520
Income tax (expense)/credit	29	(2,032)	423
(Loss)/profit for the year		(73,305)	943
Attributable to:			
Owners of the Company	30	(71,659)	1,985
Non-controlling interests		(1,646)	(1,042)
		(73,305)	943
Earnings per share (cents per share)			
Basic	30	(13.44)	0.47
Diluted	30	(13.44)	0.47

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2017

	Note	2017 $'000	2016 $'000
(Loss)/profit for the year		(73,305)	943
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign subsidiaries		1,726	83
Share of other comprehensive income of joint ventures and associates		306	188
Net fair value changes to cash flow hedges		493	(60)
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of defined benefit pension plans		189	(380)
Other comprehensive income for the year, net of tax	24	2,714	(169)
Total comprehensive income for the year		(70,591)	774
Attributable to:			
Owners of the Company		(69,067)	1,789
Non-controlling interests		(1,524)	(1,015)
		(70,591)	774

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2017

Group 2017	Attributable to owners of the Company								
	Share capital $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Total reserves $'000	Equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 July 2016	83,092	(923)	986	(482)	336,961	337,465	419,634	4,771	424,405
Loss for the year	–	–	–	–	(71,659)	(71,659)	(71,659)	(1,646)	(73,305)
Other comprehensive income									
Translation differences relating to financial statements of foreign subsidiaries	–	–	1,640	–	–	1,640	1,640	86	1,726
Share of other comprehensive income of joint ventures and associates	–	–	270	–	–	270	270	36	306
Re-measurement of defined benefit pension plans	–	–	–	–	189	189	189	–	189
Net fair value changes to cash flow hedges	–	–	–	493	–	493	493	–	493
Other comprehensive income for the year, net of tax	–	–	1,910	493	189	2,592	2,592	122	2,714
Total comprehensive income for the year	–	–	1,910	493	(71,470)	(69,067)	(69,067)	(1,524)	(70,591)
Contributions by owners									
Issuance of ordinary shares from Rights Issue (Note 22)	24,964	–	–	–	–	–	24,964	–	24,964
Total contributions by owners	24,964	–	–	–	–	–	24,964	–	24,964
At 30 June 2017	108,056	(923)	2,896	11	265,491	268,398	375,531	3,247	378,778

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2017

Group 2016	Share capital $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Total reserves $'000	Equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owners of the Company								
At 1 July 2015	83,092	(923)	742	(422)	337,034	337,354	419,523	5,786	425,309
Profit/(loss) for the year	–	–	–	–	1,985	1,985	1,985	(1,042)	943
Other comprehensive income									
Translation differences relating to financial statements of foreign subsidiaries	–	–	73	–	–	73	73	10	83
Share of other comprehensive income of joint ventures and associates	–	–	171	–	–	171	171	17	188
Re-measurement of defined benefit pension plans	–	–	–	–	(380)	(380)	(380)	–	(380)
Net fair value changes to cash flow hedges	–	–	–	(60)	–	(60)	(60)	–	(60)
Other comprehensive income for the year, net of tax	–	–	244	(60)	(380)	(196)	(196)	27	(169)
Total comprehensive income for the year	–	–	244	(60)	1,605	1,789	1,789	(1,015)	774
Distributions to owners									
Dividends on ordinary shares (Note 38)	–	–	–	–	(1,678)	(1,678)	(1,678)	–	(1,678)
Total distributions to owners	–	–	–	–	(1,678)	(1,678)	(1,678)	–	(1,678)
At 30 June 2016	83,092	(923)	986	(482)	336,961	337,465	419,634	4,771	424,405

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

Company	Share capital $'000	Treasury shares $'000	Accumulated profits/(losses) $'000	Total reserves $'000	Total equity $'000
At 1 July 2016	83,092	(923)	18,141	18,141	100,310
Loss for the year, representing total comprehensive income for the year	–	–	(30,152)	(30,152)	(30,152)
Contributions by owners					
Issuance of ordinary shares from Rights Issue (Note 22)	24,964	–	–	–	24,964
Total contributions by owners	24,964	–	–	–	24,964
At 30 June 2017	108,056	(923)	(12,011)	(12,011)	95,122
At 1 July 2015	83,092	(923)	18,799	18,799	100,968
Profit for the year, representing total comprehensive income for the year	–	–	1,020	1,020	1,020
Distributions to owners					
Dividends on ordinary shares (Note 38)	–	–	(1,678)	(1,678)	(1,678)
Total distributions to owners	–	–	(1,678)	(1,678)	(1,678)
At 30 June 2016	83,092	(923)	18,141	18,141	100,310

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2017

	2017 $'000	2016 $'000
Cash flows from operating activities		
(Loss)/profit before tax	(71,273)	520
Adjustments for:		
Amortisation of intangible assets	816	829
Amortisation of lease prepayments	312	355
Allowance for impairment of doubtful receivables (net)	18,437	3,988
Bad debts written off/(recovered) (net)	–	53
Depreciation of property, plant and equipment	64,011	56,561
Gain on disposal of property, plant and equipment	(550)	(1,466)
Gain on disposal of assets classified as held for sale	(55)	–
Impairment loss on property, plant and equipment	22,004	1,198
Impairment loss on investment in joint ventures	–	36
Impairment loss on inventories	13,849	2,700
Interest expense	19,333	19,126
Interest income	(824)	(823)
Property, plant and equipment written off	1	–
Provision/(reversal) for warranty (net)	323	(200)
Provision for pension liabilities	113	235
Share of results of joint ventures and associates	5,795	3,253
Operating cash flows before changes in working capital	72,292	86,365
Changes in working capital:		
Inventories	(17,224)	(23,806)
Construction work-in-progress and progress billings in excess of construction work-in-progress	22,907	(85,908)
Trade and other receivables	52,710	(15,426)
Trade and other payables	(38,569)	43,455
Finance lease receivables	777	568
Other liabilities	753	(803)
Balances with related parties (trade)	(7,875)	870
Cash flows generated from operations	85,771	5,315
Interest received	732	780
Income tax paid	(584)	(226)
Net cash flows generated from operating activities	85,919	5,869

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

	Note	2017 $'000	2016 $'000
Cash flows from investing activities			
Interest received		92	43
Purchase of property, plant and equipment		(29,485)	(97,160)
Proceeds from disposal of property, plant and equipment		3,814	9,847
Proceeds from disposal of assets classified as held for sale		635	–
Lease prepayments		(388)	(53)
Balances with related parties (non-trade)		794	5,026
Net cash flows used in investing activities		(24,538)	(82,297)
Cash flows from financing activities			
Interest paid		(24,253)	(23,669)
Dividends paid		–	(1,678)
Repayment of interest-bearing loans and borrowings		(115,325)	(132,920)
Proceeds from interest-bearing loans and borrowings		116,990	178,337
Repayment of trust receipts		(103,580)	(110,765)
Proceeds from trust receipts		51,770	115,797
Proceeds from issuance of ordinary shares from Rights Issue		24,964	–
Cash and bank balances (restricted use)		(11,149)	(1,165)
Net cash flows (used in)/generated from financing activities		(60,583)	23,937
Net increase/(decrease) in cash and cash equivalents		798	(52,491)
Cash and cash equivalents at 1 July		21,621	74,865
Effect of exchange rate changes on cash and cash equivalents		(516)	(753)
Cash and cash equivalents at 30 June	14	21,903	21,621

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

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The Group had commenced the drawdown of the 5 year club term loan facility from DBS Bank Ltd, United Overseas Bank Limited and Oversea-Chinese Banking Corporation Limited (the "Banks") in the current financial year. The 5 year club term loan facility required the Group to comply with certain covenants which are tested on a quarterly basis. As at 30 June 2017, the Group had not met one of the covenants imposed. At the request of the Group, subsequent to the financial year ended 30 June 2017, the Banks had waived the covenant that was breached. As the waiver was obtained subsequent to 30 June 2017, the Group did not have an unconditional right to defer its settlement for at least 12 months after 30 June 2017. As such the Group has reclassified an amount of $53,399,000 from non-current liability to current liability.

The Banks have indicated to the Group that they have no intention to cancel or demand immediate repayment of the 5 year club term loan facility 12 months from the date of this report. However, the Banks reserve their rights to continue to monitor the covenants on a quarterly basis in accordance to the facility agreement.

As at 30 June 2017, the Group's and Company's total borrowings amounted to $549,499,000 and $207,795,000 (2016: $592,186,000 and $150,000,000) of which $235,748,000 and $65,295,000 (2016: $362,920,000 and $100,000,000) were classified as current liabilities respectively. The Group's loans and borrowings that are due for repayment in the next 12 months exceed its cash and bank balances as at 30 June 2017 of $36,141,000 (2016: $24,710,000). The Group had also incurred loss after tax of $73,305,000 (2016: profit after tax of $943,000) for the financial year ended 30 June 2017.

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

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

2.1 Basis of preparation (cont'd)

In the opinion of the Directors, the Group is able to continue as a going concern as the Directors are of the view that the Group will be able to generate positive cash flows from operations to meet working capital needs and to receive continued financial support from the Banks for a period of 12 months from the approved date of these financial statements.

If the Group and Company is unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised in a manner other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. Under such circumstances the Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 July 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to FRSs (December 2016)	
- Amendments to FRS 112: *Classifications of the Scope of the Standard*	1 January 2017
- Amendments to FRS 28: *Measuring an Associate of Joint Venture at fair value*	1 January 2018
Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018

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

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 104: *Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*	1 January 2018
Amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 & FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of FRS 109, FRS 115 and FRS 116 are described below.

<u>FRS 115 *Revenue from Contracts with Customers*</u>

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date. The Group is in a business of providing ship repair, ship conversion, engineering and any marine related services and construction of vessels. The Group expects the following impact upon adoption of FRS 115:

(a) Variable consideration

Certain construction contracts contains provisions that allow the customer a right to claim liquidation damages in the event of delays or defects Currently, the Group recognises contract revenue measured at the fair value of the consideration received or receivable, before taking into account of liquidation damages. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved.

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

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

FRS 115 *Revenue from Contracts with Customers (cont'd)*

(a) Variable consideration (cont'd)

Such provisions give rise to variable consideration under FRS 115, and will be required to be estimated at contract inception and reassessed at each statement of financial position date. FRS 115 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint.

(b) Significant financing component

A significant financing component exists when the receipt of consideration does not match the timing of the transfer of goods or services to the customer. If a financing arrangement is significant to a contract, the Group is required to adjust the transaction price by discounting the amount of promised consideration. When the period between the customer's payment and the Group's transfer of the goods or services is expected to be one year or less at contract inception, this will not constitute a significant financing component.

Transition

The following practical expedients are available when applying FRS 115 retrospectively.

- For completed contracts, an entity need not restate contracts that begin and end with the same annual reporting period or are completed contracts at the beginning of the earliest period presented.

- For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods; and

- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

    - identifying the satisfied and unsatisfied performance obligations;
    - determining the transaction price; and
    - allocating the transaction price to the satisfied and unsatisfied performance obligations.

- For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

The Group plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for full retrospective approach under FRS 115 as listed above.

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

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

FRS 109 *Financial instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investments at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group will be assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

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

2.4 Foreign currency

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

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

2.4 Foreign currency (cont'd)

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

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

2.5 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

(a) Basis of consolidation (cont'd)

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

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

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

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

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

(b) Business combinations and goodwill

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

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

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

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

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

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

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

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

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

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

2.6 Transactions with non-controlling interests

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

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

2.7 Subsidiaries

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

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

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

2.8 Joint arrangements

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

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

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

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

2.9 Joint ventures and associate

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

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

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

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

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

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

2.9 Joint ventures and associate (cont'd)

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

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Leasehold property and buildings	–	15 to 30 years
Dry docks, quays and ancillary	–	8 to 20 years
Plant and machinery	–	1 to 30 years
Office equipment, furniture and fittings	–	3 to 10 years
Vessels	–	2 to 25 years
Motor vehicles	–	5 to 8 years

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

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

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

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

2.10 Property, plant and equipment (cont'd)

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

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

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

2.11 Intangible assets

(a) Goodwill

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

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

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

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

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

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

2.11 Intangible assets (cont'd)

(b) Other intangible assets

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

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

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

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

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

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

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

2.12 Lease prepayment

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.13 Impairment of non-financial assets

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

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

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

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

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

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

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired and through the amortisation process.

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Derecognition

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

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

2.14 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement (cont'd)

(i) Financial liabilities at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) Financial liabilities at amortised cost

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a current enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.15 Cash and cash equivalents

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

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

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

2.16 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

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

2.16 Impairment of financial assets (cont'd)

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.17 Inventories

Raw materials consist mainly of steel, consumables and other materials used for shipbuilding and shiprepair and conversion. Finished goods consist of component parts for trading purposes. These inventories are determined on a first-in-first-out basis and include all cost in bringing the stocks to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale, and after making due allowance for all damaged, obsolete and slow-moving items.

