



NAVIGATING
ANNUAL REPORT 2020
CHALLENGES



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PROXY FORM

CORPORATE PROFILE

ASL Marine Holdings Ltd. 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 four shipyards in Singapore and Indonesia (Batam), providing a comprehensive range of shipbuilding, shiprepair and conversion services spanning myriad sectors and industries. As at 30 June 2020, it has a vessel fleet of 232, providing shipchartering services to various industries, including marine infrastructure and construction, dredging, land reclamation and cargoes transportation. ASL Marine added 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.

FOUNDER'S MESSAGE



ANG SIN LIU
Founder and Advisor

DEAR SHAREHOLDERS,

COVID-19 has impacted our lives and affected businesses like ASL. As we adapt to these unprecedented times, we will continue to remain steadfast amidst the adversity and challenges faced, with resilience, unwavering commitment and focus.

I appreciate the faithful support from our staff, management, directors, business partners, banks and stakeholders throughout this period. Thank you for putting your trust in ASL's entire team. Together, we can get through this. Stay safe and keep well.

ANG SIN LIU
Founder and Advisor

CHAIRMAN'S MESSAGE



ANG KOK TIAN
*Chairman,
Managing Director
and CEO*

DEAR SHAREHOLDERS,

The COVID-19 pandemic has severely disrupted global economic activity, and led to both demand- and supply-side shocks to worldwide economy. As our businesses are primarily reliant on the market conditions in the infrastructure, shipbuilding and shiprepair, shipping and offshore & marine industries, the main macroeconomic variables we are sensitive to include global trade, oil price and infrastructure spending in Asia. The drop in global trade, the disruptions to global supply chains, the flight to safety in financial markets and the reduction in consumer and business confidence are all expected to take their toll on future economic activity.

The Group registered a decline of 22.1% in total revenue to \$243.6 million in FY2020 as the business environment remained tough during the financial year and impacted the three core business segments of the Group, namely shipbuilding, shiprepair, conversion & engineering services, and shipchartering. The three segments recorded relatively lower revenue for FY2020. The gross

profit of the Group declined 11.8% to \$12.7 million in FY2020 from \$14.4 million in the corresponding year ended 30 June 2019 ("FY2019") while gross profit margin increased marginally from 4.6% to 5.2% in FY2020. Due to the outbreak of COVID-19 pandemic, an exceptional gross loss was recorded in 4Q FY2020. This was mainly attributed to negative contribution derived from its shipchartering segment where several of its key local infrastructure projects were temporary suspended. A net loss of \$18.4 million was recorded by the Group in FY2020, which included impairment losses on financial and non-financial assets amounting to \$18.9 million. Despite being a challenging year, the Group recorded earnings before interests, tax, depreciation, amortization, impairments and other non-cashflow items of \$69.0 million in FY2020, increased by \$17.5 million (33.8%) as compared in FY2019. The Group continues to generate positive cash flow from its operating activities with focused management efforts in trade debt collection, tightening cost control and streamlining work processes.



While it is difficult to prognosticate when normality will return or when we will adjust to a new normal. The management, with the support of various stakeholders, will continue to navigate and manage foreseeable risks and long-run disruptions that the current political, social, and economic environment presents.



A REVIEW OF BUSINESS SEGMENTS

Shipbuilding

The low level of exploration, development and production activities in the oil and gas industry continued to result in low utilization of offshore support vessels (“OSVs”), and hence low shipbuilding demand for such vessels. Due to lower order book in the financial year, revenue from shipbuilding operations declined by 42.7% to \$36.3 million in FY2020. New shipbuilding remained subdued in the industry, however owing to our capability and track record in building non-OSV vessels such as tugs and barges, the Group delivered a total of twenty-three barges in FY2020. The market has been highly competitive, which weighed on margins.

As at 30 June 2020, the Group had an outstanding shipbuilding order book from external customers of approximately \$28.0 million with progressive deliveries up to 3Q FY2021. We continue to focus on securing orders for smaller and standardized vessels like tugs, barges, bunkering tankers and dredgers which have shorter delivery cycles and are less capital intensive and to exercise caution with our selection of customers based on their creditworthiness.

Shiprepair, conversion and engineering services

Our shipyard facilities and resources, strong capabilities, track record and stable client network in the shiprepair and conversion business offers us

a silver lining in a difficult business environment. We have increased our drydocking capacity in terms of servicing of mid-size range of vessels in Singapore by an addition of a medium sized floating dock in 3Q FY2020. Revenue of shiprepair, conversion and engineering services decreased by \$28.9 million (27.8%) from FY2019, to \$75.0 million in FY2020 partly due to fewer shiprepair jobs undertaken in 4Q FY2020 as a result of the COVID-19 pandemic. There were delay/cancellation in confirmation of shiprepair job orders and suspension of ongoing projects as a result of travel restrictions imposed on owners’ representatives and shipyard technicians. The movement restrictions arose from COVID-19 pandemic in 4Q FY2020 which curtailed the availability of local workers on jobs as well.

Our engineering segment (VOSTA LMG) engages primarily in the land reclamation, dredging and marine infrastructure industry. The engineering services recorded a gross loss of \$0.9m in FY2020 owing to nominal sales generated in 4Q FY2020 due to delayed delivery and production stoppages as a result of COVID-19 pandemic, insufficient to cover its fixed operating costs. Excluding the gross loss of the engineering services, the Group’s shiprepair gross profit and gross profit margin would have been \$6.6 million and 9.4% in FY2020.

Although competitive pricing in a weak market lowered gross margin, we expect this segment to be able to contribute a healthy level of gross profit in post-COVID-19 period. The Group currently adopted the strategy to train direct employed

CHAIRMAN'S MESSAGE

workers for specialized work, thus reducing part of its reliance on subcontractors, and strengthening our skills competency and efficiency. The Group will continue to improve its operational efficiency, tighten cost control to ensure our competitiveness.

Shipchartering

Our chartering fleet were mainly deployed in infrastructure projects in Bangladesh, Indonesia and Singapore. These tugs and barges contributed to the majority of our shipchartering revenue, which decreased by 9.1% to \$132.4 million in FY2020, compared to that of FY2019. Certain of the key marine transportation for local infrastructure projects were affected by temporary suspension consequent to the movements restriction on personnel performing infrastructure works during the Circuit Breaker Period in Singapore. Moreover, there were other smaller charters having sought to declare force majeure. These factors weighed on the gross profit of the shipchartering business.

Approximately 18% of shipchartering revenue in FY2020 was attributed to long-term chartering contracts (meaning contracts with a duration of more than one year). As at 30 June 2020, the Group had an outstanding shipchartering order book of approximately \$49.0 million with respect to long-term contracts.

The diversified vessel types in our fleet are expected to lend support to our chartering business in view of the steady demand from marine infrastructure projects in South Asia, South East Asia and Singapore. The Group expects continued pressure on charter rates due to market competition and COVID-19 situation. The management will continue to focus on increasing utilisation of its fleet, widening geographical coverage, raising operational efficiency and limiting capital expenditure.

OUTLOOK AND STRATEGIES

While it is difficult to prognosticate when normality will return or when we will adjust to a new normal. The management, with the support of various stakeholders, will continue to navigate and manage foreseeable risks and long-run disruptions that the current political, social, and economic environment presents.

The Group embarked on a comprehensive refinancing exercise in FY2019. With the support of the Group's Lenders, Noteholders and the Shareholders, the Group was able to successfully complete the consent solicitation exercise ("CSE") in January 2019 and re-profiled its existing term loans. The Principal Lenders have provided further support to the Group with additional revolving project financing facilities with trade lines of up to S\$114.0 million. These facilities were activated in August 2019 and have since been progressively drawn down, which provides a strong base in sustaining the businesses of the Group.

The management will continue to focus on its main core business, improve its cost competitiveness and strengthen its revenue base with focus on positive cash flow contribution. Barring any unforeseen circumstances, due to the COVID-19 pandemic and slower orderbook growth, the Group expects a pick up of momentum of business in 2H FY2021 (January 2021 to June 2021).

APPRECIATION

COVID19 has brought a lot of uncertainties and in times like this, I would like to express my sincere gratitude to our shareholders, noteholders, bankers, business partners, staff and management for your continual trust and support, and thank our Board of Directors for their valuable advice. Over the past few years, we conquered one challenge after another, we survived, and ASL's core assets, capabilities and reputation remain intact. Our mission does not stop at just survival. We will always do more, and I have faith that when the market eventually recovers, we will have a chance to thrive, again.

ANG KOK TIAN

Chairman, Managing Director and CEO

BUSINESS OVERVIEW

SHIPYARD DIVISION



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 four shipyards, with three in Indonesia (Batam) and one in Singapore, on a combined land areas of approximately 77 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, ASD Tug, Terminal Escort Tug, pollution control vessels, tanker, and barges.



Shiprepair, Conversion and Engineering Services

The Group provides a comprehensive range of repair and conversion services in its shipyards. The shipyard in Batam is situated on a fully developed land parcel of 46 hectares, with a berthing space of 4,000 metres, 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 scope of shiprepair and ship conversion services to customers all over the world. The 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. Our customers are mainly from Singapore, Indonesia, Malaysia, Australia and Europe. Approximately 56% of the customers are our regular group of customers that have had a business relationship with the Group for a few years.

BUSINESS OVERVIEW

Shiprepair, Conversion and Engineering Services (Cont'd)



VOSTA LMG is an established market leader in dredging technology, product development, engineering and contracting, dedicated to serving the worldwide dredging industry. In addition to designing and building complete dredgers, VOSTA LMG is specialized in developing and manufacturing dredging components as well as providing complete dredging engineering solutions. VOSTA LMG's global presence and 140-year history confirm the company's position as a dedicated supplier of dredging equipment.





Shipchartering

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

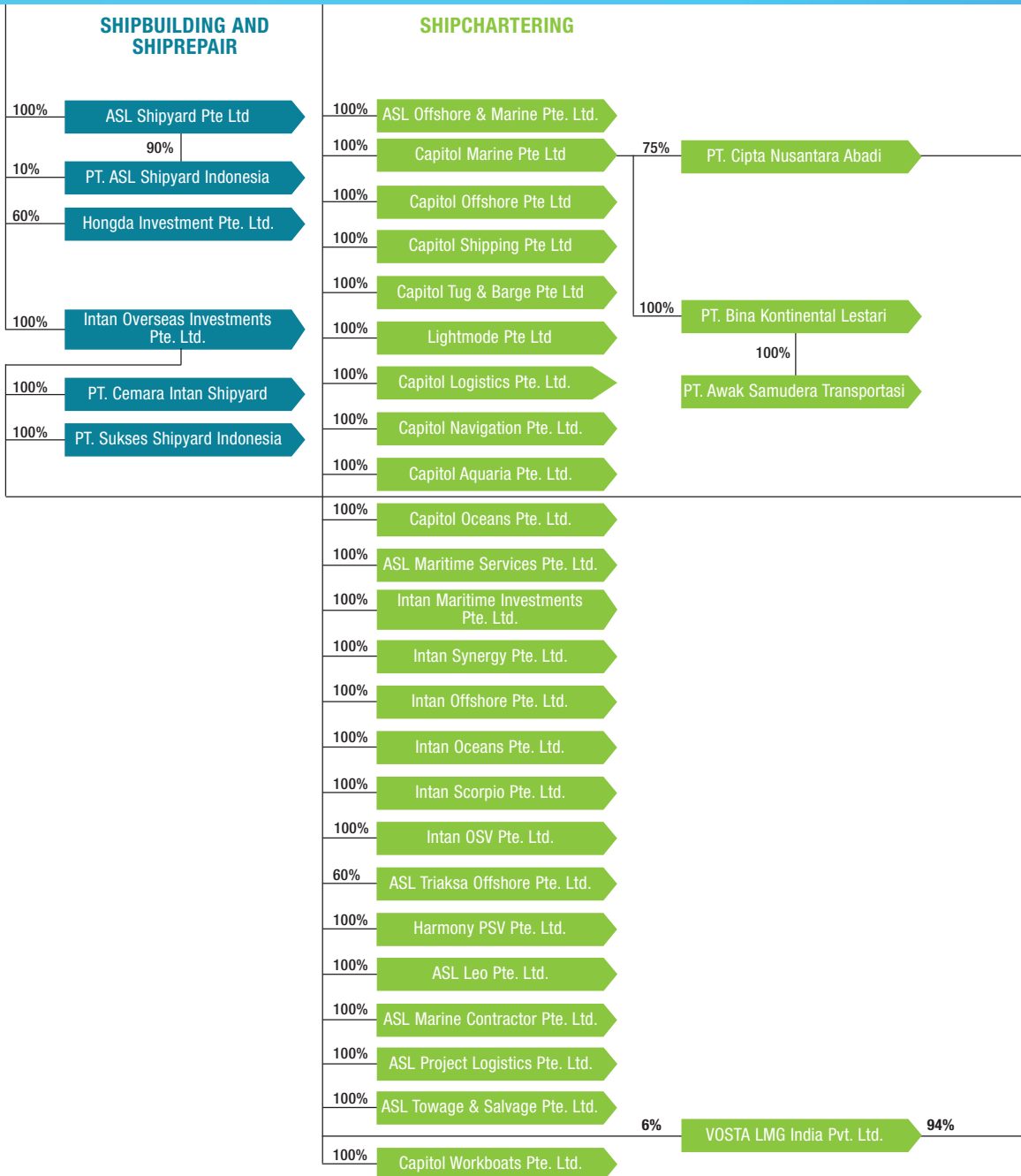
Our diversified fleet structure allows us the flexibility to better respond to market changes and customers’ needs. Majority of the vessels are deployed in Singapore, Indonesia and Asia Pacific regions.

Type of vessel	No. of vessels	Average useful life (year)
Tugs	62	11
Flat Top Barges	110	10
Split Hopper Barges	27	6
Workboats	10	9
Grab Dredgers	5	13
Landing Crafts	4	6
Chemical Tankers	2	10
AHT/AHTS	12	7

GROUP STRUCTURE

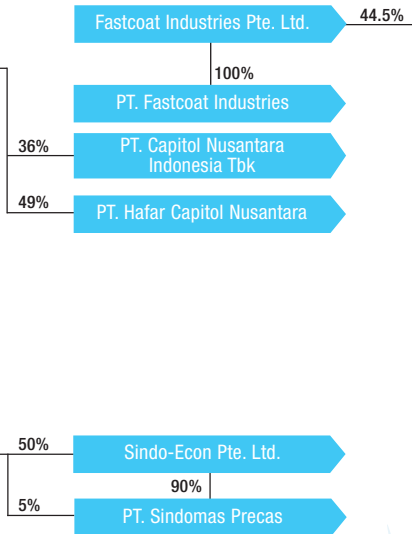
As at 30 June 2020

ASL MARINE HOLDINGS LTD.

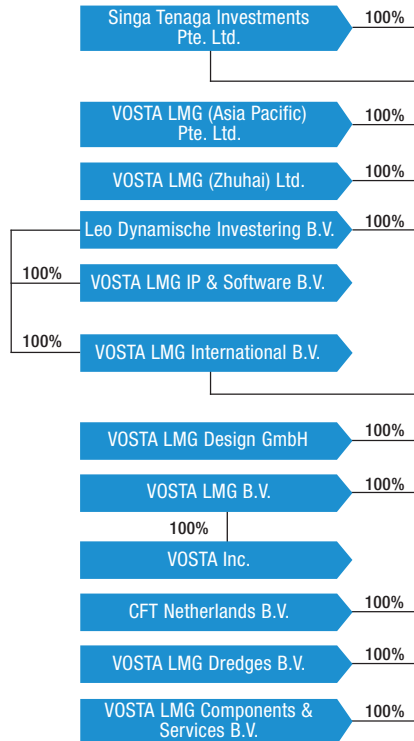


ASL MARINE HOLDINGS LTD.

JOINT VENTURES AND ASSOCIATES



ENGINEERING

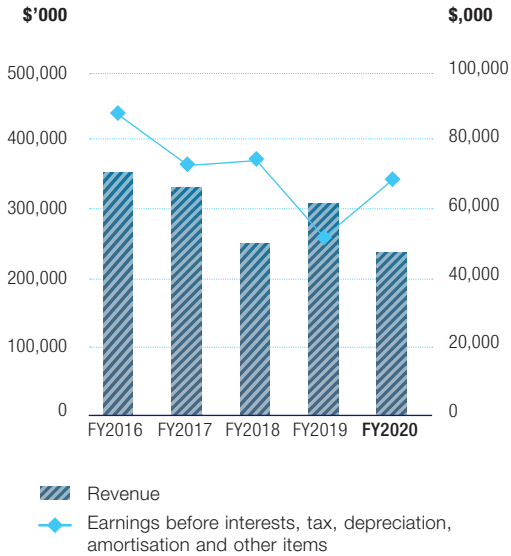


FINANCIAL SUMMARY

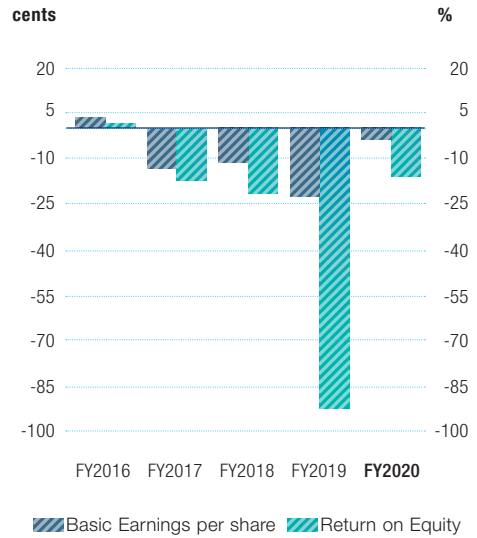
	FY2020	FY2019	FY2018	FY2017	FY2016
For The Year (\$'000)					
Revenue	243,637	312,882	252,988	342,261	364,439
Earnings before interests, tax, depreciation, amortisation and other items*	68,954	51,541	73,437	72,461	87,796
(Loss)/profit before tax	(21,259)	(141,679)	(69,582)	(71,273)	520
(Loss)/profit attributable to owners of the Company	(23,633)	(141,027)	(71,361)	(71,659)	1,985
At Year End (\$'000)					
Total assets	681,093	746,065	1,046,039	1,145,012	1,275,673
Total liabilities	547,714	592,273	742,369	766,234	851,268
Total equity	133,379	153,792	303,670	378,778	424,405
Property, plant & equipment	443,928	490,244	577,087	611,887	603,114
Cash and bank balances	35,165	15,395	28,609	36,141	24,710
Borrowings	359,620	363,135	502,108	549,499	592,186
Shareholders' funds	132,427	156,956	302,004	375,531	419,634
Per Share (cents)					
Basic earnings per share	(3.76)	(22.41)	(11.34)	(13.44)	0.47
Net assets per share	21.04	24.94	47.99	59.68	100.03
Dividend per share	–	–	–	–	–
Financial Ratios					
Net (loss)/profit margin (%)	(9.7)	(45.1)	(28.2)	(20.9)	0.5
Return on equity (%)	(17.7)	(91.7)	(23.5)	(18.9)	0.5
Net gearing ratio (times)	2.45	2.22	1.57	1.37	1.35
Number of Vessels	232	252	248	242	229

* Other items represent impairments and write-offs of financial and non-financial assets and any other non-cash flow items.

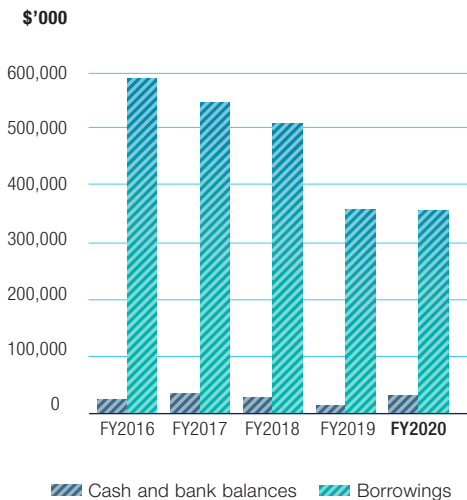
Revenue vs EBITDA



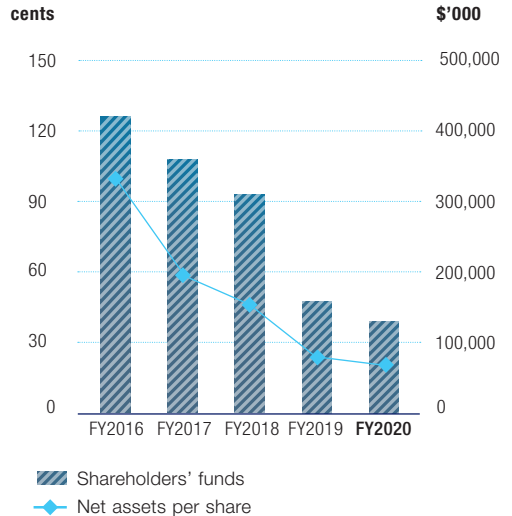
Basic Earnings Per Share vs Return on Equity



Cash and Bank Balances vs Total Debts



Net Assets Per Share vs Shareholders' Funds



FINANCIAL YEAR REVIEW

CONSOLIDATED INCOME STATEMENT

	FY2020 \$'000	FY2019 \$'000	%
1 Revenue	243,637	312,882	(22.1)
Cost of sales	(230,969)	(298,523)	(22.6)
2 Gross profit	12,668	14,359	(11.8)
3 Other operating income	12,953	4,413	193.5
4 Administrative expenses	(16,131)	(23,088)	(30.1)
5 Other operating expenses	(14,388)	(98,541)	(85.4)
6 Finance costs	(25,707)	(23,195)	10.8
7 Fair value adjustments arising from debt refinancing exercise	15,233	59,179	(74.3)
8 Impairment losses on financial assets	(4,765)	(75,663)	(93.7)
9 Share of results of joint ventures and associates	(1,122)	857	(230.9)
Loss before tax	(21,259)	(141,679)	(85.0)
10 Income tax credit/(expense)	2,876	(4,200)	(168.5)
Loss for the year	(18,383)	(145,879)	(87.4)
Attributable to:			
Owners of the Company	(23,633)	(141,027)	(83.2)
Non-controlling interests	5,250	(4,852)	Nm
	(18,383)	(145,879)	(87.4)

Nm: Not meaningful

1 Decrease in revenue

The three core segments recorded relatively lower revenue for FY2020. The decrease in revenue from (a) shipbuilding ("SB") was due to decrease in order book; (b) shiprepair, conversion & engineering services ("SR") was due to comparatively lesser high value shiprepair jobs undertaken coupled with impact from COVID-19 pandemic in 4Q FY2020; and (c) ship chartering ("SC") was mainly due to temporary suspension of certain key marine transportation for local infrastructure projects in 4Q FY2020 as a result of COVID-19 pandemic.

2 Decrease in gross profit

Lower gross profit from SR and SC segments were partially offset by higher gross profit in SB. Gross profit from SR decreased by \$7.1 million mainly due to competitive pricing in a weak market and absorption of manpower overheads over a lower revenue base.

3 Increase in other operating income

Gain derived from sale of equity interest in a 60% owned subsidiary, Jiangmen Hongda Shipyard Ltd (the "China Subsidiary"), net gain on foreign exchange and receipt of government grants recorded in FY2020.

4 Decrease in administrative expenses

Lower legal and professional fee, staff costs, transport and travelling expenses as well as sales commission on shipbuilding projects were incurred in FY2020.

5 Decrease in other operating expenses

Lower impairment losses on non-financial assets (inventories, vessels and intangible assets).

6 Increase in finance costs

Included amortisation of fair value adjustments resulting from re-measurement of long term loans and bonds which were subject to refinancing. This was partially offset by lower bonds interest incurred due to reduction of coupon rate which effected from 1 October 2018 pursuant to noteholders' approval of the CSE undertaken in January 2019.

7 Fair value adjustments arising from debt refinancing exercise

FY2020 fair value adjustment pertained to fair value gain resulting from re-measurement of certain of existing long term loans pursuant to a 8-months principal moratorium deferred by its principal bankers. The terms of such loans were not substantially modified.

8 Decrease in impairment losses on financial assets

Pertained to allowances on trade and other receivables, impaired based on expected credit loss model including estimated impact of the COVID-19 pandemic and specific impairment made on certain debts where recovery is uncertain given the current market situation.

9 Share of results of joint ventures and associates

Share of losses recorded by one of associates in FY2020 due to insufficient charter income to cover its fixed operating costs.

10 Income tax (credit)/expense

Tax credit arose from overprovision of current taxation in prior year from SC operations and reversal of deferred tax as a result of impairment of intangible assets.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	FY2020 \$'000	FY2019 \$'000	%
Non-current assets			
1 Property, plant and equipment	443,928	490,244	(9.4)
2 Right-of-use assets*	12,375	–	Nm
2 Lease prepayments*	–	4,606	(100.0)
Investment in joint ventures and associates	4,298	5,450	(21.1)
3 Intangible assets	2,256	5,865	(61.5)
Finance lease receivables	4,952	5,536	(10.5)
Total non-current assets	467,809	511,701	(8.6)
Current assets			
4 Inventories	86,977	99,484	(12.6)
5 Contract assets	22,678	23,617	(4.0)
6 Trade and other receivables	63,182	80,546	(21.6)
Prepayments	3,490	4,811	(27.5)
Finance lease receivables	745	670	11.2
7 Cash and bank balances	35,165	15,395	128.4
8 Assets classified as held for sale	1,047	–	Nm
9 Assets of disposal group classified as held for sale	–	9,841	(100.0)
Total current assets	213,284	234,364	(9.0)
Current liabilities			
10 Trade and other payables	148,823	178,003	(16.4)
5 Contract liabilities	7,324	22,149	(66.9)
11 Trust receipts	19,137	1,157	1,554.0
11 Interest-bearing loans and borrowings	26,972	45,107	(40.2)
2 Lease liabilities*	2,052	–	Nm
Income tax payables	6,129	6,754	(9.3)
9 Liabilities directly associated with disposal group classified as held for sale	–	2,015	(100.0)
Total current liabilities	210,437	255,185	(17.5)
Net current assets/(liabilities)	2,847	(20,821)	(113.7)
Non-current liabilities			
Amount due to joint ventures and associates	893	–	Nm
5 Contract liabilities	56	507	(89.0)
Other liabilities	3,633	3,699	(1.8)
11 Interest-bearing loans and borrowings	313,511	316,871	(1.1)
2 Lease liabilities*	5,921	–	Nm
Deferred tax liabilities	13,263	16,011	(17.2)
Total non-current liabilities	337,277	337,088	0.1
Net assets	133,379	153,792	(13.3)
Equity attributable to owners of the Company			
Share capital	108,056	108,056	–
Treasury shares	(923)	(923)	–
Reserves	25,294	49,630	(49.0)
Reserve of disposal group classified as held for sale	–	193	(100.0)
	132,427	156,956	(15.6)
Non-controlling interests	952	(3,164)	(130.1)
Total equity	133,379	153,792	(13.3)

1 Decrease in property, plant & equipment

Mainly due to depreciation charge during the financial year.

2 Right-of-use assets, lease prepayments and lease liabilities

The net carrying value of right-of-use assets, lease liabilities and the absence of lease prepayments as at 30 June 2020 arose pursuant to the adoption of SFRS(I)16 Leases. The right-of-use assets pertained to leases of plant and equipment, leasehold properties and buildings as well as land use rights over plots of land where shipyards of the Group operate.

3 Decrease in intangible assets

Due to amortisation charge and impairment on customer relationship and patented technology as the VOSTA LMG group continued to incur operating losses.

4 Decrease in inventories

Due to impairment which the Group holds as inventories based on net realisable value for (a) three platform supply vessels (Finished Goods); and (b) equipment previously purchased for cancelled built-to-stock vessels (Raw Materials and Work-in-progress).

5 Contract assets mainly comprised construction work-in-progress and accrued revenue from SB and SR projects whereas contract liabilities pertained to progress billings in excess of construction work-in-progress, deferred income and deposits received from customers.

Increase in net contract assets and liabilities

Due to higher work in progress incurred for SB projects, partially offset by billings made on accrued revenue and recognition of deferred income when the services were performed during the year.

6 Decrease in trade and other receivables

Due to impairment losses made on trade and other receivables and offsetting arrangement of mutual debts with companies related to directors.

7 Increase in cash and bank balances

Mainly due to net cash inflow from operating activities and net proceeds from trust receipts, partially offset by net acquisition of property, plant and equipment, net repayment of interest-bearing loans and borrowings and interest paid as well as cash balances being restricted in shipbuilding project proceeds.

8 Assets classified as held for sale

Comprised two barges contracted for disposal within a year.

9 Assets and liabilities of disposal group classified as held for sale

Relating to sale of equity interest in the China Subsidiary. The sale was completed in August 2019.

10 Decrease in trade and other payables

Mainly due to progressive payments and offsetting arrangements with creditors during the year.

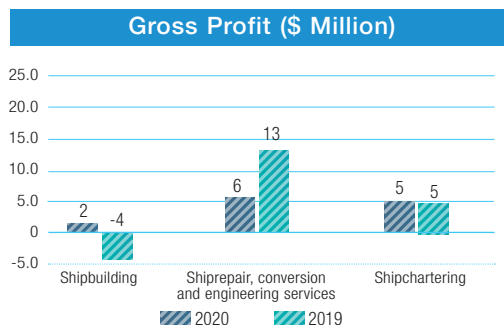
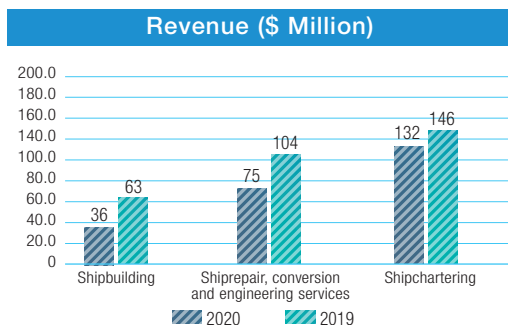
11 Decrease in interest-bearing loans and borrowings

Total borrowings decreased by \$3.5 million (1.0%) mainly due to (a) net repayment of interest-bearing loans and borrowings; (b) net fair value gain resulted from re-measurement of certain long term loans as a result of refinancing and 8-months deferral of principal repayment to its relevant maturity date; partially offset by (c) higher trust receipts resulted from activation of new project financing facilities for SB and SR since August 2019, and (d) new Temporary Bridging Loans of \$7 million disbursed in 4Q FY2020.

* Pursuant to the adoption of SFRS(I) 16 Leases

OPERATIONS AND FINANCIAL REVIEW

In FY2020, revenue decreased by 22.1% year-on-year (“yoy”) to \$243.6 million compared to that of FY2019. Gross profit decreased by 11.8% yoy to \$12.7 million, gross profit margin (“GPM”) however, increased marginally from 4.6% in FY2019 to 5.2% in FY2020.



Shipbuilding

The Group’s shipbuilding revenue decreased by 42.7% yoy to \$36.3 million in FY2020 due to lower order book. There were more tugs being delivered and recognised in FY2019.

Shipbuilding operations registered a gross profit of \$2.1 million in FY2020, as compared to a gross loss of \$3.9 million in FY2019. Gross profit margin was 5.8% in FY2020, as compared to gross loss of 6.1% in FY2019. The gross profit in FY2020 were derived from the existing and completed vessels and reversal of accrued costs for prior years’ projects, whilst the gross loss in FY2019 was mainly attributed to cost overruns, exchange loss and liquidated damage for late delivery of a tanker.

