



ASL MARINE HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

Co. Reg. No. 200008542N

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board of Directors of ASL Marine Holdings Ltd. (the "**Company**") wishes to announce that its independent auditor, Ernst and Young LLP, has highlighted a material uncertainty related to going concern in respect of the ability of the Group and the Company to continue as going concerns in the Independent Auditor's Report on the financial statements of the Company and its subsidiaries for the financial year ended 30 June 2017 (the "**FY2017 Financial Statements**"). The audit opinion in the Independent Auditor's Report however remains unqualified.

A copy of the Independent Auditor's Report, together with an extract of the relevant note to the FY2017 Financial Statements, are attached to this announcement for reference.

The Independent Auditor's Report and the FY2017 Financial Statements will form part of the Company's Annual Report for FY2017 which has been released on SGXNET and will be despatched to its Shareholders in due course. Shareholders of the Company are advised to read this announcement in conjunction with the FY2017 Annual Report.

BY ORDER OF THE BOARD

Ang Kok Tian
Chairman, Managing Director and CEO

12 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.

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.

For the financial year ended 30 June 2017

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.

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.

For the financial year ended 30 June 2017

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.

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.

For the financial year ended 30 June 2017

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.

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.

For the financial year ended 30 June 2017

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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 <i>Disclosure Initiative</i>	1 January 2017
Amendments to FRS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Improvements to FRSs (December 2016)	
- Amendments to FRS 112: <i>Classifications of the Scope of the Standard</i>	1 January 2017
- Amendments to FRS 28: <i>Measuring an Associate of Joint Venture at fair value</i>	1 January 2018
Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018