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

2.18 Construction contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

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

2.18 Construction contracts (cont'd)

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date to the estimated costs to complete.

Contract revenue - Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in the contract work and claims to the extent that it is probable that they will result in revenue, and they can be reliably measured. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

Contract costs - Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

At the end of each reporting period, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as construction work-in-progress. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as progress billings in excess of construction in work-in-progress.

2.19 Borrowing costs

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

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

2.20 Provisions

(a) General

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

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

(b) Provision for liquidated damages

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

(c) Provision for warranty

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

2.21 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plan

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

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

2.21 Employee benefits (cont'd)

(b) Defined benefit plan (cont'd)

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

Defined benefit costs comprise the following:

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

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

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

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

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

(c) Employee leave entitlements

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

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

2.21 Employee benefits (cont'd)

(d) Employee share option plans

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

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

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

2.22 Leases

(a) As lessee

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

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

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

2.22 Leases (cont'd)

(a) As lessee (cont'd)

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of the ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased assets and are recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.24(c).

2.23 Assets classified as held for sale

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

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

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assess its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Shipbuilding and Engineering

Revenue from shipbuilding contracts and engineering contracts is recognised by reference to the percentage of completion at the end of the reporting period. The percentage of completion is measured by reference to the percentage of total costs incurred for work performed to date to estimated total costs for the contract. Where the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

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

2.24 Revenue (cont'd)

(b) Shiprepair and conversion

Revenue from fabrication and outfitting works and conversion jobs and shiprepair contracts are recognised upon completion of work.

(c) Shipchartering

Shipchartering revenue is recognised on a time proportion basis.

(d) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Dividend income

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

2.25 Taxes

(a) Current income tax

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

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

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

2.25 Taxes (cont'd)

(b) Deferred tax

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

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

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

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

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

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

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

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

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

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

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

(c) Sales tax

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

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

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

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

2.26 Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For purposes of hedge accounting, hedges are classified as

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, that is attributable to a particular risk and could affect profit or loss; or

- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

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

2.26 Hedge accounting (cont'd)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of the changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted as follows:

(a) Fair value hedges

The change in the fair value of a hedging derivative is recognised in profit or loss in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in profit or loss in finance costs.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the profit or loss over the remaining term to maturity using the effective interest rate method.

Effective interest rate amortisation may begin as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. The group has interest rate swap that is used as a hedge for the exposure of changes in the fair value of the floating rate portion of its secured loans. See Note 13 (ii) for more details.

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

2.26 Hedge accounting (cont'd)

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss in other expenses.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item subsequently results in the recognition of a non-financial asset or liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction occurs or firm commitment affects profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in its future anticipated income and expenditure. Refer to the Note 13(i) for more details.

2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services. The segment results are regularly reviewed by management in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 Share capital and share issuance expenses

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

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

2.29 Treasury shares

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

2.30 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.31 Related parties

A related party is defined as follows:

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

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

- (ii) Has significant influence over the Company; or

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

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

2.31 Related parties (cont'd)

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

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

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

3.1 Judgements made in applying accounting policies (cont'd)

Determination of functional currency

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

3.2 Key sources of estimation uncertainty

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

(a) Impairment of property, plant and equipment

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

(b) Impairment of goodwill and intangible assets

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

The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 8. The carrying amount of the Group's goodwill and intangible assets as at 30 June 2017 is disclosed in Note 8.

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables is disclosed in Note 12.

(d) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs that will affect the stage of completion. In making these estimates, management has relied on its past experience and knowledge.

The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 11. If the estimated total contract cost had been 5% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been $5,120,000 (2016: $3,449,000) lower and Nil (2016: $4,718,000) higher respectively. If the estimated total contract cost had been 5% lower than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been $5,894,000 (2016: $1,768,000) higher and Nil (2016: $7,751,000) lower respectively.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property and buildings $'000	Assets under construction $'000	Dry docks, quays and ancillary $'000	Plant and machinery $'000	Office equipment, furniture and fittings $'000	Tugs and other vessels $'000	Barges $'000	Motor vehicles $'000	Total $'000
Cost									
At 1 July 2015	52,056	38,792	105,184	128,433	12,657	302,973	189,963	2,563	832,621
Additions	4,323	16,737	471	6,249	1,722	22,230	46,735	496	98,963
Disposals/write-off	–	(548)	–	(6,529)	(155)	(11,844)	(3,424)	(247)	(22,747)
Transfers	–	(1,888)	–	1,191	–	–	(540)	–	(1,237)
Transfer to assets classified as held for sale	–	–	–	–	–	–	(3,158)	–	(3,158)
Net exchange differences	(390)	(118)	(68)	(526)	(43)	529	(128)	(23)	(767)
At 30 June 2016 and 1 July 2016	55,989	52,975	105,587	128,818	14,181	313,888	229,448	2,789	903,675
Additions	161	47,347	4,420	5,993	244	25,035	6,587	63	89,850
Disposals/write-off	–	(2,105)	–	(22)	(15)	–	(3,581)	(62)	(5,785)
Transfers	7,360	(48,960)	16,297	1,973	2,300	9,650	11,380	–	–
Transfer to assets classified as held for sale	–	–	–	–	–	(656)	–	–	(656)
Net exchange differences	36	8	5	264	312	4,637	1,315	3	6,580
At 30 June 2017	63,546	49,265	126,309	137,026	17,022	352,554	245,149	2,793	993,664

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

Group	Leasehold property and buildings $'000	Assets under construction $'000	Dry docks, quays and ancillary $'000	Plant and machinery $'000	Office equipment, furniture and fittings $'000	Tugs and other vessels $'000	Barges $'000	Motor vehicles $'000	Total $'000
Accumulated depreciation and impairment loss									
At 1 July 2015	13,056	–	32,131	72,829	9,279	72,228	48,769	1,457	249,749
Depreciation charge for the year	2,853	–	5,467	11,625	776	16,326	16,947	404	54,398
Impairment charge for the year	–	–	–	–	–	306	892	–	1,198
Disposals/write-off	–	–	–	(1,172)	(150)	(1,595)	(898)	(247)	(4,062)
Transfer	–	–	–	77	–	–	(77)	–	–
Net exchange differences	(117)	–	(7)	(211)	(30)	(175)	(164)	(18)	(722)
At 30 June 2016 and 1 July 2016	15,792	–	37,591	83,148	9,875	87,090	65,469	1,596	300,561
Depreciation charge for the year	3,142	–	7,461	10,817	910	17,213	19,600	411	59,554
Impairment charge for the year	–	2,500	–	–	–	15,717	3,787	–	22,004
Disposals/write-off	–	–	–	(7)	(15)	–	(1,488)	(56)	(1,566)
Transfer to assets classified as held for sale	–	–	–	–	–	(656)	–	–	(656)
Net exchange differences	12	–	1	216	301	1,094	253	3	1,880
At 30 June 2017	18,946	2,500	45,053	94,174	11,071	120,458	87,621	1,954	381,777
Net carrying amount									
At 30 June 2016	40,197	52,975	67,996	45,670	4,306	226,798	163,979	1,193	603,114
At 30 June 2017	44,600	46,765	81,256	42,852	5,951	232,096	157,528	839	611,887

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

Impairment loss

During the financial year, the Group carried out a review of the recoverable amount of its vessels in view of the depressed conditions of the marine sector. An impairment charge of $22,004,000 (2016: $1,198,000) (Note 28), representing the write-down of these vessels and assets under construction to their recoverable amounts was recognised in "other operating expenses" line in the consolidated income statement for the financial year ended 30 June 2017. The recoverable amounts of these vessels and assets under construction were based on fair value less costs of disposal. The fair value less costs of disposal was determined by external independent valuation experts.

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

	Group	
	2017	**2016**
	$'000	**$'000**
Depreciation charge for the year	59,554	54,398
Depreciation included in inventories (Note 10)	–	(3,304)
Depreciation included in construction work-in-progress carried forward (Note 11)	(7,503)	(8,656)
Depreciation previously included in inventories and construction work-in-progress now charged to profit or loss	11,960	14,123
Depreciation charge as disclosed in Note 28	64,011	56,561

Assets under construction

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

Assets under finance leases and transferred from inventories

The Group acquired property, plant and equipment with an aggregate cost of $89,850,000 (2016: $98,963,000), of which $1,678,000 (2016: $1,803,000) and $58,687,000 (2016: Nil) were acquired by means of finance lease and transferred from inventories respectively. The cash outflow on acquisition of property, plant and equipment amounted to $29,485,000 (2016: $97,160,000).

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

Included in net carrying amount of property, plant and equipment of the Group are the following:

	Group	
	2017	2016
	$'000	$'000
Assets held under finance leases:		
Motor vehicles	343	504
Plant and machinery	16,876	20,053
Barges	738	886
	17,957	21,443

Assets pledged as security

	Group	
	2017	2016
	$'000	$'000
Assets pledged as security for interest-bearing loans and borrowings and trust receipts:		
Leasehold property and buildings	21,857	27,277
Plant and machinery	4,333	3,198
Tugs and other vessels	219,434	195,054
Barges	116,180	79,941
Dry docks, quays and ancillary	66,224	66,853
	428,028	372,323

5. LEASE PREPAYMENTS

Group	Leasehold land $'000
Cost	
At 1 July 2015	9,961
Additions	53
Net exchange differences	(104)
At 30 June 2016 and 1 July 2016	9,910
Additions	388
Net exchange differences	10
At 30 June 2017	10,308
Accumulated amortisation	
At 1 July 2015	3,929
Amortisation charge for the year (Note 28)	355
Net exchange differences	(21)
At 30 June 2016 and 1 July 2016	4,263
Amortisation charge for the year (Note 28)	312
Net exchange differences	2
At 30 June 2017	4,577
Net carrying amount	
At 30 June 2016	5,647
At 30 June 2017	5,731

Included in lease prepayments of the Group are the following:

	Group 2017 $'000	Group 2016 $'000
Leasehold land pledged as security for interest-bearing loans and borrowings	3,088	3,288

The Group has land use rights over certain plots of land in the People's Republic of China, Indonesia and Singapore where the shipyards of the Group operate. The land use rights have remaining tenures ranging from 4 to 38 years (2016: 5 to 39 years) and are non-transferable under pledge.

6. INVESTMENT IN SUBSIDIARIES

	Company 2017 $'000	Company 2016 $'000
Unquoted equity shares, at cost	70,713	70,713
Impairment loss	(20,325)	–
	50,388	70,713

During the current financial year, management performed impairment testing on the Company's investment in subsidiaries. Based on assessment of the subsidiaries' historical and current performance and probability of future cash flows, the Company has made an allowance for impairment against the investment in certain subsidiaries amounting to $20,325,000 (2016: Nil), representing the write-down of these subsidiaries to their recoverable amounts.

a. Composition of the Group

The Group has the following investment in subsidiaries:

Name of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest 2017 %	Proportion of ownership interest 2016 %
Held by the Company				
ASL Shipyard Pte Ltd [1]	Shipbuilding, shiprepair and conversion and general engineering	Singapore	100	100
PT. ASL Shipyard Indonesia [2, (a)]	Shipbuilding, shiprepair and conversion and general engineering	Indonesia	10	10
ASL Offshore & Marine Pte. Ltd. [1]	Chartering of vessels and ship management	Singapore	100	100
Capitol Marine Pte Ltd [1]	Chartering of vessels	Singapore	100	100
Capitol Offshore Pte Ltd [1]	Chartering of vessels	Singapore	100	100
Capitol Tug & Barge Pte Ltd [1]	Chartering of vessels	Singapore	100	100
Capitol Shipping Pte Ltd [1]	Chartering of vessels	Singapore	100	100
Lightmode Pte Ltd [1]	Chartering of vessels	Singapore	100	100

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

a. Composition of the Group (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest 2017 %	2016 %
Held by the Company (cont'd)				
Capitol Logistics Pte. Ltd.[1]	Chartering of vessels	Singapore	100	100
Capitol Navigation Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
Capitol Aquaria Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
Capitol Oceans Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
ASL Maritime Services Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
Intan Maritime Investments Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
Intan Synergy Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
Intan Offshore Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
Intan Oceans Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
Intan Scorpio Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
Intan OSV Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
ASL Triaksa Offshore Pte. Ltd. [1, (b)]	Chartering of vessels	Singapore	60	60
Harmony PSV Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
ASL Leo Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
ASL Marine Contractor Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
ASL Project Logistics Pte. Ltd. [1]	Chartering of vessels	Singapore	100	100
ASL Towage & Salvage Pte. Ltd. [1, (b)]	Chartering of vessels	Singapore	100	–
Hongda Investment Pte. Ltd. [1]	Investment holding	Singapore	60	60
Intan Overseas Investments Pte. Ltd. [1]	Investment holding	Singapore	100	100
Singa Tenaga Investments Pte Ltd. [1]	Investment holding	Singapore	100	100