Shiprepair, conversion and engineering services

Revenue from the Group’s shiprepair, conversion and engineering services operations decreased by 27.8% yoy to \$75.0 million in FY2020, due to lesser high value shiprepair jobs undertaken and reduction in revenue caused by COVID-19 pandemic in 4Q FY2020. The Group was affected by the delay or cancellation in confirmation of shiprepair job orders, suspension of ongoing projects and production stoppages as a result of movement restrictions from COVID-19 pandemic.

As a result of competitive pricing in a weak market and absorption of manpower overheads over a lower revenue base, the segment’s gross profit decreased 55.8% yoy to \$5.7 million in FY2020 while the gross profit margin decreased from 12.3% in FY2019 to 7.5% in FY2020. The engineering services recorded a gross loss of \$0.9m in FY2020 owing to nominal sales generated partly due to delayed delivery and production stoppages as a result of COVID-19 pandemic, insufficient to cover its fixed operating costs. Excluding the gross loss of the engineering services, the Group’s shiprepair gross profit and gross profit margin would have been \$6.6 million and 9.4% in FY2020 respectively.

Shipchartering

The Group’s shipchartering segment recorded 9.1% decline yoy to \$132.4 million in FY2020, mainly due to temporary suspension of certain key marine transportation for local infrastructure projects in 4Q FY2020 consequent to the movements restriction on personnel performing infrastructure works during the Circuit Breaker Period in Singapore and with few other smaller charters having sought to declare force majeure. Such projects have resumed progressively in September 2020.

The gross profit fell by \$0.5 million (9.7%) to \$4.9 million, while gross profit margin remained at 3.7% in FY2020. The Group recorded a gross loss and gross loss margin in 4Q FY2020 which dragged down the overall shipchartering contribution in FY2020. Low contribution was derived from tugboats and barges, which was partially offset by the high contribution from offshore support vessels deployed for towing jobs. The lower contribution from tugboats and barges in FY2020 were attributed to (1) impact from the COVID-19 pandemic in 4Q FY2020 which reduced the overall utilisation rate of vessels from 59% in 4Q FY2019 to 24% in 4Q FY2020 and 61% in FY2019 to 49% in FY2020; and (2) absence of revenue due to completion of one of the major local infrastructure projects in June 2019.

Administrative Expenses

The Group's administrative expenses decreased 30.1% yoy to \$16.1 million in FY2020 mainly attributed to lower legal and professional fee, staff costs, transport and travelling expenses as well as sales commission incurred on shipbuilding projects.

Other Operating Income

In FY2020, other income increased by \$8.5 million to \$13.0 million in FY2020 essentially because it included a gain on sale of equity interest in its 60% owned subsidiary (Jiangmen Hongda Shipyard Ltd) in August 2019, net gain on foreign exchange and receipt of government grants provided by the Singapore Government for wages paid to local employees under the Jobs Support Scheme and foreign worker levy rebates.

Other operating expenses and impairment losses on financial assets

Other operating expenses decreased 85.4% to \$14.4 million primarily due to lower impairment losses on non-financial assets which included inventories, vessels and intangible assets of \$14.2 million in FY2020 as compared to \$91.5 million recorded in FY2019.

In FY2020, impairment was made on (1) inventories (Finished goods) of \$5.5 million on three platform supply vessels which the Group holds as inventories, based on fair market value assessed by independent professional valuers; (2) inventories (Work-in-progress and Raw materials) of \$3.7 million on equipment previously purchased for cancelled built-to-stock vessels, based on net realisable value of the equipment estimated by the management; (3) the Group's chartering fleet of vessels and shipyard's plant and equipment of \$0.9 million and \$0.5 million respectively, based on fair market value assessed by independent professional valuers; and (4) intangible assets of \$3.1 million which arose from the Group's acquisition of VOSTA LMG group in December 2012 due to its continued loss making performance.

The Group recorded a lower impairment losses on financial assets of \$4.8 million in FY2020 (FY2019: \$75.7 million), which included impairment on (1) trade receivables of \$4.0 million; (2) other receivables of \$0.7 million; (3) amount due from joint ventures and associates of \$0.3 million and partially offset by (4) reversal of impairment on contract assets of \$0.2 million based on expected credit loss model arising from the adoption of SFRS(I) 9, which included estimated impact of the COVID-19 pandemic and specific impairment made on certain debts where recovery is uncertain given the current market situation.

Finance Costs

Finance costs of \$25.7 million were 10.8% higher in FY2020 mainly due to higher amortisation of fair value adjustments resulting from re-measurement of long term loans and bonds which were subject to refinancing in FY2019, partially offset by lower bonds interest incurred due to reduction of coupon rate which took effect from 1 October 2018 pursuant to the noteholders' approval of the CSE undertaken in January 2019.

OPERATIONS AND FINANCIAL REVIEW

Fair Value Adjustments arising from Debt Refinancing Exercise

Fair value adjustments arising from debt refinancing exercise decreased by 74.3% yoy to \$15.2 million in FY2020. The modification gain recorded in FY2020 resulted from re-measurement of certain of the Group's existing long term loans pursuant to a 8-months principal moratorium deferred by its principal bankers amid the COVID-19 pandemic, the terms of such loans were not substantially modified. Whereas, the fair value gain in FY2019 arose from the derecognition of long term loans and bonds on the completion of debt refinancing exercise in FY2019.

Share of Results of Joint Ventures and Associates

The share of results of joint venture and associates was a loss of \$1.1 million in FY2020, compared to a profit of \$0.9 million in FY2019. This was due to share of loss from one of its associates of \$1.3 million recorded in FY2020 due to insufficient charter income to cover its fixed operating costs. The Group has restricted its share of losses from Sindo-Econ group and PT CNI to its cost of investments since 1Q FY2018 and 4Q FY2017 respectively.

Loss before Tax

The Group recorded a lower loss before tax of \$21.3 million in FY2020 as compared to \$141.7 million in FY2019 due to lower impairment losses and administrative expenses, coupled with higher other operating income, partially offset by lower fair value adjustments arising from debt refinancing exercise.

Financing Arrangement

Completion of refinancing exercises

The Group embarked on a comprehensive refinancing exercise in FY2019. With the support of the Group's Lenders, Noteholders and the Shareholders, the Group was able to successfully complete the CSE in January 2019 and re-profiled its existing loans.

Banking Facilities

The Principal Lenders have provided further support to the Group with additional revolving project financing facilities with trade lines of up to S\$114 million. These facilities were activated in August 2019 and have since been progressively drawn

down, which provides a strong base in sustaining the businesses of the Group.

Support measures in response to the COVID-19 pandemic

Pursuant to the Government's relief and support measures on the COVID-19 pandemic, key lenders of the Group remain supportive and granted temporary bridging loans and/or deferral on principal repayment of existing long term loans up to the end of the calendar year. This has further helped to alleviate and sustain the Group's operating cash flows amid this challenging period.

As at 30 June 2020, the Group's carrying value of total borrowings of \$359.6 million (30 June 2019: \$363.1 million) were as follows:

Carrying Value (\$ Million)	Carrying Value		Face Value	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Current				
Bonds	1.5	1.5	1.5	1.5
Short term loan				
– general	–	2.2	–	2.2
Trust receipts				
– shipbuilding related	10.5	–	10.5	–
– general	8.6	1.1	8.6	1.1
	19.1	1.1	19.1	1.1
Long term loan				
– vessels loan	8.2	12.3	9.0	14.2
– assets financing	3.4	9.4	4.7	9.7
– working capital	12.2	18.6	12.8	17.9
	23.8	40.3	26.5	41.8
Finance lease liabilities	1.7	1.1	1.7	1.1
	46.1	46.2	48.8	47.7
Non-current				
Bonds	89.5	84.0	135.0	136.5
Long term loan				
– vessels loan	66.8	70.4	79.0	78.7
– assets financing	70.9	76.4	75.7	76.8
– working capital	84.6	84.3	85.7	81.6
	222.3	231.1	240.4	237.1
Finance lease liabilities	1.7	1.8	1.7	1.8
	313.5	316.9	377.1	375.4
Total Borrowings	359.6	363.1	425.9	423.1

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 since January 2003.

Mr KT Ang has been with the Group for more than 20 years and has extensive knowledge and experience in the industry. Mr KT Ang is responsible for the Group's business strategies and direction, corporate plans and policies as well as the overall management of the Group. He oversees the overall development, operations, finance and treasury functions of the Group. In particular, he is in charge of the shipbuilding division, 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 with a Bachelor's Degree in Science.



ANG AH NUI

Deputy Managing Director

Mr AN Ang was appointed an Executive Director of the Company since 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. Mr AN Ang is instrumental in developing and managing the shiprepair and conversion and shipchartering businesses, including building on customer relations and connections and seeking potential markets for the growth of the Group. Mr AN Ang is also jointly responsible for the Group's business strategies and direction, corporate plans and policies, oversees the operations of the 4 shipyards (3 in Indonesia and 1 in Singapore). 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. He also oversees the engineering and research development division of the Group. 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.



TAN HUAY LIM
Independent Director

Mr Tan Huay Lim joined the Board in August 2019.

Mr Tan is currently an Independent Non-Executive Director and Chairman of the Audit Committee of four other publicly listed companies on the main board of the Singapore Stock Exchange, namely Zheneng Jinjiang Environment Holding Company Limited, Dasin Retail Trust Management Pte Ltd., the Trustee Manager of Dasin Retail Trust, Koufu Group Limited and Elite Commercial REIT Management Pte. Ltd., the Manager of Elite Commercial REIT.

Mr Tan started his career in audit at KPMG Singapore in April 1981 and was admitted as a Partner in October 1991. He was a Financial Services Partner during his tenure in KPMG and was the Singapore Head of KPMG Global China Practice from September 2010 until his retirement on 30 September 2015.

He has over 30 years of experience in the audit of financial institutions, multi-national corporations, privately-owned enterprises and public listed companies. In addition, he was involved in a number of initial public offerings, debt financing and merger and acquisition transactions during his tenure in KPMG.

Mr Tan is an Honorary Council Member of Singapore Chinese Chamber of Commerce and Industry and Singapore Hokkien Huay Kuan.

Mr Tan graduated with a Bachelor of Commerce (Accountancy) from Nanyang University, Singapore in 1978. He is a Fellow Member of the Institute of Singapore Chartered Accountants, the Association of Chartered Certified Accountants (United Kingdom) and the Certified Practising Accountants (Australia).



TAN SEK KHEE
Independent Director

Mr Tan Sek Khee joined the Board in January 2014.

Mr Tan is currently an Independent Director of SGX listed Ying Li International Real Estate Limited. Mr Tan is also currently hold directorship in several private companies in Singapore, Indonesia, Thailand and China. Mr Tan brings to the Group extensive experience in general management, business strategy formulation, business development & marketing, procurement and logistics. He has more than 40 years of corporate and business experience in Singapore, Indonesia, Thailand and China.

Mr Tan graduated with a Bachelor 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.

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 external auditors in public accounting firms prior to joining the Group in 2002.

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CORPORATE GOVERNANCE REPORT

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

In compliance with Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), this report describes the Group’s corporate governance practices that were in place for the financial year ended 30 June 2020 (“**FY2020**”) with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the “**2018 Code**”) and accompanying Practice Guidance issued on 7 February 2020, which form part of the continuing obligations of the Listing Manual.

The Board is pleased to confirm that the Group has complied in all material aspects with the principles and provisions set out in the 2018 Code, and where the Company’s practices vary from any provision of the 2018 Code, this is stated with an explanation for the variation and an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

I. BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: *The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

PROVISION 1.1

Role of the Board

The primary function of the Board is to protect the assets and to enhance the long-term value and returns 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 to ensure that the necessary resources are in place for the Company to meet its strategic objectives. 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. The Board also sets the tone for the Group in respect of ethics, values and desired organisational culture, and ensures proper accountability within the Group.

Directors’ objective discharge of duties and declaration of interests

All directors, being fiduciaries, are required to act objectively in the best interests of the Company and hold management accountable for performance. Each director is expected, in the course of carrying out his duties, to exercise due diligence, independent judgement in dealing with the business affairs of the Group and act in good faith and to make objective decisions in the best interests of the Group.

On an annual basis, each director is also required to submit details of his associates for the purpose of monitoring interested persons transactions. Where a director is directly or indirectly interested in a transaction or proposed transaction, or has an actual or potential conflict of interest, he should immediately declare his interest when the issue of conflict is discussed, recuse himself from discussions and abstain from voting in relation to the issue of conflict.

PROVISION 1.2

Directors' orientation, training and development

Directors understand the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors, in particular independent directors, are also encouraged to read and to engage in informal discussions on subjects which are relevant to the Group.

On 13 August 2019, Mr Tan Huay Lim was appointed to the Board as an independent non-executive director as well as the lead independent director. Mr Tan Huay Lim was also appointed as the Chairman of the Audit Committee ("AC"), and a member of the Nominating Committee ("NC") and the Remuneration Committee ("RC"), in replacement of Mr Christopher Chong Meng Tak who had resigned on the same date. Mr Tan Huay Lim has prior experience as a director of companies listed on the SGX-ST.

All newly-appointed directors (including Mr Tan Huay Lim) are given a formal letter setting out a director's roles, duties and obligations. The newly appointed directors will be briefed by the Managing Director and Chief Executive Officer ("CEO") of the Company 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 newly-appointed and existing directors are also invited to visit the Company's shipyards and meet with middle management to gain a better understanding of the Group's business operations.

Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. To keep pace with regulatory changes including changes in legislation and financial reporting standards, government policies and regulations and guidelines from SGX-ST that affect the Group and/or the directors in discharging their duties, the directors' own initiatives to keep themselves up-to-date are supplemented from time to time with information, updates and sponsored seminars conducted by external professionals. 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 FY2020, besides briefings on developments in financial reporting standards presented by the Group's external auditors at AC meetings, the directors attended, among others, briefings/seminars/networking events organized and/or hosted by various bodies including the Singapore Institute of Directors, accounting bodies and professional firms.

PROVISION 1.3

Board approval

The Board decides on matters that require its approval and clearly communicates this to the management in writing.

The matters which require the Board's approval include the Group's business plan and annual budget, corporate/financial restructurings and corporate exercises, 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 and annual report.

CORPORATE GOVERNANCE REPORT

Apart from the matters specifically described above, in accordance with applicable financial authority limits, the Board's approval is also required for transactions exceeding certain threshold limits and delegates authority for transactions below those limits to management so as to optimise operational efficiency. For example, the Board's approval is required for the Group to enter into any proposed contracts secured with value of more than \$10 million.

PROVISION 1.4

Board committees

To assist the Board in the execution of its responsibilities and to provide independent oversight of management, various Board Committees, namely the AC, NC and RC, have been constituted with written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board.

These Board Committees are made up solely of independent directors and the effectiveness of each Board Committee is constantly monitored by the Board. The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering each Board Committee to decide, review, examine and make recommendations to the Board on particular issues within their respective written terms of reference and/or limits of delegated authority, without abdicating the Board's overall responsibility. The ultimate responsibility for the final decision on all matters lies with the Board, which will take into consideration the overall interests of the Company.

Please refer to the sections on Principles 4, 5, 6, and 10 in this Corporate Governance Report for further information on the names of the committee members, the terms of reference, delegation of the Board's authority to make decisions and a summary of activities of the respective Board Committees.

PROVISION 1.5

Meetings and attendance

The Board conducts regular scheduled meetings and ad hoc meetings are convened when warranted by circumstances relating to matters that are material to the Group. The schedule of all Board and 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. The Company's Constitution permits participation of directors at Board meetings via telephone or video conferencing if directors are unable to attend in person. Decisions made by the Board and Board Committees may be obtained at meetings or via circular resolutions.

Directors attend and actively participate in Board and Board Committee meetings. If a director is unable to attend a Board or Board Committee meeting, he will still receive all the papers and materials for discussion at that meeting. He will review them and advise the Chairman of the Board or the Board Committee of his views and comments on the matters to be discussed so that they can be conveyed to other members at the meeting.

The Board does not prescribe a maximum number of listed company board representations that each Director may hold. The NC has reviewed, and is satisfied that Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of the Company. For more information, please refer to the section on Provision 4.5 on Multiple Board Representations in this Corporate Governance Report.

The number of meetings held and the attendance of each director at the Board, Board Committee and general meetings of the Company during FY2020 are as follows:

Attendance at Board, Board Committee and general meetings	Board	AC	NC	RC	AGM	EGM
Total number of meetings held	8	6	4	2	1	1
Number of meetings attended						
Executive directors						
Ang Kok Tian	8	6*	4*	2*	1	1
Ang Ah Nui	5	3*	2*	2*	1	1
Ang Kok Leong	7	–	–	–	1	1
Independent directors						
Andre Yeap Poh Leong (Chairman of NC)	8	6	4	2	1	1
Tan Huay Lim [#] (Chairman of AC)	7	5	3	2	1	1
Christopher Chong Meng Tak [%] (Chairman of AC)	0	0	0	0	–	–
Tan Sek Khee (Chairman of RC)	8	6	4	2	1	1

* Attendance by invitation of the respective committee

Notes:

Mr Tan Huay Lim was appointed to the Board as the lead independent director, chairman of the AC and member of the NC and RC on 13 August 2019. In FY2020 and during the period of Mr Tan Huay Lim's appointment as director of the Company, there were 7 meetings of the main Board, 5 meetings of the AC, 3 meetings of the NC and 2 meetings of the RC.

% Mr Christopher Chong Meng Tak resigned from the Board as the lead independent director, chairman of the AC and member of the NC and RC on 13 August 2019. In FY2020 and during the period of Mr Christopher Chong Meng Tak's appointment as director of the Company, there was 1 meeting of the main Board, 1 meeting of the AC, 1 meeting of the NC and 1 meeting of the RC.

PROVISION 1.6

Access to Information

All directors have unrestricted access to the Company's records and information. The Board members receive detailed quarterly management reports of all major divisions of the Group, periodic cash flow projections and annual budget and explanation of material forecasts variances to enable them to oversee the Group's financial and operational performance. 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 ("GFC") 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.

CORPORATE GOVERNANCE REPORT

The Board and the Board Committees are provided with complete, adequate and timely information prior to meetings and on an on-going basis to enable full deliberation on the issues to be considered at the respective meetings, enable directors to make informed decisions, and discharge their duties and responsibilities. Board papers with sufficient background and explanatory information are circulated at least three days before each meeting. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. 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.

PROVISION 1.7

Access to Management and Company Secretary

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 assists the Chairman and the Chairman of each Board Committees in the development of the agendas for the various Board and Board Committees meetings. The Company Secretary attends all Board and Board Committee meetings of the Company and prepares minutes of meetings. She 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 is a decision of the Board as a whole.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

PROVISIONS 2.1, 2.2 AND 2.3

Board Independence

The Board currently comprises six directors, three of whom are independent directors, making up 50% of the Board.

Provision 2.2 of the 2018 Code states that independent directors make up a majority of the Board where the Chairman is not independent. Further, Provision 2.3 of the 2018 Code states that non-executive directors make up a majority of the Board. Principle 2 provides, inter alia, that the Board has an appropriate level of independence to enable it to make decisions in the best interests of the company. The independent (and non-executive) directors currently make up 50% of the Board, and the Chairman and the CEO is the same person, which constitutes a variation from Provisions 2.2 and 2.3 of the 2018 Code. Nevertheless, the Company is of the view that the intent of Principle 2 is met, as at least half of the Board comprises independent directors and there is a lead independent director. The Board is able to exercise independent judgement on corporate affairs, as all Directors debate vigorously on subject matters tabled at the Board meetings, regardless of whether they were independent or not. All decisions of the Board are based on collective decision without any individual or small group of individuals influencing or dominating the decision-making process. Nevertheless, the Board will seek to identify suitable candidates to comply with the requirement for independent and non-executive directors to make up a majority of the Board.

The NC assesses and reviews, on an annual basis, the independence of each independent director based on the definition of “independence” as set out in the 2018 Code to ensure that there is a strong element of independence and autonomy on the Board. Pursuant to Provision 2.1 of the 2018 Code, an “independent” director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement in the best interests of the company. There is no relationship as stated in the 2018 Code that would otherwise deem any of the independent directors of the Company to be non-independent.

The NC’s assessment and review of directors’ independence are detailed under the section on Provision 4.4 of this report.

PROVISION 2.4

Board composition and diversity

Taking into account the nature and scope of the Group’s operations, business requirements and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC, is satisfied that the current Board size of six directors, aged between 52 – 65, and composition including the diversity of skills, experience, competences and industry knowledge of directors, is appropriate in facilitating effective decision-making, fostering constructive debate, and avoiding groupthink.

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, financial, legal, business, industry knowledge, management, strategic planning and customer-based experiences; and (2) each director should bring to the Board independent and objective perspectives so as to foster constructive debate and avoid “groupthink”.

Our 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 was an Audit Partner of KPMG Singapore with more than 30 years of accounting and auditing experience until his retirement in September 2015 and was involved in a number of initial public offerings, debt financing and merger and acquisition transactions during his tenure at KPMG Singapore. The profiles of the directors are set out on pages 17 to 19 of this Annual Report. The combined business, financial, legal, management, 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 are 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.

CORPORATE GOVERNANCE REPORT

The Company has adopted a Board Diversity Policy which recognises the importance of having an effective and diverse Board. The NC is responsible for setting the relevant objectives to promote and achieve diversity on the Board. The main objective of the Board Diversity Policy is to continue to maintain the appropriate balance of perspectives, skills and experience on the Board to support the long-term success of the Company. Under the Board Diversity Policy, the NC will, in reviewing the Board's composition, rotation and retirement of Directors and succession planning, consider a number of aspects, including but not limited to gender, age, nationalities, ethnicity, cultural background, educational background, experience, skills, knowledge, independence and length of service. The ultimate decision on the selection of Director(s) to be appointed on the Board will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity and needs on the Board. The NC was satisfied that the objectives of the Board Diversity Policy continue to be met.

PROVISION 2.5

Meeting of Independent Directors without management

The independent directors participate actively during Board meetings. In addition to providing constructive advice and constructively challenge to management on pertinent issues affecting the affairs and businesses 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, led by the lead independent director, meet and/or communicate without the presence of the executive directors and/or management. The lead independent director, as chairman of such meetings, will provide feedback to the Chairman after such discussions.

Chairman and Chief Executive Officer ("CEO")

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

PROVISIONS 3.1 AND 3.2

Separation of the role Chairman and the CEO

Mr Ang Kok Tian is the Chairman of the Board, Managing Director and CEO of the Company. As the Chairman, 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. As the Chairman of the Board, 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 Chairman and CEO 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 the marine industry and the businesses of the Group and is thereby better able to guide discussions and ensure 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.

Provisions 3.1 and 3.2 of the 2018 Code provide that the Chairman and CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making, and that the Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO. Principle 3 states that there is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making. The Chairman and the CEO are the same person, which constitutes a variation from Provision 3.1 of the 2018 Code. Consequently, the Board has not established and set out in writing the division of responsibilities between the Chairman and CEO, which constitutes a variation from Provision 3.2 of the 2018 Code. Nevertheless, the Company is of the view that the intent of Principle 3 is met, as the Board has implemented safeguards to ensure separate leadership of the operations of the Company, and to ensure that Mr Ang Kok Tian does not have unfettered powers of decision-making.

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. To limit the 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. 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.

All major decisions made by Mr Ang Kok Tian 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 and that no one individual has unfettered powers of decision-making.

The Board will take into consideration the separation of the role of the Chairman and the CEO as part of the on-going succession planning and Board renewal process.

PROVISION 3.3

Appointment of Lead Independent Director

Taking cognisance that the Chairman of the Board is also the CEO and thus not independent, the Board appointed a lead independent director, Mr Tan Huay Lim, to lead and 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. 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 advisors 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 or the management are inappropriate or inadequate. There was no query or request on any matters which required the lead independent director's attention received in FY2020.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.

PROVISIONS 4.1 AND 4.2

NC composition and role

The Board established the NC in March 2003 which consists of three independent directors, namely, Mr Andre Yeap Poh Leong (Chairman of the NC), Mr Tan Sek Khee and Mr Tan Huay Lim, all of whom including the Chairman of the NC are independent. Mr Tan Huay Lim, the lead independent director, was appointed as a member of the NC in place of Mr Christopher Chong Meng Tak on 13 August 2019.

The operations of the NC are regulated by its terms of reference, which were approved and are subject to periodic review by the Board. Amongst them, the NC is responsible for:

- making recommendations to the Board on new appointments to the Board and review of succession plans for all Directors, particularly the Chairman, the CEO and the key management personnel;
- assessing the independence of the directors and reviewing the size and composition of the Board annually ensuring that the Board and Board Committees comprise directors who as a group provide an appropriate balance, mix and diversity of skills, expertise, gender, age, knowledge and core competencies;
- making recommendations to the Board on its review of orientation, training and professional development programs for the Board;
- carrying out at least annually, a formal assessment of the performance and effectiveness of the Board and each of the Board Committees and individual Director to the effectiveness of the Board, and recommending objective performance criteria to the Board;
- 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;
- ascertaining whether a director who has multiple board representations is able to and has been adequately carrying out his duties as director of the Company;
- reporting to the Board on its activities and proposals; and
- performing such other functions as the Board may determine.

PROVISION 4.3

Selection and appointment of new directors

The Company has in place a process for selecting and appointing new directors to the Board. If and when 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 expectation gaps 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.

The Company has not appointed any alternate directors.

On 13 August 2019, Mr Tan Huay Lim was appointed to the Board as the lead independent director, Chairman of AC, member of NC and RC. The NC considered (i) the size and structure of the Board; (ii) the composition of the Board, including the balance and diversity of skills, experience and knowledge of members of the Board; and (iii) the accounting and auditing experience, skills and qualifications of Mr Tan Huay Lim. The NC recommended the appointment of Mr Tan as he possesses the necessary expertise, qualifications and working experience required to perform his role as an independent non-executive director serving as the lead independent director and Chairman of the AC. The Board is of the view that Mr Tan's accounting and auditing experience will further complement and strengthen the core competencies of the Board.

Re-appointment of directors

The NC is 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, preparedness, time and effort accorded to the Group's business and affairs), the director's integrity and independence.

Pursuant to Regulation 91 of the Company's Constitution, subject to the Listing Manual of the SGX-ST, every director (other than director holding office as CEO or 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**"). With effect from 1 January 2019, pursuant to Rule 720(5) of the Listing Manual of the SGX-ST, all directors, including executive directors, must submit themselves for re-nomination and re-appointment at least once every three years. Mr Ang Kok Tian was last re-appointed to the Board on 12 November 2002. Under the Transitional Practice Note 3 (*Transitional Arrangements Regarding Code of Corporate Governance 2018*) issued by SGX-ST on 28 November 2018, Mr Ang Kok Tian, the Managing Director and CEO of the Company, will be due for re-election no later than 31 December 2021.

Regulation 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.

The Board recognises the contribution of its independent directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its independent directors so as to be able to retain the services of the directors as necessary.

CORPORATE GOVERNANCE REPORT

At the forthcoming AGM, Mr Andre Yeap and Mr Ang Kok Leong will be retiring by rotation pursuant to Regulation 91 of the Company's Constitution. Both of them, being eligible for re-election, have offered themselves for re-election.

Save as disclosed in the section on Provision 4.4 below, Mr Andre Yeap does not have any relationship, including any immediate family relationship, with the Company, its related corporations, its substantial shareholders or its officers, while Mr Ang Kok Leong and the other executive directors, Mr Ang Ah Nui and Mr Ang Kok Tian, are brothers.

As at the date of this 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 2017 to 30 June 2020)
Ang Kok Tian <i>(Chairman, Managing Director and CEO)</i>	4 October 2000/ 12 November 2002	ASL Marine Holdings Ltd.	Nil
Ang Ah Nui <i>(Deputy Managing Director)</i>	4 October 2000/ 30 October 2019	ASL Marine Holdings Ltd. Koon Holdings Limited ¹	Nil
Ang Kok Leong <i>(Executive Director)</i>	18 October 2002/ 31 October 2018	ASL Marine Holdings Ltd.	Nil
Andre Yeap Poh Leong <i>(Independent Director)</i>	17 January 2003/ 31 October 2018	ASL Marine Holdings Ltd.	Nil
Tan Huay Lim <i>(Lead Independent Director)</i>	13 August 2019/ 30 October 2019	ASL Marine Holdings Ltd. Zheneng Jinjiang Environment Holding Company Limited ² Dasin Retail Trust Management Pte.Ltd., the Trustee-Manager of Dasin Retail Trust Koufu Group Limited Elite Commercial REIT Management Pte. Ltd., the Manager of Elite Commercial REIT	Hong Leong Asia Ltd.
Tan Sek Khee <i>(Independent Director)</i>	1 January 2014/ 30 October 2019	ASL Marine Holdings Ltd. Ying Li International Real Estate Limited	Europtronic Group Ltd

¹ Listed on the Australian Stock Exchange and SGX-ST

² Formerly known as China Jinjiang Environment Holding Company Limited

PROVISION 4.4

Annual review of director's independence

The NC is charged with determining the independence of the directors annually, having regard to the circumstances as set out under Provision 2.1 of the 2018 Code. Every year, the NC reviews and affirms 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**") is drawn up based on the guidelines provided in the 2018 Code and requires each director to assess whether he considers himself independent even if he does not have any of the relationships described in Provision 2.1 of the 2018 Code. The Confirmation requires each director to disclose any relationship which would interfere or be reasonably perceived to interfere with the exercise of the director's independent business judgement in the best interests of the Company. Among the items included in the Confirmation are disclosure pertaining to (i) any employment including compensation received from the Company or any of its related corporations in the current or any of the past three financial years, (ii) any relationship with the Company, its related corporations, its substantial shareholders or its officers, (iii) immediate family members employed by the Company or any of its related corporations and whose remuneration is determined by the RC, (iv) any shareholding or partnership or directorship (including those held by immediate family members) in an organisation which provided to or received from the Company or any of its subsidiaries any significant payments or material services, (v) any significant payments or material services provided to or received from the company to the director or his immediate family members, and (vi) any direct association with a substantial shareholder of the Company 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 NC and Board are satisfied that Mr Tan Sek Khee, Mr Andre Yeap Poh Leong and Mr Tan Huay Lim are independent in light of the provisions of the 2018 Code and Rule 210(5)(d) of the Listing Manual of the SGX-ST.

Guideline 2.4 of the 2012 Code of Corporate Governance ("**2012 Code**") continues to apply prior to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST coming into effect on 1 January 2022. Guideline 2.4 of the 2012 Code requires the independence of any director who has served on the Board beyond 9 years to be subject to particularly rigorous review.

The Board recognises the valuable contributions of independent directors who have over time developed in-depth knowledge of the Group's businesses and operations and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole. The independence of the independent directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form, such as the number of years which they have served on the Board. 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 the independent directors as the Board believes that their tenure would not materially interfere with their ability to exercise independent judgement in the best interests of the Group and its shareholders.

The NC conducts particularly rigorous review on the independence of independent directors whose terms exceed 9 years to determine if there is any impairment with respect to their independence. A formal review was undertaken, led and conducted by independent director Mr Tan Huay Lim on the independent director, Mr Andre Yeap Poh Leong, who has served on the Board for more than 17 years.