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

a. Composition of the Group (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest 2017 %	Proportion of ownership interest 2016 %
Held through subsidiaries				
PT. ASL Shipyard Indonesia [2]	Shipbuilding, shiprepair and conversion and general engineering	Indonesia	90	90
PT. Cipta Nusantara Abadi [5]	Investment holding and provision of agency, handling and consultancy services	Indonesia	75	75
PT. Bina Kontinental Lestari [5]	Investment holding and provision of agency, handling and consultancy services	Indonesia	100	100
PT. Awak Samudera Transportasi [2]	Chartering of vessels	Indonesia	100	100
PT. Cemara Intan Shipyard [2]	Shipbuilding, shiprepair and general engineering	Indonesia	100	100
PT. Sukses Shipyard Indonesia [5]	Shipbuilding and fabrication services	Indonesia	100	100
Jiangmen Hongda Shipyard Ltd. [3]	Shipbuilding and general engineering	People's Republic of China	60	60
Leo Dynamische Investering B.V. [2]	Investment holding	Netherlands	100	100
VOSTA LMG International B.V. [2]	Investment holding	Netherlands	100	100

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

a. Composition of the Group (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest 2017 %	2016 %
Held through subsidiaries				
VOSTA LMG Component & Services B.V. [2]	Shipbuilding	Netherlands	100	100
VOSTA LMG Dredges B.V. [2]	Shipbuilding	Netherlands	100	100
VOSTA LMG B.V. [2]	Building, trading and repair of dredgers and dredging equipment	Netherlands	100	100
VOSTA LMG IP & Software B.V. [2]	Leasing of intellectual property	Netherlands	100	100
CFT Netherlands B.V. [2]	Market research and public opinion polling	Netherlands	100	100
VOSTA LMG Design GmbH [5]	Building of dredgers and dredging equipment	Germany	100	100
VOSTA LMG (Asia Pacific) Pte Ltd [1]	Shipbuilding and repair of maritime dredging systems and equipment	Singapore	100	100
VOSTA LMG Hong Kong Co. Limited [(c)]	Investment holding	Hong Kong	–	100
VOSTA LMG (Zhuhai) Ltd. [4]	Manufacturing and trading of dredging equipment	People's Republic of China	100	100
VOSTA Inc. [5]	Trading of dredges and maritime dredging equipment	United States of America	100	100
VOSTA LMG India Pvt. Ltd. [5]	Designing, manufacturing and trading of maritime dredging equipment	India	100	100

1 Audited by Ernst & Young LLP, Singapore
2 Audited by member firms of EY Global in the respective countries
3 Audited by Jiangmen Zhishang Certified Public Accountants, Jiangmen, China
4 Audited by Ruihua Certified Public Accountants, Jiangmen, China
5 These companies are not required to be audited under the laws of their country of incorporation.
(a) 90% owned by ASL Shipyard Pte Ltd, a wholly-owned subsidiary of the Company
(b) The subsidiary is dormant during the year.
(c) The subsidiary has been officially struck off.

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

a. Composition of the Group (cont'd)

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

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

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

Name of subsidiaries	Place of incorporation and business	Proportion of ownership held by non-controlling interest	(Loss)/profit allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
		%	$'000	$'000
30 June 2017				
ASL Triaksa Offshore Pte. Ltd.	Singapore	40	(4)	2,044
Hongda Investment Pte. Ltd.	Singapore	40	(1,012)	(1,820)
PT. Cipta Nusantara Abadi	Indonesia	25	(383)	2,970
30 June 2016				
ASL Triaksa Offshore Pte. Ltd.	Singapore	40	(4)	1,989
Hongda Investment Pte. Ltd.	Singapore	40	322	(775)
PT. Cipta Nusantara Abadi	Indonesia	25	(331)	3,265

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

c. Summarised financial information about subsidiaries with material NCI

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

Summarised balance sheet

	ASL Triaksa Offshore Pte. Ltd.		Hongda Investment Pte. Ltd.		PT. Cipta Nusantara Abadi	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current assets	5,109	4,979	3,084	36,214	6,875	6,678
Non-current assets	–	–	9,781	10,291	7,821	9,160
Total assets	5,109	4,979	12,865	46,505	14,696	15,838
Current liabilities	–	6	16,999	47,811	2,475	2,438
Non-current liabilities	–	–	419	634	–	–
Total liabilities	–	6	17,418	48,445	2,475	2,438
Net assets/(liabilities)	5,109	4,973	(4,553)	(1,940)	12,221	13,400

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Summarised statement of comprehensive income

	ASL Triaksa Offshore Pte. Ltd.		Hongda Investment Pte. Ltd.		PT. Cipta Nusantara Abadi	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	–	–	16,803	27,898	–	–
(Loss)/profit before tax	(9)	(9)	(2,531)	806	(1,533)	(1,324)
Income tax expense	(2)	–	–	–	–	–
(Loss)/profit after tax	(11)	(9)	(2,531)	806	(1,533)	(1,324)
Other comprehensive income	147	6	(83)	(56)	354	13
Total comprehensive income	136	(3)	(2,614)	750	(1,179)	(1,311)

Other summarised information

	ASL Triaksa Offshore Pte. Ltd.		Hongda Investment Pte. Ltd.		PT. Cipta Nusantara Abadi	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Net cash flows (used in)/generated from operations	(14)	(8)	6,292	672	6,754	(1)
Acquisitions of significant property, plant and equipment	–	–	449	662	–	–

7. INVESTMENT IN JOINT VENTURES AND ASSOCIATES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Interest in joint ventures				
Unquoted equity shares, at cost	909	997	–	–
Share of post-acquisition reserves	402	3,949	–	–
Impairment loss	–	(36)	–	–
Exchange differences	–	(170)	–	–
	1,311	4,740	–	–
Interest in associates				
Unquoted equity shares, at cost	2,313	2,313	1,558	1,558
Quoted equity, shares at cost	6,918	6,918	–	–
Share of post-acquisition reserves	(2,516)	79	–	–
Impairment loss	–	–	(1,558)	(1,558)
Exchange differences	982	676	–	–
	7,697	9,986	–	–
Total interest in joint ventures and associates	9,008	14,726	–	–
Fair value of an investment in an associate for which there is a published price quotation	16,694	8,049	–	–

Investment in joint ventures

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

	Group	
	2017 $'000	2016 $'000
Sindo-Econ Pte. Ltd. and its subsidiary	1,311	4,557
Other joint ventures	–	183
	1,311	4,740

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

Investment in joint ventures (cont'd)

During the previous financial year, management performed impairment testing on the Company's interest in joint ventures. Based on assessment of the joint venture's historical and current performance, the Group had made an allowance for impairment against the interest in joint venture amounting to $36,000 (Note 28).

Details of the joint ventures are as follows:

Name of joint ventures	Principal activities	Place of incorporation and business	Proportion of ownership interest	
			2017	2016
			%	%
Held through subsidiaries				
HKR-ASL Joint Venture Limited [(a)]	Chartering of vessels	Hong Kong	–	50
Sindo-Econ Pte. Ltd. [1]	Investment holding	Singapore	50	50
PT. Sindomas Precas [2]	Manufacture of reinforced concrete piles and precast components	Indonesia	50	50

[1] Audited by Ernst and Young LLP, Singapore
[2] Audited by member firms of EY Global in Indonesia
[(a)] The company has been de-registered on 3 February 2017

Aggregate information about the Group's investments in joint ventures that are not individually material are as follows:

	2017 $'000	2016 $'000
Profit after tax	36	125
Other comprehensive income	–	*
Total comprehensive income	36	125

* Denotes amount less than $1,000

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

Investment in joint ventures (cont'd)

The activities of the joint ventures are strategic to the Group's activities. The summarised financial information in respect of Sindo-Econ Pte. Ltd. and its subsidiary, based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Sindo-Econ Pte. Ltd. and its subsidiary	
	2017	**2016**
	$'000	**$'000**
Cash and cash equivalents	741	798
Current assets	32,898	17,966
Non-current assets	9,159	8,024
Total assets	42,798	26,788
Current liabilities	38,183	15,434
Non-current liabilities	1,993	1,639
Total liabilities	40,176	17,073
Non-controlling interests	–	(601)
Net assets	2,622	9,114
Proportion of the Group's ownership	50%	50%
Group's share of net assets	1,311	4,557
Carrying amount of the investment	1,311	4,557

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

Investment in joint ventures (cont'd)

Summarised statement of comprehensive income

	Sindo-Econ Pte. Ltd. and its subsidiary	
	2017	**2016**
	$'000	**$'000**
Revenue	29,950	21,700
Cost of sales	(32,213)	(15,641)
Gross (loss)/profit	(2,263)	6,059
Other operating income	528	–
Administrative expenses	(5,036)	(444)
Other operating expenses	(187)	(37)
Finance costs	(137)	(87)
(Loss)/profit before tax	(7,095)	5,491
Income tax credit/(expense)	3	(1,425)
(Loss)/profit after tax	(7,092)	4,066
Other comprehensive income	–	(384)
Total comprehensive income	(7,092)	3,682

Investment in associates

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

	Group	
	2017	**2016**
	$'000	**$'000**
PT. Hafar Capitol Nusantara	7,697	9,037
PT. Capitol Nusantara Indonesia	–	949
Other associates	*	*
	7,697	9,986

* Denotes amount less than $1,000

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

Investment in associates (cont'd)

Details of the associates are as follows:

Name of associates	Principal activities	Place of incorporation and business	Proportion of ownership interest 2017 %	Proportion of ownership interest 2016 %
Held by the Company				
Fastcoat Industries Pte. Ltd. [2, (a)]	Investment holding and metal galvanising, coating and protecting operations	Singapore	44.5	44.5
Held through an associate				
PT. Fastcoat Industries [2, (a)]	Metal galvanising, coating and protecting operations	Indonesia	44.5	44.5
Held through a subsidiary				
PT. Hafar Capitol Nusantara [1]	Chartering of vessels	Indonesia	36.75	36.75
PT. Capitol Nusantara Indonesia [2]	Chartering of vessels and ship management	Indonesia	27	27

[1] Audited by PKF International Limited, Indonesia
[2] Audited by other firms of auditors
(a) These associates are not significant as defined under Rule 718 of the Singapore Exchange Listing Manual.

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

Investment in associates (cont'd)

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

Summarised balance sheet

	PT. Hafar Capitol Nusantara		**PT. Capitol Nusantara Indonesia**	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Current assets	3,204	9,046	16,382	16,412
Non-current assets	50,844	52,424	71,660	78,817
Total assets	54,048	61,470	88,042	95,229
Current liabilities	20,262	16,609	82,820	77,261
Non-current liabilities	18,078	26,417	9,853	15,031
Total liabilities	38,340	43,026	92,673	92,292
Net assets/(liabilities)	15,708	18,444	(4,631)	2,937
Proportion of the Group's ownership	49%	49%	36%	36%
Group's share of net assets	7,697	9,037	–	1,057
Other adjustments	–	–	–	(108)
Carrying amount of the investment	7,697	9,037	–	949

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

Investment in associates (cont'd)

Summarised statement of comprehensive income

	PT. Hafar Capitol Nusantara		PT. Capitol Nusantara Indonesia	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Revenue	2,921	5,523	6,350	6,335
Cost of sales	(6,220)	(7,361)	(13,051)	(15,849)
Gross loss	(3,299)	(1,838)	(6,701)	(9,514)
Other operating income	1,668	292	116	45
Administrative expenses	(760)	(187)	(958)	(1,050)
Other operating expenses	–	–	(61)	(135)
Finance costs	(785)	(912)	(254)	(488)
Loss before tax	(3,176)	(2,645)	(7,858)	(11,142)
Income tax (expense)/credit	(109)	(70)	191	(298)
Loss after tax	(3,285)	(2,715)	(7,667)	(11,440)
Other comprehensive income	550	108	101	376
Total comprehensive income	(2,735)	(2,607)	(7,566)	(11,064)

The Group has not recognised losses relating to PT. Capitol Nusantara Indonesia where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was $1,775,000 (2016: Nil). The Group has no obligation in respect of these losses.

8. INTANGIBLE ASSETS

Group	Goodwill $'000	Patented technology $'000	Customer relationship $'000	Brand $'000	Order backlog $'000	Total $'000
Cost						
At 1 July 2015	8,726	6,912	4,150	905	878	21,571
Net exchange differences	(13)	(11)	(6)	(1)	(1)	(32)
At 30 June 2016 and 1 July 2017	8,713	6,901	4,144	904	877	21,539
Net exchange differences	432	342	205	45	43	1,067
At 30 June 2017	9,145	7,243	4,349	949	920	22,606
Accumulated amortisation						
At 1 July 2015	–	1,153	414	452	878	2,897
Amortisation	–	473	170	186	–	829
Net exchange differences	–	(15)	(5)	(6)	(1)	(27)
At 30 June 2016 and 1 July 2017	–	1,611	579	632	877	3,699
Amortisation	–	465	168	183	–	816
Net exchange differences	–	97	35	39	43	214
At 30 June 2017	–	2,173	782	854	920	4,729
Net carrying amount						
At 30 June 2016	8,713	5,290	3,565	272	–	17,840
At 30 June 2017	9,145	5,070	3,567	95	–	17,877

8. INTANGIBLE ASSETS (CONT'D)

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

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

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

Useful lives of other intangible assets

Intangible assets are amortised on a straight-line basis over the estimated useful lives of the assets as disclosed in Note 2.11(b). Patented technology, customer relationships and brand have remaining amortisation period of 10, 20 and 0.5 years (2016: 11, 21 and 1.5) respectively.