CORPORATE GOVERNANCE REPORT

The rigorous review and the factors taken into consideration by the NC and the Board to assess and determine Mr Yeap's independence include:

- (a) his contribution in terms of professionalism, integrity, objectivity and ability to exercise independent judgement in his deliberation of matters in the interest of the Company;
- (b) he has no personal and business relationship with the Company's substantial shareholders, executive directors or management that could impair his fair judgement;
- (c) he is non-executive and he does not interfere with the day-to-day management of the business operations or participate in any operational or management meetings;
- (d) his attendance in Board Committee meetings and time commitment to the affairs of the Group;
- (e) he did not receive any gift or financial assistance from the Group; and
- (f) he is 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 Mr Yeap is considered independent notwithstanding that he has served on the Board for more than 9 years. He has demonstrated strong independence in character and judgement as there were no circumstances which have affected or appeared to have affected his judgement. He has expressed individual viewpoints and exercised objective and constructive skepticism to act in the best interests of the Company and its shareholders. He has sought clarification and amplification on matters discussed during Board Committee meetings. In the current difficult conditions faced by the Company and the industry, he provides important guidance to management and liaison with the auditors and his presence gives comfort to the capital providers to the Company. There has been no increase in directors' fees since FY2014 and the level of remuneration paid to Mr Yeap would not compromise his independence.

Mr Yeap, a Senior Counsel with considerable experience in construction, insolvency and arbitration matters possesses specialist knowledge and experience which are directly relevant to various aspects of the industry the Group is in, and his in-depth knowledge and experience cannot be easily or readily found in other potential candidates.

Mr Yeap is a Senior Partner of Rajah & Tann Singapore LLP ("**R&T**"), one of several law firms which provide legal services to and receive fees from the Group. Although the aggregate amount of fees paid to R&T in FY2020 for legal services provided by other partners of R&T exceeded the threshold amount of \$200,000 (which is provided as a general guide in the Practice Guidance), Mr. Yeap's interest in R&T is however less than 5% and the fees paid by the Group do not form a significant portion of R&T's revenue and the Group's total expenses. The NC is of the view that the business relationship with R&T does not affect his disposition to act independently. Consequently, the NC and Board, having taken into account the above, consider Mr Yeap to be independent.

Mr Tan Huay Lim is deemed to have an interest of (1) \$678,750 in the \$50,000,000 Series 007 Notes (comprising 0.5% of the outstanding principal amount of the Series 006 and Series 007 Notes of S\$135.75 million); and (2) 1,734,375 warrants over ordinary shares, registered in the name of a nominee, as at the date of this report. Mr Tan's interest in the Notes was acquired prior to his appointment to the Board. Mr Tan will abstain where necessary from voting in respect of any resolution in connection with the Notes. The NC and Board consider Mr Tan to be independent.

Accordingly, for FY2020, the NC and Board have ascertained and are satisfied with the independence of the Company's independent directors.

Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, which will come into effect on 1 January 2022, a director will not be independent if, *inter alia*, he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in 2 separate resolutions by certain classes of shareholders (a “**two-tier shareholders’ vote**”). Mr Andre Yeap’s continued appointment as an independent director will be subject to a two-tier shareholders’ vote no later than 1 January 2022. Nonetheless, for good corporate governance, Mr Andre Yeap, who will be retiring and offering himself for re-election at the forthcoming AGM, will seek approval for his continued appointment as an independent director under a two-tier shareholders’ vote.

PROVISION 4.5

Directors’ time commitments

The NC ensures that new directors are aware of their duties and obligations. During FY2020, Mr Tan Huay Lim was appointed as the lead independent director on 13 August 2019. Mr Tan Huay Lim has prior experience as a director of companies listed on the SGX-ST and was given a formal letter setting out a director’s roles, duties and obligations upon his appointment.

In determining if a director is able to and has been adequately carrying out his or her duties as a director of the Company, the NC takes into consideration the competing time commitments faced by directors in their directorships and their ability to devote appropriate time and attention to the Group’s matters.

Based on the directors’ commitments and contributions to the Company, which are also evident in their level of attendance and participation at Board and Committee meetings, the NC and the Board are satisfied that all the directors were able to and have been adequately carrying out their duties as directors of the Company in FY 2020.

Multiple Board Representations

Pursuant to Section 156(6) of the Companies Act, Chapter 50, in accepting any new listed company board appointment or principal commitment, the directors keep the Board notified on their interests of any changes in their external appointments. This allows the NC and the Board to take into account the number of directorships and principal commitments of each director in assessing whether he is able to or has been adequately carrying out his duties, and in the case of an independent director, to also ensure that his independence would not be affected.

The Board does not prescribe a maximum number of listed company board representations that each Director may hold, however all directors are required to declare their board representations on other companies. The NC is of the view that the maximum number of listed company board representation should be based on the capacity and circumstance of each individual Director instead of prescribing a numerical limit. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of the Company to adequately discharge his duties as director of the Company. The NC, after taking into account of the individual Director’s assessment results and the Director’s participation of meetings, has reviewed and is satisfied that all the Directors who sit on multiple boards have been able to and have devoted sufficient time and attention to the affairs of the Company and have adequately carried out their roles and discharged their duties as Director of the Company, notwithstanding their multiple board representations and directorships in other listed companies.

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With the exception of Mr Tan Huay Lim (who was appointed to the Board as the lead independent director on 13 August 2019), who holds four concurrent directorships in other listed companies, the remaining five directors do not hold more than one concurrent directorship in other listed companies. For FY2020, the Board and NC are satisfied that Mr Tan Huay Lim, notwithstanding his multiple board appointments, had given adequate time and attention to the affairs of the Group to diligently discharge his duties as director of the Company through his attendance, preparedness and participation at meetings of the Board and Board Committees.

The listed company directorships and principal commitments of each Director are disclosed under the section on Provision 4.3. For FY2020, the NC and Board were of the view that no Director held a significant number of such directorships and commitments, and was satisfied that each Director was able to diligently discharge his duties.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

PROVISIONS 5.1 and 5.2

The Board has a formal annual assessment of its effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by the Chairman and individual Directors to the effectiveness of the Board.

The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.

Each Director is required to complete an evaluation questionnaire to assess the Board and the Board Committees, as well as a peer assessment of each of the other Directors on the Board to assess the contributions by the Chairman and each individual Director to the effectiveness of the Board.

Board and Board Committees evaluation

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's access to information, 3) Board processes, 4) Board 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 on the board procedures and processes and highlight areas of strength and weakness, and the Board acts on the evaluation to ensure continuous improvement of the Board. The performance criteria do not change from year to year, unless the NC is of the view that it is necessary to change the performance criteria, for example, in order to align with any changes to the 2018 Code. There was no external facilitator involved in the Board evaluation process in FY2020.

Board Committees are evaluated by the members of the respective Board Committees on the performance of their roles and responsibilities with regards to their respective terms of references and their provision of information to the Board.

The completed evaluation questionnaires in respect of the Board and Board Committees are collated by the Company Secretary, and the results were discussed by the NC, with recommendations made to the Board.

Provision 5.1 of the 2018 Code states that the NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board. Provision 5.2 of the 2018 Code states, *inter alia*, that the company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted. Principle 2 provides that the Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors. The Board has not conducted individual assessments of its Directors, which constitutes a variation from Provisions 5.1 and 5.2 of the 2018 Code. Nevertheless, the Company is of the view that the intent of Principle 5 is met, given that an evaluation of the Board as a whole has been conducted. The NC is of the view that it is more appropriate and effective to evaluate the performance of the Board as a whole, bearing in mind that each member of the Board contributes in different ways to the success of the Company and Board decisions are made collectively.

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

PROVISIONS 6.2

RC Composition

The Board established the RC in March 2003 which consists of three independent directors, namely, Mr Tan Sek Khee (Chairman of the RC), Mr Andre Yeap Poh Leong and Mr Tan Huay Lim, all of whom, including the Chairman of the RC, are independent. In discharging their duties, the members have access to advice from the internal human resources personnel, and if required, advice from external experts. During FY2020, 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.

PROVISIONS 6.1, 6.3 AND 6.4

Role of RC and remuneration framework

The RC reviews and recommends a framework of remuneration for key management personnel ("KMPs") and directors serving on the Board and Board Committees, and the specific remuneration package for each director as well as for KMPs of the Company.

The RC considers all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, grant of share options and performance shares, benefits in kind and termination terms, to ensure they are fair. The RC also reviews the remuneration of KMPs, 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.

On an annual basis, the RC reviews and approves the annual increments, variable bonus to be granted to the executive directors and the KMPs which are within specific mandates sought from the Board.

CORPORATE GOVERNANCE REPORT

The RC also reviews the Company's obligations arising in the event of termination of the executive directors and KMPs to ensure that the contracts of service contain fair and reasonable termination clauses which are not overly generous. The service agreements entered into with the executive directors, namely, Mr Ang Kok Tian, Mr Ang Ah Nui 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 RC administers the ASL Employee Share Option Scheme 2012 ("ESOS") approved on 25 October 2012 in accordance with the rules of the ESOS. 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 FY2020 and the executive directors are not eligible to participate in the ESOS. Details of the ESOS are set out on pages 60 and 61 of this Annual Report.

The RC, has explicit authority within its terms of reference to seek appropriate expert advice in the field of executive compensation outside the Company on remuneration matters where necessary. There being no specific necessity, the RC did not seek the service of an external remuneration consultant in FY2020.

Specifically, under its terms of reference the RC's duties are to:

- make recommendations to the Board on the framework of remuneration and specific remuneration package for each director and key executives of the Group;
- review all benefits and long-term incentive schemes and compensation packages for the directors and key executives of the Group;
- review service contracts for the directors and key executives of the Group;
- administer the ASL Employee Share Option Scheme;
- review remuneration packages of the Group's employees who are immediate family members of any of the directors or substantial shareholders of the Company;
- report to the Board on its activities and proposals; and
- perform such other functions as the Board may determine.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

PROVISIONS 7.1 AND 7.3

Remuneration of executive directors and KMPs

The Group's remuneration policy is to provide remuneration packages which will reward performance and attract, retain and motivate directors and KMPs to manage the Group successfully for the long term. 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 but are remunerated as members of management. The executive directors' and KMPs' remuneration is structured so as to link rewards to corporate and individual performance. The remuneration for the executive directors and the KMPs comprises primarily a basic salary component and a variable performance related component which is the annual bonus that is 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 remuneration with the interests of shareholders so as to promote the long term success of the Group.

In FY2020, pursuant to the Company's Consent Solicitation Exercise passed in January 2019, the Company had taken into consideration the feedback received from its Noteholders, bearing in mind the interest rate cuts and extended maturity on the Notes granted by the Noteholders. To align the interests of the management with its Noteholders, the shareholder-management team, namely Mr. Ang Kok Tian, Mr Ang Ah Nui, Mr Ang Kok Eng, Mr Ang Kok Leong and Mr Ang Sin Liu, took a 40% pay cut in their basic salaries with effect from February 2019. The Company intends to progressively restore the pay reductions as the Group's performance improves, thereby aligning the interest of the Noteholders and the shareholder-management team.

The Company advocates a performance-based remuneration system that is flexible and responsive to the market, and the performance of the individual and the Group's business. The Company seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate so as to attract, retain and motivate directors and KMPs to provide good stewardship to successfully manage the Group for the long term.

Specifically, the remuneration framework and details of the implementation within the Group are guided as follows:

- (a) the performance appraisal of the executive directors and key executive officers that take into account strategic thinking; policy implementation; risk awareness and control; feedback and communication; quality of work; initiative, teamwork and self-development; leadership and people management; and project management;
- (b) The Group's annual budget set will be cascaded down to executive directors and key executive officers within the organization in the form of Key Performance Indicator ("KPI") target every year. The directors and KMP within the organization will be assessed based on his/her actual achievement against the KPI;
- (c) Benchmarking total remuneration against other organisations of similar size and standing in the Group's industry; and
- (d) Alignment of incentive payments with the long-term performance of the Group through deferred vesting of incentives.

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 KMPs' contracts of service.

Given that the variable components of remuneration of the executive directors and KMPs are moderate, there are no contractual provisions to allow the Group to reclaim their incentive components of remuneration paid in prior years 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 Company should be able to avail itself to remedies against the executive directors in the event of any breach of fiduciary duties.

PROVISION 7.2

Remuneration of non-executive directors

The independent directors receive directors' fees, in accordance with the level of their contribution, taking into account factors such as roles and 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 receives an additional fee of \$10,000 to reflect his expanded responsibility.

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 RC is mindful that independent directors should not be over-compensated to the extent that their independence may be compromised. No member of the RC is involved in deciding his own fees.

CORPORATE GOVERNANCE REPORT

The Company encourages independent directors to invest in the Company. The shareholdings of the individual directors are set out on page 58 of this Annual Report.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

PROVISIONS 8.1, 8.2 AND 8.3

Remuneration criteria

The compensation packages for employees including the executive directors and the KMPs comprised a fixed component (base salary), a variable component and benefits-in-kind, where applicable, taking into account amongst other factors, the individual's performance, the performance of the Group and industry practices.

Remuneration of directors

The breakdown of the directors' remuneration for FY2020, rounded off to the nearest thousand dollars including a breakdown in percentage terms of the components of the remuneration, is set out below:

Name of director	Total remuneration \$'000	Salary¹ %	Bonus %	Other benefits² %	Directors' fees³ %	Total %
<u>Payable by the Company:</u>						
Independent directors						
Andre Yeap Poh Leong	66	-	-	-	100	100
Christopher Chong Meng Tak (resigned on 13 August 2019)	10	-	-	-	100	100
Tan Huay Lim (appointed on 13 August 2019)	72	-	-	-	100	100
Tan Sek Khee	66	-	-	-	100	100
	<u>214</u>					
<u>Payable by subsidiaries:</u>						
Executive directors						
Ang Kok Tian	290	93	-	7	-	100
Ang Ah Nui	271	94	-	6	-	100
Ang Kok Leong	294	73	-	27	-	100
	<u>855</u>					
Total for directors of the Company	<u>1,069</u>					

- 1 Inclusive of employer's Central Provident Fund contributions
 2 Other benefits refer to car benefits
 3 The directors' fees for FY2020 were approved at the 2019 AGM held on 30 October 2019.

Remuneration of top five KMPs

The disclosure relating to the top five KMPs (who are not directors or the CEO) of the Company in bands of \$250,000 and in percentage terms of the components of the remuneration for FY2020 is set out as follows:

Name of key management personnel	Salary ¹ %	Bonus %	Other benefits ² %	Total %
Payable by subsidiaries:				
\$250,000 to below \$500,000				
Tay Kes Siong	100	–	–	100
Below \$250,000				
Ang Kok Eng	93	–	7	100
Chin Wee Cheak	100	–	–	100
Koh Kai Kheng	100	–	–	100
You Bom Lee	100	–	–	100
Total remuneration				\$1,044,000

- 1 Inclusive of employer's Central Provident Fund contributions
 2 Other benefits refer to car benefits

Remuneration of immediate family members of CEO and executive directors

The breakdown of the remuneration in bands of \$100,000 and in percentage terms of the components of the remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds \$100,000 per annum for FY2020 is set out below:

Name of employee	Salary ¹ %	Bonus %	Other benefits ² %	Total %
Payable by subsidiaries:				
\$200,000 to below \$300,000				
Ang Kok Eng	93	–	7	100
\$100,000 to below \$200,000				
Ang Sin Liu	97	–	3	100

- 1 Inclusive of employer's Central Provident Fund contributions
 2 Other benefits refer to car benefits

Mr Ang Kok Eng, executive director of certain principal subsidiaries of the Group, is the brother of the CEO and the executive directors, Mr Ang Kok Tian, Mr Ang Ah Nui and Mr Ang Kok Leong.

Mr Ang Sin Liu, Group Advisor, is the father of the CEO and the executive directors, Mr Ang Kok Tian, Mr Ang Ah Nui and Mr Ang Kok Leong.

CORPORATE GOVERNANCE REPORT

Employee share schemes

As mentioned above in the section on Provisions 6.1, 6.3 and 6.4, on 25 October 2012, the Company put in place the ASL Employee Share Option Scheme 2012 (“**ESOS**”) approved by shareholders. 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 FY2020 and the executive directors are not eligible to participate in the ESOS. Details of the ESOS are set out on pages 60 and 61 of this Annual Report.

III. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

PROVISION 9.1

Nature and extent of risks

The Group has a system of internal controls 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 is 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. The Board determines the nature and extent of the significant risks which the Group is willing to take in achieving its strategic objectives and value creation. 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 judgement 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 an annual review on the adequacy and 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.

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.

The Board does not have a Board Risk Committee to address risk management. The Board and the AC undertake the oversight responsibilities in respect of risk governance of the Group. The internal and external auditors have presented their key findings of their review to the AC and the Board. Key operational (including information technology), business, and financial risks faced by the Group generally and in major contracts and transactions are continuously analysed and identified so that all key risks are addressed and internal controls are in place and reviewed periodically by Management, the AC and the Board.

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 COVID-19 pandemic, rising political tensions and higher tariff barriers between the United States and its trading partners has triggered a global economic downturn and global economic contraction, causing disruptions in demand and supply chains. This 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 market uncertainties with regard to the industry recovery, the Group’s clients may place fewer orders or may downsize the ships they wish to build or convert or delay their orders or act in some other manner which adversely affects our revenue and/or timing of the revenue recognition.

Cancellation Risk

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

CORPORATE GOVERNANCE REPORT

Increasing Credit Risk

The risk associated with credit is rising as a result of a global economic contraction, contributed by the COVID-19 pandemic and protracted downturn of global marine industry. The Group recorded impairment losses on financial assets of \$4.8 million in FY2020 which included specific provision on certain receivables, impaired after due assessment, where final settlement sum is being negotiated or the probability of recovery is remote based on the current market conditions.

Working Capital

The severe challenges to the offshore and marine industry were exacerbated in the past few years, with financing options becoming the key constraint for the survival of many companies. While the Group enjoys good relations with its bankers, in the event the Group suffers a reduction in its banking lines and/or facilities, the Group may have to reduce the amount of business it undertakes as ship building, ship repairs and 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 and labor suppliers. If there is a disruption in supplies, 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. However, as with 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 located in Batam, Indonesia. The business environment in Indonesia is good and, as has been the case for the last decade, is getting 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. While the Group tries to bill in S\$, the world quotes in US\$ and many specialist equipment is priced in Euro.

PROVISION 9.2

Assurance from the CEO, CFO and KMP

The Board, with the concurrence of the AC, after carrying out an independent review, is of the opinion that the risk management systems and internal controls (including financial, operational, compliance and information technology controls) of the Group 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) written assurances obtained from the CEO and GFC.

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.

For FY2020,

- (a) written assurance was received from the CEO and GFC that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (b) written assurance was received from the CEO and other KMPs that the Group's risk management and internal control systems in place were adequate and effective in all material respects given its current business environment.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

PROVISION 10.2

AC composition and role

The Board established the AC in March 2003 which consists of three independent directors, namely, Mr Tan Huay Lim (Chairman of the AC), Mr Andre Yeap Poh Leong and Mr Tan Sek Khee, all of whom including the Chairman of the AC are independent.

At least two members of the AC, including the Chairman of the AC, have recent and relevant accounting or related financial management expertise or experience. The Board considers the Chairman of the AC, Mr Tan Huay Lim, who is a Fellow Member of the Institute of Singapore Chartered Accountants, the Association of Certified Accountants, UK, and the Certified Practising Accountants (Australia) and who has extensive accounting and auditing knowledge and experience, as well-qualified to chair the AC. Mr Tan Sek Khee has considerable practical financial management experience.

The Board is satisfied that the AC members, collectively, have relevant related financial management expertise or experience and are appropriately qualified 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.

PROVISION 10.3

None of the members nor the Chairman of the AC are former partners or directors of the Company's existing auditing firm or corporation: (a) within a period of two years commencing on their date of ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

CORPORATE GOVERNANCE REPORT

PROVISION 10.1

Duties of AC

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, under its terms of reference, the AC's duties are to:

- Review the audit plans of the internal and external auditors of the Group and the Company, and reviews the internal auditors' evaluation of the adequacy and effectiveness of the Group's system of internal controls and the assistance given by management to the external and internal auditors;
- Review findings and recommendations of the internal and external auditors relating to the internal control systems of the Group and management responses and actions to correct any deficiencies;
- Review significant financial reporting issues so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- Review the quarterly and the annual financial statements, results of the audit and the auditors' report on the annual financial statements of the Group and the Company before their submission to the Board;
- Review the adequacy and effectiveness of the Group's material internal controls, relating to financial, operational, compliance and information technology controls and risk management systems;
- Meet 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;
- Review legal and regulatory matters that may have a material impact on the financial statements and any reports received from regulators;
- Review the independence and objectivity of the external auditor and the nature and extent of non-audit services provided by the external auditor;
- Recommend to the Board on the appointment, re-appointment and removal of internal and external auditors and approves their fees;
- Report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate;
- Review the assurance from the CEO and GFC on the financial records and financial statements;
- Review interested person transactions and acquisitions and disposals in accordance with the requirements of the SGX-ST's Listing Manual and
- Review the whistleblowing policy and incidents reported.

External audit

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.

For FY2020, the AC has reviewed all non-audit services provided by the Company's external auditors, which comprised attestation services required under the Approved International Shipping Enterprise Scheme. The AC is satisfied that the external auditors' independence and objectivity have not been impaired by their provision of non-audit services. The fees payable to the external auditors, broken down into audit and non-audit services, are set out on page 174 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.

In reviewing the nomination of Ernst & Young LLP for re-appointment for the financial year ending 30 June 2021, the AC has considered the adequacy of the resources, experience and competence of Ernst & Young LLP. Consideration was also given to the experience of the engagement partner and key team members in handling the audit. The AC also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines. On the basis of the above, the AC is satisfied with the adequacy, independence, scope and results (including the standard and quality of work performed) of Ernst & Young LLP. The AC has recommended to the Board the re-appointment of Ernst & Young LLP as the Company's external auditors at the forthcoming AGM of the Company.

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

Audit Committee's commentary on significant financial reporting matters

In relation to the Group's financial statements for FY2020, the AC considered the following financial reporting matters as significant based on their potential impact on the Group's results, or based on the level of complexity, judgement or estimation involved in their application.

Going concern assumption

The application of the going concern basis for the preparation of the financial statements require making assumptions and significant judgement about future performance and cash flows which are inherently uncertain.

The AC assessed the ability of the Group to generate sufficient cash flows from operations and the continuing support from the lenders. The AC held discussions with the management and the external auditors on the assessment of the ability of the Group and the Company to continue as a going concern and the relevant disclosures on the factors considered in analyzing the validity of the going concern assumption have been made in the Note 2.1 to the financial statements.

CORPORATE GOVERNANCE REPORT

Impairment losses on financial and non-financial assets

The Group recorded impairment losses of \$4.8 million on financial assets and \$14.1 million on non-financial assets as disclosed in Note 28 and Note 26 respectively to the financial statements.

The AC evaluated management's valuation methodologies and assumptions used in determining the recoverable amounts or realisable values of the assets.

The AC held discussions with the external auditors regarding the relevant accounting treatment and their audit procedures that had been performed.

The AC was satisfied with management's assumptions, judgement and conclusion on the amount of the impairment losses recorded.

The above significant financial reporting matters were also areas of focus for the external auditors who have included these as key audit matters in their audit report set out in this Annual Report.

PROVISION 10.4

Internal Audit

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 Company has outsourced its internal audit function to BDO LLP, which is an established international audit firm. BDO LLP is independent of the Company's business activities. BDO conducts their internal audits based on the BDO Global Internal Audit Methodology which is consistent with the International Professional Practices Framework established by the Institute of Internal auditors. The BDO LLP Engagement Partner has more than 20 years of experience in audit and advisory services and is a Chartered Accountant (Singapore), Certified Internal Auditor and Certified Information System Auditor. Members of the internal audit team also have relevant academic qualifications, professional certifications and internal audit experience. The AC is hence satisfied that the outsourced internal audit function is adequately staffed by suitably qualified and experienced professionals based on the internal audits conducted for FY2020.

An audit plan over a 2-3 year audit cycle approved by the AC covering a selection of the Group's main business processes of major subsidiaries has been adopted. The internal auditors' summary of findings and recommendations is 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 Managing Director on administrative matters. The AC approves the appointment, termination, evaluation and remuneration of the internal auditors. The internal auditors have unrestricted access to documents, records, properties and personnel of the Company and the Group, including the AC, and has appropriate standing within the Company. The annual conduct of audit by the internal auditors assesses the effectiveness of the Group's internal control procedures within the scope of the internal audit plan to provide 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, effectiveness, scope and results of the internal audit function and is satisfied that the internal audit function is independent, effective and adequately resourced and is staffed by suitably qualified and experienced professionals with the relevant qualifications and experience. The AC's review included examining the scope of the internal audit work and the internal auditors' independence, the internal auditors' reports and their relationship with the 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, the AC and the Board. In the event that the report is about a director, the concerned director will not be involved in the review and any decisions with respect to such review.

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 was no reported incident received through the Company's whistle-blowing mechanism during FY2020.

PROVISION 10.5

Meeting Auditors without the management

The AC meets with the internal and external auditors separately, at least once a year, without the presence of the Management, to review any matter that might be raised. These meetings enable the auditors to raise any issues in the course of their work directly to the AC. Individual members of the AC also engage the internal and external auditors separately in ad hoc meetings.

IV. SHAREHOLDERS RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

PROVISIONS 11.1 and 11.2

Conduct of general meetings

All registered shareholders are invited to participate and are given the right to vote on resolutions at general meetings. The shareholders are informed of the rules governing general meetings of shareholders.

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. A proxy form is sent with each notice of general meeting to all shareholders. Shareholders are informed of general meetings through the notices of general meeting which are published in local newspapers, released via SGXNET and posted on the Company's corporate website.

The Company has conducted electronic poll voting at its general meetings since 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. The detailed voting results, including the total number of votes cast for or against and the respective percentages on each resolution are 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.

CORPORATE GOVERNANCE REPORT

PROVISION 11.3

Interaction with shareholders

The Chairman, Managing Director and CEO, and GFC delivered 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 after the AGM are given the opportunity to communicate their views and discuss on affairs of the Group with the Board and management.

The Directors' attendance at the general meetings of the Company held in FY2020 is disclosed under the section on Provision 1.5 of this report.

PROVISIONS 11.4 and 11.5

Shareholders' participation and minutes of general meeting

All shareholders are encouraged to attend the general meetings. Under the Constitution of the Company, if any shareholder is unable to attend the general meetings in person, he is allowed to appoint up to two proxies to attend and vote on his behalf at the meetings through proxy forms. 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.

In order to have a valid registration of proxy, the proxy forms must be sent in advance to the place(s) as specified in the notice of the general meetings at least 72 hours before the time set for the general meetings.

Voting in absentia by mail, facsimile or electronic 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.

Provision 11.5 of the 2018 Code provides, *inter alia*, that the company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. Principle 11 of the 2018 Code provides, *inter alia*, that the company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The Company does not publish its minutes of shareholders' meetings on its corporate website, which constitutes a variation from Provision 11.5 of the 2018 Code. Nevertheless, the Company is of the view that the intent of Principle 11 is met, as the minutes are available upon request by shareholders.

Notwithstanding the above, as the Company will be holding its forthcoming AGM by way of electronic means in pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, in accordance with the press release dated 1 October 2020 by the Singapore Exchange Regulation titled "Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation", the Company will publish minutes of the forthcoming AGM within one month after the AGM on SGXNET and the Company's corporate website. The minutes will record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and management.

PROVISION 11.6

Dividend policy

Provision 11.6 of the 2018 Code provides that the company has a dividend policy and communicates it to shareholders. Principle 11 of the 2018 Code provides, *inter alia*, that the company gives shareholders a balanced and understandable assessment of its performance, position and prospects. The Company has not formally instituted a dividend policy, which constitutes a variation from Provision 11.6 of the 2018 Code. Nevertheless, the Company is of the view that the intent of Principle 11 is met, as the Board, in proposing any dividend payout and/or determining the form, frequency and/or the amount of dividend, will take into account, *inter alia*, the Group's financial performance and position, retained earnings, cash flow generated from operations, the Group's expected working capital requirements and capital expenditure, other funding requirements, general economic conditions and other factors that the Board may deem appropriate.

For FY2020, after taking into consideration the operating requirements, 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 dividends.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

PROVISIONS 12.1, 12.2 AND 12.3

Disclosure of information on timely basis

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 corporate website and disclosure via SGXNET.

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 annual reports, 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 corporate 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 holds meetings with investors and/or Noteholders 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.

CORPORATE GOVERNANCE REPORT

Investor Relations

Provision 12.2 of the Code provides that the company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. Principle 12 of the Code provides that the company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company. The Company does not currently have a written investor relations policy, which constitutes a variation from Provision 12.2 of the Code. Nevertheless, the Company is of the view that the intent of Principle 12 is met, as the shareholders can access information on the Group at the Company's corporate website which provides, *inter alia*, all publicly disclosed financial information, corporate announcements, press releases, annual reports and profile of the Group. To enable shareholders to contact the Company with their questions, the Company's email address is set out in the Corporate Information page of the annual report. The management will respond to investors' queries as soon as practical. The Group has specifically entrusted its CEO, Executive Directors and GFC with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns. The independent directors 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 corporate website, where appropriate changes would be made.

V. MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

PROVISIONS 13.1, 13.2 and 13.3

Sustainability reporting

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups. The Board recognises the interests of other parties such as customers, employees, suppliers and subcontractors are essential as part of value creation for the Group and believes corporate social responsibility is a key driver towards long-term sustainability of the Company. Such responsibility is pragmatically integrated into the business practices as one of the core values in the corporate culture. The Company has identified key areas of focus in relation to the management of stakeholder relationships.

For more information, the Group's sustainability governance structure and policies can be found on the Company's corporate website. The 2020 Sustainability Report, which contains the Company's strategy and key areas of focus in relation to the management of stakeholder relationships, will be published by 30 November 2020.

Corporate website

All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner through SGXNET, press releases and the Company's corporate website. All materials on the quarterly and full year financial results are available on the Company's corporate website at www.aslmarine.com. Stakeholders can also reach out to the Company through email found on our corporate website.

VI. OTHER CORPORATE GOVERNANCE MATTERS

Dealing in Securities

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 "black-out" periods commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements (if the Company announces its quarterly financial statements, whether required by the SGX-ST or otherwise), or one month before the announcement of the Company's half year and full year financial statements (if the Company does not announce its quarterly financial statements), 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 notify the Company Secretary of any change in his interest in the Company's shares within two business days of the change.

During FY2020, there was no trading of the Company's shares by insiders.

Material Contracts

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, there were no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO, any directors or controlling shareholders of the Company still subsisting as at the end of the financial year ended 30 June 2020, or if not then subsisting, entered into since 30 June 2019.

Use of Proceeds

The Group had fully utilised the net proceeds of \$0.9 million raised from the subscription of Rights Issue of 266,505,713 warrants issued in July 2019 for working capital usage including payment to its suppliers and subcontractors, and for its operating expenses. The utilisation is in accordance with the intended use of proceeds as stated by the Company Announcement dated 26 January 2019, the Offer Information Statement dated 2 July 2019 and the Circular to Shareholders dated 3 July 2019.

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 was last renewed on 30 October 2019 and will not be renewed at the forthcoming AGM. 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 \$100,000) entered into by the Company or any of its subsidiaries for FY2020.