Amortisation expense

The amortisation of intangible assets are included in the "Administrative expenses" line item in profit or loss.

Impairment testing of goodwill and other intangible assets

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

The recoverable amounts of the CGU associated with goodwill and other intangible assets have been determined based on value in use calculations using cash flow projections from financial budgets prepared by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate to extrapolate cash flow projections beyond the five-year period are 11.5% (2016: 13.4%) and 1.6% per annum (2016: 1.5%) respectively.

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

Budgeted revenues – The revenue forecast for 2018 and the forecast period of 2019 to 2022 are based on annual revenue growth of 19.2% and 1.6% respectively.

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

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

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

8. INTANGIBLE ASSETS (CONT'D)

Sensitivity to changes in assumptions

A shortfall of 1% from the 2018 budgeted revenues, would result in the recoverable amount of the CGU being lower than its carrying amount by $272,000.

9. FINANCE LEASE RECEIVABLES

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

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

	Group	
	2017	**2016**
	$'000	**$'000**
Gross receivables due:		
- Not later than 1 year	1,681	1,360
- Later than 1 year but within 5 years	6,199	5,439
- After 5 years	5,506	6,707
	13,386	13,506
Less: Unearned finance income	(3,520)	(4,097)
Net investment in finance lease (Note 12)	9,866	9,409

The net investment in finance lease is analysed as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
- Not later than 1 year	1,001	650
- Later than 1 year but within 5 years	4,096	3,169
- After 5 years	4,769	5,590
	9,866	9,409

The finance lease receivables are denominated in United States Dollars and Singapore Dollars of $9,018,000 (2016: $9,409,000) and $848,000 (2016: Nil) respectively. The weighted average effective interest rate for finance lease receivables is 7.6% (2016: 7.8%) per annum.

10. INVENTORIES

	Group 2017 $'000	Group 2016 $'000
Statement of financial position:		
Raw materials and consumables (at costs)	20,773	15,594
Work-in-progress (at costs)	7,997	167,362
Finished goods (at costs or net realisable value)	153,245	55,525
Total inventories at cost	182,015	238,481
Consolidated income statement:		
Inventories recognised as an expense in cost of sales	9,620	11,193
Inclusive of the following charge		
- Inventories written down	13,849	2,700

Inventories include depreciation capitalised amounting to Nil (2016: $3,304,000) (Note 4).

Included in work-in-progress and finished goods in the current financial year are vessel under construction and vessels with an aggregate carrying value of $7,997,000 (2016: Nil) and $149,688,000 (2016: $51,734,000) respectively. These vessels have been pledged as security for the Group's bank borrowings (Note 19).

11. CONSTRUCTION WORK-IN-PROGRESS/PROGRESS BILLINGS IN EXCESS OF CONSTRUCTION WORK-IN-PROGRESS

	Group 2017 $'000	Group 2016 $'000
Construction work-in-progress and attributable profits (less recognised losses) to date	151,403	264,315
Less: Progress billings	(67,495)	(162,219)
	83,908	102,096
Presented as:		
Construction work-in-progress	85,345	108,958
Progress billings in excess of construction work-in-progress	(1,437)	(6,862)
	83,908	102,096

The construction work-in-progress includes depreciation capitalised amounting to $7,503,000 (2016: $8,656,000) (Note 4) and interest capitalised amounting to $192,000 (2016: $2,775,000).

12. TRADE AND OTHER RECEIVABLES

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade receivables:				
Trade receivables	117,412	167,774	–	–
Less: Allowance for impairment	(29,228)	(11,173)	–	–
Net trade receivables	88,184	156,601	–	–
Other receivables:				
Other receivables	13,631	21,371	–	–
Deposits	618	1,010	–	–
Prepayments	5,564	7,244	1,746	514
Down payment for purchase of property, plant and equipment	405	198	–	–
Amounts due from subsidiaries (non-trade)	–	–	365,359	267,175
Amounts due from joint ventures and associates				
- trade	26,970	21,681	–	–
- non-trade	49,461	40,601	2,682	2,605
Amounts due from companies/ firms related to directors				
- trade	1,505	479	–	–
- non-trade	1,293	86	–	–
	99,447	92,670	369,787	270,294
Less: Allowance for impairment	(504)	(504)	(10,513)	–
Net other receivables	98,943	92,166	359,274	270,294
Total trade and other receivables	187,127	248,767	359,274	270,294
Less: Prepayments	(5,564)	(7,244)	(1,746)	(514)
Less: Down payment for purchase of property, plant and equipment	(405)	(198)	–	–
Add: Finance lease receivables (Note 9)	9,866	9,409	–	–
Add: Cash and bank balances (Note 14)	36,141	24,710	1,504	290
Total loans and receivables	227,165	275,444	359,032	270,070

12. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to $65,164,000 (2016: $115,113,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2017 $'000	2016 $'000
Trade receivables past due but not impaired:		
Past due 0 to 3 months	18,734	32,193
Past due 3 to 6 months	5,826	7,344
Past due 6 to 12 months	6,633	8,610
More than 1 year	33,971	66,966
	65,164	115,113

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period are as follows:

	Group	
	2017 $'000	2016 $'000
Trade receivables – nominal amount	67,574	86,885
Less: Allowance for impairment	(29,228)	(11,173)
	38,346	75,712

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

12. TRADE AND OTHER RECEIVABLES (CONT'D)

Movement in allowance for impairment of doubtful trade receivables during the financial year is as follows:

	Group	
	2017	2016
	$'000	$'000
At 1 July	11,173	8,705
Charge for the year	19,127	9,079
Written-back	(690)	(5,091)
Written-off	(453)	(846)
Net exchange differences	71	(674)
At 30 June	29,228	11,173

<u>Receivables from subsidiaries that are impaired</u>

Based on assessments of the subsidiaries historical and current performances, estimated value and probability of future cash flows, the Company has provided an allowance of $10,513,000 (2016: Nil) on receivables due from subsidiaries.

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
SGD	76,113	113,111	350,299	260,012
USD	84,859	97,187	2,820	2,740
EUR	3,407	3,053	4,409	7,028
IDR	15,964	22,473	–	–
RMB	810	5,493	–	–
Others	5	8	–	–
	181,158	241,325	357,528	269,780

Amounts due from subsidiaries, joint ventures and associates and companies/firms related to directors

The non-trade balances with subsidiaries are unsecured, interest-free, repayable on demand and are to be settled in cash except for balances amounting to $187,800,000 (2016: $138,500,000) with wholly-owned subsidiaries which bear interest from 3.49% to 5.85% (2016: 5.05% to 5.67%) per annum.

12. TRADE AND OTHER RECEIVABLES (CONT'D)

Amounts due from subsidiaries, joint ventures and associates and companies/firms related to directors (cont'd)

The balances with joint ventures and associates are unsecured, interest-free, repayable on demand and are to be settled in cash.

The balances with companies/firms related to directors are unsecured, interest-free, repayable on demand and are to be settled in cash.

Included in prepayments is an amount of $1,732,000 (2016: $4,165,000) relating to deferred drydocking costs.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2017		2016	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Forward currency contracts	–	–	313	–
Interest rate swaps	15	–	–	(897)
	15	–	313	(897)

(i) Forward currency contracts

The Group entered into various foreign exchange forward contracts to sell and purchase foreign currencies on its future anticipated income and expenditure respectively. The Group had fully settled and there were no outstanding forward currency contracts as at 30 June 2017. The terms of these contracts and the fair value adjustments on these derivative financial instruments in the previous financial year are as follows:

Forward currency contracts	Maturity dates	Current notional amount	Fair value adjustments	
			Assets	Liabilities
		$'000	$'000	$'000
Group				
2016				
Sell				
- fixed forward contracts	16 May 2016 - 30 November 2016	20,381	313	–

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

(i) Forward currency contracts (cont'd)

The terms of the forward currency contracts have been negotiated to match the terms of the commitments.

For cash flow hedges of the expected future sales which were assessed to be highly effective, a net fair value gain of Nil (2016: $313,000) was included in the hedging reserve.

(ii) Interest rate swaps

The Group entered into interest rate swap agreements to hedge its interest rate risk on interest-bearing loans and borrowings (Note 19). As at 30 June 2017, the terms of these contracts and the fair value adjustments on these interest rate swaps are as follows:

Interest rate swap agreements	Maturity dates	Floating rate %	Fixed rate %	Current notional amount $'000	Fair value adjustments Assets $'000	Fair value adjustments Liabilities $'000
Group						
2017						
United States Dollar loans	1 March 2018 – 1 November 2019	0.45 – 1.10	1.27-1.42	54,064	15	–
2016						
United States Dollar loans	1 March 2018 – 1 November 2019	0.18 - 0.44	1.27-1.42	80,708	–	(897)

The interest rate swaps entered have the same principal terms as the interest-bearing loans and borrowings. For cash flow hedges which were assessed to be effective, fair value gain of $15,000 (2016: losses of $897,000) were included in the Group's hedging reserves.

14. CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash on hand	22	16	–	–
Cash at banks	25,692	23,842	1,504	290
Fixed deposits	10,427	852	–	–
	36,141	24,710	1,504	290

Cash at banks of the Group amounting to $10,556,000 (2016: $14,403,000) earns interest based on daily bank deposit rates.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
SGD	20,674	9,599	1,504	290
USD	10,612	9,411	–	–
EUR	197	4,195	–	–
IDR	3,391	601	–	–
RMB	1,258	895	–	–
Others	9	9	–	–
	36,141	24,710	1,504	290

Fixed deposits are placed for varying periods between 1 month to 12 months. The weighted-average effective interest rate per annum for the fixed deposits as at 30 June 2017 is 0.7% (2016: 0.8%).

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2017	2016
	$'000	$'000
Bank balances, deposits and cash	36,141	24,710
Less: Restricted cash		
- Cash at banks	(3,812)	(2,237)
- Fixed deposits	(10,426)	(852)
Cash and cash equivalents	21,903	21,621

The Group's restricted cash has been set aside for specific use with respect to certain banking facilities granted to the Group (Note 19).

15. ASSETS CLASSIFIED AS HELD FOR SALE

During the current financial year, the Group disposed of assets classified as held for sale with an aggregate carrying value of $580,000 (2016: Nil), and recognised a gain on disposal of $55,000 (2016: Nil) (Note 26) in “other operating income” line in the consolidated income statement. As there were changes to the plan of sale, the remaining vessel has been transferred to construction work-in-progress for additional modifications.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	$’000	$’000	$’000	$’000
Current				
Trade payables	115,104	140,567	797	68
Accrued operating expenses	20,608	37,400	2,541	2,251
Payables for yard development	3,078	1,474	–	–
Other payables	9,114	13,658	–	–
Other liabilities				
- Deferred income	12,990	8,239	–	–
- Deposits received from customers	7,457	8,093	–	–
Amounts due to subsidiaries (non-trade)	–	–	104,911	88,668
Amounts due to joint ventures and associates				
- trade	6,749	7,644	–	–
- non-trade	2,837	4,387	–	–
Amounts due to companies/firms related to directors				
- trade	504	1,169	–	–
- non-trade	6,046	534	–	–
Amounts due to non-controlling interests of subsidiaries (non-trade)	213	206	–	–
	184,700	223,371	108,249	90,987

16. TRADE AND OTHER PAYABLES (CONT'D)

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Non-current				
Other liabilities				
- Deferred income (Note 20)	6,356	5,488	–	–
Total trade and other payables	191,056	228,859	108,249	90,987
Less: Other liabilities				
- Deferred income	(19,346)	(13,727)	–	–
- Deposits received from customers	(7,457)	(8,093)	–	–
Add: Trust receipts (Note 18)	20,515	72,196	–	–
Add: Interest bearing loans and borrowings (Note 19)	528,984	519,990	207,795	150,000
Financial liabilities at amortised cost	713,752	799,225	316,044	240,987

Trade payables are non-interest bearing and are normally on 30 to 120 days' credit terms.

Trade payables and other payables are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
SGD	86,806	124,846	100,806	83,909
USD	16,994	24,075	14	–
EUR	8,698	11,551	7,429	7,078
IDR	49,982	43,710	–	–
RMB	1,174	1,943	–	–
Others	599	914	–	–
	164,253	207,039	108,249	90,987

Amounts due to subsidiaries, joint ventures and associates, companies/firms related to directors and non-controlling interests of subsidiaries

The trade and non-trade balances are unsecured, interest-free, repayable on demand and to be settled in cash.