CORPORATE GOVERNANCE REPORT

	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) \$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000) \$'000	
Sale of goods and services				
	Contech Precast Pte Ltd	¹ Subsidiary of KHL	–	2,511
	Econ Precast Pte Ltd	¹ Subsidiary of KHL	–	11,078
	Entire Engineering Pte Ltd	¹ Subsidiary of KHL	–	23
	Koon Construction & Transport Co Pte Ltd	¹ Subsidiary of KHL	–	(83)
	Petra I Pte Ltd	¹ Subsidiary of KHL	–	(258)
	Sindo-Econ Pte Ltd	¹ Joint venture of the Company and KHL	–	1,802
	PT. Sindomas Precas	¹ Joint venture of the Company and KHL	–	970
	Reem Island Pte Ltd	¹ Subsidiary of KHL	–	(887)
Purchase of goods and services				
	Koon Construction & Transport Co Pte Ltd	¹ Subsidiary of KHL	–	484
	Econ Precast Pte Ltd	¹ Subsidiary of KHL	–	1,093
	PT. Sindomas Precas	¹ Joint venture of the Company and KHL	1,147	–
	Sintech Metal Industries Pte Ltd	² Wholly owned by Mr. Ang Sin Liu	629	–
Assets Swap*				
	Koon Construction & Transport Co Pte Ltd	¹ Subsidiary of KHL	170	–
	Entire Engineering Pte Ltd	¹ Subsidiary of KHL	928	870
Reimbursement of expenses due from				
	Koon Construction & Transport Co Pte Ltd	¹ Subsidiary of KHL	177	–
	Entire Engineering Pte Ltd	¹ Subsidiary of KHL	201	–
	Econ Precast Pte Ltd	¹ Subsidiary of KHL	584	–
	PT. Sindomas Precas	¹ Joint venture of the Company and KHL	196	–
			4,032	17,603

* This pertains to swapping of assets with receivables as disclosed on page 208 of this Annual Report.

Notes:

1. The executive directors of the Company and their family in aggregate hold approximately 67.3% of the Company and 53.8% of Koon Holdings Limited (“**KHL**”). Accordingly KHL, its subsidiaries and associated companies (including joint venture) are deemed to be interested persons in the above disclosure.
2. Mr. Ang Sin Liu is the father of Ang Kok Tian, Ang Ah Nui and Ang Kok Leong, all of whom are Directors and substantial shareholders of the Company. He is also the father of Ang Kok Eng and Ang Swee Kuan, both of whom are also the substantial shareholders of the Company. Each of them is deemed to have an interest in the shares held by the other.
3. The above aggregate values were based on amount incurred and accrued, including where an interested person transaction had an indefinite term or where the contract sum was not specified.
4. Credit balances of IPT were mainly due to credit notes for transactions recorded in FY2019 issued in 1Q FY2020.

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 184 to 196 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 2020.

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 2020 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
Tan Sek Khee
Tan Huay Lim (appointed on 13 August 2019)

Arrangements to enable Directors to acquire shares and debentures

Except as disclosed in this statement, 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 in, 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, debentures and warrants of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of Directors	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
The Company				
ASL Marine Holdings Ltd.				
(Ordinary shares)				
Ang Kok Tian	88,212,800	88,212,800	334,830,150*	335,065,050*
Ang Ah Nui	30,660,000	30,660,000	392,382,950*	392,617,850*
Ang Kok Leong	72,841,500	72,841,500	350,201,450*	350,436,350*
Andre Yeap Poh Leong	350,000	350,000	–	–
ASL Marine Holdings Ltd.				
(Warrants)				
Ang Kok Tian	–	44,106,400	–	167,415,075*
Ang Ah Nui	–	15,330,000	–	196,191,475*
Ang Kok Leong	–	36,420,750	–	175,100,725*
Andre Yeap Poh Leong	–	175,000	–	–
Tan Huay Lim	–	–	–	1,734,375^
ASL Marine Holdings Ltd.				
(Series 007 Notes)				
Tan Huay Lim	–	–	\$690,000	\$682,500

On 25 July 2019, the Company completed the issuance of renounceable non-underwritten rights warrants and allotted 266,505,713 rights warrants ("Rights Warrants") at an issue price of \$0.006 for each Rights Warrant, on the basis of 1 Rights Warrant for every 2 existing ordinary shares in the capital of the Company.

On the same date, the Company completed the issuance of 300,625,000 free warrants to the noteholders ("Noteholder Warrants").

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

Both the Rights Warrants and the Noteholder Warrants carry the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of \$0.06 per ordinary share. No warrants were exercised since the date of issuance.

* Ang Kok Tian, Ang Ah Nui and Ang Kok Leong are brothers. Each of the brothers is deemed to be interested in the shares and warrants held by the other and their father (Ang Sin Liu), other brother (Ang Kok Eng) and sister (Ang Swee Kuan).

^ Comprised free Noteholder Warrants held by nominee.

Name of Directors	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year

Subsidiaries

ASL Triaksa Offshore Pte. Ltd.

(Ordinary shares)

Ang Kok Tian	–	–	60,000	60,000
Ang Ah Nui	–	–	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 Leong	–	–	30,300	30,300

Hongda Investment Pte. Ltd.

(Ordinary shares)

Ang Kok Tian	–	–	3,000,000	780,000
Ang Ah Nui	–	–	3,000,000	780,000
Ang Kok Leong	–	–	3,000,000	780,000

Jiangmen Hongda Shipyard Ltd.

(Registered and paid in capital)

Ang Kok Tian	–	–	5,000,000	–
Ang Ah Nui	–	–	5,000,000	–
Ang Kok Leong	–	–	5,000,000	–

There was no change in any of the abovementioned interests between the end of the financial year and 21 July 2020.

DIRECTORS' STATEMENT

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

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

Except as disclosed in this statement, 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 was administered by the Remuneration Committee (the "RC") comprising three Independent Directors, Tan Sek Khee, Andre Yeap Poh Leong and Tan Huay Lim as at the date of this statement.

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.

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.

Share options (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.

Since the adoption of the 2012 Scheme, no options have been granted and there were no unissued shares of the Company under options.

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 and effectiveness of the Group's system of internal controls and the assistance given by management to the external and internal auditors;
- Reviewed findings and recommendations of the internal and external auditors relating to the internal control systems of the Group and management responses and actions to correct any deficiencies;
- Reviewed the quarterly and the annual financial statements, result of the audit and the auditors' report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviewed the adequacy and effectiveness of the Group's material internal controls, relating to financial, operational, compliance and information technology controls and risk management;

DIRECTORS' STATEMENT

Audit Committee (cont'd)

- 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 and any reports received from regulators;
- Reviewed the independence and objectivity of the external auditor and the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors on the appointment, re-appointment and removal of internal and external auditors and approved their fees;
- 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 as defined in Chapter 9 of the SGX-ST's Listing Manual.

The AC convened six 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 Corporate Governance Report.

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
10 November 2020

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.

For the financial year ended 30 June 2020

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 2020, 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2020 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 incurred loss after tax of \$18,383,000 for the financial year ended 30 June 2020. As at 30 June 2020, the Group's and Company's total borrowings amounted to \$359,620,000 and \$168,251,000 of which \$46,109,000 and \$5,737,000 were classified as current liabilities respectively. These factors indicate 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, ability to dispose designated assets at targeted price range and to receive continued support from the lenders.

Material uncertainty related to going concern (cont'd)

In the event that the Group is unable to generate sufficient cash flows from operations or does not continue to receive support from the lenders, 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. 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.

Impairment assessment of assets

The business segments in which the Group operates remain weak in terms of volume and margins. The demand for various classes of vessels in the chartering fleet, including offshore support vessels remains depressed. In addition, the COVID-19 pandemic has impacted the Group's yard operations in Singapore and Indonesia. 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, trade receivables and other intangible assets.

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.

For the financial year ended 30 June 2020

Key audit matters (cont'd)

Impairment assessment of assets (cont'd)

Impairment of property, plant and equipment

The Group's property, plant and equipment (PPE) amounted to \$443,928,000 as at 30 June 2020. As disclosed in Note 4, management performed an annual impairment test on the PPE due to the existence of impairment indicators as at 30 June 2020. The impairment losses recognised for the year amounted to \$1,608,000. The impairment test was conducted by comparing the carrying amount of the PPE to their respective recoverable amounts. This area was significant to our audit as the carrying value of the PPE represented 94.9% of the Group's total non-current assets as at 30 June 2020 and there is significant judgement involved in the impairment assessment to determine the recoverable amounts. Management had estimated the recoverable amounts of PPE based on fair value less cost of disposal and engaged external independent valuers to perform valuations of the PPE and have considered the reasonableness of the valuation, given the industry in which the Group operates in. The valuation techniques involve various underlying key assumptions used by the external independent valuers.

We obtained an understanding of management's impairment assessment process including their considerations of the potential impact COVID-19 pandemic has on the Group's operations. Our audit procedures included, amongst others, considering the competence and objectivity of the external independent valuation experts engaged by the management. We involved our internal valuation specialist in reviewing the appropriateness and reasonableness of the external independent valuation experts' valuation methodologies, key assumptions used, inter alia the specifications and the age of the vessels and considered the appropriateness of the valuations of the PPE by comparing to comparable market data, taking into consideration the current market conditions due to COVID-19.

We also assessed the adequacy and appropriateness of the related disclosures set out in Note 3.2(a) *Impairment of property, plant and equipment*, Note 2.10 *Property, plant and equipment* and Note 4 *Property, plant and equipment* to the financial statements.

Key audit matters (cont'd)

Impairment assessment of assets (cont'd)

Net realisable value of completed vessels

As disclosed in Note 11, included in finished goods are vessels with an aggregate carrying amount of \$74,068,000 as at 30 June 2020. During the year ended 30 June 2020, management recognised an impairment loss of \$5,813,000.

The Group recognised the completed vessels at the lower of cost and net realisable value. Management engaged external independent valuers to determine the net realisable values of these vessels and have considered the reasonableness of the valuations, given the current market conditions. The determination of net realisable values of these vessels was significant to our audit as the total carrying value of completed vessels amounted to 34.7% of the Group's total current assets as at 30 June 2020. The determination of the net realisable value is complex and involves management exercising significant judgement and use of assumptions and estimates.

Our audit procedures included, amongst others, considering the competence and objectivity of the external independent valuers engaged by management. We involved our internal valuation specialist in reviewing the appropriateness, reasonableness and consistency of the external independent valuation experts' valuation methodology, key assumptions used, inter alia the specifications of the vessels and considered the appropriateness of the valuations of the vessels by checking to comparable market data, taking into consideration the current market conditions due to COVID-19.

We also assessed the adequacy and appropriateness of the related disclosures set out in Note 3.2(e) *Determination of net realisable value of completed vessels*, Note 2.17 *Inventories* and Note 11 *Inventories* to the financial statements.

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.

For the financial year ended 30 June 2020

Key audit matters (cont'd)

Impairment assessment of assets (cont'd)

Recoverability of finance lease receivables and trade receivables

The expected credit loss allowances on trade receivables amounted to \$3,960,000 as at 30 June 2020. Finance lease receivables and trade receivable (receivables) balances were significant to the Group as they represent 8.1% of the total assets on the statements of financial position. 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 these receivables are key elements of the Group's working capital management, which is managed on an ongoing basis by management. The Group determines impairment of the receivables by making debtor-specific assessment for credit-impaired debtors. For the remaining group of debtors, the Group provides for lifetime expected credit losses (ECL) using a provision matrix. The provision rates are determined based on the Group's historical default rates analysed in accordance to days past due by grouping customers based on customer profiles, adjusted for current and forward-looking information. As the impairment assessment requires significant management judgement, we determined that this is a key audit matter.

As part of the audit, we assessed the Group's processes and enhanced controls arising from the COVID-19 pandemic relating to the monitoring of the outstanding receivables, including the process in determining whether a debtor is credit impaired and the Group's processes on the ECL model. We reviewed the key data sources and assumptions for data used in the determination of default rate and the current and forward-looking adjustment factors in determining the provision rates.

We considered the age of the debts as well as the trend of collections to identify the collection risks. We requested receivables confirmations and reviewed for collectability by way of obtaining evidence of receipts from the debtors on a sampling basis subsequent to the year end. We discussed with management and the Board of Directors on the recoverability of long outstanding debts, including enquiries if there are any known customers which are potentially more impacted by COVID-19 pandemic, analysed the Group's trend of collections for long outstanding trade debtors and reviewed legal case files.

We also assessed the adequacy and appropriateness of the related disclosures set out in Note 3.2(c) *Recoverability of contract assets and trade receivables*, Note 2.14(a) *Financial assets*, Note 2.21 *Leases*, Note 10 *Finance lease receivables* and Note 13 *Trade and other receivables* to the financial statements.

Key audit matters (cont'd)

Impairment assessment of assets (cont'd)

Impairment assessment of other intangible assets

Other intangible assets amounting to \$2,256,000 which represents 0.5% of total non-current assets and 1.7% of total equity as at 30 June 2020 were subjected to impairment testing. During the year ended 30 June 2020, management recognised an impairment loss of \$3,063,000.

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

As disclosed in Note 9, the Group's other intangible assets is allocated to one cash generating unit (CGU). Management made key assumptions in respect of future market and economic conditions such as revenue and margin development, discount rates and economic growth when performing the assessment. We evaluated management's methodology used to assess the recoverable amount of other intangible assets. 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, including the potential impact of COVID-19. We checked 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.

We also assessed the adequacy and appropriateness of the related disclosures set out in Note 3.2(b) *Impairment of other intangible assets*, Note 2.11 *Intangible assets* and Note 9 *Intangible assets* to the financial statements.

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.

For the financial year ended 30 June 2020

Key audit matters (cont'd)

Impairment assessment of assets (cont'd)

Impairment of investments in subsidiaries and amounts due from subsidiaries at the Company level

Investments in subsidiaries and amounts due from subsidiaries were \$39,647,000 and \$281,744,000 respectively as at 30 June 2020. The principal activities of these subsidiaries include vessel owning and intermediate investment holding companies. We considered the audit of management's impairment test on these balances to be significant because their carrying amounts represented 98.7% of the Company's total assets as at 30 June 2020 and the impairment assessment involves significant management judgement.

We obtained an understanding from management on their assessment of the potential impact of COVID-19 pandemic has on the operations of these subsidiaries. In addition, the audit procedures discussed in the preceding paragraphs relating to impairment assessments on completed vessels and intangible assets and other factors such as the various subsidiaries historical and current performances and financial positions were taken into consideration when assessing the impairment of investments in subsidiaries and amounts due from subsidiaries.

We also assessed the adequacy and appropriateness of the related disclosures set out in Note 3.2(d) *Impairment of investments and amounts due from subsidiaries*, Note 2.7 *Subsidiaries*, Note 2.14(a) *Financial assets*, Note 7 *Investments in subsidiaries* and Note 13 *Trade and other receivables* to the financial statements.

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 SFRS(I), 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.

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.

INDEPENDENT AUDITOR'S REPORT

to the members of ASL Marine Holdings Ltd.

For the financial year ended 30 June 2020

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

- 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.

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 Andrew Tan Chwee Peng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
10 November 2020

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current assets					
Property, plant and equipment	4	443,928	490,244	–	–
Right-of-use assets	5	12,375	–	–	–
Lease prepayments	6	–	4,606	–	–
Investment in subsidiaries	7	–	–	39,647	40,723
Investment in joint ventures and associates	8	4,298	5,450	–	–
Intangible assets	9	2,256	5,865	–	–
Other receivables	13	–	–	3,100	–
Finance lease receivables	10	4,952	5,536	–	–
		467,809	511,701	42,747	40,723
Current assets					
Inventories	11	86,977	99,484	–	–
Contract assets	12	22,678	23,617	–	–
Trade and other receivables	13	63,182	80,546	278,664	259,353
Prepayments		3,490	4,811	184	185
Finance lease receivables	10	745	670	–	–
Cash and bank balances	14	35,165	15,395	3,984	3,591
		212,237	224,523	282,832	263,129
Assets classified as held for sale	15	1,047	–	–	–
Assets of disposal group classified as held for sale	7	–	9,841	–	–
		213,284	234,364	282,832	263,129
Total assets		681,093	746,065	325,579	303,852
Current liabilities					
Trade and other payables	16,17	148,823	178,003	108,233	99,480
Contract liabilities	12	7,324	22,149	–	–
Trust receipts	18	19,137	1,157	–	–
Interest-bearing loans and borrowings	19	26,972	45,107	5,737	11,965
Lease liabilities	5	2,052	–	–	–
Income tax payables		6,129	6,754	14	–
		210,437	253,170	113,984	111,445
Liabilities directly associated with disposal group classified as held for sale	7	–	2,015	–	–
		210,437	255,185	113,984	111,445
Net current assets/(liabilities)		2,847	(20,821)	168,848	151,684

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

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current liabilities					
Other payables	16	893	–	–	–
Other liabilities	20	3,633	3,699	–	–
Contract liabilities	12	56	507	–	–
Interest-bearing loans and borrowings	19	313,511	316,871	162,514	161,327
Lease liabilities	5	5,921	–	–	–
Deferred tax liabilities	21	13,263	16,011	–	–
		<u>337,277</u>	<u>337,088</u>	<u>162,514</u>	<u>161,327</u>
Total liabilities		<u>547,714</u>	<u>592,273</u>	<u>276,498</u>	<u>272,772</u>
Net assets		<u>133,379</u>	<u>153,792</u>	<u>49,081</u>	<u>31,080</u>
Equity attributable to owners of the Company					
Share capital	22	108,056	108,056	108,056	108,056
Treasury shares	22	(923)	(923)	(923)	(923)
Reserves	23	25,294	49,630	(58,052)	(76,053)
Reserve of disposal group classified as held for sale	7	–	193	–	–
		<u>132,427</u>	<u>156,956</u>	<u>49,081</u>	<u>31,080</u>
Non-controlling interests		<u>952</u>	<u>(3,164)</u>	<u>–</u>	<u>–</u>
Total equity		<u>133,379</u>	<u>153,792</u>	<u>49,081</u>	<u>31,080</u>

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 2020

	Note	2020 \$'000	2019 \$'000
Revenue	24	243,637	312,882
Cost of sales		(230,969)	(298,523)
Gross profit		12,668	14,359
Other operating income	25	12,953	4,413
Administrative expenses		(16,131)	(23,088)
Other operating expenses	26	(14,388)	(98,541)
Finance costs	27	(25,707)	(23,195)
Fair value adjustments arising from debt refinancing exercise	19, 27	15,233	59,179
Impairment losses on financial assets	28	(4,765)	(75,663)
Share of results of joint ventures and associates		(1,122)	857
Loss before tax	28	(21,259)	(141,679)
Income tax credit/(expense)	29	2,876	(4,200)
Loss for the year		(18,383)	(145,879)
Attributable to:			
Owners of the Company	30	(23,633)	(141,027)
Non-controlling interests		5,250	(4,852)
		(18,383)	(145,879)
Earnings per share (cents per share)			
Basic and diluted	30	(3.76)	(22.41)

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 2020

	Note	2020 \$'000	2019 \$'000
Loss for the year		(18,383)	(145,879)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation differences relating to financial statements of foreign subsidiaries		(1,586)	835
Share of other comprehensive income of joint ventures and associates		199	(59)
Realisation of foreign currency translation reserves on disposal of a subsidiary	7	(943)	–
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Re-measurement of defined benefit pension plans	20	212	–
Other comprehensive income for the year, net of tax		(2,118)	776
Total comprehensive income for the year		(20,501)	(145,103)
Attributable to:			
Owners of the Company		(25,235)	(140,273)
Non-controlling interests		4,734	(4,830)
		(20,501)	(145,103)

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 2020

Group 2020	Attributable to owners of the Company									
	Share capital \$'000	Treasury shares \$'000	Foreign currency translation reserve \$'000	Warrant reserve \$'000	Accumulated profits \$'000	Total reserves \$'000	Reserve of disposal group classified as held for sale \$'000	Equity attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
At 1 July 2019	108,056	(923)	1,671	-	47,959	49,630	193	156,956	(3,164)	153,792
Loss for the year	-	-	-	-	(23,633)	(23,633)	-	(23,633)	5,250	(18,383)
Other comprehensive income										
Translation differences relating to financial statements of foreign subsidiaries	-	-	(1,423)	-	-	(1,423)	-	(1,423)	(163)	(1,586)
Share of other comprehensive income of joint ventures and associates	-	-	175	-	-	175	-	175	24	199
Realisation of foreign currency translation reserves upon disposal of a subsidiary	-	-	(566)	-	-	(566)	(193)	(759)	(184)	(943)
Re-measurement of defined benefit pension plans	-	-	-	-	212	212	-	212	-	212
Other comprehensive income for the year, net of tax	-	-	(1,814)	-	212	(1,602)	(193)	(1,795)	(323)	(2,118)
Total comprehensive income for the year	-	-	(1,814)	-	(23,421)	(25,235)	(193)	(25,428)	4,927	(20,501)
Others										
Disposal of a subsidiary	-	-	-	-	-	-	-	-	1,278	1,278
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-	-
Issue of rights warrants	-	-	-	899	-	899	-	899	-	899
Return of share capital to non-controlling interests (Note 7)	-	-	-	-	-	-	-	-	(2,089)	(2,089)
At 30 June 2020	108,056	(923)	(143)	899	24,538	25,294	-	132,427	952	133,379

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

Attributable to owners of the Company

	Share capital \$'000	Treasury shares \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total reserves \$'000	Reserve of disposal group classified as held for sale \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
Group 2019									
At 1 July 2018	108,056	(923)	1,110	188,986	190,096	–	297,229	1,666	298,895
Loss for the year	–	–	–	(141,027)	(141,027)	–	(141,027)	(4,852)	(145,879)
<u>Other comprehensive income</u>									
Translation differences relating to financial statements of foreign subsidiaries	–	–	806	–	806	–	806	29	835
Share of other comprehensive income of joint ventures and associates	–	–	(52)	–	(52)	–	(52)	(7)	(59)
Other comprehensive income for the year, net of tax	–	–	754	–	754	–	754	22	776
Total comprehensive income for the year	–	–	754	(141,027)	(140,273)	–	(140,273)	(4,830)	(145,103)
<u>Others</u>									
Reserve attributable to disposal group classified as held for sale	–	–	(193)	–	(193)	193	–	–	–
At 30 June 2019	108,056	(923)	1,671	47,959	49,630	193	156,956	(3,164)	153,792

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 2020

Company	Share capital \$'000	Treasury shares \$'000	Warrant reserve \$'000	Accumulated profits/ (losses) \$'000	Total reserves \$'000	Total equity \$'000
At 1 July 2019	108,056	(923)	–	(76,053)	(76,053)	31,080
Profit for the year, representing total comprehensive income for the year	–	–	–	17,102	17,102	17,102
Contributions by and distributions to owners	–	–	899	–	899	899
Issue of rights warrants	–	–	–	–	–	–
At 30 June 2020	108,056	(923)	899	(58,951)	(58,052)	49,081
At 1 July 2018	108,056	(923)	–	(53,249)	(53,249)	53,884
Loss for the year, representing total comprehensive income for the year	–	–	–	(22,804)	(22,804)	(22,804)
At 30 June 2019	108,056	(923)	–	(76,053)	(76,053)	31,080

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 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Loss before tax		(21,259)	(141,679)
Adjustments for:			
Amortisation of intangible assets	9	570	652
Amortisation of lease prepayments	6	–	358
Bad debts written off (trade)	13	–	102
Depreciation of property, plant and equipment	4	56,226	61,064
Depreciation of right-of-use assets	5	3,312	–
Fair value adjustments arising from debt refinancing exercise	19, 27	(15,233)	(59,179)
Gain on disposal of property, plant and equipment	25	(1,859)	(327)
Gain on disposal of assets classified as held for sale	25	(605)	(941)
Gain on disposal of a subsidiary	7(d)	(4,087)	–
Inventories written off		–	1,350
Impairment losses/(reversal of impairment losses) on financial assets (net):			
– finance lease receivables	10	–	1,566
– trade receivables (third parties), (net)	13	3,960	7,086
– contract assets	12	(157)	123
– other receivables	13	659	1,464
– amounts due from:			
– joint ventures and associates	13	302	65,420
– companies related to directors	13	1	4
Impairment losses on non-financial assets:			
– property, plant and equipment	4	1,608	13,667
– intangible assets	9	3,063	5,504
– inventories	11	9,494	72,338
Interest expense	27	25,707	23,195
Interest income	25	(644)	(722)
Loss on disposal of short-term investment		–	134
Property, plant and equipment written off	4	223	85
Provision for pension liabilities	20	210	21
(Write back of provision)/Provision for warranty (net)	17	(28)	9
Share of results of joint ventures and associates		1,122	(857)
Operating cash flows before changes in working capital		62,585	50,437
Changes in working capital:			
Inventories		2,203	(1,437)
Contract assets and liabilities		(13,818)	21,972
Trade and other receivables		11,561	5,457
Prepayments		1,321	(61)
Trade and other payables		(24,989)	(1,470)
Finance lease receivables		1,276	1,543
Other liabilities		(107)	(2)
Balances with related parties (trade)		1,351	(12,583)
Cash flows generated from operations		41,383	63,856
Interest received		184	–
Income tax paid		(530)	(495)
Net cash flows generated from operating activities		41,037	63,361

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 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from investing activities			
Interest received		52	82
Purchase of assets classified as held for sale	15	(478)	(2,509)
Purchase of property, plant and equipment	4	(10,345)	(10,179)
Proceeds from disposal of property, plant and equipment		7,188	28,894
Proceeds from disposal of assets classified as held for sale		1,083	9,077
Proceeds from disposal of a subsidiary	7(d)	3,639	–
Proceeds from disposal of short-term investment		–	534
Payments to non-controlling interests upon disposal of a subsidiary	7(d)	(3,143)	–
Lease prepayments		–	(505)
Return of capital to non-controlling interests upon capital reduction of a subsidiary		(2,089)	–
Balances with related parties (non-trade)		1,079	3,230
Net cash flows (used in)/generated from investing activities		(3,014)	28,624
Cash flows from financing activities			
Interest paid		(16,778)	(23,205)
Repayment of interest-bearing loans and borrowings	19	(26,339)	(71,253)
Proceeds from interest-bearing loans and borrowings	19	7,068	3,850
Principal repayment of lease liabilities	5	(2,872)	–
Repayment of trust receipts		(20,796)	(28,976)
Proceeds from trust receipts		38,616	16,328
Net proceeds from issuance of rights warrants		899	–
Cash and bank balances (restricted use)		(7,363)	5,664
Net cash flows used in financing activities		(27,565)	(97,592)
Net increase/(decrease) in cash and cash equivalents		10,458	(5,607)
Cash and cash equivalents at 1 July		7,151	12,793
Effect of exchange rate changes on cash and cash equivalents		41	(35)
Cash and cash equivalents at 30 June	14	17,650	7,151

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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 (“SGX-ST”).

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 7 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 (International) (“SFRS(I)”).

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 incurred loss after tax of \$18,383,000 (2019: \$145,879,000) for the financial year ended 30 June 2020 and as at that date, the Group’s and Company’s total borrowings amounted to \$359,620,000 and \$168,251,000 (2019: \$363,135,000 and \$173,292,000) of which \$46,109,000 and \$5,737,000 (2019: \$46,264,000 and \$11,965,000) were classified as current liabilities respectively. In addition, on 11 March 2020, the World Health Organisation declared the outbreak of the Coronavirus Disease (“COVID-19”) a pandemic. The COVID-19 outbreak has created a high level of uncertainty to global economic prospects and is expected to impact the business of the Group subsequent to the financial year end.

The matters set out in the paragraph 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.1 *Basis of preparation (cont'd)*

The management and directors of the Company, having assessed the available sources of liquidity and funding, believe that the Group and the Company can continue as a going concern for the foreseeable future. In analysing the validity of the going concern basis applied in the preparation of the financial statements of the Group and the Company, the following factors were considered:

- (i) The Group's business fundamentals are reasonably sound in the context of the current economic climate and industry weakness. The Group expects that it will generate adequate cash flows from operations to meet working capital needs, dispose designated assets at targeted price range and to receive continued financial support from the lenders. As at 30 June 2020, unrestricted bank balances amounted to \$17,650,000 and have increased from \$7,151,000 as at 30 June 2019;
- (ii) In addition to the revolving project financing and trade lines of \$114,000,000 granted by the principal lenders during the year, the Group has obtained an 8 months deferment of principal repayment for certain loans from its principal lenders to their respective maturity dates; and
- (iii) Management has also considered various COVID-19 support measures, which include but not limited to (a) the Jobs Support Scheme and its related enhancements, (b) waiver of monthly foreign worker levy and levy rebates, and (c) enhanced financing support under the Temporary Bridging Loan Programme and Enterprise Financing Scheme as announced in the various Singapore Budgets 2020 introduced during the year.
- (iv) The controlling shareholders of the Company remain supportive to the Company and the Group with their injection of funds during the Company's last two fund raising exercises in December 2016 and July 2019.

In the event that the Group is unable to generate sufficient cash flows from operations or does not continue to receive support from the lenders, 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. The Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities at net realisation value. No such adjustments have been made to these financial statements.

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

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 years beginning on or after 1 January 2019. Except for the impact arising from the adoption of SFRS(I) 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

As a lessee

The Group adopted SFRS(I) 16 using the modified retrospective method of application with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead the Group applied the standard only to contracts there were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets.

On initial date of application, the Group has also elected to apply the following practical expedients:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.2 *Changes in accounting policies (cont'd)*

SFRS(l) 16 Leases (cont'd)

- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- did not recognise ROU assets and liabilities for leases of low value assets; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

There were no onerous contracts as at 1 July 2019.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use ("ROU") assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Subsequent to initial recognition, the Group depreciates the right-of-use assets over the shorter of the useful life of the right-of-use assets and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

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

2.2 Changes in accounting policies (cont'd)

SFRS(I) 16 Leases (cont'd)

The Group has entered into leases for land, office premises, shipyard and equipment. On adoption of SFRS(I) 16, the Group has also reclassified prepaid lease payments in respect of land-use right. The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 July 2019 are as follows:

Impacts on the statement of financial position:

Group	Increase/ (decrease) \$'000
Assets	
Right-of-use assets	11,983
Lease prepayments	(4,606)
Total assets	7,377
Liabilities	
Lease liabilities	7,377
Total liabilities	7,377

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	Group \$'000
Operating lease commitment disclosed as at 30 June 2019	9,863
Less: Short-term leases	(54)
Less: Adjustments relating to changes in rate affecting variable payments	(15)
Less: Discounting effect using lessee's incremental borrowing rate as at initial application on 1 July 2019	(2,417)
Lease liability recognised as at 1 July 2019 (Note 5)	7,377

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.2 *Changes in accounting policies (cont'd)*

SFRS(I) 16 Leases (cont'd)

The lease liabilities were measured at present value of remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 9.8% per annum. The tax effects arising from the adoption of SFRS(I) 16 were not significant to the financial statements of the Group on the date of initial adoption.

As a lessor

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

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 References to the Conceptual Framework in SFRS(I) standards	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 <i>Definition of Material</i>	1 January 2020
Amendments to SFRS(I) 3 <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 9 and SFRS(I) 7 <i>Interest Rate Benchmark Return</i>	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Date to be determined

The Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application.

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

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.

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.

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

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

(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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

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 balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

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 associates*

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.

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

2.9 *Joint ventures and associates (cont'd)*

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 represent 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.

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.

For financial statements of the associate or joint venture which are prepared as of the same reporting date of the Company, the most recent available audited financial statements of the associates or joint ventures are used by the Group in applying the equity method. Where the date of the audited financial statements used is not co-terminus with that of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the financial year. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

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 2.18. 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
Drydocks, quays and ancillary	–	8 to 20 years
Drydocking expenditure	–	2.5 years
Plant and machinery	–	1 to 30 years
Office equipment, furniture and fittings	–	3 to 10 years
Vessels	–	1 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.11 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

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	–	18.5 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

The accounting policy for lease prepayment before 1 July 2019 is as follows:

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.