17. PROVISION FOR WARRANTY

	Group	
	2017	2016
	$'000	$'000
At 1 July	54	929
Charge for the year	392	716
Amounts reversed	(69)	(916)
Utilised	(215)	(698)
Net exchange differences	7	23
At 30 June	169	54

The provision for warranty is based on a certain fixed percentage of engineering products sold or completed during the last 12 months. Specific provisions will also be made when claims are probable. During the financial year, warranty provisions amounting to $69,000 (2016: $916,000) have been reversed as the warranty periods had lapsed.

18. TRUST RECEIPTS

	Group	
	2017	2016
	$'000	$'000
Secured	17,468	67,497
Unsecured	3,047	4,699
	20,515	72,196

Trust receipts of the Group were secured by certain vessels under construction.

Trust receipts are denominated in the following currencies:

	Group	
	2017	2016
	$'000	$'000
SGD	15,129	45,317
USD	1,440	7,795
EUR	3,875	14,358
RMB	–	4,622
Others	71	104
	20,515	72,196

The average effective interest rate is 2.68% (2016: 2.61%) per annum.

19. INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rates	Maturity dates	Group		Company	
	%		2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current						
SGD Finance lease liabilities – secured	3.31	2018	3,683	5,810	–	–
RMB Finance lease liabilities – secured	6.07	2018	2	2	–	–
SGD Floating rate – secured	2.77[1, 3]	2018	97,688	65,340	57,795	–
SGD Floating rate – unsecured	3.95[1]	2018	2,000	19,450	–	–
USD Floating rate – secured	2.93[1]	2018	71,688	54,704	–	–
USD Floating rate – unsecured	1.87[1]	2018	6,457	14,973	–	–
RMB Floating rate – secured	5.74[1]	2018	218	274	–	–
SGD Fixed rate – secured	4.71[1]	2018	1,231	–	–	–
SGD Fixed rate – unsecured	5.32[2]	2018	7,500	100,000	7,500	100,000
USD Fixed rate – secured	3.72	2018	24,766	30,171	–	–
			215,233	290,724	65,295	100,000
Non-current						
SGD Finance lease liabilities – secured	3.31	2019 – 2022	3,015	5,309	–	–
RMB Finance lease liabilities – secured	6.07	2019 – 2020	8	10	–	–
SGD Floating rate – secured	2.77[1]	2019 – 2023	92,264	89,477	–	–
USD Floating rate – secured	2.93[1]	2019 – 2021	31,670	33,309	–	–
RMB Floating rate – secured	5.74[1]	2019 – 2021	411	624	–	–
SGD Fixed rate – secured	4.71[1]	2019 – 2022	8,813	–	–	–
SGD Fixed rate – unsecured	5.32[2]	2019 – 2023	147,500	50,000	142,500	50,000
USD Fixed rate – secured	3.72	2019 – 2021	30,070	50,537	–	–
			313,751	229,266	142,500	50,000
Total			528,984	519,990	207,795	150,000

19. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

[1] The interest rates of floating rate loans are repriced at intervals ranging from 1 - 6 months (2016: 1 - 6 months).

[2] Includes notes issued under the $500,000,000 Multicurrency Debt Issuance Programme established by the Company in May 2008 and revised in March 2015. These notes are unsecured and comprised fixed rate notes of $100,000,000 ("Series 006 Notes") and $50,000,000 ("Series 007 Notes").

On 20 January 2017, the Company obtained approvals from noteholders to extend the maturity dates of the Series 006 Notes and Series 007 Notes originally due in March 2017 and October 2018 to March 2020 and October 2021, respectively. The noteholders will receive a coupon step up with coupon rates of 5.5% per annum and 5.85% per annum for the Series 006 Notes and Series 007 Notes commencing on 28 March 2017 and 1 April 2017, and which are to be increased by 0.5% per annum thereafter. The Company will conduct mandatory redemption of 2.5% of the original principal amount of each note at par with interest accrued, on every interest payment date beginning 28 September 2017 and 2 October 2017 in respect of the Series 006 Notes and Series 007 Notes.

[3] Includes drawdown of $57,795,000 under the 5 year club term loan facility from the Banks which bears interests at 2.5% per annum above Swap Offer Rate ("SOR"). As disclosed in Note 2.1, the Group had not met the debt service coverage ratio as at 30 June 2017.

Interest-bearing loans and borrowings are denominated in the following currencies:

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
SGD	363,693	335,386	207,795	150,000
USD	164,652	183,693	–	–
RMB	639	911	–	–
	528,984	519,990	207,795	150,000

Interest-bearing loans and borrowings are secured by certain assets of the Group as disclosed in Notes 4, 5, 10 and 14. The Group also secure borrowings by way of corporate guarantees from the Company and certain subsidiaries, assignment of charter income and insurance of certain vessels of subsidiaries.

The 5 year club term loan facility is secured over assignment and charge over newbuildings, assignment of insurances and earnings of certain vessels and the assignment of subordination and intercompany loans.

20. OTHER LIABILITIES

	Group 2017 $'000	Group 2016 $'000
Pension plans	3,683	3,733
Deferred income (Note 16)	6,356	5,488
Other long-term obligations	42	51
	10,081	9,272

Pension plans

The Group operates defined benefit pension plans in Germany and Indonesia based on employee pensionable remuneration and length of service. The Germany plan requires contributions to be made to separately administered funds.

The Germany plan is only applicable for employees joining the subsidiary before 31 January 2002. This pension plan is unfunded and provides a pension on retirement approximate to 1.67% of average annum salary of the employees during their employment and a 60% widow's pension.

The Indonesia plan is unfunded and provides different percentage of average salary for different years of service.

The pension plans expose the Group to actuarial risks, such as life expectancy risk, interest rate risk and inflation risk.

Changes in present value of the defined benefit obligation are as follows:

	Germany Plan		Indonesia Plan		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 July	2,911	2,616	822	626	3,733	3,242
Expenses/(reversal) during the year (Note 32)	11	92	102	143	113	235
Remeasurement losses						
Actuarial losses arising from changes in financial assumptions (Note 24)	(189)	320	–	60	(189)	380
Benefits paid	(103)	(104)	–	–	(103)	(104)
Net exchange differences	132	(13)	(3)	(7)	129	(20)
At 30 June	2,762	2,911	921	822	3,683	3,733
Net benefit expense:						
Interest costs	36	64	54	45	90	109
Current service costs	(25)	28	48	98	23	126
	11	92	102	143	113	235

20. OTHER LIABILITIES (CONT'D)

Pension plans (cont'd)

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuations involve making various assumptions. The principal assumptions used in determining pension obligations for the defined benefit plans are shown below:

	2017	**2016**
Discount rates:		
Indonesia plan	7.5%	7.9%
Germany plan	1.7%	1.3%
Future salary increases:		
Indonesia plan	7.0%	7.0%
Germany plan	2.0%	2.0%
Future pension increases:		
Indonesia plan	7.0%	7.0%
Germany plan	1.75%	1.75%
Normal retirement age:		
Indonesia plan	55 years	55 years
Germany plan	67 years	67 years

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumption for Germany is based on postretirement mortality table RT 2005 G; while for Indonesia, the mortality of the employees are assumed to be in line with the Indonesia Mortality Tables 2011 (TM3-111).

The average duration of the post-employment benefits at the end of the financial year is 21.16 years (2016: 21.79 years).

Deferred income

Deferred income relates to advance billings received from customers for which services have not been rendered as at the balance sheet date.

21. DEFERRED TAX LIABILITIES

	Group			
	Statement of financial position		Consolidated income statement	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deferred tax assets				
Unutilised tax losses and wear and tear allowances	(5,283)	(3,112)	(2,155)	(2,507)
Allowance for doubtful receivables	(9)	(199)	190	855
Others	(269)	(298)	–	(57)
	(5,561)	(3,609)		
Deferred tax liabilities				
Difference in depreciation for tax purposes	17,941	17,090	684	(851)
Fair value adjustments on business combinations	2,187	2,282	(201)	(207)
Fair value gain on forward currency contracts	2	53	–	–
	20,130	19,425		
Net deferred tax liabilities	14,569	15,816		
Deferred tax expenses			(1,482)	(2,767)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current income tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority. The deferred tax amounts determined after appropriate offsetting are as follows:

	Group	
	2017	2016
	$'000	$'000
Deferred tax liabilities, net	14,569	15,816

At the end of the reporting period, the Group has undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised amount to $79,103,000 (2016: $74,388,000). The deferred tax liabilities are estimated to be $19,934,000 (2016: $18,723,000).

22. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	Number of shares		Amount	
	Issued share capital '000	Treasury shares '000	Issued share capital $'000	Treasury shares $'000
Fully paid ordinary shares, with no par value				
At 1 July 2015, 30 June 2016 and 1 July 2016	419,511	2,512	83,092	(923)
Issuance of ordinary shares from Rights Issue	209,756	–	24,964	–
At 30 June 2017	629,267	2,512	108,056	(923)

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares (except for treasury shares) carry one vote per share without restriction.

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. During the financial years ended 30 June 2017 and 2016, the Company did not buy back any shares.

Issuance of ordinary shares from Rights Issue

On 28 August 2016, the Company announced that it will undertake a renounceable non-underwritten rights issue of up to 209,755,647 ordinary shares at an issue price of $0.12 for each rights share on the basis of 1 rights share for every 2 existing ordinary shares. On 19 December 2016, the Company completed the renounceable non-underwritten rights issue. The Company issued and allotted 209,755,647 rights shares for a total consideration of $24,964,000, net of transaction costs of $207,000. The newly issued shares rank *pari passu* in all respects with the previously issued shares.

23. RESERVES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Accumulated profits	265,491	336,961	(12,011)	18,141
Foreign currency translation reserve	2,896	986	–	–
Hedging reserve	11	(482)	–	–
	268,398	337,465	(12,011)	18,141

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Hedging reserve

Hedging reserve records the portion of the fair value changes of derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be effective hedges.

24. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are set out below:

Group	2017 Before tax $'000	2017 Tax expense $'000	2017 Net of tax $'000	2016 Before tax $'000	2016 Tax expense $'000	2016 Net of tax $'000
Translation differences relating to financial statements of foreign subsidiaries	1,726	–	1,726	83	–	83
Share of other comprehensive income of joint ventures	306	–	306	188	–	188
Fair value changes to cash flow hedges	650	(157)	493	(254)	194	(60)
Remeasurement of defined benefit pension plans (Note 20)	189	–	189	(380)	–	(380)
	2,871	(157)	2,714	(363)	194	(169)

25. REVENUE

	Group 2017 $'000	Group 2016 $'000
Shipbuilding	143,450	189,174
Shiprepair and conversion	72,731	61,716
Shipchartering	104,270	85,956
Engineering – Engineered dredger products & dredgers	653	3,878
Engineering – Sales of components	21,157	23,715
	342,261	364,439

26. OTHER OPERATING INCOME

	Group 2017 $'000	Group 2016 $'000
Interest income from deposits and bank balances	80	43
Interest income from finance lease receivables	744	780
Insurance claims	2	139
Gain on disposal of assets classified as held for sale	55	–
Gain on disposal of property, plant and equipment	550	1,466
Rental income	3,264	2,449
Miscellaneous income	502	655
	5,197	5,532

27. FINANCE COSTS

	Group 2017 $'000	Group 2016 $'000
Interest expense on:		
- bank loans and notes	20,905	19,987
- finance lease	295	462
- trust receipts	3,171	3,035
- bank overdrafts	–	15
	24,371	23,499
Less:		
Interest expense capitalised in construction work-in-progress		
- bank loans	(107)	(836)
- trust receipts	(85)	(1,939)
Interest expense charged to cost of sales		
- bank loans	(1,813)	(539)
- trust receipts	(3,033)	(1,059)
	19,333	19,126

28. (LOSS)/PROFIT BEFORE TAX

	Group 2017 $'000	Group 2016 $'000
(Loss)/profit before tax is stated after charging:		
Allowance for impairment of doubtful receivables (net)	18,437	3,988
Bad debts written off	–	53
Amortisation of lease prepayments (Note 5)	312	355
Amortisation of intangible assets (Note 8)	816	829
Audit fees:		
- auditor of the Company	331	351
- overseas affiliates of the auditors of the Company	421	156
- other auditors	12	10
Non-audit fees payable to auditor of the Company	35	35
Depreciation of property, plant and equipment (Note 4)	64,011	56,561
Impairment loss on inventories (Note 10)	13,849	2,700
Impairment loss on investment in joint ventures (Note 7)	–	36
Impairment loss on property, plant and equipment (Note 4)	22,004	1,198
Property, plant and equipment written off	1	–
Employee benefits expense (Note 32)	35,947	42,643
Operating lease expenses (Note 31(c))	1,922	2,112
Loss on foreign exchange (net)	2,775	1,752

29. INCOME TAX (EXPENSE)/CREDIT

Major components of income tax (expense)/credit

The major components of income tax (expense)/credit for the financial years ended 30 June 2017 and 2016 are:

	Group 2017 $'000	Group 2016 $'000
Current income tax:		
Current income tax	(1,728)	(2,935)
(Under)/overprovision in respect of prior years	(1,786)	591
	(3,514)	(2,344)
Deferred tax:		
Movements in temporary differences	1,649	2,339
(Under)/overprovision in respect of prior years	(167)	428
	1,482	2,767
Total income tax (expense)/credit	(2,032)	423

	Group 2017 $'000	Group 2016 $'000
Relationship between tax expense and accounting profit		
(Loss)/profit before tax	(71,273)	520
Income tax using Singapore statutory tax rate of 17% (2016: 17%)	12,116	(88)
Adjustments:		
Expenses not deductible for tax purposes	(7,000)	(1,021)
Income not subject to tax	90	239
Partial tax exemption	100	47
Tax effect of expenses exempted from tax	(3,224)	(786)
Effect of different tax rates in foreign countries	(606)	(940)
Deferred tax assets not recognised	(1,282)	(1,011)
Utilisation of deferred tax asset previously not recognised	1,630	4,393
Share of results of joint ventures and associates	(985)	(553)
(Under)/overprovision in respect of prior years	(1,953)	1,019
Losses not available for carry forward	(1,073)	(981)
Others	155	105
	(2,032)	423

29. INCOME TAX (EXPENSE)/CREDIT (CONT'D)

The Company and certain Singapore incorporated subsidiaries are granted the "Approved International Shipping Enterprise" incentive by the Maritime Port Authority, under which income from qualifying shipping operations is exempt from tax for a period of 10 years commencing 1 January 2004 under the Singapore Income Tax Act. On 1 January 2014, the extension of the scheme for another 10 years was approved by Maritime Port of Authority, subject to a review of performance at the end of 2018.

Unabsorbed tax losses

At the end of the reporting period, the Group has tax losses of approximately $4,209,000 (2016: $6,256,000) that are available for offset against future taxable profits of the relevant subsidiary in which the losses arose, for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation of the respective country in which the subsidiary operates. The unabsorbed tax losses brought forward have been restated to comply with the tax returns filed in the current financial year with the relevant tax authorities.

Tax consequences of proposed dividends

There were no income tax consequences attached to the proposed dividends of the Company in the previous financial year (Note 38).

30. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing (loss)/profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing (loss)/profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

30. EARNINGS PER SHARE (CONT'D)

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the financial years ended 30 June:

	Group	
	2017	2016
	$'000	$'000
Basic earnings per share is based on:		
(i) (Loss)/profit for the year attributable to owners of the Company	(71,659)	1,985
	No. of shares	No. of Shares (restated)*
(ii) Weighted average number of ordinary shares in issue during the financial year applicable to basic and diluted earnings per share	533,143,572	424,091,329

Treasury shares have not been included in the calculation of both basic and diluted earnings per share because the holders of these treasury shares are not entitled to dividend of the Company.

* On 19 December 2016, the Company completed a renounceable non-underwritten rights issue (Note 22). The weighted average number of shares as at 2016 has been restated to reflect the rights issue.

31. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital expenditure contracted for as at end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2017	2016
	$'000	$'000
Purchase of:		
Tugs and other vessels	–	2,163

31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(b) Operating lease commitments – As lessor

The Group entered into operating leases on its fleet of vessels. As at 30 June 2017, these non-cancellable leases have remaining lease terms ranging from 7 months to 9 years (2016: 1 month to 10 years).

Future minimum lease payments receivable under non-cancellable operating leases as at 30 June are as follows:

	Group	
	2017	2016
	$'000	$'000
Not later than one year	38,705	39,373
Later than one year but not later than five years	89,213	82,663
Later than five years	10,360	17,460
	138,278	139,496

(c) Operating lease commitments – As lessee

In addition to the land use rights disclosed in Note 5, the Group has entered into commercial leases on its office premises, yard space, office equipment and motor vehicles. There are no restrictions placed upon the Group by entering into these leases. Two of the leases which are located in Singapore include a clause to enable upward revision of the annual rental charged based on prevailing market conditions, however, not exceeding 5.5% of the annual rent for each immediately preceding year. Operating lease expenses, excluding amortisation of land use rights recognised in the Group's consolidated income statement during the year amounted to $1,922,270 (2016: $2,112,000) (Note 28).

Future minimum lease payments payable under non-cancellable operating leases (excluding land use rights) as at 30 June are as follows:

	Group	
	2017	2016
	$'000	$'000
Not later than one year	1,709	1,826
Later than one year but not later than five years	5,508	5,666
Later than five years	4,198	6,090
	11,415	13,582

31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(d) Finance lease commitments – As lessee

The Group has entered into leases for vessels, motor vehicles and plant and machinery. These leases are classified as finance leases with expiration over the next 5 years (2016: 5 years). Under the terms of the finance lease arrangements, no contingent rents are payable. The average effective interest rate implicit in the leases is 3.31% (2016: 2.76%) per annum for the Group.

Future minimum lease payments under finance leases (Note 19) together with the present value of the net minimum lease payments are as follows:

	Group			
	2017		2016	
	Minimum lease payments $'000	Present value of payments $'000	Minimum lease payments $'000	Present value of payments $'000
Not later than one year	3,836	3,685	6,046	5,812
Later than one year but not later than five years	3,154	3,023	5,479	5,319
Total minimum lease payments	6,990	6,708	11,525	11,131
Less: Amounts representing finance charges	(282)	–	(394)	–
Present value of minimum lease payments	6,708	6,708	11,131	11,131

(e) Contingent liabilities

Corporate guarantees (unsecured)

The Company has given the following corporate guarantees in respect of banking facilities utilised as at 30 June:

	Company	
	2017 $'000	2016 $'000
Subsidiaries	465,135	675,701

The Company has agreed to provide continuing financial support to certain subsidiary companies.

32. EMPLOYEE BENEFITS

	Group	
	2017	2016
	$'000	$'000
Employee benefits expense (including Executive Directors)		
Salaries and bonuses	32,580	37,176
Employer's contribution to defined contribution plans, including Central Provident Fund contributions	1,564	2,613
Expenses from defined benefits plan (Note 20)	113	235
Termination benefits	516	1,193
Other staff benefits	1,174	1,426
	35,947	42,643

ASL Employee Share Option Scheme 2012 (the "2012 Scheme")

The 2012 Scheme was approved and adopted by the shareholders of the Company at an Extraordinary General Meeting held on 25 October 2012. Details of the 2012 Scheme are set out in the Circular dated 8 October 2012. The 2012 Scheme is administered by the Remuneration Committee (the "RC") of the Company comprising three Independent Directors, Tan Sek Khee (Chairman), Christopher Chong Meng Tak and Andre Yeap Poh Leong.

Other information regarding the 2012 Scheme is set out below:

(i) Exercise Price

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

(a) the Market Price; or

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

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

32. EMPLOYEE BENEFITS (CONT'D)

ASL Employee Share Option Scheme 2012 (the "2012 Scheme") (cont'd)

(ii) Option Exercise Period

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

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

There are no options granted under the 2012 Scheme.

33. RELATED PARTY DISCLOSURES

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions were entered by the Group and its related parties on terms agreed between the parties during the financial year:

	Group	
	2017	**2016**
	$'000	**$'000**
Joint ventures and associates		
Sales of equipment	2,279	–
Rental income	2,398	1,580
Purchase of galvanising services	(125)	(209)
Shiprepair income	770	529
Charter and trade expenses	(2,940)	(1,227)
Miscellaneous income	33	26
Sales proceeds on disposal of property, plant and equipment	–	589
Shipcharter income	3,522	20

33. RELATED PARTY DISCLOSURES (CONT'D)

(a) Sale and purchase of goods and services (cont'd)

	Group	
	2017	**2016**
	$'000	**$'000**
Companies/firms related to directors		
Consultancy fees	(372)	(372)
Shipcharter income	1,118	3,987
Charter and trade expenses	(6,402)	(400)
Trade sales income	20	71
Dredging and dumping expenses	(357)	–
Hire of equipment	(8)	–
Purchase of vessels	–	(20)
Engineering income	1,240	1,724
Sales proceeds on disposal of property, plant and equipment	–	2,200
Rental income	1,703	1,331

	Company	
	2017	**2016**
	$'000	**$'000**
Subsidiaries		
Interest income	7,791	7,259
Dividend income	6,000	2,200

Companies/firms related to directors:

One of the Directors of the Company has deemed equity interest of 53.68% (2016: 53.68%) in Koon Holdings Limited. Koon Holdings Limited and its subsidiaries ("Koon Group") are in the business of providing infrastructure and civil engineering services, specialising in reclamation and shore protection works. Transactions entered by the Group with Koon include provision of ship chartering services, trade sales income, rental income, charter and trade expenses, and consultancy fees.

Outstanding balances due from/to related parties at the end of the reporting period are disclosed in Note 12 and Note 16 to the financial statements.

33. RELATED PARTY DISCLOSURES (CONT'D)

(b) Compensation of key management personnel

	Group 2017 $'000	Group 2016 $'000
Short-term employee benefits	3,044	3,453
Central Provident Fund contributions	93	117
Other long-term benefits	312	293
Total compensation paid to key management personnel	3,449	3,863
Comprise amounts paid to:		
- Directors of the Group	2,080	2,205
- Other key management personnel	1,369	1,658
	3,449	3,863

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Directors are considered key management personnel of the Group.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risk includes market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk arising from its business activities. The Group's overall risk management strategy seeks to minimise the potential material adverse effects from these exposures. The Group uses financial instruments such as interest rate swaps and forward currency contracts to hedge certain financial risk exposures. It is the Group's policy that no trading in derivative financial instruments shall be undertaken. Exposure to foreign currency risks is also hedged naturally where possible.

The Group's policy on financial authority limit seeks to mitigate risks by setting out the threshold of approvals required for entry into contractual obligations and investments.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk management is carried out under policies approved by the Board. The Board reviews and approves policies for managing each of these risks and they are summarised below.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposures to interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities, which includes bank balances and borrowings with financial institutions. The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and floating rate borrowings as well as long and short-term borrowings.

The Group seeks to minimise its exposure to interest rate fluctuations through the use of interest rate swaps, where appropriate, over the duration of its borrowings. The Group classifies these interest rate swaps as cash flow hedges. The details of the interest rates relating to interest earning financial assets and interest bearing financial liabilities are disclosed in various notes to the financial statements.

Sensitivity analysis

For the Group's and Company's borrowings at variable rates on which effective hedges have not been entered into, an increase of 0.5% (2016: 0.5%) in interest rate at 30 June would increase loss (2016: profit) before tax by the amounts shown below. A decrease of 0.5% (2016: 0.5%) in interest rate at 30 June would have an equal but opposite effect. The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Group		Company	
	2017	2016	2017	2016
	Loss before tax $'000	Profit before tax $'000	Loss before tax $'000	Profit before tax $'000
Floating rate instruments	1,615	1,752	289	–

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily United States Dollar ("USD"), Euro ("EUR"), Indonesia Rupiah ("IDR"), and Chinese Renminbi ("RMB"). The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group and the Company also hold cash and bank balances denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD, EUR, IDR and RMB.

Such risks are hedged either by forward foreign exchange contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including People's Republic of China (PRC), Indonesia and Netherlands.

Sensitivity analysis

The following table demonstrates the sensitivity of the Group's and Company's profit before tax to a reasonably possible change in the USD, EUR, IDR and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

A 5% strengthening of the following foreign currencies against Singapore Dollar at 30 June would increase/(decrease) loss/profit before tax by the amounts shown below. A 5% weakening of the following foreign currencies against Singapore Dollar at 30 June would have the equal but opposite effect.

	Group		Company	
	2017	2016	2017	2016
	Loss before tax $'000	Profit before tax $'000	Loss before tax $'000	Profit before tax $'000
USD	(3,481)	(4,322)	141	137
EUR	(470)	(778)	(151)	(2)
IDR	(1,531)	(1,032)	–	–
RMB	(24)	(7)	–	–

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group manages its exposure to credit risk arising from sales to trade customers through credit evaluation, credit limits and debt monitoring procedures on an on-going basis. Where appropriate, the Group obtains guarantees from the customers or arrange netting agreements. Cash terms, advance payments or letters of credit are required for customers of lower credit standing.

The Group's major classes of financial assets are cash at banks, fixed deposits, trade and other receivables and finance lease receivables. Cash at banks and fixed deposits are placed in banks and financial institutions with good credit rating.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. Where the Group is certain that no recovery of the amount owing is possible, the financial asset is considered irrecoverable and the amount charged to the impairment account is written off against the carrying amount of the impaired financial asset.