On adoption of SFRS(I) 16 on 1 July 2019, lease prepayment has been reclassified as right-of-use assets and the accounting policy is set out in Note 2.21(b).

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 is 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments can be categorised as follows:

Amortised costs

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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.

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

2.14 Financial instruments (cont'd)

(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

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 method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or has expired. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.16 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of any collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. In performing the assessment, the Group has considered settlement arrangements entered into with various customers, such as instalments plans and contra settlements/arrangements with customers who are also suppliers of the Group.

The Group considers a financial asset in default when contractual payments exceed the default day. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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 and vessels for trading purposes. Cost is determined on the following basis and includes all direct expenditure incurred in bringing the stocks to their present location and condition:

Raw materials	–	first-in-first-out basis
Finished goods – component parts	–	first-in-first-out basis
Finished goods – vessels	–	specific identification basis

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 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.

2.19 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.19 Provisions (cont'd)

(a) General (cont'd)

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 and claims

Provision for liquidated damages and claims are 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. To determine whether the outflow of resources is probable and whether a reliable estimate of the amount can be made, the Group takes into consideration the existence of legal or contractual obligations, external advisors' assessments, legal opinions, insurance coverage, past experience and other information presently available. 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.

2.20 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.

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

2.20 *Employee benefits (cont'd)*

(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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.20 *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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Leases

(a) **The accounting policy for leases before 1 July 2019 are as follows:**

(i) **When the Group is the lessee:**

The Group leases office premises, yard space, office equipment and motor vehicles under operating leases from non-related parties.

Lessee – Finance leases

Leases where the Group assumes substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognized in profit or loss on the basis that reflects a constant periodic rate of interest on the finance lease liability.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.21 Leases (cont'd)

(a) **The accounting policy for leases before 1 July 2019 are as follows (cont'd):**

(ii) **When the Group is the lessor:**

The Group leases its fleet of vessels under operating leases to non-related parties.

Lessor – Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet and included in “finance lease receivables”. The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Lessor – Operating leases

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 2.23(c).

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

2.21 Leases (cont'd)

(b) **The accounting policy for leases from 1 July 2019 are as follows:**

(i) **When the Group is the lessee:**

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group applies a single recognition and measurement approach for all lease, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (ie. the date the underlying assets is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received.

The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land use rights	–	2.2 to 27.4 years
Leasehold land	–	6.4 years
Leasehold buildings	–	2.5 to 5.3 years
Plant and machinery	–	1.8 years
Office equipment, furniture and fittings	–	1.3 to 4.5 years

If the ownership of the leased assets transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are presented separately as “Right-of-use assets” in the statement of financial position and are subject to impairment according to the accounting policy set out in Note 2.13.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.21 Leases (cont'd)

(b) **The accounting policy for leases from 1 July 2019 are as follows (cont'd):**

(i) **When the Group is the lessee (cont'd):**

Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

2.21 Leases (cont'd)

(b) **The accounting policy for leases from 1 July 2019 are as follows (cont'd):**

(i) **When the Group is the lessee (cont'd):**

Short term and low value leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(ii) **When the Group is the lessor:**

The accounting policy applicable to the Group as a lessor in the comparative period was the same under SFRS(I) 1-17.

2.22 Assets classified as held for sale

Non-current assets and disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. 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.

2.23 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.23 Revenue (cont'd)

(a) Shipbuilding

The Group enters into contracts with customers to construct vessels. The Group assesses whether shipbuilding revenue is recognised over time or at a point in time by determining whether (a) its performance creates an asset with an alternative use to the Group and (b) whether the Group has an enforceable right to payment for performance completed to date. The Group has considered that the vessels under construction does not have alternative uses for the Group due to contractual restrictions. Revenue is recognised when control over the vessel has been transferred to the customer, either over time or at a point in time, depending on the contractual terms.

For construction of vessels whereby the Group has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

For construction of vessels whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

Progress billings to customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

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

2.23 Revenue (cont'd)

(b) Shiprepair and conversion

The Group provides fabrication, outfitting works, conversion jobs and ship repair services. The Group assesses whether the revenue is recognised over time or at a point in time by determining whether (a) its performance creates or enhances an asset that the customer controls as the asset is created or enhanced and (b) it has an enforceable right to payment for performance completed to date. Revenue from fabrication and outfitting works, conversion jobs and shiprepair contracts are recognised over time.

(c) Shipchartering

Leasing income is recognised as operating lease income in accordance with SFRS(I) 16 Leases and is recognised on a time-apportioned basis over the charter hire period. The Group has apportioned consideration from time charter contracts between the lease and non-lease components based on their relative stand-alone selling prices. In the determination of relative stand-alone selling prices of the non-lease component, the Group considers the expected costs plus margin approach. The charters may give rise to mobilisation and demobilisation services which are necessary for the Group to fulfil obligations under the charter hire contracts. Charter hire, mobilisation and demobilisation income are collectively recognised over the charter hire period. Related costs of mobilisation and demobilisation are recognised over the charter hire period.

Freight income derived from the provision of voyage charters are recognised over the voyage duration as the freight services are rendered. Freight income is recognised as of the date on which a vessel embarks from the port where the cargo was loaded to the discharge of the cargo, and adjustments are made for any portions of uncompleted voyages based on pro-rata basis.

Revenue from provision of crew are recognised over time as the services are provided and the benefits are consumed by the customer which is on a time-apportioned basis.

Charter ancillary service income is recognised at a point in time when services are completed.

Ship management fee income is recognised over time when services are rendered.

(d) Engineering

Revenue from sales of dredging engineering products is recognised when the products are delivered to the customer and all criteria for acceptance have been satisfied. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.23 Revenue (cont'd)

(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.

2.24 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.

(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.

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

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

2.25 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.

2.26 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.

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

2.28 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.

2.29 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.29 *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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 *Judgements made in applying accounting policies*

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

Recognition of revenue from construction contracts

For shipbuilding construction contracts, the Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. In making the assessment, the Group considered the terms of the contracts entered into with customers and the provisions of relevant laws and regulations applicable to the contracts. The assessment of whether the Group has an enforceable right to payment for performance completed to date involves judgement made in determining the enforceability of the right to payment under the legal environment of the jurisdictions where the contracts are subject to.

On the construction of vessels where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a more appropriate depiction of the Group's performance in transferring control of the construction of vessels to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the construction of vessels. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the construction of vessels.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its other similar construction contracts.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

3.2 Key sources of estimation uncertainty (cont'd)

(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, including the potential impact of COVID-19 pandemic. The carrying amount of the Group's property, plant and equipment is disclosed in Note 4.

(b) Impairment of other intangible assets

Other 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 other 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 9. The carrying amount of the Group's goodwill and other intangible assets as at 30 June 2020 is disclosed in Note 9.

(c) Recoverability of contract assets and trade receivables

The Group determines impairment of contract assets and trade receivables by making debtor-specific assessment for credit-impaired debtors. In addition, the Group uses a provision matrix to calculate ECL for the remaining contract assets and trade receivables. The provision rates are based on days past due for groupings of customers based on customer profiles.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information such as market data specific to the debtors. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) Recoverability of contract assets and trade receivables (cont'd)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The carrying amount of the Group's contract assets and trade receivables and information about the ECL are disclosed in Note 12, Note 13 and Note 34(b), respectively.

(d) Impairment of investments and amounts due from subsidiaries

The Company assesses at the end of each reporting period whether there is any objective evidence that the investments and amounts due from subsidiaries are impaired. Management considers factors such as the historical and current performances, estimated value and probability of future cash flows.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the subsidiary and choose suitable discount rates in order to calculate the present value of those cash flows. The carrying amount of the Company's investments in subsidiaries as at 30 June 2020 are disclosed in Note 7.

In relation to amounts due from subsidiaries, management provides for ECL based on the general approach and the extent of loss allowance is dependent on consideration of many factors, amongst others, the extent of credit deterioration since initial recognition, information and data that indicate the credit quality of the subsidiaries and the probability of default, amounts that are expected to be recovered in a default and adjustment for forward-looking information. The amounts due from subsidiaries, including their carrying amount and their related impairment as at 30 June 2020 are disclosed in Note 13.

(e) Determination of net realisable value of completed vessels

Included in finished goods are vessels. In accordance with SFRS(I) 1-2 Inventories, the Group has recognised completed vessels at the lower of cost and net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business less estimated costs for completion and the estimated costs necessary to make the sale. To determine whether there is objective evidence of impairment, the Group considers the future market demands and pricing competition. The carrying amount of the Group's inventories and related inventories written down are disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property and buildings \$'000	Assets under construction \$'000	Drydocks, quays and ancillary \$'000	Drydocking expenditure \$'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 2018	63,534	28,809	123,648	6,634	129,832	17,076	394,415	280,724	2,691	1,027,363
Additions	-	2,197	-	1,564	872	3	5,957	13,774	-	24,367
Disposals	-	-	-	-	(8,973)	-	(6,750)	(22,775)	-	(38,498)
Write-off	-	(83)	-	-	(22)	(1)	-	-	-	(106)
Transfers	231	(28,569)	3,639	-	209	-	21,430	3,060	-	-
Transfer to inventories	-	-	-	-	-	-	-	(2,005)	-	(2,005)
Assets of disposal group classified as held for sale (Note 7)	(4,472)	-	(784)	-	(7,050)	(316)	-	-	(48)	(12,670)
Net exchange differences	(223)	-	(39)	(15)	(523)	(261)	(2,524)	(721)	(5)	(4,311)
At 30 June 2019 and 1 July 2019	59,070	2,354	126,464	8,183	114,345	16,501	412,528	252,057	2,638	994,140
Additions	264	3,303	276	3,513	1,845	78	2,126	1,781	-	13,186
Disposals	-	-	-	(201)	(1,064)	-	(1,018)	(18,820)	(274)	(21,377)
Write-off	-	-	-	-	(256)	-	(200)	(90)	-	(546)
Transfers	(781)	(5,051)	5,580	-	1,542	(1,493)	-	134	-	(69)
Transfer from inventories	-	-	-	-	-	-	-	810	-	810
Transfer to assets classified as held for sale (Note 15)	-	-	-	-	-	-	-	(2,070)	-	(2,070)
Net exchange differences	-	-	-	9	83	126	7,172	1,931	-	9,321
At 30 June 2020	58,553	606	132,320	11,504	116,495	15,212	420,608	235,733	2,364	993,395

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

Group	Leasehold property and buildings \$'000	Assets under construction \$'000	Drydocks, quays and ancillary \$'000	Drydocking expenditure \$'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 2018	22,114	603	50,239	3,489	99,182	11,879	156,702	103,878	2,190	450,276
Depreciation charge for the year	3,121	-	6,485	2,604	7,078	849	18,044	20,956	282	59,419
Impairment charge for the year	-	169	-	37	-	-	10,448	3,013	-	13,667
Disposals	-	-	-	-	(4,589)	-	(586)	(4,756)	-	(9,931)
Write-off	-	-	-	-	(20)	(1)	-	-	-	(21)
Transfer to inventories	-	-	-	-	-	-	-	(1,281)	-	(1,281)
Assets of disposal group classified as held for sale (Note 7)	(2,104)	-	(200)	-	(3,632)	(327)	-	-	(42)	(6,305)
Net exchange differences	(98)	-	(9)	(15)	(327)	(256)	(967)	(251)	(5)	(1,928)
At 30 June 2019 and 1 July 2019	23,033	772	56,515	6,115	97,692	12,144	183,641	121,559	2,425	503,896
Depreciation charge for the year	2,900	-	6,944	2,387	5,264	650	19,026	20,098	130	57,399
Impairment charge for the year	-	-	165	293	539	-	383	228	-	1,608
Disposals	-	-	-	(145)	(756)	-	(3,998)	(10,875)	(274)	(16,048)
Write-off	-	-	-	-	(33)	-	(200)	(90)	-	(323)
Transfers	11	(603)	-	-	(24)	(56)	603	-	-	(69)
Transfer to assets classified as held for sale (Note 15)	-	-	-	-	-	-	-	(1,023)	-	(1,023)
Net exchange differences	-	-	-	11	81	126	2,927	882	-	4,027
At 30 June 2020	25,944	169	63,624	8,661	102,763	12,864	202,382	130,779	2,281	549,467
Net carrying amount										
At 30 June 2019	36,037	1,582	69,949	2,068	16,653	4,357	228,887	130,498	213	490,244
At 30 June 2020	32,609	437	68,696	2,843	13,732	2,348	218,226	104,954	83	443,928

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

Impairment of property, plant and equipment

During the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment as there were indicators of impairment. The business segments in which the Group operates remains weak in terms of volume and margins and were further aggravated by the COVID-19 pandemic. In addition, the Group's yard operations were temporarily halted due to Circuit Breaker measures implemented by the Singapore government to curb COVID-19. An impairment charge of \$1,608,000 (2019: \$13,667,000) (Note 26), representing the write-down of these property, plant and equipment to their recoverable amounts was recognised in "other operating expenses" line in the consolidated income statement for the financial year ended 30 June 2020. The recoverable amounts of these property, plant and equipment were based on fair value less cost of disposal.

The fair values were determined by external independent valuation experts and management had estimated the cost of disposal. The fair value measurement is categorised as Level 3 of the fair value hierarchy.

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

	Group	
	2020	2019
	\$'000	\$'000
Depreciation charge for the year	57,399	59,419
Depreciation included in construction work-in-progress carried forward (Note 12)	(4,458)	(3,285)
Depreciation previously included in inventories and construction work-in-progress now charged to profit or loss	3,285	4,930
Depreciation charge as disclosed in Note 28	56,226	61,064

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 transfers from construction work-in-progress/inventories

The Group acquired property, plant and equipment with an aggregate cost of \$13,186,000 (2019: \$24,367,000), of which \$1,091,000 (2019: \$2,181,000) were acquired by means of finance lease and \$574,000 (2019: \$11,873,000) were acquired from a customer arising from the settlement of debts owing to the Group.

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

Assets under finance leases and transfers from construction work-in-progress/inventories (cont'd)

Included in the additions of property, plant and equipment were vessels transferred from construction work-in-progress classified as contract assets of \$1,176,000 (2019: \$134,000).

The cash outflow on acquisition of property, plant and equipment amounted to \$10,345,000 (2019: \$10,179,000).

Included in net carrying amount of property, plant and equipment of the Group are the following assets held under finance leases:

	Group	
	2020 \$'000	2019 \$'000
Motor vehicles	38	177
Plant and machinery	1,941	1,122
	<u>1,979</u>	<u>1,299</u>

Assets pledged as security

	Group	
	2020 \$'000	2019 \$'000
Assets pledged as security for interest-bearing loans and borrowings and trust receipts:		
Leasehold property and buildings	23,224	24,790
Plant and machinery	516	702
Tugs and other vessels	192,614	202,154
Barges	91,245	115,611
Drydocks, quays and ancillary	61,427	65,817
	<u>369,026</u>	<u>409,074</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

5. LEASES – AS LESSEE

The Group has various lease contracts on land use rights over certain plots of land in Indonesia and Singapore where the shipyards of the Group operates. Previously, the lease prepayments related to upfront premium paid in respect of land use rights were classified under lease prepayment. On adoption of SFRS(I) 16 on 1 July 2019, lease prepayments have been reclassified as right-of-use assets.

In addition to land use rights, the Group has entered into commercial leases on its office premises, yard space, plant and machinery and office equipment. 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.

The Group also has certain leases of office premises with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Group	Land use rights \$'000	Leasehold land \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Office equipment, furniture and fittings \$'000	Total \$'000
Cost						
At 1 July 2019 on adoption of SFRS(I) 16 (Note 2.2)	4,606	5,873	1,423	–	81	11,983
Additions	–	–	710	2,995	–	3,705
Net exchange differences	–	–	50	–	2	52
At 30 June 2020	4,606	5,873	2,183	2,995	83	15,740

5. LEASES – AS LESSEE (CONT'D)

Group	Land use rights \$'000	Leasehold land \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Office equipment, furniture and fittings \$'000	Total \$'000
Accumulated depreciation						
At 1 July 2019	-	-	-	-	-	-
Depreciation charge for the year	325	915	383	1,711	21	3,355
Net exchange differences	-	-	9	-	1	10
At 30 June 2020	325	915	392	1,711	22	3,365
Net carrying amount						
At 30 June 2020	4,281	4,958	1,791	1,284	61	12,375

The leasehold land and land use rights amounting to \$7,088,000 are pledged as security for interest-bearing loans and borrowings.

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

Group	2020 \$'000
Depreciation charge for the year	3,355
Depreciation included in construction work-in-progress carried forward (Note 12)	(43)
Depreciation charge as disclosed in Note 28	3,312

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

5. LEASES – AS LESSEE (CONT'D)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group 2020 \$'000
At 1 July 2019 on adoption of SFRS(I) 16 (Note 2.2)	7,377
Additions	3,705
Accretion of interest (Note 27)	850
Payments/payables	(4,003)
Net exchange differences	44
As at 30 June 2020	<u>7,973</u>
Current	2,052
Non-current	<u>5,921</u>
	<u>7,973</u>

The following are the amounts recognised in profit or loss:

	Group 2020 \$'000
Depreciation expense of right-of-use assets	3,312
Interest expense on lease liabilities	850
Expense relating to short-term leases	37
Expense relating to leases of low-value assets	10
Total amount recognised in profit or loss	<u>4,209</u>

For the financial year ended 30 June 2020, the Group made principal repayments of \$2,872,000 and interest payments of \$850,000.

Group as a lessor

The Group entered into operating leases on its fleet of vessels. As at 30 June 2020, these non-cancellable leases have remaining lease terms ranging from 6 months to 2.4 years.

Future minimum lease payments receivable under non-cancellable operating leases as at 30 June are as follows:

	Group 2020 \$'000
Not later than one year	33,426
Later than one year but not later than five years	<u>15,173</u>
	<u>48,599</u>

6. LEASE PREPAYMENTS

Group	Land use rights \$'000
Cost	
At 1 July 2018	10,850
Additions	505
Disposals	(531)
Assets of disposal group classified as held for sale (Note 7)	(1,206)
Net exchange differences	(61)
At 30 June 2019 and 1 July 2019	9,557
Reclassified as part of right-of-use assets	(9,557)
At 30 June 2020	–
Accumulated amortisation	
At 1 July 2018	4,937
Amortisation charge for the year (Note 28)	358
Assets of disposal group classified as held for sale (Note 7)	(327)
Net exchange differences	(17)
At 30 June 2019 and 1 July 2019	4,951
Reclassified as part of right-of-use assets	(4,951)
At 30 June 2020	–
Net carrying amount	
At 30 June 2019	4,606
At 30 June 2020	–
	Group 2019 \$'000

Amount to be amortised:

– Not later than one year	332
– Later than one year but not later than five years	1,135
– Later than five years	3,139
	4,606

The Group has land use rights over certain plots of land in Indonesia and Singapore where the shipyards of the Group operates. As at 30 June 2019, these land use rights have remaining tenures ranging from 2 to 27 years.

As at 30 June 2019, land use rights for land in the People's Republic of China were classified under assets of disposal group classified held for sale. The land use rights had a remaining tenure of 36 years. The disposal was subsequently completed on 16 August 2019 as disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

6. LEASE PREPAYMENTS (CONT'D)

Included in lease prepayments of the Group are the following:

	Group 2019 \$'000
Land use rights pledged as security for interest-bearing loans and borrowings	1,758

On adoption of SFRS(I) 16 on 1 July 2019, lease prepayments have been reclassified as right-of-use assets.

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity shares, at cost	69,288	72,428
Impairment losses	(29,641)	(31,705)
	<u>39,647</u>	<u>40,723</u>

On 16 August 2019, the Group completed the disposal of the entire equity interest in Jiangmen Hongda Shipyard Ltd ("JMHD") held by the Company's 60% owned subsidiary, HDI. Further details on the disposal of JMHD is disclosed in Note 7(d).

During the current financial year, management performed impairment testing on the Company's investment in subsidiaries as certain subsidiaries have been loss making. 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 respective investments as follows:

	Company	
	2020 \$'000	2019 \$'000
At 1 July	31,705	29,498
Charge for the year	1,076	2,207
Reversal of impairment loss	(3,140)	-
At 30 June	<u>29,641</u>	<u>31,705</u>

On 18 May 2020, Hongda Investment Pte Ltd ("HDI"), a 60% owned subsidiary of the Company completed a share capital reduction exercise of US\$3,700,000 comprising 3,700,000 ordinary shares. The Company's portion of the return of share capital was US\$2,220,000 (approximately \$3,140,000) and following the completion of the share capital reduction exercise, the Company's shareholding interest in HDI remained at 60% and the reversal of impairment loss amounting to \$3,140,000 was recognised in the current financial year.

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

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	
			2020 %	2019 %
<i>Held by the Company</i>				
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
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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

a. Composition of the Group (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest	
			2020 %	2019 %
<u>Held by the Company (cont'd)</u>				
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 and ship management ship management	Singapore	100	100
ASL Project Logistics Pte. Ltd. ¹	Chartering of vessels	Singapore	100	100
ASL Towing & Salvage Pte. Ltd. ¹	Chartering of vessels	Singapore	100	100
Capitol Workboats Pte. Ltd. ¹	Chartering of vessels	Singapore	100	100
VOSTA LMG India Pvt. Ltd. ^{6,8,(c)}	Chartering of vessels	India	6	6
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
<u>Held through subsidiaries</u>				
PT. ASL Shipyard Indonesia ²	Shipbuilding, shiprepair and conversion and general engineering	Indonesia	90	90
PT. Cipta Nusantara Abadi ^{5,8}	Investment holding and provision of agency, handling and consultancy services	Indonesia	75	75
PT. Bina Kontinental Lestari ^{5,8}	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 ^{5,8}	Shipbuilding and fabrication services	Indonesia	100	100

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

a. Composition of the Group (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation	Proportion of ownership interest	
			2020 %	2019 %
<i>Held through subsidiaries (cont'd)</i>				
Jiangmen Hongda Shipyard Ltd. ^{3,8(d)}	Shipbuilding and general engineering	People's Republic of China	–	60
Leo Dynamische Investering B.V. ⁷	Investment holding	Netherlands	100	100
VOSTA LMG International B.V. ^{5,8}	Investment holding	Netherlands	100	100
VOSTA LMG Component & Services B.V. ^{5,8}	Dredge engineering, design, trading and repair of dredging equipment	Netherlands	100	100
VOSTA LMG Dredges B.V. ^{5,8}	Dredge engineering, design, trading and repair of dredging equipment	Netherlands	100	100
VOSTA LMG B.V. ^{5,8}	Dredge engineering, design, trading and repair of dredging equipment	Netherlands	100	100
VOSTA LMG IP & Software B.V. ^{5,8}	Leasing of intellectual property	Netherlands	100	100
CFT Netherlands B.V. ^{5,8}	Market research and public opinion polling	Netherlands	100	100
VOSTA LMG Design GmbH ^{5,8}	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 (Zhuhai) Ltd. ^{4,8}	Manufacturing and trading of dredging equipment	People's Republic of China	100	100
VOSTA Inc. ^{5,8,(e)}	Trading of dredges and maritime dredging equipment	United States of America	100	100
VOSTA LMG India Pvt. Ltd. ^{6,8,(c)}	Chartering of vessels	India	94	94

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

a. Composition of the Group (cont'd)

- 1 Audited by Ernst & Young LLP, Singapore
 - 2 Audited by member firms of EY Global in their respective countries
 - 3 Audited by Jiangmen Zhishang Certified Public Accountants, Jiangmen, China in the prior year
 - 4 Audited by Grant Thornton, China
 - 5 These companies are not required to be audited under the laws of their country of incorporation
 - 6 Audited by A P & Co., Mumbai, India
 - 7 Audited by Joanknecht B.V., Netherlands
 - 8 The subsidiaries which were audited by other firms or not required to be audited under the laws of the country of incorporation, are not significant foreign-incorporated subsidiaries
- (a) 90% owned by ASL Shipyard Pte Ltd, a wholly-owned subsidiary of the Company
- (b) Dormant since financial year ended 30 June 2018
- (c) 94% owned by Vosta LMG International B.V., a wholly-owned subsidiary of the Company
- (d) Entire interests disposed by the Group during the year
- (e) Dissolved on 6 August 2020

As required by Rule 716 of the Listing Manual of the SGX-ST, 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	Proportion of ownership held by NCI %	(Loss)/gain allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000
30 June 2020			
ASL Triaksa Offshore Pte. Ltd.	40	(15)	67
Hongda Investment Pte. Ltd.	40	3,268	(1,194)
PT. Cipta Nusantara Abadi	25	(337)	512
30 June 2019			
ASL Triaksa Offshore Pte. Ltd.	40	(1,927)	80
Hongda Investment Pte. Ltd.	40	(875)	(2,966)
PT. Cipta Nusantara Abadi	25	(1,515)	722

7. 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		Hongda Investment		PT. Cipta Nusantara Abadi	
	Pte. Ltd.		Pte. Ltd.		2019	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	190	217	189	4,633	1	1
Non-current assets	–	–	–	7,243	4,414	5,565
Total assets	190	217	189	11,876	4,415	5,566
Current liabilities	24	18	3,175	19,292	2,367	2,346
Non-current liabilities	–	–	–	1	–	–
Total liabilities	24	18	3,175	19,293	2,367	2,346
Net assets/(liabilities)	166	199	(2,986)	(7,417)	2,048	3,220

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

7. 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 2019	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue	—	—	—	—	—	—
(Loss)/Profit before tax	(39)	(4,818)	8,170	(2,188)	(1,349)	(6,060)
Income tax expense	—	—	—	—	—	—
(Loss)/Profit after tax	(39)	(4,818)	8,170	(2,188)	(1,349)	(6,060)
Other comprehensive income	6	(12)	(783)	139	176	(133)
Total comprehensive income	(33)	(4,830)	7,387	(2,049)	(1,173)	(6,193)

Other summarised information

	ASL Triaksa Offshore Pte. Ltd.		Hongda Investment Pte. Ltd.		PT. Cipta Nusantara Abadi 2019	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Net cash flows (used in)/ generated from operations	(7)	6	2,787	1,262	3	(128)
Acquisitions of significant property, plant and equipment	—	—	—	—	—	—

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

d. Disposal of subsidiary

On 6 March 2019, Hongda Investment Pte Ltd (“HDI”), a 60% owned subsidiary of the Company entered into a memorandum of understanding with Guangdong Sanhe Pile Co., Ltd (the “Buyer”) for the sale of HDI’s entire equity interest in Jiangmen Hongda Shipyard Ltd (“JMHD”).

The disposal was part of the Group’s ongoing rationalisation of underutilised and/or non-core assets to raise monies to improve the Group’s working capital. The Group subsequently announced on 29 July 2019 that HDI had entered into a share purchase agreement with the Buyer for the sale of HDI’s equity interest in JMHD for a consideration of RMB35.0 million and the disposal was completed on 16 August 2019. The Company has received the consideration of RMB35.0 million.

As part of the share purchase agreement, HDI will remain liable for JMHD’s operational debts and liabilities, including losses, damages, and compensation (if any), incurred in the ordinary course of business and existing prior to the completion date, up to a capped limit of:

- (a) RMB35.0 million, if the Buyer makes claims within the first year from the completion date;
- (b) RMB17.0 million, if the Buyer makes claims within the second year after the first anniversary of the completion date. In the event if the Buyer has made claims under paragraph (a) above of which the amount is lower than RMB17.0 million, then the aggregate amount of claims under paragraphs (a) and (b) shall not exceed RMB17.0 million. In the event the Buyer has made claims under paragraph (a), of which the claims exceed RMB17.0 million, the Buyer shall not make claims under this paragraph (b); and
- (c) RMB12.0 million, if the Buyer makes claims within the third year after the second anniversary of the completion date. In the event, if the Buyer has made claims under paragraph (a) and/or paragraph (b) above the aggregate amount of which is lower than RMB12.0 million, then the aggregate amount of claims under paragraphs (a), (b) and (c) shall not exceed RMB12.0 million. In the event the Buyer has made claims under paragraph (a) and/or paragraph (b) above the aggregate amount of which exceeds RMB12.0 million, the Buyer shall not make claims under this paragraph (c).

The Buyer has not made any claims against HDI within the first year from the completion date.

Nonetheless, HDI shall not be exempted from assuming all the debts and liabilities of JMHD which were incurred prior to the completion date and were caused by JMHD obtaining loans, providing guarantees, and assuming or undertaking to assume third parties’ debts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

d. Disposal of subsidiary (cont'd)

The Company's wholly owned subsidiary incorporated in the PRC, VOSTA LMG (Zhuhai) Ltd, has undertaken to the Buyer and/or JMHD to be jointly liable with HDI for all the liabilities under the share purchase agreement.

Pursuant to the disposal, a wholly owned subsidiary of the Group has also received an amount of RMB50.0 million in the current financial year for the settlement of outstanding debts owing from JMHD.

(i) Disposal group classified as held for sale in financial year 2019

As at 30 June 2019, the assets and liabilities relating to JMHD have been presented in the statement of financial position as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale".

Balance sheet disclosures

	Group 30 June 2019 \$'000
Assets:	
Property, plant and equipment	6,365
Lease prepayments	879
Inventories	446
Trade and other receivables	16
Prepayments	227
Cash and bank balances	1,908
Assets of disposal group classified as held for sale	<u>9,841</u>
Liabilities:	
Trade and other payables	2,011
Interest-bearing loans and borrowings	4
Liabilities directly associated with disposal group classified as held for sale	<u>2,015</u>
Net assets directly associated with disposal group classified as held for sale	<u>7,826</u>
Reserve:	
Foreign currency translation reserve	<u>193</u>

7. INVESTMENT IN SUBSIDIARIES (CONT'D)

d. Disposal of subsidiary (cont'd)

(ii) Completion of disposal in financial year 2020

The carrying value of the assets and liabilities of JMHD on completion of the disposal and the cash flow effects of the disposal were as follows:

	2020
	\$'000
Net assets directly associated with disposal group classified as held for sale	7,826
Less: Amount due to a related company	<u>(9,844)</u>
Net liabilities disposed	(2,018)
Net liabilities disposed attributable to non-controlling interest	4,421
Realisation of foreign currency translation reserve	<u>(943)</u>
Carrying value of net assets disposed	1,460
Gain on disposal (Note 25)	<u>4,087</u>
Cash proceeds from disposal, net of transaction costs	5,547
Less: Cash and bank balances of the subsidiary	<u>(1,908)</u>
Cash inflow on disposal of subsidiary	<u><u>3,639</u></u>

Subsequent to the disposal of JMHD, the Group paid an amount of \$3,143,000 to the non-controlling interest.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

8. INVESTMENT IN JOINT VENTURES AND ASSOCIATES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Interest in joint ventures				
Unquoted equity shares, at cost	909	909	-	-
Share of post-acquisition reserves	(909)	(909)	-	-
	-	-	-	-
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	(5,908)	(4,557)	-	-
Impairment loss	-	-	(1,558)	(1,558)
Exchange differences	975	776	-	-
	4,298	5,450	-	-
Total interest in joint ventures and associates	4,298	5,450	-	-

Investment in joint ventures

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

	Group	
	2020 \$'000	2019 \$'000
Sindo-Econ Pte. Ltd. and its subsidiary, PT. Sindomas Precas	-	-

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

Investment in joint ventures (cont'd)

Details of the joint ventures are as follows:

Name of joint ventures	Principal activities	Place of incorporation and business	Proportion of ownership interest	
			2020 %	2019 %
Held through subsidiaries				
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. On 14 July 2020, Sindo-Econ Pte. Ltd. has commenced creditors' voluntary winding up.

2 Audited by member firm of EY Global in Indonesia

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, PT. Sindomas Precas whose place of business is in Indonesia, based on its SFRS(I) 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	
	2020 \$'000	2019 \$'000
Cash and cash equivalents	291	66
Current assets	40,450	37,423
Non-current assets	4,590	8,223
Total assets	45,331	45,712
Current liabilities	80,767	71,440
Non-current financial liabilities	286	457
Total liabilities	81,053	71,897
Net liabilities	(35,722)	(26,185)
Proportion of the Group's ownership	50%	50%
Group's share of net assets	-	-
Carrying amount of the investment	-	-

As at 30 June 2020, included in current liabilities are financial liabilities of \$348,000 (2019: \$500,000) which excludes trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

8. 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	
	2020 \$'000	2019 \$'000
Revenue	22,548	29,681
Cost of sales	(29,627)	(36,998)
Gross loss	(7,079)	(7,317)
Other operating income	306	427
Administrative expenses	(2,601)	(4,486)
Finance costs	(164)	(211)
Loss before tax	(9,538)	(11,587)
Income tax	-	-
Loss after tax	(9,538)	(11,587)
Other comprehensive income	-	-
Total comprehensive income	(9,538)	(11,587)

The Group has not recognised losses relating to Sindo-Econ Pte. Ltd. and its subsidiary where its share of losses exceeds the Group's interest in this joint venture. The Group's cumulative share of unrecognised losses at the end of the reporting period was \$17,861,000 (2019: \$13,092,000), of which \$4,769,000 (2019: \$5,793,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

Investment in associates

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

	Group	
	2020 \$'000	2019 \$'000
PT. Hafar Capitol Nusantara	4,298	5,450
PT. Capitol Nusantara Indonesia Tbk ¹	-	-
Other associates	-	-
	4,298	5,450

¹ The quoted market price of PT Capitol Nusantara Indonesia Tbk is \$5,384,000 (2019: \$4,839,000).

8. 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	
			2020 %	2019 %
<u>Held by the Company</u>				
Fastcoat Industries Pte. Ltd. ^{2,(a)}	Investment holding and metal galvanising, coating and protecting operations	Singapore	44.5	44.5
<u>Held through an associate</u>				
PT. Fastcoat Industries ^{2,(a)}	Metal galvanising, coating and protecting operations	Indonesia	44.5	44.5
<u>Held through a subsidiary</u>				
PT. Hafar Capitol Nusantara ¹	Chartering of vessels	Indonesia	36.75	36.75
PT. Capitol Nusantara Indonesia Tbk 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

8. 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 Tbk 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 Tbk	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash and cash equivalents	25	85	41	30
Current assets	4,519	1,674	12,805	12,620
Non-current assets	40,250	42,251	39,295	54,308
Total assets	44,794	44,010	52,141	66,958
Current liabilities	24,673	21,894	69,861	76,456
Non-current liabilities	7,734	7,375	2,051	7,036
Total liabilities	32,407	29,269	71,912	83,492
Net assets/(liabilities)	12,387	14,741	(19,771)	(16,534)
Proportion of the Group's ownership	49%	49%	36%	36%
Group's share of net assets	6,071	7,223	-	-
Other adjustments	(1,773)	(1,773)	-	-
Carrying amount of the investment	4,298	5,450	-	-

8. 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 Tbk	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue	2,407	4,494	1,854	2,758
Cost of sales	(5,350)	(5,640)	(6,443)	(7,655)
	(2,943)	(1,146)	(4,589)	(4,897)
Other operating income	747	4,405	2,767	–
Administrative expenses	(168)	(404)	(1,266)	(690)
Other operating expenses	–	(914)	–	(206)
Finance costs	(366)	(532)	(90)	(73)
(Loss)/profit before tax	(2,730)	1,409	(3,178)	(5,866)
Income tax expense	(29)	(52)	557	(68)
(Loss)/profit after tax	(2,759)	1,357	(2,621)	(5,934)
Other comprehensive income	406	(151)	(623)	(144)
Total comprehensive income	(2,353)	1,206	(3,244)	(6,078)

The Group has not recognised losses relating to PT. Capitol Nusantara Indonesia Tbk 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 \$6,937,000 (2019: \$5,993,000), of which \$944,000 (2019: \$2,136,000) was the share of the current year's losses. The Group has no obligation in respect of these losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

9. INTANGIBLE ASSETS

Group	Goodwill \$'000	Patented technology \$'000	Customer relationship \$'000	Brand \$'000	Order backlog \$'000	Total \$'000
Cost						
At 1 July 2018	9,274	7,346	4,411	962	932	22,925
Net exchange differences	(328)	(259)	(156)	(34)	(33)	(810)
At 30 June 2019 and 1 July 2019	8,946	7,087	4,255	928	899	22,115
Net exchange differences	168	133	80	18	17	416
At 30 June 2020	9,114	7,220	4,335	946	916	22,531
Accumulated amortisation and impairment loss						
At 1 July 2018	5,000	2,694	969	962	932	10,557
Amortisation	–	479	173	–	–	652
Impairment charge for the year	4,185	–	1,319	–	–	5,504
Net exchange differences	(239)	(102)	(55)	(34)	(33)	(463)
At 30 June 2019 and 1 July 2019	8,946	3,071	2,406	928	899	16,250
Amortisation	–	470	100	–	–	570
Impairment charge for the year	–	1,322	1,741	–	–	3,063
Net exchange differences	168	101	88	18	17	392
At 30 June 2020	9,114	4,964	4,335	946	916	20,275
Net carrying amount						
At 30 June 2019	–	4,016	1,849	–	–	5,865
At 30 June 2020	–	2,256	–	–	–	2,256

9. 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 has a remaining amortisation period of 7 years (2019: 8 years). Customer relationship had a remaining amortisation period of 18 years in the previously financial year.

Amortisation expense

The amortisation of intangible assets are included in the "Administrative expenses" line item in the consolidated income statement.

Impairment testing of goodwill and other intangible assets

Goodwill acquired through business combinations and other intangible assets have been allocated to the Engineering cash generating unit ("CGU"). The recoverable amount 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 approved by management covering a five-year period. The discount rate applied to the cash flow projections and the forecasted growth rate to extrapolate cash flow projections beyond the five-year period are 16.0% (2019: 16.5%) and 0.02% (2019: 0.3%) per annum, respectively.

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

Budgeted revenues – The revenue forecast for 2021, 2022 and 2023 are based on annual revenue growth of 167.0%, 64.0% and 13.1% respectively. Revenue from 2024 to 2025 was forecasted to remain constant.

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 industry in which the CGU operates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

9. INTANGIBLE ASSETS (CONT'D)

Impairment loss recognised

As a result of the above impairment testing, impairment losses of \$3,063,000 (2019: \$5,504,000) were recognised to write down the carrying amount of the intangible assets. The impairment losses have been recognised in the “other operating expenses” line in the consolidated income statement.

Sensitivity to changes in assumptions

A shortfall of 5% in forecasted revenues or gross profit margin for the forecasted period would result in full impairment of the remaining carrying amount of patent technology.

10. 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 vessels 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	
	2020	2019
	\$'000	\$'000
Gross receivables due:		
– Not later than 1 year	1,287	1,251
– Later than 1 year but within 5 years	5,149	5,003
– After 5 years	3,218	4,391
	9,654	10,645
Less: Unearned finance income	(2,359)	(2,873)
Less: Allowance for impairment	(1,598)	(1,566)
Net investment in finance lease (Note 13)	5,697	6,206

10. FINANCE LEASE RECEIVABLES (CONT'D)

The net investment in finance lease is analysed as follows:

	Group	
	2020	2019
	\$'000	\$'000
– Not later than 1 year	745	670
– Later than 1 year but within 5 years	3,634	3,268
– After 5 years	1,318	2,268
	<u>5,697</u>	<u>6,206</u>

The weighted average effective interest rate for finance lease receivables is 9.9% (2019: 8.6%) per annum.

The movement in allowance for finance lease receivables computed based on lifetime ECL are as follows:

	Group	
	2020	2019
	\$'000	\$'000
Balance at 1 July	1,566	–
Charge for the year	–	1,566
Net exchange differences	32	–
At 30 June	<u>1,598</u>	<u>1,566</u>

Finance lease receivables are denominated in United States Dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

11. INVENTORIES

	Group	
	2020	2019
	\$'000	\$'000
Statement of financial position:		
Raw materials and consumables (at cost or net realisable value)	11,421	14,919
Finished goods (at cost or net realisable value)	75,556	84,565
Total inventories	86,977	99,484

	Group	
	2020	2019
	\$'000	\$'000
Consolidated income statement:		
Inventories recognised as an expense in cost of sales	2,686	1,784
Inventories written down recognised as an expense in other operating expenses	9,494	72,338

Included in finished goods in the current financial year are vessels with an aggregate carrying value of \$74,068,000 (2019: \$81,245,000) of which \$73,646,000 (2019: \$79,192,000) respectively have been pledged as security for the Group's interest-bearing loans and borrowings (Note 19).

Included in inventories as at 30 June 2020 are raw materials of \$2,374,000 (2019: \$4,135,000) pledged as security for the Group's interest-bearing loans and borrowings (Note 19).

Inventories written down to net realisable value

Vessels included in finished goods – In the current financial year, the Group recognised impairment losses of \$5,813,000 (2019: \$55,275,000). The net realisable values of vessels were determined by external independent valuation expert and management has estimated the cost of disposal. In the previous financial year, the net realisable values of vessels were based on indicative offers.

Raw materials and consumables – In the current financial year, the Group continued to evaluate its business plans and has decided not to recommence the construction of one unit of seismic support vessel and two offshore supply support vessels for which contracts were previously cancelled (collectively, the "Offshore Support Vessels"). Consequently, the Group had recognised additional impairment losses of \$3,681,000 (2019: \$17,063,000) on the materials, equipment, subcontractor costs and overheads of these Offshore Support Vessels.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

Information about contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group	
	2020	2019
	\$'000	\$'000
Contract assets		
<i>Current</i>		
Accrued revenue (Note 13)	4,971	12,542
Construction work-in-progress	17,707	11,075
Total contract assets	22,678	23,617
Contract liabilities		
<i>Current</i>		
Deferred income and deposits received from customers	(5,395)	(15,613)
Progress billings in excess of construction work-in-progress	(1,929)	(6,536)
	(7,324)	(22,149)
<i>Non-current</i>		
Deferred income	(56)	(507)
Total contract liabilities	(7,380)	(22,656)

Expected credit losses

The movement in allowance for expected credit losses of contract assets computed based on lifetime ECL are as follows:

	Group	
	2020	2019
	\$'000	\$'000
Balance at 1 July	223	100
Charge for the year	–	123
Reversal	(157)	–
At 30 June	66	223

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

12. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONT'D)

Contract assets

Accrued revenue relates to the Group's right to consideration for work completed but not yet billed at reporting date.

Progress billings to the customers are based on a payment schedule in the construction contract and are typically triggered upon achievement of specified construction milestones.

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.

Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities

Deferred income and deposits received from customers primarily relate to advance payments received from customers for which charter services have not been rendered and/or obligation to transfer goods.

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.

Contract liabilities are recognised as revenue when the services are performed.

(i) Significant changes in contract assets are explained as follows:

	Group	
	2020	2019
	\$'000	\$'000
Contract assets reclassified to receivables	12,059	10,566
(Reversal of impairment loss)/impairment loss on contract assets	(157)	123

12. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONT'D)

Contract liabilities (cont'd)

(ii) Significant changes in contract liabilities are explained as follows:

	Group	
	2020	2019
	\$'000	\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	11,376	20,542

(iii) Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the remaining performance obligation is \$6,440,000 (2019: \$25,273,000) and the Group expects to recognise the revenue over the next 1 year.

As permitted under SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed.

(iv) Construction work-in-progress/Progress billings in excess of construction work-in-progress

	Group	
	2020	2019
	\$'000	\$'000
Construction work-in-progress and attributable profits (less recognised losses) to date	40,827	27,956
Less: Progress billings	(25,049)	(23,417)
	15,778	4,539
Presented as:		
Construction work-in-progress	17,707	11,075
Progress billings in excess of construction work-in-progress	(1,929)	(6,536)
	15,778	4,539

Construction work-in-progress includes depreciation of property, plant and equipment, right-of-use assets and interest capitalised amounting to \$4,458,000 (2019: \$3,285,000) (Note 4), \$43,000 (2019: Nil) (Note 5) and \$112,000 (2019: \$5,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current				
Other receivables:				
Amount due from a subsidiary				
– non-trade	–	–	3,100	–
Current				
Trade receivables	81,322	92,457	–	–
Less: Allowance for impairment	(31,655)	(36,682)	–	–
	49,667	55,775	–	–
Add:				
Other receivables	10,260	13,521	–	–
Deposits	1,001	578	20	20
Downpayment for purchase of property, plant and equipment	–	499	–	–
Amounts due from subsidiaries – non-trade	–	–	360,743	358,579
Amounts due from joint ventures and associates				
– trade	34,130	33,757	–	–
– non-trade	36,948	38,703	2,691	2,614
Amounts due from companies related to Directors				
– trade	124	8,784	–	–
– non-trade	450	212	–	–
	82,913	96,054	363,454	361,213
Less: Allowance for impairment				
Other receivables	(1,014)	(3,874)	–	–
Amounts due from subsidiaries – non-trade	–	–	(82,099)	(99,246)
Amounts due from joint ventures and associates				
– trade	(33,346)	(32,754)	–	–
– non-trade	(35,030)	(34,648)	(2,691)	(2,614)
Amounts due from companies related to Directors				
– trade	(4)	(4)	–	–
– non-trade	(4)	(3)	–	–
	13,515	24,771	278,664	259,353
Total trade and other receivables (current)	63,182	80,546	278,664	259,353
Total trade and other receivables (current and non-current)	63,182	80,546	281,764	259,353
Less: Downpayment for purchase of property, plant and equipment	–	(499)	–	–
Add: Accrued revenue (Note 12)	4,971	12,542	–	–
Add: Finance lease receivables (Note 10)	5,697	6,206	–	–
Add: Cash and bank balances (Note 14)	35,165	15,395	3,984	3,591
Financial assets at amortised cost	109,015	114,190	285,748	262,944

13. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables

Trade receivables are non-interest bearing and are generally on immediate to 120 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Amounts due from subsidiaries, joint ventures and associates and companies related to directors

The current portion of non-trade balances with subsidiaries are unsecured, interest-free, repayable on demand and are to be settled in cash except for balances amounting to \$192,384,000 (2019: \$194,359,000) with wholly-owned subsidiaries which bear interest ranging from 2.56% to 4.41% (2019: 3.00% to 4.72%) per annum.

The non-current portion of non-trade balances with a subsidiary of \$3,100,000 (2019: Nil) is unsecured, bears interest at effective interest rate of 2.25% (2019: Nil%) per annum and is not expected to be repaid within the next twelve months.

The balances with joint ventures and associates and companies related to Directors are unsecured, interest-free, repayable on demand and are to be settled in cash.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group	
	2020	2019
	\$'000	\$'000
Balance at 1 July	36,682	31,377
Charge for the year	6,191	7,992
Reversal	(1,462)	(343)
Written-back	(769)	(563)
Written-off	(9,258)	(1,394)
Net exchange differences	271	(387)
At 30 June	31,655	36,682
Bad debts written off directly to profit and loss	–	102

Allowances for doubtful debts are written back when the related debts are recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

13. TRADE AND OTHER RECEIVABLES (CONT'D)

Other receivables that are impaired

The movement in allowance accounts used to record the impairment are as follows:

	Group	
	2020	2019
	\$'000	\$'000
At 1 July	3,874	2,413
Charge for the year	659	1,464
Written-off	(3,492)	–
Net exchange differences	(27)	(3)
At 30 June	1,014	3,874

Receivables from amounts due from joint ventures and associates, and companies related to directors that are impaired

Expected credit losses

The movement in allowance for expected credit losses of amounts due from joint ventures and associates and companies related to directors computed based on lifetime ECL are as follows:

	Group			
	Amounts due from joint ventures and associates		Amounts due from companies related to directors	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	67,402	1,587	7	3
Charge for the year	577	65,420	1	4
Reversal	(275)	–	–	–
Net exchange differences	672	395	–	–
At 30 June	68,376	67,402	8	7

The Group continues to focus on its core businesses such as ship repair services and divest non-core and/or underperforming assets. The Group had re-evaluated its ongoing businesses in the previous financial year and scaled down its cooperation with the various counterparties resulting in the reassessment of the willingness and ability of the various counterparties to repay. Accordingly, allowances of \$65,420,000 on amounts due from joint ventures and associates was recorded in the previous financial year.

13. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables from subsidiaries and amounts due from joint ventures and associates that are impaired

Expected credit losses

The movement in allowance for expected credit losses of amounts due from subsidiaries and amounts due from joint ventures and associates recorded at the Company are as follows:

	Company			
	Amount due from subsidiaries		Amount due from joint ventures and associates	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	99,246	40,517	2,614	–
Charge for the year	15,928	58,729	77	2,614
Reversal	(33,075)	–	–	–
At 30 June	82,099	99,246	2,691	2,614

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar (“SGD”)	28,736	33,476	281,764	259,218
United States Dollar (“USD”)	14,758	29,935	–	135
Euro (“EUR”)	629	1,425	–	–
Indonesian Rupiah (“IDR”)	17,089	13,300	–	–
Chinese Yuan Renminbi (“RMB”)	818	1,080	–	–
Indian Rupee (“Rupee”)	1,056	1,330	–	–
Others	96	–	–	–
	63,182	80,546	281,764	259,353

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For the financial year ended 30 June 2020

14. CASH AND BANK BALANCES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash on hand	12	15	–	–
Cash at banks	35,153	12,025	3,984	3,591
Fixed deposits	–	3,355	–	–
	<u>35,165</u>	<u>15,395</u>	<u>3,984</u>	<u>3,591</u>

Cash at banks amounting to \$13,761,000 (2019: \$4,101,000) earns interest based on daily bank deposit rates.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
SGD	23,089	9,577	3,922	3,591
USD	9,086	4,257	62	–
EUR	596	329	–	–
IDR	1,811	1,095	–	–
RMB	173	86	–	–
Others	410	51	–	–
	<u>35,165</u>	<u>15,395</u>	<u>3,984</u>	<u>3,591</u>

Fixed deposits were placed for a period of 1 month in 2019. The weighted-average effective interest rate for the fixed deposits as at 30 June 2020 is Nil% (2019: 0.93%) per annum.

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2020 \$'000	2019 \$'000
Bank balances, fixed deposits and cash	35,165	15,395
Assets of disposal group classified as held for sale (Note 7)	–	1,908
Less: Restricted cash		
– Cash at banks	(17,515)	(6,797)
– Fixed deposits	–	(3,355)
Cash and cash equivalents	<u>17,650</u>	<u>7,151</u>

The Group's restricted cash has been set aside for specific use with respect to certain shipbuilding financing and banking facilities granted to the Group (Note 19).

15. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2020 \$'000	2019 \$'000
Vessels		
At 1 July	–	4,899
Additions	478	3,237
Disposals	(478)	(8,136)
Transfer from property, plant and equipment (Note 4)	1,047	–
At 30 June	1,047	–

During the current financial year, the Group disposed of assets classified as held for sale with an aggregate carrying value of \$478,000 (2019: \$8,136,000), and recognised a gain on disposal of \$605,000 (2019: \$941,000) (Note 25) in “other operating income” line in the consolidated income statement.

In the previous financial year, the Group had acquired a vessel, classified as held for sale, for an aggregate consideration of \$728,000 as part of its settlement agreement reached with certain customer.

Transfer from property, plant and equipment

In the current financial year, the Group entered into a Sale and Purchase agreement with a third party to dispose a barge for a consideration of \$350,000. The purchase consideration will be settled by offsetting the balances owed to a related company of the third party upon delivery of the barge.

In addition, the Group entered into a deed of settlement with companies related to directors for an asset swap of two barges at its carrying amount of \$870,000 as disclosed in Note 38.

As at 30 June 2020, the Group is in the process of finalising the above disposals and in accordance with SFRS(I) 5 *Non-current assets held for sale and discontinued operations*, the barges have been reclassified as part of “assets classified as held for sale” in the statement of financial position.

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For the financial year ended 30 June 2020

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current				
Amounts due to an associate				
– non-trade	893	–	–	–
Current				
Trade payables	101,065	113,386	2,168	208
Accrued operating expenses	26,056	30,826	3,130	7,008
Payables for property, plant and equipment	3,674	5,931	–	–
Other payables	3,212	5,628	–	–
Other liabilities				
– Deferred income	2,083	1,615	–	–
– Deposits received from customers	3,788	3,958	–	–
Amounts due to subsidiaries				
– non-trade	–	–	102,935	92,264
Amounts due to joint ventures and associates				
– trade	1,250	1,030	–	–
– non-trade	124	–	–	–
Amounts due to companies related to directors				
– trade	724	1,582	–	–
– non-trade	–	7,178	–	–
Amounts due to non-controlling interests of subsidiaries				
– non-trade	213	207	–	–
Amounts due to a shareholder				
– non-trade	6,620	6,620	–	–
Provision for warranty (Note 17)	14	42	–	–
	148,823	178,003	108,233	99,480
Total trade and other payables (current and non-current)	149,716	178,003	108,233	99,480
Less: Other liabilities				
– Deferred income	(2,083)	(1,615)	–	–
– Deposits received from customers	(3,788)	(3,958)	–	–
– Provision for warranty (Note 17)	(14)	(42)	–	–
Add: Trust receipts (Note 18)	19,137	1,157	–	–
Add: Interest bearing loans and borrowings (Note 19)	340,483	361,978	168,251	173,292
Add: Lease liabilities (Note 5)	7,973	–	–	–
Financial liabilities at amortised cost	511,424	535,523	276,484	272,772

16. TRADE AND OTHER PAYABLES (CONT'D)

Trade payables are non-interest bearing and are normally on immediate to 120 days' credit terms.

Trade payables and other payables are denominated in the following currencies:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
SGD	76,982	99,615	100,828	92,212
USD	20,714	18,828	–	–
EUR	4,000	5,172	7,405	7,268
IDR	41,075	47,634	–	–
RMB	641	267	–	–
Others	419	872	–	–
	<u>143,831</u>	<u>172,388</u>	<u>108,233</u>	<u>99,480</u>

Amounts due to subsidiaries, joint ventures and associates, companies related to directors, non-controlling interests of subsidiaries and shareholder

The trade and non-trade balances are unsecured, interest-free, repayable on demand and to be settled in cash.

The non-current portion of non-trade balances due to an associate of \$893,000 (2019: Nil) is unsecured, bears interest at effective interest rate of 2.89% (2019: Nil%) per annum and is not expected to be repaid within the next twelve months.

17. PROVISION FOR WARRANTY

	Group	
	2020 \$'000	2019 \$'000
At 1 July	42	35
Charge for the year	5	19
Amounts written back	(33)	(10)
Net exchange differences	–	(2)
At 30 June	<u>14</u>	<u>42</u>

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 \$33,000 (2019: \$10,000) have been reversed as the warranty periods had lapsed.

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For the financial year ended 30 June 2020

18. TRUST RECEIPTS

	Group	
	2020 \$'000	2019 \$'000
Secured	19,137	1,157

Trust receipts of the Group are secured by certain vessels under construction. Trust receipts are denominated in the following currencies:

	Group	
	2020 \$'000	2019 \$'000
SGD	11,929	1,157
USD	3,269	–
EUR	3,939	–
	19,137	1,157

The average effective interest rate is 4.66% (2019: 4.67%) per annum.

A reconciliation of trust receipts arising from financing activities is as follows:

	Group	
	2020 \$'000	2019 \$'000
At 1 July	1,157	13,805
Cash flows		
– cash proceeds	38,616	16,328
– cash payments	(20,796)	(28,976)
Non-cash items		
– foreign exchange movement	160	–
At 30 June	19,137	1,157

19. INTEREST-BEARING LOANS AND BORROWINGS

	Nominal interest rates %	Effective interest rates %	Maturity dates	Group	
				2020 \$'000	2019 \$'000
Current					
SGD Finance lease liabilities – secured (Note 31(d))	2.99 – 5.00	5.02	2021	1,054	738
USD Finance lease liabilities – secured (Note 31(d))	5.00	8.33	2021	651	341
SGD Floating rate – secured	1.75 – 5.86	7.86 ^{1,2,3}	2021	19,013	28,686
USD Floating rate – secured	2.67 – 5.15	5.50 ¹	2021	3,859	12,951
SGD Fixed rate – secured	5.50	5.47	2021	1,145	1,141
SGD Fixed rate – unsecured	3.25 – 4.75	2.57	2021	1,250	1,250
				<u>26,972</u>	<u>45,107</u>
Non-current					
SGD Finance lease liabilities – secured (Note 31(d))	2.99 – 5.00	5.02	2022 – 2024	757	576
USD Finance lease liabilities – secured (Note 31(d))	5.00	8.33	2022 – 2024	954	1,218
SGD Floating rate – secured	1.75 – 5.86	7.86 ^{1,2,3}	2022 – 2028	213,601	217,089
USD Floating rate – secured	2.67 – 5.15	5.50 ¹	2022 – 2027	86,614	90,996
SGD Fixed rate – secured	5.50	5.47	2022 – 2023	2,606	3,763
SGD Fixed rate – unsecured	3.25 – 4.75	2.57	2022 – 2025	8,979	3,229
				<u>313,511</u>	<u>316,871</u>
				<u>340,483</u>	<u>361,978</u>

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For the financial year ended 30 June 2020

19. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

	Nominal interest rates %	Effective interest rates %	Maturity dates	Company	
				2020 \$'000	2019 \$'000
Current					
SGD Floating rate – secured	2.54 – 4.39	8.28 ^{1, 2, 3}	2021	5,737	11,965
Non-current					
SGD Floating rate – secured	2.54 – 4.39	8.28 ^{1, 2, 3}	2022 – 2026	162,514	161,327
				<u>168,251</u>	<u>173,292</u>

1 The interest rates of floating rate loans are repriced at intervals ranging from 1 – 3 months (2019: 1 – 3 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 secured and comprise notes of \$100,000,000 ("Series 006 Notes") and \$50,000,000 ("Series 007 Notes") (collectively, the "Notes"). Further details of the Notes are disclosed in Note 19(i).

3 This included a final drawdown of \$3,850,000 in the previous financial year under the 5 year club term loan facility ("CTL Facility") from the Banks which bears interests at 2.5% per annum above Swap Offer Rate ("SOR"). The maturity dates of the club term loan facility had been further extended to November 2026, pursuant to the Amendment and Restatement Deed which had been effective since 1 December 2018.

Interest-bearing loans and borrowings are denominated in the following currencies:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
SGD	248,405	256,474	168,251	173,292
USD	92,078	105,504	–	–
	<u>340,483</u>	<u>361,978</u>	<u>168,251</u>	<u>173,292</u>

Interest-bearing loans and borrowings are secured by certain assets of the Group as disclosed in Notes 4, 5, 6, 11 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 club term loan facility is secured over assignment of insurances and earnings of certain vessels and the assignment of subordination and intercompany loans.

19. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

The face value of the interest-bearing loans and borrowings are as follows:

	2020		2019	
	Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Group				
Current				
SGD Finance lease liabilities – secured (Note 31(d))	1,054	1,054	738	738
USD Finance lease liabilities – secured (Note 31(d))	651	651	341	341
SGD Floating rate – secured	19,906	19,013	29,680	28,686
USD Floating rate – secured	5,649	3,859	13,398	12,951
SGD Fixed rate – secured	1,145	1,145	1,141	1,141
SGD Fixed rate – unsecured	1,250	1,250	1,250	1,250
	29,655	26,972	46,548	45,107
Non-current				
SGD Finance lease liabilities – secured (Note 31(d))	757	757	576	576
USD Finance lease liabilities – secured (Note 31(d))	954	954	1,218	1,218
SGD Floating rate – secured	270,360	213,601	274,320	217,089
USD Floating rate – secured	93,429	86,614	92,251	90,996
SGD Fixed rate – secured	2,606	2,606	3,763	3,763
SGD Fixed rate – unsecured	8,979	8,979	3,229	3,229
	377,085	313,511	375,357	316,871
	406,740	340,483	421,905	361,978
Company				
Current				
SGD Floating rate – secured	6,150	5,737	11,331	11,965
Non-current				
SGD Floating rate – secured	209,076	162,514	211,136	161,327
	215,226	168,251	222,467	173,292

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

19. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Deferment of principal repayments for the financial year ended 30 June 2020

Pursuant to the Singapore Government relief and support measures to the COVID-19 pandemic, the Group has obtained an 8 months deferment of principal repayment for certain loans from its principal lenders to their respective maturity dates.

As the loans and borrowings were not substantially modified in accordance with SFRS(I) 9, the Group has continued to recognise its loans and borrowings at the original effective interest rates and recognised a modification gain of \$15,233,000 (Note 27) in the consolidated income statement for the financial year ended 30 June 2020.

Debt refinancing exercise for the financial year ended 30 June 2019

In the previous financial year, the Group had undertaken a debt refinancing exercise with its various lenders to restructure certain terms of the loans and borrowings. The debt refinancing exercise was carried out by way of the following:

(i) *The Notes – Consent solicitation exercise*

On 30 January 2019, the Company obtained approvals from noteholders to amend the terms of the Series 006 Notes and Series 007 Notes as follows:

- Revised coupon to a base rate of 3.0% per annum with additional coupon rate of 0.15% per annum for every \$1.0 million increase to prior year Adjusted Core EBITDA Amount⁽¹⁾ above \$65.0 million, capped at 2.0%;
- Mandatory redemption rate of 1.0% per annum with additional mandatory redemption rate of 0.15% per annum for every \$1.0 million increase to prior year Adjusted Core EBITDA Amount above \$65.0 million, less additional coupon rate, capped at 4.0% per annum; and
- Maturity dates of the Series 006 Notes and Series 007 Notes have been further extended to March 2025 and October 2026 respectively.

As part of the consent solicitation exercise, the Group had also issued 300,625,000 Noteholder Warrants with each warrant carrying the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S\$0.06 per ordinary share during the financial year ended 30 June 2020 (Note 23).

(1) "Adjusted Core EBITDA Amount" means, with respect to any financial year, the earnings of the Group during such period before taking into account interest expense, tax, depreciation and amortisation, but making adjustments by (i) adding back allowance for doubtful debts, impairments, write-offs and any other non-cashflow items (in each case to the extent deducted in arriving at such earnings) and (ii) deducting other operating income.

19. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Debt refinancing exercise for the financial year ended 30 June 2019 (cont'd)

(ii) *Loans and borrowings*

In conjunction with the consent solicitation exercise, the Group had also restructured certain terms of other loans and borrowings. The changes include reduction in monthly principal repayments over the next 6 to 8 years and reduction in interest rates for these loan facilities.

(iii) *Financial impact*

Arising from the debt refinancing exercise, the Group had remeasured the fair value of the total loans and borrowings at inception date of the debt refinancing exercise and recognised a fair value gain of \$59,179,000, net of transaction costs of \$2,156,000 (Note 27), in the consolidated income statement for the financial year ended 30 June 2019. As part of the overall debt refinancing exercise in 2019, the Group made a provision of professional fees of approximately \$4,000,000, of which an amount of \$1,200,000 was reversed during the current financial year.