The ageing analysis of trade receivables and allowance for impairment of doubtful trade receivables is disclosed in Note 12.

The concentration of credit risk relating to trade receivables is limited as the Group provides services spanning a myriad of sectors and industries. The Group's historical experience in the collection of trade and other receivables falls within the recorded allowances.

At 30 June 2016 and 2017, the Group's and the Company's maximum exposure to credit risk is the carrying amount of each financial asset, including derivative financial instruments. Guarantees granted by the Company and certain subsidiaries to banks in respect of banking facilities are only given for companies within the Group. The maximum exposure to credit risk in respect of financial guarantees at the end of the reporting period is disclosed in Note 31(e).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the business activities and geographical areas profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's net trade receivables is as follows:

	Group	
	2017	2016
	$'000	$'000
By business activities		
Shipbuilding	12,898	28,560
Shiprepair	50,517	81,279
Shipchartering	24,226	42,073
Engineering	543	4,689
	88,184	156,601
By geographical areas		
Singapore	45,071	69,095
Indonesia	17,589	29,159
Rest of Asia	7,634	34,650
Europe	6,769	4,846
Australia	9,492	281
United States of America and other countries	1,629	18,570
	88,184	156,601

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its liquidity risk by maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations to meet its liabilities when due. The Group maintains flexibility in funding by keeping committed credit facilities available.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities based on undiscounted repayment obligations.

	Carrying amounts $'000	Contractual Cash Flows Total $'000	Within 1 year $'000	Between 1 and 5 years $'000	After 5 years $'000
Group					
2017					
Derivative financial instruments					
Derivative financial assets	15				
- inflow		(122)	(95)	(27)	–
- outflow		–	–	–	–
Derivative financial liabilities	–				
- outflow		–	–	–	–
Non-derivative financial instruments					
Trade and other receivables	181,158	181,158	181,158	–	–
Finance lease receivables	9,866	13,386	1,681	6,199	5,506
Cash and bank balances	36,141	36,141	36,141	–	–
Trade and other payables	(164,253)	(164,253)	(164,253)	–	–
Trust receipts	(20,515)	(20,611)	(20,611)	–	–
Interest-bearing loans and borrowings	(528,984)	(582,831)	(237,098)	(332,045)	(13,688)
	(486,572)	(537,132)	(203,077)	(325,873)	(8,182)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

		Contractual Cash Flows			
	Carrying amounts $'000	Total $'000	Within 1 year $'000	Between 1 and 5 years $'000	After 5 years $'000
Group					
2016					
Derivative financial instruments					
Derivative financial assets	313				
- inflow		20,729	20,729	–	–
- outflow		(20,381)	(20,381)	–	–
Derivative financial liabilities	(897)				
- outflow		(1,251)	(1,251)	–	–
Non-derivative financial instruments					
Trade and other receivables	241,325	241,325	241,325	–	–
Finance lease receivables	9,409	13,506	1,360	5,439	6,707
Cash and bank balances	24,710	24,710	24,710	–	–
Trade and other payables	(207,039)	(207,039)	(207,039)	–	–
Trust receipts	(72,196)	(72,527)	(72,527)	–	–
Interest-bearing loans and borrowings	(519,990)	(544,714)	(303,969)	(238,950)	(1,795)
	(524,365)	(545,642)	(317,043)	(233,511)	4,912

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Company			
	Within 1 year $'000	Between 1 and 5 years $'000	After 5 years $'000	Total $'000
2017				
Corporate guarantees on subsidiaries	276,765	175,442	12,928	465,135
2016				
Corporate guarantees on subsidiaries	431,171	244,530	–	675,701

		Contractual Cash Flows			
	Carrying amounts $'000	Total $'000	Within 1 year $'000	Between 1 and 5 years $'000	After 5 years $'000
Company					
2017					
Non-derivative financial instruments					
Trade and other receivables	368,042	368,042	368,042	–	–
Cash and bank balances	1,504	1,504	1,504	–	–
Trade and other payables	(108,249)	(108,249)	(108,249)	–	–
Interest-bearing loans and borrowings	(207,795)	(241,715)	(79,363)	(162,352)	–
	53,502	19,582	181,934	(162,352)	–

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

		Contractual Cash Flows			
	Carrying amounts $'000	Total $'000	Within 1 year $'000	Between 1 and 5 years $'000	After 5 years $'000
Company					
2016					
Non-derivative financial instruments					
Trade and other receivables	269,780	278,587	278,587	–	–
Cash and bank balances	290	290	290	–	–
Trade and other payables	(90,987)	(90,987)	(90,987)	–	–
Interest-bearing loans and borrowings	(150,000)	(159,558)	(106,202)	(53,356)	–
	29,083	28,332	81,688	(53,356)	–

35. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in objectives, policies or processes during the financial years ended 30 June 2017 and 2016.

	Group	
	2017	**2016**
	$'000	**$'000**
Net (loss)/profit attributable to owners of the Company	(71,659)	1,985
Equity attributable to the owners of the Company	375,531	419,634
Return on shareholders' funds	(19.08%)	0.47%
Interest-bearing loans and borrowings (Note 19)	528,984	519,990
Trust receipts (Note 18)	20,515	72,196
Less: Cash and bank balances (Note 14)	(36,141)	(24,710)
Net borrowings	513,358	567,476
Net gearing ratio (times)	1.37	1.35

The return on shareholders' funds is calculated based on net (loss)/profit attributable to owners of the Company divided by shareholders' funds as at the end of the reporting period.

The net gearing (times) ratio is calculated based on net borrowings divided by shareholders' funds. Net borrowings is the sum of total interest-bearing loans and borrowings (Note 19), trust receipts (Note 18), less cash and bank balances (Note 14).

Other than disclosed in Note 2.1, the Group and the Company are in compliance with all externally imposed financial covenant requirements for the financial years ended 30 June 2017 and 2016.

36. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value that is dependent on the valuation inputs used as follows:

Level 1: Quoted prices (unadjusted) in active markets of identical assets or liabilities that the Group can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2017 $'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets				
Derivatives				
- Interest rate swap (Note 13)	–	15	–	15
Financial assets as at 30 June 2017	–	15	–	15

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value (cont'd)

	Group 2016 $'000 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets				
Derivatives				
- Forward currency contracts (Note 13)	–	313	–	313
Assets classified as held for sale	–	–	3,708	3,708
Financial assets as at 30 June 2016	–	313	3,708	4,021
Financial liabilities				
Derivatives				
- Interest rate swap (Note 13)	–	(897)	–	(897)
Financial liabilities as at 30 June 2016	–	(897)	–	(897)

There have been no transfers between Level 1, Level 2 and Level 3 during 2017 and 2016.

Level 2 fair value measurements

Valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy are as follows:

Derivatives

Forward currency contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value (cont'd)

Level 3 fair value measurements

In the previous financial year, assets classified as held for sale comprised vessels with an aggregate carrying value of $3,708,000. Vessels amounting to $580,000 were disposed in the current financial year, resulting in a gain on disposal which has been included as part of "other operating income" in the consolidated income statement for the financial year ended 30 June 2017. The fair value was determined based on memorandum of agreements. As there were changes to the plan of sale, the remaining vessel has been transferred to construction work-in-progress for additional modifications.

Valuation policies and procedures

The Group's Financial Controller who is assisted by the finance manager (collectively referred to as the "Finance Team"), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Finance Team reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of inputs (including those developed internally by the Group) used in the valuations.

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The Group's financial assets and liabilities include cash and bank balances, trade and other receivables, trade and other payables, trust receipts, floating rate loans and current portion of fixed rate loans. The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, because these are short-term in nature or that they are floating rate instruments that are repriced to market interest rates on or near to the end of the reporting period.

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group			
	Carrying amount		Fair value	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial liabilities				
Finance lease liabilities				
(Non-current) (Note 19)	3,023	5,319	2,766	4,838
Fixed rate loans				
(Non-current) (Note 19)	186,383	100,537	178,326	90,123

	Company			
	Carrying amount		Fair value	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial liabilities				
Fixed rate loans				
(Non-current) (Note 19)	142,500	50,000	137,438	45,351

These financial assets and financial liabilities are categorised within Level 3 of the fair value hierarchy.

Determination of fair value

The fair values of finance lease liabilities and interest-bearing loans and borrowings with fixed interest rates are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

37. SEGMENT REPORTING

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segments

Management monitors the operating results of its business segments separately for purpose of making decisions about resource allocation and performance assessment. The Group has the following five main business segments:

Shipbuilding	:	Construction of vessels
Shiprepair and conversion	:	Provision of shiprepair and related services
Shipchartering	:	Provision for chartering of vessels and transportation services
Engineering	:	Provision of dredging engineering products and services
Investment holding	:	Provision of corporate and treasury services to the Group

Geographical segments

The Group operates in Singapore, Indonesia, Rest of Asia, Europe, United States of America and other countries. In presenting information on the basis of geographical segments, segment revenue is based on the countries in which customers are invoiced.

Non-current assets are based on the geographical location of the entities.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

37. SEGMENT REPORTING (CONT'D)

(i) Business segments

	Shipbuilding $'000	Shiprepair and conversion $'000	Ship-chartering $'000	Engineering $'000	Investment holding $'000	Eliminations $'000	Consolidated $'000	Note
Revenue and expenses								
2017								
Revenue from external customers	143,450	72,731	104,270	21,810	–	–	342,261	
Inter-segment revenue	207,641	54,813	38,039	46	6,000	(306,539)	–	A
Total revenue	351,091	127,544	142,309	21,856	6,000	(306,539)	342,261	
Segment results	(23,904)	7,547	(20,455)	(1,504)	(21,566)	13,737	(46,145)	
Finance costs							(19,333)	
Share of results of joint ventures and associates							(5,795)	
Income tax expense							(2,032)	
Loss for the year							(73,305)	

37. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

	Shipbuilding $'000	Shiprepair and conversion $'000	Ship-chartering $'000	Engineering $'000	Investment holding $'000	Eliminations $'000	Consolidated $'000	Note
Revenue and expenses								
2016								
Revenue from external customers	189,174	61,716	85,956	27,593	–	–	364,439	
Inter-segment revenue	141,497	36,496	35,702	3	2,200	(215,898)	–	A
Total revenue	330,671	98,212	121,658	27,596	2,200	(215,898)	364,439	
Segment results	13,192	16,132	(1,430)	(809)	8,868	(13,054)	22,899	
Finance costs							(19,126)	
Share of results of joint ventures and associates							(3,253)	
Income tax credit							423	
Profit for the year							943	

37. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

	Shipbuilding $'000	Shiprepair and conversion $'000	Ship-chartering $'000	Engineering $'000	Investment holding $'000	Eliminations $'000	Consolidated $'000	Note
Assets and liabilities								
2017								
Segment assets	284,467	149,611	670,081	25,913	5,932	–	1,136,004	
Unallocated assets							9,008	B
Total assets							1,145,012	
Segment liabilities	75,422	49,636	59,090	8,886	3,353	–	196,387	
Unallocated liabilities							569,847	C
Total liabilities							766,234	
2016								
Segment assets	511,817	150,985	566,881	27,856	3,408	–	1,260,947	
Unallocated assets							14,726	B
Total assets							1,275,673	
Segment liabilities	119,058	48,788	57,740	12,552	2,318	–	240,456	
Unallocated liabilities							610,812	C
Total liabilities							851,268	

37. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

Note A Inter-segment revenues are eliminated on consolidation.

Note B The following unallocated assets are added to segment asset to arrive at total assets reported in the statement of financial position:

	Group 2017 $'000	Group 2016 $'000
Investment in joint ventures and associates	9,008	14,726

Note C The following unallocated liabilities are added to segment liabilities to arrive at total liabilities reported in the statement of financial position:

	Group 2017 $'000	Group 2016 $'000
Interest bearing loans and borrowings		
- Current	215,233	290,724
- Non-current	313,751	229,266
Trust receipts	20,515	72,196
Income tax payables	5,779	2,810
Deferred tax liabilities	14,569	15,816
	569,847	610,812

37. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

	Shipbuilding $'000	Shiprepair and conversion $'000	Ship-chartering $'000	Engineering $'000	Investment holding $'000	Consolidated $'000
Other segmental information						
2017						
Capital expenditure	6,940	784	81,889	237	–	89,850
Depreciation and amortisation	17,108	8,187	38,719	1,125	–	65,139
Other non-cash expenses	15,882	3,160	(78)	1,243	–	20,207
Impairment of property, plant and equipment	–	–	22,004	–	–	22,004
Impairment of inventories	13,849	–	–	–	–	13,849
2016						
Capital expenditure	25,976	873	72,017	97	–	98,963
Depreciation and amortisation	17,466	5,390	33,783	1,106	–	57,745
Other non-cash expenses	2,774	(1,405)	2,780	1,983	–	6,132
Impairment of property, plant and equipment	–	–	1,198	–	–	1,198
Impairment of inventories	2,700	–	–	–	–	2,700

Major customers [1]

Revenue from two external customers amount to $125,952,000 (2016: three external customers amounted to $136,715,000), mainly arising from shipbuilding and shipchartering segments.