Reconciliation of liabilities arising from financing activities

	Loans and borrowings \$'000	Finance lease liabilities \$'000	Total \$'000
Group			
At 1 July 2019	359,105	2,873	361,978
Cash flows			
– cash payments	(25,745)	(594)	(26,339)
– cash proceeds	7,068	–	7,068
Non-cash items			
– additions	–	1,091	1,091
– fair value adjustments arising from debt refinancing exercise	(15,233)	–	(15,233)
– foreign exchange movement	2,968	46	3,014
– amortisation	8,904	–	8,904
At 30 June 2020	337,067	3,416	340,483
Company			
At 1 July 2019	173,292	–	173,292
Cash flows			
– cash payments	(7,241)	–	(7,241)
Non-cash items			
– fair value adjustments arising from debt refinancing exercise	(4,309)	–	(4,309)
– amortisation	6,509	–	6,509
At 30 June 2020	168,251	–	168,251

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

19. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

Reconciliation of liabilities arising from financing activities (cont'd)

	Loans and borrowings \$'000	Finance lease liabilities \$'000	Total \$'000
Group			
At 1 July 2018	481,000	8,061	489,061
Cash flows			
– cash payments	(63,887)	(7,366)	(71,253)
– cash proceeds	3,850	–	3,850
Non-cash items			
– additions	–	2,181	2,181
– transaction costs	(603)	–	(603)
– fair value adjustments arising from debt refinancing exercise	(61,335)	–	(61,335)
– foreign exchange movement	(1,163)	(3)	(1,166)
– amortisation	1,243	–	1,243
At 30 June 2019	359,105	2,873	361,978
Company			
At 1 July 2018	234,155	–	234,155
Cash flows			
– cash payments	(15,537)	–	(15,537)
– cash proceeds	3,850	–	3,850
Non-cash items			
– transaction costs	(603)	–	(603)
– fair value adjustments arising from debt refinancing exercise	(48,383)	–	(48,383)
– amortisation	(190)	–	(190)
At 30 June 2019	173,292	–	173,292

20. OTHER LIABILITIES

	Group	
	2020 \$'000	2019 \$'000
Pension plans	3,612	3,668
Other long term obligations	21	31
	3,633	3,699

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At 1 July	2,692	2,549	976	896	3,668	3,445
(Reversal)/expenses during the year (Note 32)	(36)	–	246	21	210	21
Provision utilised	(97)	–	–	–	(97)	–
Actuarial (gain)/losses arising from changes in financial assumptions	(188)	236	(24)	(236)	(212)	–
Net exchange differences	43	(93)	–	295	43	202
At 30 June	2,414	2,692	1,198	976	3,612	3,668
Net benefit expense:						
Interest costs	20	36	76	61	96	97
Current service costs	(56)	(36)	170	(40)	114	(76)
	(36)	–	246	21	210	21

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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:

	2020	2019
<i>Discount rates:</i>		
Indonesia plan	7.7%	7.7%
Germany plan	0.8%	0.8%
<i>Future salary increases:</i>		
Indonesia plan	5.0%	5.0%
Germany plan	0.0%	0.0%
<i>Future pension increases:</i>		
Indonesia plan	5.0%	5.0%
Germany plan	1.5%	1.5%
<i>Normal retirement age:</i>		
Indonesia plan	55 years	55 years
Germany plan	65 years	65 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 Richttafeln 2018 G; while for Indonesia, the mortality of the employees are assumed to be in line with the Indonesia Mortality Tables 2011 (TMI 3 (2011)).

The average duration of the post-employment benefits at the end of the financial year is 20.58 years (2019: 20.46 years).

21. DEFERRED TAX LIABILITIES

	Group			
	Statement of financial position		Consolidated income statement	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Deferred tax assets				
Unutilised tax losses and wear and tear allowances	(1,191)	(1,359)	(1,461)	4,572
Allowance for doubtful receivables	(9)	(9)	–	–
Others	(255)	(255)	–	(348)
	<u>(1,455)</u>	<u>(1,623)</u>		
Deferred tax liabilities				
Difference in depreciation for tax purposes	14,072	15,813	(1,294)	(3,314)
Fair value adjustments on business combinations	601	1,833	(1,232)	(163)
Net exchange differences	45	(12)	1	–
	<u>14,718</u>	<u>17,634</u>		
Net deferred tax liabilities	<u>13,263</u>	<u>16,011</u>		
Deferred tax (credit)/expense (Note 29)			<u>(3,986)</u>	<u>747</u>

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.

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 \$42,332,000 (2019: \$43,703,000). The deferred tax liabilities are estimated to be \$10,745,000 (2019: \$11,088,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

22. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	Number of shares Issued share capital '000	Treasury shares '000	Amount Issued share capital \$'000	Treasury shares \$'000
Fully paid ordinary shares, with no par value				
<u>2020 and 2019</u>				
Balance at beginning and end of year	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 2020 and 2019, the Company did not buy back any shares.

23. RESERVES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Accumulated profits/(losses)	24,538	47,959	(58,951)	(76,053)
Foreign currency translation reserve	(143)	1,671	–	–
Warrant reserve	899	–	899	–
	25,294	49,630	(58,052)	(76,053)

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.

Warrant reserve

Warrant reserve represents total consideration received, net of transaction cost for the issuance of renounceable non-underwritten rights warrants. On 25 July 2019, the Company completed the issuance of renounceable non-underwritten rights warrants and allotted 266,505,713 rights warrants for a total consideration of \$1,599,000. On the same date, the Company also completed the issuance of 300,625,000 free warrants to the noteholders.

No warrants were exercised since the date of issuance of warrants on 25 July 2019. As at 30 June 2020, the number of shares that may be issued on exercise of warrants were 567,130,713.

24. REVENUE

Disaggregation of revenue	Group		Total \$'000
	At a point in time \$'000	Over time \$'000	
2020			
<i>Shipbuilding segment</i>			
- Construction of tugs	-	18,857	18,857
- Construction of barges and others	17,409	-	17,409
<i>Shiprepair, conversion and engineering services segment</i>			
- Provision of shiprepair and related services	-	69,977	69,977
- Provision of engineering service and sales of components	1,375	3,667	5,042
<i>Shipchartering segment</i>			
- Leasing income	-	59,135	59,135
- Mobilisation and demobilisation income	-	1,958	1,958
- Freight income	-	27,797	27,797
- Other charter ancillary and marine related service income	5,596	29,916	35,512
- Ship management income	-	545	545
- Trade sales	7,405	-	7,405
	31,785	211,852	243,637
2019			
<i>Shipbuilding segment</i>			
- Construction of tugs	32,389	8,254	40,643
- Construction of barges and others	22,698	-	22,698
<i>Shiprepair, conversion and engineering services segment</i>			
- Provision of shiprepair and related services	-	93,856	93,856
- Provision of engineering service and sales of components	4,107	5,960	10,067
<i>Shipchartering segment</i>			
- Leasing income	-	62,975	62,975
- Mobilisation and demobilisation income	3,327	4,158	7,485
- Freight income	-	34,709	34,709
- Other charter ancillary and marine related service income	3,851	34,875	38,726
- Ship management income	-	340	340
- Trade sales	1,383	-	1,383
	67,755	245,127	312,882

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For the financial year ended 30 June 2020

25. OTHER OPERATING INCOME

	Group	
	2020 \$'000	2019 \$'000
Interest income from debt instruments at amortised costs		
– deposits and bank balances	52	82
– finance lease receivables	592	640
Insurance claims	42	670
Gain on disposal of assets classified as held for sale	605	941
Gain on disposal of property, plant and equipment	1,859	327
Gain on disposal of a subsidiary (Note 7)	4,087	–
Gain on foreign exchange (net)	2,661	–
Rental income	514	946
Government grants	1,870	–
Miscellaneous income	671	807
	<u>12,953</u>	<u>4,413</u>

26. OTHER OPERATING EXPENSES

	Group	
	2020 \$'000	2019 \$'000
Impairment losses on non-financial assets:		
– property, plant and equipment (Note 4)	1,608	13,667
– intangible assets (Note 9)	3,063	5,504
– inventories (Note 11)	9,494	72,338
Bad debts written off (trade)	–	102
Inventories written off	–	1,350
Loss on disposal of short-term investment	–	134
Loss on foreign exchange (net)	–	4,001
Property, plant and equipment written off (Note 4)	223	85
Liquidated damages	–	1,360
	<u>14,388</u>	<u>98,541</u>

In the previous financial year, liquidated damages relate to claims for not fulfilling a charter contract.

27. FINANCE COSTS AND FAIR VALUE ADJUSTMENTS ARISING FROM DEBT REFINANCING EXERCISE

	Group	
	2020	2019
	\$'000	\$'000
Interest expense on:		
– bank loans and notes	24,647	23,344
– finance lease	210	242
– trust receipts	478	500
– lease liabilities	850	–
	26,185	24,086
Less:		
Interest expense capitalised in contract assets		
– trust receipts	(112)	(5)
Interest expenses included in contract assets now charged to profit and loss		
– bank loans	–	237
Interest expense charged to cost of sales		
– bank loans	–	(629)
– trust receipts	(366)	(494)
Finance costs	25,707	23,195
Fair value adjustments on debt securities arising from refinancing exercise, net (Note 19)	(15,233)	(59,179)

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For the financial year ended 30 June 2020

28. LOSS BEFORE TAX

	Note	Group	
		2020 \$'000	2019 \$'000
Loss before tax is stated after charging/(crediting):			
Amortisation of lease prepayments	6	–	358
Amortisation of intangible assets	9	570	652
Audit fees paid/payable:			
– auditor of the Company		359	367
– overseas affiliates of the auditors of the Company		93	304
– other auditors		55	15
Non-audit fees paid/payable to auditor of the Company		7	61
Depreciation of property, plant and equipment	4	56,226	61,064
Depreciation of right-of-use assets	5	3,312	–
Employee benefits expense	32	38,635	41,093
Impairment losses/(reversal of impairment losses) on financial assets (net):			
– finance lease receivables	10	–	1,566
– trade receivables (third parties)	13	3,960	7,086
– contract assets	12	(157)	123
– other receivables	13	659	1,464
– amount due from:			
– joint ventures and associates	13	302	65,420
– companies related to directors	13	1	4
Operating lease expenses under SFRS (I) 1-17	31(c)	–	1,794

29. INCOME TAX EXPENSE

Major components of income tax credit/(expense)

The major components of income tax credit/(expense) for the financial years ended 30 June 2020 and 2019 are:

	Group	
	2020	2019
	\$'000	\$'000
Current income tax:		
Current income tax	(1,549)	(2,771)
Over/(under)-provision in respect of prior years	439	(682)
	<u>(1,110)</u>	<u>(3,453)</u>
Deferred tax:		
Movements in temporary differences	2,445	205
Over/(under)-provision in respect of prior years	1,541	(952)
	<u>3,986</u>	<u>(747)</u>
Total income tax credit/(expense)	<u>2,876</u>	<u>(4,200)</u>
<u>Relationship between tax credit/(expense) and accounting loss</u>		
Loss before tax	(21,259)	(141,679)
Income tax using Singapore statutory tax rate of 17% (2019: 17%)	3,614	24,085
Adjustments:		
Expenses not deductible for tax purposes	(6,443)	(34,138)
Income not subject to tax	4,844	10,611
Partial tax exemption	68	103
Net tax exempt income/(loss) under Section 13A or 13F of the Singapore Income Tax Act	785	(2,525)
Effect of different tax rates in foreign countries	2,198	2,977
Deferred tax assets not recognised	(3,236)	(2,106)
Utilisation of deferred tax asset previously not recognised	1,363	256
Share of results of joint ventures and associates	(191)	146
Over/(under)provision in respect of prior years	1,980	(1,634)
Losses not available for carry-forward	(1,920)	(1,720)
Others	(186)	(255)
	<u>2,876</u>	<u>(4,200)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

29. INCOME TAX EXPENSE (CONT'D)

Major components of income tax credit/(expense) (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 the fifth year.

Unutilised tax losses and unabsorbed capital allowances

At the end of the reporting period, the Group has tax losses and capital allowances of approximately \$103,685,000 and \$22,478,000 (2019: \$91,127,000 and \$24,016,000), respectively 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 and capital allowances 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 unutilised tax losses and unabsorbed capital allowances brought forward have been restated to comply with the tax returns filed in the current financial year with the relevant tax authorities.

The unutilised tax losses and unabsorbed capital allowances have no expiry date except for amounts of \$9,389,000 (2019: \$9,384,000) and \$5,040,000 (2019: \$6,970,000), respectively which would expire in 9 to 10 years from the year of corporate tax returns.

30. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing loss, 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, 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 loss and share data used in the computation of basic and diluted earnings per share for the financial years ended 30 June:

	Group	
	2020	2019
	\$'000	\$'000
Basic earnings per share is based on:		
(i) Loss for the year attributable to owners of the Company	(23,633)	(141,027)
	No. of shares	No. of shares
(ii) Weighted average number of ordinary shares in issue during the financial year applicable to basic and diluted earnings per share	629,266,941	629,266,941

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.

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	
	2020	2019
	\$'000	\$'000
Purchase of: Plant and machineries	2	30

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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 2019, these non-cancellable leases had remaining lease terms ranging from 1 month to 7 years.

Future minimum lease payments receivable under non-cancellable operating leases as at 30 June 2019 are as follows:

	Group \$'000
Not later than one year	35,421
Later than one year but not later than five years	45,876
Later than five years	4,064
	<u>85,361</u>

On 1 July 2019, the Group adopted SFRS(I) 16 and the undiscounted lease payments from operating leases to be received after 30 June 2020 is disclosed in Note 5.

(c) Operating lease commitments – As lessee

As at 30 June 2019, in addition to the land use rights disclosed in Note 6, the Group has entered into commercial leases on its office premises, yard space, office equipment and motor vehicles which were classified as operating leases under SFRS (I) 1-17.

Operating lease expenses, excluding amortisation of land use rights recognised in the Group's consolidated income statement for the financial year ended 30 June 2019 amounted to \$1,794,000 (Note 28).

The future minimum lease payments payable under non-cancellable operating leases (excluding land use rights) contracted for but not recognised as liabilities as at 30 June 2019 were as follows:

	Group \$'000
Not later than one year	1,758
Later than one year but not later than five years	6,307
Later than five years	1,798
	<u>9,863</u>

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 July 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 30 June 2020, except for short-term and low-value leases.

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 4 years (2019: 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 6.69% (2019: 4.4%) 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			
	2020	2020	2019	2019
	Minimum lease payments \$'000	Present value of payments \$'000	Minimum lease payments \$'000	Present value of payments \$'000
Not later than one year	2,075	1,705	1,323	1,079
Later than one year but not later than five years	1,873	1,711	2,020	1,794
Total minimum lease payments	3,948	3,416	3,343	2,873
Less: Amounts representing finance charges	(532)	–	(470)	–
Present value of minimum lease payments	3,416	3,416	2,873	2,873

(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	
	2020 \$'000	2019 \$'000
Subsidiaries	212,261	203,019

(f) *Financial support*

The Company has agreed to provide continuing financial support to certain subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

32. EMPLOYEE BENEFITS

	Group	
	2020	2019
	\$'000	\$'000
Employee benefits expense (including Executive Directors)		
Salaries and bonuses	35,694	38,331
Employer's contribution to defined contribution plans, including Central Provident Fund contributions	1,747	1,861
Expenses from defined benefits plan (Note 20)	210	21
Termination benefits	–	79
Other staff benefits	984	801
	38,635	41,093

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. Upon the resignation of Christopher Chong Meng Tak on 13 August 2019, Tan Huay Lim was appointed as member of the RC.

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	
	2020	2019
	\$'000	\$'000
Joint ventures and associates		
Rental of premises billed	949	1,560
Shipcharter income	1,802	1,902
Shiprepair income	398	570
Trade sales income	21	27
Charter and trade expenses	(1,349)	(1,390)
Purchase of materials	(1,147)	–
Purchase of vessels	(479)	–
Purchase of galvanising services	–	(14)

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For the financial year ended 30 June 2020

33. RELATED PARTY DISCLOSURES (CONT'D)

(a) Sale and purchase of goods and services (cont'd)

	Group	
	2020	2019
	\$'000	\$'000
Companies related to directors and founder		
Engineering income	28	2,153
Miscellaneous income	–	52
Rental income	154	938
Shipcharter income	50	22
Shiprepair income	(1,390) ¹	8,536
Trade sales income	118	*
Charter and trade expenses	(690)	(6,423)
Consultancy fees	(15)	(348)
Rental expense	(362)	–
Purchase of materials	(21)	(2,908)
Purchase of plant and machinery	(400)	–

1 The credit balance arose from discounts granted.

	Company	
	2020	2019
	\$'000	\$'000
Subsidiaries		
Interest income	7,223	9,138

33. RELATED PARTY DISCLOSURES (CONT'D)

(b) Settlement of liabilities on behalf by/(for) the Group

	Group	
	2020	2019
	\$'000	\$'000
Joint ventures and associates	968	735
Joint ventures and associates	(1)	–
Companies related to directors and founder	972	2,868
Companies related to directors and founder	(2,801)	(1,250)

Companies related to directors and the founder:

Two of the Directors and the founder of the Company have a deemed equity interest of 53.76% (2019: 53.76%) in Koon Holdings Limited, a company listed on the Australian Securities Exchange Limited and the SGX-ST. 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 the Koon Group 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 13 and Note 16 to the financial statements.

(c) Compensation of key management personnel

	Group	
	2020	2019
	\$'000	\$'000
Short-term employee benefits	2,075	2,468
Central Provident Fund contributions	84	79
Other long-term benefits	142	320
Total compensation paid to key management personnel	2,301	2,867
Comprise amounts paid to:		
– Directors of the Group	1,300	1,832
– Other key management personnel	1,001	1,035
	2,301	2,867

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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. It is the Group's policy that no trading in derivative financial instruments for speculative purposes 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 of Directors 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.

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 has no interest rate swaps as at 30 June 2020 and 2019. 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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (cont'd)

(i) Interest rate risk (cont'd)

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% (2019: 0.5%) in interest rate at 30 June would increase loss before tax by the amounts shown below. A decrease of 0.5% (2019: 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	
	2020	2019	2020	2019
	Loss before tax	Loss before tax	Loss before tax	Loss before tax
	\$'000	\$'000	\$'000	\$'000
Floating rate instruments	1,711	1,754	841	866

(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 USD, EUR and IDR. 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 holds 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 and IDR.

Such risks are hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount or hedged using forward foreign exchange contracts in respect of actual or forecasted currency exposures which are reasonably certain.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Indonesia and Netherlands.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

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 and IDR 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 the Singapore Dollar at 30 June would increase/(decrease) loss before tax by the amounts shown below. A 5% weakening of the following foreign currencies against the Singapore Dollar at 30 June would have the equal but opposite effect.

	Group		Company	
	2020	2019	2020	2019
	Loss before tax	Loss before tax	Loss before tax	Loss before tax
	\$'000	\$'000	\$'000	\$'000
USD	(4,223)	(4,578)	3	7
EUR	(313)	(132)	(370)	(363)
IDR	(1,109)	(1,662)	–	–

(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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, which are derived based on the Group's historical information. The default days most appropriate to the respective segments, as follows:

Segment	Default days
Shipbuilding	More than 90 days past due
Shiprepair	More than 180 days past due
Shipchartering	More than 120 days past due
Ship Engineering	More than 90 days past due

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group writes off the financial asset when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking any credit enhancements held by the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables, contract assets, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade)

The Group determines impairment of trade receivables, contract assets, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade) by making debtor-specific assessment for credit-impaired debtors.

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For the financial year ended 30 June 2020

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

Trade receivables, contract assets, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade) (cont'd)

For the remaining group of debtors, the Group uses a provision matrix to measure the lifetime expected credit loss allowances for trade receivables, contract assets, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade). In measuring the expected credit loss, the Group has considered settlement arrangements entered into with various customers, such as instalments plans and contra settlements/arrangements with customers. In calculating the expected credit loss rates, the Group considers historical loss rates for each segment and adjust to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group considers available reasonable and supportive forward-looking information which includes actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations.

Summarised below is the information about the credit risk exposure on the Group's trade receivables, contract assets, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade) using the provision matrix:

30 June 2020	Trade receivables		Contract assets	
	Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision
	\$'000	\$'000	\$'000	\$'000
Current	13,573	(356)	5,037	(66)
Past due up to 3 months	13,514	(1,828)	–	–
Past due 3 to 6 months	4,984	(1,288)	–	–
Past due 6 to 12 months	5,675	(1,897)	–	–
More than 1 year	43,576	(26,286)	–	–
	81,322	(31,655)	5,037	(66)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

Trade receivables, contract assets, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade) (cont'd)

	Amounts due from joint ventures and associates (trade)		Amounts due from companies related to directors (trade)	
	Gross carrying amount \$'000	Loss allowance provision \$'000	Gross carrying amount \$'000	Loss allowance provision \$'000
30 June 2020				
Current	4	(4)	–	–
Past due up to 3 months	21	(21)	48	–
Past due 3 to 6 months	130	(130)	73	(1)
Past due 6 to 12 months	1,148	(1,148)	3	(3)
More than 1 year	32,827	(32,043)	–	–
	34,130	(33,346)	124	(4)
	Trade receivables		Contract assets	
	Gross carrying amount \$'000	Loss allowance provision \$'000	Gross carrying amount \$'000	Loss allowance provision \$'000
30 June 2019				
Current	16,684	(287)	12,765	(223)
Past due up to 3 months	16,828	(1,081)	–	–
Past due 3 to 6 months	4,025	(1,038)	–	–
Past due 6 to 12 months	6,194	(1,876)	–	–
More than 1 year	48,726	(32,400)	–	–
	92,457	(36,682)	12,765	(223)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

Trade receivables, contract assets, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade) (cont'd)

30 June 2019	Amounts due from joint ventures and associates (trade)		Amounts due from companies related to directors (trade)	
	Gross carrying amount \$'000	Loss allowance provision \$'000	Gross carrying amount \$'000	Loss allowance provision \$'000
Current	–	–	487	–
Past due up to 3 months	–	–	8,266	(4)
Past due 3 to 6 months	–	–	–	–
Past due 6 to 12 months	–	–	–	–
More than 1 year	33,757	(32,754)	31	–
	<u>33,757</u>	<u>(32,754)</u>	<u>8,784</u>	<u>(4)</u>

Information regarding loss allowance movement of contract assets, trade receivables, amounts due from joint ventures and associates (trade) and amounts due from companies related to directors (trade) are disclosed in Note 12 and Note 13, respectively.

Non-trade amounts due from joint ventures and associates, companies related to directors and subsidiaries (collectively the “related parties”)

The Group and the Company provide for expected credit loss (“ECL”) on non-trade amounts due from related parties based on the general approach and the extent of loss allowance is dependent on the extent of credit deterioration since initial recognition.

In assessing whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the non-trade amounts due from related parties of the Group and the Company as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supporting information, which includes any significant changes in the expected performance and behaviour of these receivables, including changes in the payment status, financial position and operating results, forward-looking information and market data.

The Group and the Company computes expected credit loss using the probability of default approach. In calculating the expected credit loss rates, the Group and the Company considers implied probability of default from external rating agency.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

Non-trade amounts due from joint ventures and associates, companies related to directors and subsidiaries (collectively the "related parties") (cont'd)

A significant increase in credit risk is presumed when there is a significant deterioration in the financial position of these related parties. A default occurs when these related parties fail to make contractual payments within 90 days of when they fall due. The non-trade amounts due from related parties are only written off when the respective subsidiary or joint venture and associate or company related to directors is liquidated or disposed.

Category	Definition of category	Basis for recognition of ECL	30 June 2020			
			Group		Company	
			Gross carrying amount \$'000	Loss allowance provision \$'000	Gross carrying amount \$'000	Loss allowance provision \$'000
Stage 1	Non-trade amounts due from related parties that have a low risk of default and a strong capacity to meet contractual cash flows.	12-month expected credit loss	450	(4)	-	-
Stage 2	Non-trade amounts due from related parties which have a significant increase in credit risk.	Lifetime expected credit loss	-	-	-	-
Stage 3	Non-trade amounts due from related parties that are in net tangible liability position.	Lifetime expected credit loss	36,948	(35,030)	366,534	(84,790)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

Non-trade amounts due from joint ventures and associates, companies related to directors and subsidiaries (collectively the "related parties") (cont'd)

Category	Definition of category	Basis for recognition of ECL	30 June 2019			
			Group		Company	
			Gross carrying amount \$'000	Loss allowance provision \$'000	Gross carrying amount \$'000	Loss allowance provision \$'000
Stage 1	Non-trade amounts due from related parties that have a low risk of default and a strong capacity to meet contractual cash flows.	12-month expected credit loss	212	(3)	-	-
Stage 2	Non-trade amounts due from related parties which have a significant increase in credit risk.	Lifetime expected credit loss	-	-	-	-
Stage 3	Non-trade amounts due from related parties that are in net tangible liability position	Lifetime expected credit loss	38,703	(34,648)	361,193	(101,860)

Credit risk concentration profile

The concentration of credit risk relating to trade receivables is limited as the Group provides services spanning various sectors and industries. The Group's historical experience in the collection of trade and other receivables falls within the recorded allowances.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk (cont'd)

Credit risk concentration profile (cont'd)

At 30 June 2020 and 2019, 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).

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	
	2020 \$'000	2019 \$'000
By business activities		
Shipbuilding	596	2,816
Shiprepair and engineering	31,711	25,864
Shipchartering	17,360	27,095
	<u>49,667</u>	<u>55,775</u>
By geographical areas		
Singapore	25,561	31,013
Indonesia	13,779	12,584
Rest of Asia	5,530	6,146
Europe	3,525	1,354
Australia	109	3,487
United States of America and other countries	1,163	1,191
	<u>49,667</u>	<u>55,775</u>

(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 ability of the Group to meet its financial obligations is dependent on generating sufficient cash flows from operations and continued financial support from the lenders. The Group manages its liquidity risk by maintaining a level of cash and cash equivalents deemed adequate to finance the Group's and operations to meet its liabilities when due. The Group maintains flexibility in funding by keeping committed credit facilities available.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

Group

30 June 2020

Non-derivative financial instruments

Trade and other receivables	63,182	63,182	63,182	–	–
Contract assets	4,971	4,971	4,971	–	–
Finance lease receivables	5,697	8,056	1,287	5,149	1,620
Cash and bank balances	35,165	35,165	35,165	–	–
Trade and other payables	(143,831)	(144,102)	(142,980)	(169)	(953)
Trust receipts	(19,137)	(19,207)	(19,207)	–	–
Interest-bearing loans and borrowings	(340,483)	(463,639)	(42,384)	(267,561)	(153,694)
Lease liabilities	(7,973)	(10,134)	(2,725)	(6,351)	(1,058)
	(402,409)	(525,708)	(102,691)	(268,932)	(154,085)

30 June 2019

Non-derivative financial instruments

Trade and other receivables	80,047	80,047	80,047	–	–
Contract assets	12,542	12,542	12,542	–	–
Finance lease receivables	6,206	9,079	1,251	5,003	2,825
Cash and bank balances	15,395	15,395	15,395	–	–
Trade and other payables	(172,388)	(172,388)	(172,388)	–	–
Trust receipts	(1,157)	(1,165)	(1,165)	–	–
Interest-bearing loans and borrowings	(361,978)	(502,360)	(59,727)	(184,488)	(258,145)
	(421,333)	(558,850)	(124,045)	(179,485)	(255,320)

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
Company					
30 June 2020					
Non-derivative financial instruments					
Trade and other receivables	281,764	288,630	285,086	328	3,216
Cash and bank balances	3,984	3,984	3,984	–	–
Trade and other payables	(108,233)	(108,233)	(108,233)	–	–
Interest-bearing loans and borrowings	(168,251)	(250,022)	(12,900)	(157,176)	(79,946)
	9,264	(65,641)	167,937	(156,848)	(76,730)
30 June 2019					
Non-derivative financial instruments					
Trade and other receivables	259,353	267,507	267,507	–	–
Cash and bank balances	3,591	3,591	3,591	–	–
Trade and other payables	(99,480)	(99,480)	(99,480)	–	–
Interest-bearing loans and borrowings	(173,292)	(271,871)	(19,007)	(76,152)	(176,712)
	(9,828)	(100,253)	152,611	(76,152)	(176,712)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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			Total \$'000
	Within 1 year \$'000	Between 1 and 5 years \$'000	After 5 years \$'000	
2020				
Corporate guarantees provided to subsidiaries	62,902	85,366	63,993	212,261
2019				
Corporate guarantees provided to subsidiaries	41,266	104,371	57,382	203,019

35. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern by issuing new shares, obtain new borrowings or sell assets to reduce borrowings so as to maximise shareholder value. No changes were made in objectives, policies or processes during the financial years ended 30 June 2020 and 2019.

	Group	
	2020 \$'000	2019 \$'000
Net loss attributable to owners of the Company	23,633	141,027
Equity attributable to the owners of the Company	132,427	156,956
Return on shareholders' funds	(17.85%)	(89.85%)
Interest-bearing loans and borrowings (Note 19)	340,483	361,978
Trust receipts (Note 18)	19,137	1,157
Less: Cash and bank balances (Note 14)	(35,165)	(15,395)
Net borrowings	324,455	347,740
Net gearing ratio (times)	2.45	2.22

35. CAPITAL MANAGEMENT (CONT'D)

The return on shareholders' funds is calculated based on net loss 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).

The Group and the Company are in compliance with all externally imposed financial covenant requirements for the financial years ended 30 June 2020 and 2019.

36. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

The Group and the Company classify fair value measurement using a fair value hierarchy 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, and
- 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.

There have been no transfers between Level 1 and Level 2 and no transfers into or out of Level 3 during financial years 30 June 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) *Assets and liabilities measured at fair value*

Level 3 fair value measurements

Property, plant and equipment

As disclosed in Note 4, the recoverable amounts of certain vessels were based on fair value less cost of disposal which was determined by an independent valuer. These considered replacement costs of similar vessels currently owned by the Group adjusted for age, condition and technological obsolescence. In addition, the valuers also considered sales of similar vessels that have been transacted in the open market.

Assets classified as held for sale

As at 30 June 2020, assets classified as held for sale comprised vessels with an aggregate carrying value of \$1,047,000. The fair value of these assets classified as held for sale was determined based on memorandum of agreements.

Disposal group classified as held for sale

As at 30 June 2019, the Group's disposal group classified as held for sale of \$7,826,000 are measured and carried based on Level 3 fair value inputs. The disposal group classified as held for sale was related to the assets and liabilities of JMHD as disclosed in Note 7. The fair value of the disposal group classified as held for sale was determined based on memorandum of agreement.

Interest-bearing loans and borrowings

The Group and the Company's interest-bearing loans and borrowings of \$122,689,000 (2019: \$117,724,000) and \$90,996,000 (2019: \$85,529,000) are measured and carried based on Level 3 fair value inputs.

In 2019, the Group and the Company had remeasured the fair value of certain loans and borrowings based on discounted cash flow method arising from the debt refinancing exercised as disclosed in Note 19. The valuation technique incorporated various inputs including the present value of expected payments, discounted using a risk-adjusted discount rate.

36. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) *Assets and liabilities measured at fair value (cont'd)*

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 SFRS(I) 13 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.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(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, contract assets, trade and other payables, contract liabilities, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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 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	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Financial liabilities				
Finance lease liabilities				
(Non-current) (Note 19)	1,711	1,794	1,669	1,695
Fixed rate loans				
(Non-current) (Note 19)	11,585	6,992	9,838	5,844

These financial liabilities are categorised within Level 3 of the fair value hierarchy.

Determination of fair value

The fair values of finance lease liabilities, interest-bearing loans and borrowings and lease liabilities 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. 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. Secondary information is reported geographically.