[1] Customers who contributed more than 10% of the revenue of the Group. A group of entities known to a reporting entity to be under common control shall be considered as single customer.

37. SEGMENT REPORTING (CONT'D)

(ii) Geographical segments

	Singapore $'000	Indonesia $'000	Rest of Asia $'000	Europe $'000	United States of America and other countries $'000	Consolidated $'000
2017						
Revenue from external customers	128,895	34,355	27,044	40,174	111,793	342,261
Non-current assets	410,618	195,717	28,692	18,341	–	653,368
2016						
Revenue from external customers	140,673	29,396	13,564	81,561	99,245	364,439
Non-current assets	418,755	202,666	10,291	18,374	–	650,086

Non-current assets relate to property, plant and equipment, lease prepayments, investment in joint ventures and associates, and intangible assets.

Non-current assets are based on the geographical location of the entities.

38. DIVIDENDS

	Group and Company	
	2017	2016
	$'000	$'000
Declared and paid during the year:		
Dividends on ordinary shares:		
- Final one-tier tax-exempt dividend for 2016: Nil cents (2015: 0.40 cents) per share	–	1,678

39. EVENTS AFTER THE BALANCE SHEET DATE

On 9 September 2017, the Company announced that a fire took place in the Group's shipyard in Batam on 7 September 2017. Initial investigations confirm that the incident occurred on board a tanker that was being repaired. Investigations by the relevant authorities are ongoing. At the date of this report, there has yet to be a claim against the Group relating to this incident. The financial impact of this incident cannot be ascertained at this juncture.

40. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 5 October 2017.

ANALYSIS OF SHAREHOLDINGS

As at 18 September 2017

Class of equity securities	:	Ordinary share
No. of treasury shares	:	2,511,600
No. of Subsidiary Holdings Held	:	Nil
Voting rights	:	On a show of hands: one vote for each member On a poll: one vote for each ordinary share Treasury shares held by the Company will have no voting rights

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	78	2.43	770	0.00
100 – 1,000	131	4.08	64,848	0.01
1,001 - 10,000	1,213	37.79	6,504,085	1.03
10,001 - 1,000,000	1,761	54.86	84,137,557	13.32
1,000,001 and above	27	0.84	541,071,281	85.64
	3,210	100.00	631,778,541	100.00

TOP 20 SHAREHOLDERS LIST

S/No.	Name	No. of Shares	%[1]
1	Ang Kok Tian	88,162,800	14.01
2	Ang Kok Eng	73,799,100	11.73
3	Ang Kok Leong	72,841,500	11.58
4	Ang Sin Liu	58,633,350	9.32
5	Raffles Nominees (Pte) Ltd	55,509,113	8.82
6	CIMB Securities (S) Pte Ltd	52,762,087	8.38
7	Ang Ah Nui	30,660,000	4.87
8	Ang Swee Kuan	27,195,000	4.32
9	Citibank Nominees Singapore Pte Ltd	18,369,400	2.92
10	Maybank Kim Eng Securities Pte Ltd	13,972,850	2.22
11	United Overseas Bank Nominees Pte Ltd	11,168,161	1.77
12	DBS Nominees Pte Ltd	7,220,400	1.15
13	Ang Kong Meng	3,927,900	0.62
14	Toh Kim Bock C-E Contractor Pte Ltd	3,500,000	0.56
15	OCBC Nominees Singapore Pte Ltd	2,556,122	0.41
16	Ong Bee Dee	2,309,000	0.37
17	Ang Jui Khoon	2,292,750	0.36
18	Koo Choon Poi	2,000,000	0.32
19	Eastern Navigation Pte Ltd	1,997,200	0.32
20	Phillip Securities Pte Ltd	1,886,637	0.30
		530,763,370	84.35

ANALYSIS OF SHAREHOLDINGS

As at 18 September 2017

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company and to the best knowledge of the Company as at 18 September 2017, approximately 32.72% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**
Ang Kok Tian [2] [3] [4]	88,162,800	14.01	334,830,150	53.21
Ang Ah Nui [2] [3] [4]	30,660,000	4.87	392,332,950[5]	62.35
Ang Kok Eng [2] [3] [4]	73,799,100	11.73	349,193,850	55.49
Ang Kok Leong [2] [3] [4]	72,841,500	11.58	350,151,450	55.64
Ang Sin Liu [3] [4]	58,633,350	9.32	364,359,600[6]	57.90
Ang Swee Kuan [3] [4]	27,195,000	4.32	395,797,950	62.90
FMR LLC	-	-	54,372,313[7]	8.64

Notes

(1) The percentage is calculated based on 629,266,941 issued ordinary shares of the Company (excluding 2,511,600 ordinary shares held as treasury shares) as at 18 September 2017.

(2) Ang Kok Tian, Ang Ah Nui, Ang Kok Eng and Ang Kok Leong are brothers. Each of the brothers is deemed to have an interest in the shares held by the other.

(3) Ang Sin Liu is the father of Ang Kok Tian, Ang Ah Nui, Ang Kok Eng, Ang Kok Leong and Ang Swee Kuan. Each of them is deemed to have an interest in the shares held by the other.

(4) Ang Swee Kuan is the sister of Ang Kok Tian, Ang Ah Nui, Ang Kok Eng and Ang Kok Leong and the daughter of Ang Sin Liu. Each of them is deemed to have an interest in the shares held by the other.

(5) 62,431,800 shares are registered in the name of a nominee.

(6) 9,269,400 shares are registered in the name of a nominee.

(7) 54,372,313 shares are registered in the name of a nominee.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of the Company will be held at 19 Pandan Road, Singapore 609271 on Saturday, 28 October 2017 at 9.30 a.m. for the following purposes:

Ordinary Business

1 To receive and adopt the directors' statement and audited financial statements for the year ended 30 June 2017 and the auditors' report thereon. **Resolution 1**

2 To approve directors' fees of S$214,400 for the year ended 30 June 2017 (2016: S$214,400). **Resolution 2**

3 To re-elect Mr Ang Ah Nui, a director who will retire by rotation in accordance with Article 91 of the Company's Constitution and who, being eligible, will offer himself for re-election. Key information on Mr Ang is set out on page 21 of the Company's Annual Report 2017. **Resolution 3**

4 To re-elect Mr Tan Sek Khee, a director who will retire by rotation in accordance with Article 91 of the Company's Constitution and who, being eligible, will offer himself for re-election.

Note: Mr Tan, if re-elected as a director of the Company, will remain a member and the chairman of the remuneration committee, a member of the audit committee and a member of the nominating committee. Mr Tan is an independent director. Key information on Mr Tan is set out on page 23 of the Company's Annual Report 2017. **Resolution 4**

5 To re-appoint Ernst & Young LLP as auditors of the Company and to authorise the directors to fix their remuneration. **Resolution 5**

Special Business

To consider and, if thought fit, to pass with or without any modifications, the following resolutions as ordinary resolutions:

6 That pursuant to Section 161 of the Companies Act, Cap. 50 (the "Companies Act") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the directors of the Company to:

(a) allot and issue shares in the Company; and

(b) issue convertible securities and any shares in the Company arising from the conversion of such convertible securities, (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities to be issued pursuant to such authority shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, and for the purposes of this resolution and Rule 806(3) of the Listing Manual, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this resolution is passed (after adjusting for new shares arising from the conversion or exercise of any convertible securities or exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution approving the mandate, provided the options or awards were granted in compliance with the Listing Manual and any subsequent bonus issue, consolidation or subdivision of the Company's shares), and unless revoked or varied by the Company in general meeting, such authority conferred by this resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. **Resolution 6**

7 That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares each fully paid in the capital of the Company ("Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) transacted on the SGX-ST, through the SGX-ST's trading system and/or through one or more duly licensed dealers appointed by the Company for that purpose ("Market Purchases"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) under an equal access scheme in accordance with Section 76C of the Companies Act for the purchase or acquisition of Shares from shareholders ("Off-Market Purchases"),

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earlier of:

   (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;

   (ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by shareholders in general meeting; or

   (iii) the date on which the Company has purchased the maximum number of Shares mandated under the Share Purchase Mandate;

(c) in this resolution:

“Average Closing Price” means the average of the closing market prices of a Share over the five consecutive Market Days on which the Shares are transacted on the SGX-ST, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five Market Days period;

“date of the making of the offer” means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“Market Day” means a day on which the SGX-ST is open for trading in securities;

“Maximum Percentage” means that number of issued Shares representing 10% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company as at the date of the passing of this resolution; and

“Maximum Price” in relation to a Share to be purchased, means the purchase price to be paid for the Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

   (i) in the case of a Market Purchase, 105% of the Average Closing Price; and

   (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 110% of the Average Closing Price, and

(d) the directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution.

Resolution 7

8 That:

(a) approval be and is hereby given for the renewal of the mandate for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (within the meaning of the said Chapter 9) or any of them to enter into any of the transactions falling within the categories of Interested Person Transactions as set out in the Appendix to the Company's Annual Report 2017 dated 12 October 2017 (the "Appendix"), with any party who is of the class or classes of Interested Persons described in the Appendix, provided that such transactions are carried out on the normal course of business, at arm's length and on commercial terms and are in accordance with the procedures as set out in the Appendix (the "IPT Mandate");

(b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and

(c) the directors of the Company and/or any of them be and are hereby authorised to do all such acts and things (including, without limitation, executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this resolution.

Resolution 8

9 To transact such other business as can be transacted at an Annual General Meeting of the Company.

By Order of the Board

Ang Kok Tian
Chairman, Managing Director and Chief Executive Officer

Singapore
12 October 2017

Notes

1 (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2 A proxy need not be a member of the Company.

3 The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 19 Pandan Road, Singapore 609271 not less than 48 hours before the time appointed for holding the Annual General Meeting.

4 The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

Explanatory Notes

1 The ordinary resolution proposed in Resolution 6 above is to authorise the directors from the date of the above meeting until the date of the next Annual General Meeting to allot and issue shares and convertible securities in the Company. The aggregate number of shares and convertible securities which the directors may allot and issue under this resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this resolution is passed. For allotments and issues of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, at the time this resolution is passed.

2 The ordinary resolution proposed in Resolution 7 above is to authorise the directors from the date of the above meeting until the earliest of (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held, (ii) the date on which the authority conferred by this mandate is revoked or varied by shareholders in general meeting, or (iii) the date on which the Company has purchased the maximum number of shares mandated under this mandate, to purchase or otherwise acquire issued ordinary shares in the capital of the Company by way of Market Purchases or Off-Market Purchases of up to 10% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company. For more information on this resolution, please refer to the letter to shareholders dated 12 October 2017.

3 The ordinary resolution proposed in Resolution 8 above is to authorise the Interested Person Transactions as described in the Appendix to the Annual Report 2017 and recurring in the year and will empower the directors of the Company to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and/or representatives appointed for the meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the warranty.

ASL MARINE HOLDINGS LTD.
(Incorporated In The Republic Of Singapore)
Company Registration No. 200008542N

PROXY FORM

IMPORTANT
1 Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the meeting.
2 For CPF/SRS investors who have used their CPF/SRS monies to buy shares in ASL Marine Holdings Ltd., this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3 By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 October 2017.

I/We ______________________ (Name), NRIC/Passport/Co. Reg. No. ______________________

of ____

(Address) being a member/members of ASL Marine Holdings Ltd. (the "Company") hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Seventeenth Annual General Meeting (the "AGM") of the Company to be held at 19 Pandan Road, Singapore 609271 on Saturday, 28 October 2017 at 9.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion as he/they may on any other matter arising at the AGM.

Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (√) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

No.	Resolutions	No. of Votes "For"	No. of Votes "Against"
Ordinary Business			
1	To receive and adopt the directors' statement and audited financial statements		
2	To approve directors' fees		
3	To re-elect Mr Ang Ah Nui as director		
4	To re-elect Mr Tan Sek Khee as director		
5	To re-appoint Ernst & Young LLP as auditors and to authorise the directors to fix their remuneration		
Special Business			
6	To authorise the directors to allot and issue shares and convertible securities		
7	To renew the share purchase mandate		
8	To renew the shareholders' mandate for Interested Person Transactions		

Dated this _____ day of ______________ 2017

Total Number of Ordinary Shares Held

____
Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes

1 If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If the number of shares is not inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2 (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

3 A proxy need not be a member of the Company.

4 The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 19 Pandan Road, Singapore 609271 not less than forty-eight (48) hours before the time appointed for the meeting.

5 Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.

6 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of an officer or attorney duly authorised.

7 Where an instrument appointing a proxy or proxies is signed on behalf of a member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 179 of the Companies Act, Cap. 50.

9 The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as provided by The Central Depository (Pte) Limited to the Company.

ASL MARINE HOLDINGS LTD.
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