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 four main business segments:

Shipbuilding	:	Construction of vessels
Shiprepair, conversion and engineering	:	Provision of shiprepair, dredging engineering products and related services
Shipchartering	:	Provision for chartering of vessels and transportation services
Investment holding	:	Provision of corporate and treasury services to the Group

Geographical segments

The Group operates in Singapore, Indonesia, Rest of Asia, Europe, Australia, 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 respective 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

37. SEGMENT REPORTING (CONT'D)

(i) Business segments

	Shipbuilding \$'000	Shiprepair, conversion and engineering services \$'000	Ship- chartering \$'000	Investment holding \$'000	Eliminations Consolidated \$'000	Note
Revenue and expenses						
2020						
Revenue from external customers	36,266	75,019	132,352	-	-	243,637
Inter-segment revenue	12,047	48,613	32,342	-	(93,002)	A
Total revenue	48,313	123,632	164,694	-	(93,002)	243,637
Segment results	(8,527)	(10,680)	(105,792)	35,115	79,629	(10,255)
Interest income from finance lease receivables	-	-	592	-	-	592
Finance costs	-	-	-	-	-	(25,707)
Fair value adjustments arising from debt refinancing exercise	-	-	-	-	-	15,233
Share of results of joint ventures and associates	-	-	-	-	-	(1,122)
Income tax credit	-	-	-	-	-	2,876
Loss for the year	-	-	-	-	-	(18,383)

37. **SEGMENT REPORTING (CONT'D)**

(i) **Business segments (cont'd)**

	Shipbuilding \$'000	Shiprepair, conversion and engineering services \$'000	Ship- chartering \$'000	Investment holding \$'000	Eliminations Consolidated \$'000	Note
Revenue and expenses						
2019						
Revenue from external customers	63,341	103,923	145,618	-	-	312,882
Inter-segment revenue	27,254	79,442	54,695	-	(161,391)	A
Total revenue	90,595	183,365	200,313	-	(161,391)	312,882
Segment results	(79,704)	(14,710)	(91,839)	(57,573)	64,666	(179,160)
Interest income from finance lease receivables	-	-	640	-	-	640
Finance costs						(23,195)
Fair value adjustments arising from debt refinancing exercise						59,179
Share of results of joint ventures and associates						857
Income tax expense						(4,200)
Loss for the year						(145,879)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

37. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

	Shipbuilding \$'000	Shiprepair, conversion and engineering services \$'000	Ship- chartering \$'000	Investment holding \$'000	Eliminations Consolidated \$'000	Note
Assets and liabilities						
30 June 2020						
Segment assets	128,212	172,520	371,686	4,377	676,795	
Unallocated assets					4,298	B
Total assets					681,093	
Segment liabilities	33,389	79,530	50,466	5,317	168,702	
Unallocated liabilities					379,012	C
Total liabilities					547,714	
30 June 2019						
Segment assets	140,318	182,653	413,849	3,795	740,615	
Unallocated assets					5,450	B
Total assets					746,065	
Segment liabilities	44,525	86,102	68,512	7,230	206,369	
Unallocated liabilities					385,904	C
Total liabilities					592,273	

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	
	2020	2019
	\$'000	\$'000
Investment in joint ventures and associates	4,298	5,450

Note C The following unallocated liabilities are added to segment liabilities to arrive at total liabilities reported in the statement of financial position:

	Group	
	2020	2019
	\$'000	\$'000
Interest bearing loans and borrowings		
– Current	26,972	45,107
– Non-current	313,511	316,871
Trust receipts	19,137	1,157
Income tax payables	6,129	6,754
Deferred tax liabilities	13,263	16,011
Current portion of interest bearing loans and borrowings included in liabilities directly associated with disposal group classified as held for sale	–	4
	<u>379,012</u>	<u>385,904</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

37. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

	Shipbuilding \$'000	Shiprepair, conversion and engineering services \$'000	Ship- chartering \$'000	Investment holding \$'000	Consolidated \$'000
Other segmental information					
2020					
Capital expenditure	1,581	2,847	8,758	–	13,186
Depreciation and amortisation	4,267	12,056	43,785	–	60,108
Other non-cash expenses	132	273	–	–	405
Impairment loss on financial assets	(17)	2,300	2,407	75	4,765
Impairment loss on property, plant and equipment	244	460	904	–	1,608
Impairment loss on inventories	3,681	–	5,813	–	9,494
Impairment loss on intangible assets	–	3,063	–	–	3,063
Finance cost	4,281	8,300	6,211	6,915	25,707
Interest income	(7)	(19)	(612)	(6)	(644)
2019					
Capital expenditure	1,288	1,679	21,400	–	24,367
Depreciation and amortisation	7,738	12,009	42,327	–	62,074
Other non-cash expenses	1,357	203	–	–	1,560
Impairment loss on financial assets	27,124	16,400	29,525	2,614	75,663
Impairment loss on property, plant and equipment	169	–	13,498	–	13,667
Impairment loss on inventories	17,063	–	55,275	–	72,338
Impairment loss on intangible assets	–	5,504	–	–	5,504
Finance cost	5,521	8,735	6,620	2,319	23,195
Interest income	(16)	(28)	(676)	(2)	(722)

37. SEGMENT REPORTING (CONT'D)

(i) Business segments (cont'd)

Information about a major customer¹

Revenue from a major customer amounting to \$90,597,000 (2019: \$98,028,000) is attributable to sales across all three 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.

(ii) Geographical segments

	Singapore		Indonesia		Rest of Asia		Europe		Australia		United States of America and other countries		Consolidated	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020														
Revenue from external customers	102,497	50,995	47,099	14,863	22,524	5,659	243,637							
Non-current assets	256,500	159,825	47,085	4,399	-	-	467,809							
2019														
Revenue from external customers	170,105	55,609	23,356	11,218	5,114	47,480	312,882							
Non-current assets	255,339	202,273	47,817	6,272	-	-	511,701							

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

37. SEGMENT REPORTING (CONT'D)

(ii) Geographical segments (cont'd)

Non-current assets relate to property, plant and equipment, lease prepayments, right-of-use assets, investment in joint ventures and associates, intangible assets and finance lease receivables.

Non-current assets are based on the geographical location of the entities.

38. SUBSEQUENT EVENTS

On 14 July 2020, Sindo-Econ Pte. Ltd., a 50% joint venture company, has commenced creditors' voluntary winding up pursuant to the Singapore Companies Act.

On 17 June 2020, the Group entered into a deed of settlement to set-off balances and transactions with Koon Holdings Limited and certain of its subsidiaries (collectively, the "Koon Group"). The terms of the settlement are as follows:

- (i) An asset swap between the Group and the Koon Group whereby the Group acquired certain assets from the Koon Group for a consideration of \$1,098,000. In exchange, the Koon Group acquired a vessel from the Group for \$870,000 (the "Asset Swap"). The Asset Swap was transacted based on independent valuations; and
- (ii) Set-off of outstanding balances of \$161,045 owed by the Koon Group to the Group as at 30 June 2020; and
- (iii) Net payments of \$66,955 from the Group to the Koon Group, to facilitate repayment to the mortgagee of certain assets of the Koon Group involved in the Assets Swap.

The Koon Group has sought and obtained approvals of its shareholders at an extraordinary general meeting held on 31 August 2020.

39. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 10 November 2020.

ANALYSIS OF SHAREHOLDINGS

As at 20 October 2020

Class of shares	:	Ordinary shares
No. of treasury shares held	:	2,511,600
No. of subsidiary holdings held	:	Nil
Voting rights (excluding treasury shares)	:	On a show of hands: one vote for each member On a poll: one vote for each share
Percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued shares	:	0.4%

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	70	2.34	717	0.00
100 – 1,000	134	4.48	66,824	0.01
1,001 – 10,000	1,129	37.77	5,979,185	0.95
10,001 – 1,000,000	1,628	54.47	84,336,791	13.35
1,000,001 and above	28	0.94	541,395,024	85.69
	2,989	100.00	631,778,541	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%*
1	Ang Kok Tian	88,214,300	14.02
2	Ang Kok Eng	73,799,100	11.73
3	Ang Kok Leong	72,841,500	11.58
4	Ang Sin Liu	58,868,250	9.36
5	Raffles Nominees (Pte) Ltd	53,083,315	8.43
6	CGS-CIMB Securities (S) Pte Ltd	52,629,700	8.36
7	Ang Ah Nui	30,660,000	4.87
8	Ang Swee Kuan	27,195,000	4.32
9	Citibank Nominees Singapore Pte Ltd	14,001,500	2.22
10	Maybank Kim Eng Securities Pte Ltd	13,567,550	2.15
11	United Overseas Bank Nominees Pte Ltd	10,614,250	1.69
12	DBS Nominees Pte Ltd	10,364,098	1.65
13	OCBC Nominees Singapore Pte Ltd	3,681,700	0.58
14	TKB C-E Contractor Pte. Ltd.	3,500,000	0.55
15	Ang Jui Khoon	3,246,750	0.52
16	Chua Leong Aik	3,212,600	0.51
17	Phillip Securities Pte Ltd	2,502,411	0.40
18	Ong Bee Dee	2,309,000	0.37
19	Goh Guan Siong (Wu Yuanxiang)	2,135,600	0.34
20	Koo Choon Poi @ Koh Choon Pui	2,060,000	0.33
		528,486,624	83.98

* The percentage is calculated based on 629,266,941 issued shares of the Company (excluding 2,511,600 shares held as treasury shares) as at 20 October 2020.

ANALYSIS OF SHAREHOLDINGS

As at 20 October 2020

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company and to the best knowledge of the Company as at 20 October 2020, approximately 32.67% of the issued 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

Name	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Ang Kok Tian ⁽²⁾⁽³⁾⁽⁴⁾	88,214,300	14.02	335,065,050	53.25
Ang Ah Nui ⁽²⁾⁽³⁾⁽⁴⁾	30,660,000	4.87	392,619,350 ⁽⁵⁾	62.40
Ang Kok Eng ⁽²⁾⁽³⁾⁽⁴⁾	73,799,100	11.73	349,480,250	55.54
Ang Kok Leong ⁽²⁾⁽³⁾⁽⁴⁾	72,841,500	11.58	350,437,850	55.69
Ang Sin Liu ⁽³⁾⁽⁴⁾	58,868,250	9.36	364,411,100 ⁽⁶⁾	57.91
Ang Swee Kuan ⁽³⁾⁽⁴⁾	27,195,000	4.32	396,084,350	62.95
FMR LLC	–	–	54,716,213 ⁽⁷⁾	8.70
Fidelity Management & Research Company LLC	–	–	54,716,213 ⁽⁸⁾	8.70
Fidelity Puritan Trust	47,654,113	7.57	–	–

Notes

- (1) The percentage is calculated based on 629,266,941 issued shares of the Company (excluding 2,511,600 shares held as treasury shares) as at 20 October 2020.
- (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 others.
- (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 others.
- (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 others.
- (5) 62,431,800 shares are registered in the name of nominee(s).
- (6) 9,269,400 shares are registered in the name of nominee(s).
- (7) FMR LLC is deemed to have interest in 54,716,213 shares because such shares are held by funds and/or accounts managed by one or more of FMR LLC's direct and indirect subsidiaries, which are fund managers.
- (8) Fidelity Management & Research Company LLC is deemed to have interest in 54,716,213 shares because such shares are held by funds and/or accounts managed by one or more of Fidelity Management & Research Company LLC's direct and indirect subsidiaries, which are fund managers.

ANALYSIS OF WARRANTHOLDINGS

As at 20 October 2020

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 – 99	1	0.33	50	0.00
100 – 1,000	1	0.33	1,000	0.00
1,001 – 10,000	82	26.62	536,852	0.09
10,001 – 1,000,000	188	61.03	34,456,161	6.08
1,000,001 and above	36	11.69	532,136,650	93.83
	308	100.00	567,130,713	100.00

TOP 20 WARRANTHOLDERS

No.	Name of Warrantholders	No. of Warrants	%
1	DBS Nominees Pte Ltd	131,181,400	23.13
2	Ang Kok Tian	44,106,400	7.78
3	Ang Kok Eng	36,899,550	6.51
4	Ang Kok Leong	36,420,750	6.42
5	Citibank Nominees Singapore Pte Ltd	35,562,700	6.27
6	HSBC (Singapore) Nominees Pte Ltd	34,556,125	6.09
7	Ang Sin Liu	29,316,675	5.17
8	CGS-CIMB Securities (Singapore) Pte Ltd	26,337,500	4.64
9	DBS Vickers Securities (S) Pte Ltd	18,500,000	3.26
10	Toh Ong Tiam	17,035,000	3.00
11	United Overseas Bank Nominees Pte Ltd	15,500,825	2.73
12	Ang Ah Nui	15,330,000	2.70
13	Ang Swee Kuan	13,597,500	2.40
14	Raffles Nominees (Pte) Limited	11,161,225	1.97
15	Law Yean Muay	11,000,000	1.94
16	Maybank Kim Eng Securities Pte.Ltd	5,987,900	1.06
17	Tan Tong Guan	5,550,000	0.98
18	RHB Bank Nominees Pte Ltd	5,087,500	0.90
19	Phillip Securities Pte Ltd	4,259,700	0.75
20	RHB Securities Singapore Pte Ltd	3,931,250	0.69
		501,322,000	88.39

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of ASL Marine Holdings Ltd. (the “Company”) will be held by way of electronic means on Thursday, 26 November 2020 at 2.00 p.m. to transact the following business:

ORDINARY BUSINESS

- 1 To receive and adopt the directors’ statement and audited financial statements for the year ended 30 June 2020 and the auditors’ report thereon. **Resolution 1**
- 2 To approve directors’ fees of S\$214,400 for the year ending 30 June 2021, to be paid quarterly in arrears. (2020: S\$214,400) **Resolution 2**
- 3 To re-elect Mr Andre Yeap Poh Leong, a director who will retire by rotation in accordance with Regulation 91 of the Company’s Constitution and who, being eligible, will offer himself for re-election. **Resolution 3**
[See Explanatory Note 1]
- 4 To re-elect Mr Ang Kok Leong, a director who will retire by rotation in accordance with Regulation 91 of the Company’s Constitution and who, being eligible, will offer himself for re-election. **Resolution 4**
[See Explanatory Note 2]
- 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 Share issue mandate

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 20% 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 of the SGX-ST, 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 of the SGX-ST 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

[See Explanatory Note 3]

7 Renewal of the share purchase mandate

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"),

NOTICE OF ANNUAL GENERAL MEETING

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 last five Market Days on which the Shares are transacted on the SGX-ST, before 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 during the relevant five Market Days period and on 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;

“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 of the purchase or acquisition) 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

[See Explanatory Note 4]

8 Approval for the continued appointment of Mr Andre Yeap Poh Leong as an independent director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders

That contingent upon the passing of Resolution 3 and the passing of Resolution 9 and in accordance with Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022:

(a) the continued appointment of Mr Andre Yeap Poh Leong as an independent director be and is hereby approved; and

(b) the authority conferred by this resolution shall continue in force until the earlier of the retirement or resignation of Mr Andre Yeap Poh Leong as a director or the conclusion of the third Annual General Meeting of the Company following the passing of this resolution.

Resolution 8

[See Explanatory Note 5]

9 Approval for the continued appointment of Mr Andre Yeap Poh Leong as an independent director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the directors and the chief executive officer of the Company and their respective associates

That contingent upon the passing of Resolution 3 and the passing of Resolution 8 and in accordance with Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022:

(a) the continued appointment of Mr Andre Yeap Poh Leong as an independent director be and is hereby approved; and

(b) the authority conferred by this resolution shall continue in force until the earlier of the retirement or resignation of Mr Andre Yeap Poh Leong as a director or the conclusion of the third Annual General Meeting of the Company following the passing of this resolution.

Resolution 9

[See Explanatory Note 5]

NOTICE OF ANNUAL GENERAL MEETING

10 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
11 November 2020

Explanatory Notes

1 Detailed information on Mr Andre Yeap Poh Leong can be found under the sections "Board Of Directors", "Directors' Statements" and "Additional Information On Directors Seeking Re-Election" in the Company's Annual Report.

Mr Andre Yeap Poh Leong is a member of the audit committee, a member and the chairman of the nominating committee and a member of the remuneration committee. Upon the passing of Resolution 3 for his re-election as a director and Resolutions 8 and 9 for his continued appointment as an independent director, he will continue in the said capacities.

2 Detailed information on Mr Ang Kok Leong can be found under the sections "Board Of Directors", "Directors' Statements" and "Additional Information On Directors Seeking Re-Election" in the Company's Annual Report.

3 The ordinary resolution proposed in Resolution 6 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 20% 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.

4 The ordinary resolution proposed in Resolution 7 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 Appendix to the Annual Report in relation to the Proposed Renewal of the Share Purchase Mandate dated 11 November 2020.

5 The ordinary resolutions proposed in Resolutions 8 and 9 are in anticipation of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022.

With effect from 1 January 2022, Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST will provide that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the chief executive officer of the Company and their respective associates.

Mr Andre Yeap Poh Leong is an independent director who has served for more than nine years. Since Mr Andre Yeap Poh Leong is seeking re-election as a director at this Annual General Meeting, the Company is proposing to seek, at the same time, the requisite approval from shareholders for his continued appointment as an independent director via a two-tier voting process for a three-year term, with effect from the passing of these resolutions until the conclusion of the third Annual General Meeting of the Company following the passing of these resolutions.

Notes

- 1 The Twentieth Annual General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of Annual General Meeting will not be sent to members of the Company. Instead, the Notice of Annual General Meeting will be sent to members of the Company by electronic means via publication on SGXNet and the Company's website at the URL <https://aslmarine.listedcompany.com/home.html>.
- 2 Alternative arrangements relating to attendance at the Twentieth Annual General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the Twentieth Annual General Meeting, addressing of substantial and relevant questions prior to the Twentieth Annual General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Twentieth Annual General Meeting, are set out in the Company's Letter to Shareholders dated 11 November 2020 (the "Letter") which has been uploaded together with this Notice of Annual General Meeting on SGXNet on the same day. The Letter may also be accessed on the Company's website at the URL <https://aslmarine.listedcompany.com/home.html>. For the avoidance of doubt, the Letter is circulated together with and forms part of this Notice of Annual General Meeting.
- 3 A member will not be able to attend the Twentieth Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Twentieth Annual General Meeting, if such member wishes to exercise his/her/its voting rights at the Twentieth Annual General Meeting. The proxy form for the Twentieth Annual General Meeting may be accessed on SGXNet and the Company's website at the URL <https://aslmarine.listedcompany.com/home.html>.
- 4 Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
- 5 CPF/SRS investors who hold shares through CPF agent banks/SRS operators and who wish to request their CPF agent banks/SRS operators to appoint the Chairman of the Meeting as their proxy in respect of the shares held by such CPF agent banks/SRS operators on their behalf should approach their CPF agent banks/SRS operators to submit their votes at least 7 working days before the date of the meeting (i.e. by 5.00 p.m. on 16 November 2020).
- 6 The Chairman of the Meeting, as proxy, need not be a member of the Company.
- 7 The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
 - (a) via the pre-registration website at the URL <https://agm.conveneagm.com/aslmarine> in electronic format;
 - (b) if submitted by post, be deposited at the Company's registered office at 19 Pandan Road, Singapore 609271; or
 - (c) if submitted electronically via email, be submitted to the Company's Share Registrar, M & C Services Private Limited, at gpb@mncsingapore.com,in each case, by 2.00 p.m. on 23 November 2020 (being not less than 72 hours before the time appointed for the holding of the Twentieth Annual General Meeting).

In view of the current COVID-19 situation, the Company strongly encourages members to submit completed proxy forms electronically.

Personal Data Privacy

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the meeting and/or any adjournment thereof, a member of the Company 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 the appointment of the Chairman of the Meeting as proxy 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, take-over rules, regulations and/or guidelines.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

As at 20 October 2020

The following information relating to Mr Andre Yeap Poh Leong and Mr Ang Kok Leong, each of whom is standing for re-election as a director at the Annual General Meeting of ASL Marine Holdings Ltd. on 26 November 2020, is provided pursuant to Rule 720(6) of the Listing Manual of the SGX-ST:

Name of Director	Andre Yeap Poh Leong	Ang Kok Leong
Date of first appointment as a director	17/01/2003	18/10/2002
Date of last re-appointment (if applicable)	31/10/2018	31/10/2018
Age	59	52
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation from the Nominating Committee based on Mr Yeap's experience, skills and qualification and the assessment on his overall contribution and performance, is of the view that Mr Yeap is suitable for re-election and will continue to contribute to the Board.	The Board, having considered the recommendation from the Nominating Committee based on Mr Ang's experience, skills and the assessment on his overall contribution and performance, is of the view that Mr Ang is suitable for re-election and will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Executive Responsible for the Group's marketing and business development function for Europe, Middle East and other regions. Also in charge of overseeing engineering and research development division of the Group.
Job title	Independent Non-executive Director Chairman of Nominating Committee Member of Audit and Remuneration Committees	Executive Director

Name of Director	Andre Yeap Poh Leong	Ang Kok Leong
Professional qualifications	<p>Bachelor of Law from National University of Singapore</p> <p>Fellow of the Singapore Institute of Arbitrators</p> <p>Appointed to rank of Senior Counsel, Supreme Court of Singapore in 2003</p>	<p>Bachelor of Science (Industrial Management) from Carnegie Mellon University</p>
Working experience and occupation(s) during the past 10 years	<p><u>2003 to present</u> Non-executive Director and Chairman of Nominating Committee of ASL Marine Holdings Ltd.</p> <p><u>2008 to present</u> Senior Partner, Rajah & Tann Singapore LLP</p> <p><u>2014 to present</u> Director of The Esplanade Co. Ltd.</p> <p><u>2015 to present</u> Board Member of Energy Market Authority (Statutory Board)</p>	<p><u>2002 to present</u> Executive Director of ASL Marine Holdings Ltd.</p>
Shareholding interest in ASL Marine Holdings Ltd. and its subsidiaries	<p>(1) 350,000 ordinary shares in ASL Marine Holdings Ltd. (direct interest)</p> <p>(2) 175,000 warrants over ordinary shares in ASL Marine Holdings Ltd. (direct interest)</p>	<p>(1) 72,841,500 ordinary shares in ASL Marine Holdings Ltd. (direct interest)</p> <p>(2) 350,437,850 ordinary shares in ASL Marine Holdings Ltd. (deemed interest)</p> <p>(3) 36,420,750 warrants over ordinary shares in ASL Marine Holdings Ltd. (direct interest)</p> <p>(4) 175,100,725 warrants over ordinary shares in ASL Marine Holdings Ltd. (deemed interest)</p> <p>Mr Ang is deemed to have interests in the shares of the subsidiaries of ASL Marine Holdings Ltd.</p>

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

As at 20 October 2020

Name of Director	Andre Yeap Poh Leong	Ang Kok Leong
Any relationship (including immediate family relationships) with any existing director, existing executive officer, ASL Marine Holdings Ltd. and/ or substantial shareholder of ASL Marine Holdings Ltd. or of any of its principal subsidiaries	No	<p>Brother of Ang Kok Tian and Ang Ah Nui, both of whom are Directors and substantial shareholders of ASL Marine Holdings Ltd.</p> <p>Son of Ang Sin Liu and brother of Ang Kok Eng and Ang Swee Kuan, all of whom are substantial shareholders of ASL Marine Holdings Ltd.</p>
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to ASL Marine Holdings Ltd.	Yes	Yes

Name of Director	Andre Yeap Poh Leong	Ang Kok Leong
<p>Other principal commitments including directorships</p> <p>Past (for the last 5 years)</p> <p>Present</p>	<p><u>Present (Directorships)</u></p> <p>The Esplanade Co. Ltd.</p> <p>Energy Market Authority (Statutory Board)</p> <p><u>Present (Partner)</u></p> <p>Rajah & Tann Singapore LLP</p>	<p><u>Present (Directorships)</u></p> <p>Ang Sin Liu Construction (Pte) Ltd.</p> <p>ASL Leo Pte. Ltd.</p> <p>ASL Marine Contractor Pte. Ltd.</p> <p>ASL Maritime Services Pte. Ltd.</p> <p>ASL Offshore & Marine Pte. Ltd.</p> <p>ASL Project Logistics Pte. Ltd.</p> <p>ASL Shipyard Pte Ltd</p> <p>ASL Towage & Salvage Pte. Ltd.</p> <p>Capitol Logistics Pte. Ltd.</p> <p>Capitol Marine Pte Ltd</p> <p>Capitol Navigation Pte. Ltd.</p> <p>Capitol Offshore Pte Ltd</p> <p>Capitol Shipping Pte Ltd</p> <p>Capitol Workboats Pte. Ltd.</p> <p>Harmony PSV Pte. Ltd.</p> <p>Hongda Investment Pte. Ltd.</p> <p>Intan Maritime Investments Pte. Ltd.</p> <p>Intan Oceans Pte. Ltd.</p> <p>Intan Offshore Pte. Ltd.</p> <p>Intan OSV Pte. Ltd.</p> <p>Intan Scorpio Pte. Ltd.</p> <p>Intan Synergy Pte. Ltd.</p> <p>Singa Tenaga Investments Pte. Ltd.</p> <p>Increation Advertising Pte Ltd</p>

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

As at 20 October 2020

Name of Director	Andre Yeap Poh Leong	Ang Kok Leong
<p>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.</p>		
<p>(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</p>	<p>No</p>	<p>No</p>
<p>(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?</p>	<p>No</p>	<p>No</p>

Name of Director	Andre Yeap Poh Leong	Ang Kok Leong
(c) Whether there is any unsatisfied judgement against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

As at 20 October 2020

Name of Director	Andre Yeap Poh Leong	Ang Kok Leong
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

Name of Director	Andre Yeap Poh Leong	Ang Kok Leong
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

As at 20 October 2020

Name of Director	Andre Yeap Poh Leong	Ang Kok Leong
<p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No
<p>(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No	No

ASL MARINE HOLDINGS LTD.
(Incorporated In The Republic Of Singapore)
Company Registration No. 200008542N

PROXY FORM

This proxy form has been made available on SGXNet and the Company's website at the URL <https://asmarine.listedcompany.com/home.html>

A printed copy of this proxy form will not be despatched to members.

IMPORTANT

- 1 The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Notice of AGM dated 11 November 2020 will be sent to members by electronic means via publication on SGXNet and the Company's website at the URL <https://asmarine.listedcompany.com/home.html>.
- 2 Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Company's Letter to Shareholders dated 11 November 2020. This letter may be accessed at SGXNet and the Company's website at the URL <https://asmarine.listedcompany.com/home.html>.
- 3 A member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM, if such member wishes to exercise his/her/its voting rights at the AGM.
- 4 Please read the notes which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.
- 5 CPF/SRS investors who wish to vote at the AGM should approach their CPF agent banks/SRS operators to submit their votes at least 7 working days before the date of the meeting (i.e. by 5.00 p.m. on 16 November 2020).
- 6 By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 November 2020.

I/We _____ (Name), NRIC/Passport/Co. Reg. No. _____

of _____ (Address) being a member/members of ASL Marine Holdings Ltd. (the "Company") hereby appoint the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Twentieth Annual General Meeting (the "AGM") of the Company to be held by way of electronic means on Thursday, 26 November 2020 at 2.00 p.m. and at any adjournment thereof.

I/We direct the Chairman of the Meeting to vote for or against, or abstain from voting on, the resolutions to be proposed at the AGM as indicated hereunder.

No.	Resolutions	For	Against	Abstain
Ordinary Business				
1	Adoption of directors' statement and audited financial statements			
2	Approval of directors' fees for the year ending 30 June 2021			
3	Re-election of Mr Andre Yeap Poh Leong as director			
4	Re-election of Mr Ang Kok Leong as director			
5	Re-appointment of Ernst & Young LLP as auditors and authorisation to directors to fix their remuneration			
Special Business				
6	Authority to issue shares pursuant to the share issue mandate			
7	Authority to renew the share purchase mandate			
8	Approval for the continued appointment of Mr Andre Yeap Poh Leong as independent director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST			
9	Approval for the continued appointment of Mr Andre Yeap Poh Leong as independent director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST			

Note: Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to vote all your shares "For" or "Against" the relevant resolution, please indicate with an "X" or a "√" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please insert the relevant number of shares "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" or a "√" in the "Abstain" box provided in respect of that resolution. Alternatively, please insert the relevant number of shares in the "Abstain" box provided in respect of that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.

Dated this _____ day of _____ 2020

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/her/its name in the Depository Register (maintained by The Central Depository (Pte) Limited), he/she/it should insert that number of shares. If the member has shares registered in his/her/its name in the Register of Members (maintained by or on behalf of the Company), he/she/it should insert that number of shares. If the member has shares entered against his/her/its name in the Depository Register and shares registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of shares entered against his/her/its name in the Depository Register and registered in his/her/its 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 member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM, if such member wishes to exercise his/her/its voting rights at the AGM. This proxy form may be accessed on SGXNet and the Company's website at the URL <https://asmarine.listedcompany.com/home.html>.
- 3 Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
- 4 CPF/SRS investors who hold shares through CPF agent banks/SRS operators and who wish to request their CPF agent banks/SRS operators to appoint the Chairman of the Meeting as their proxy in respect of the shares held by such CPF agent banks/SRS operators on their behalf should approach their CPF agent banks/SRS operators to submit their votes at least 7 working days before the date of the meeting (i.e. by 5.00 p.m. on 16 November 2020).
- 5 The Chairman of the Meeting, as proxy, need not be a member of the Company.
- 6 The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
 - (a) via the pre-registration website at the URL <https://agm.conveneagm.com/asmarine> in electronic format;
 - (b) if submitted by post, be deposited at the Company's registered office at 19 Pandan Road, Singapore 609271; or
 - (c) if submitted electronically via email, be submitted to the Company's Share Registrar, M & C Services Private Limited, at gpb@mncsingapore.com,

in each case, by 2.00 p.m. on 23 November 2020 (being not less than 72 hours before the time appointed for the holding of the AGM).

In view of the current COVID-19 situation, the Company strongly encourages members to submit completed proxy forms electronically.

- 7 In the case of submission of the proxy form other than via the pre-registration website at the URL <https://agm.conveneagm.com/asmarine>, the instrument appointing the Chairman of the Meeting as proxy must be signed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- 8 Where an instrument appointing the Chairman of the Meeting as proxy 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.
- 9 The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy 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 the Chairman of Meeting as proxy if the member, being the appointor, is not shown to have shares entered against his/her/its 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.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Ang Kok Tian
(*Chairman, Managing Director and CEO*)
Ang Ah Nui
(*Deputy Managing Director*)
Ang Kok Leong

Non-Executive and Independent Directors

Andre Yeap Poh Leong
Tan Huay Lim (*Lead Independent Director*)
Tan Sek Khee

Audit Committee

Tan Huay Lim (*Chairman*)
Andre Yeap Poh Leong
Tan Sek Khee

Nominating Committee

Andre Yeap Poh Leong (*Chairman*)
Tan Huay Lim
Tan Sek Khee

Remuneration Committee

Tan Sek Khee (*Chairman*)
Andre Yeap Poh Leong
Tan Huay Lim

Company Secretary

Koh Kai Kheng Irene

Investor Relations

ASL Marine Holdings Ltd.
ir@aslmarine.com

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: Andrew Tan Chwee Peng
(appointed since the financial year ended 30 June 2020)

Principal Bankers

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



ASL MARINE HOLDINGS LTD.
Company Registration No. 200008542N

19 Pandan Road Singapore 609271
Tel: (65) 6264 3833, Fax: (65) 6268 0274
www.aslmarine.com