



明光集團  
BENG KUANG GROUP



# STAYING RESILIENT

ANNUAL REPORT 2017

**VISION**

We aspire to be the "Preferred Partner" in providing total solutions for the marine, offshore, oil and gas industries.

**MISSION**

We will strategically develop and execute our business profitably, bearing safety and innovations in mind, through total integration of solutions, together with the support from our employees to customers and partners.

# STAYING RESILIENT



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# CORPORATE PROFILE



## GROWING STRATEGICALLY

Beng Kuang Marine Limited (together with its subsidiaries called Beng Kuang Group) was founded in 1994 and has been listed on Singapore Exchange since 15 October 2004.

Over the years, Beng Kuang Group has been striving to be the "Preferred Partner" in providing total solutions for the offshore oil and gas and marine industries.

As a testament to our commitment to quality, health and safety, many of our subsidiaries have been accredited with the ISO and OHSAS certifications. Likewise, we have also received numerous letters of appreciation from customers on our work quality.

Beng Kuang Group leverages its resources and talents to strategically grow its key businesses in Infrastructure Engineering, Corrosion Prevention, Supply & Distribution and Shipping.



## INFRASTRUCTURE ENGINEERING DIVISION ("IE DIVISION")

- Shipbuilding / Conversion
- Offshore Construction
- Turnkey Projects
- Sandwich Plate System (SPS) Licensee
- Offshore Asset Integrity Management
- Project Management Services
- Shop Blasting & Painting
- Thermal Spray Coating
- Supply of Cranes & Deck Equipment

Our Infrastructure Engineering Division has been accredited with ISO9001:2000 certification and has received numerous letters of appreciation from shipyard operators and vessel owners alike.

We provide a spectrum of turnkey engineering services from planning and project management to implementation involving procurement, fabrication, corrosion prevention, testing, installation and pre-commissioning of steel work modules and structures mainly for customers in the marine, offshore oil and gas industries.

We are currently operating two waterfront fabrication yards, a 1 hectare yard on the western side of Singapore along Benoi Basin and a 32.8 hectare yard on the eastern side of Batam Island, Kabil.

Since 2009, we have constructed and delivered a number of vessels such as semi-submersible barges, patrol vessels, various types of crane barges, tug boats and cargo barges. Apart from new construction, we have also successfully converted vessels to AMSA approved livestock carriers and fabricated complex steel structures and products for the marine and offshore industries.

In 2014, we have extended our services to include in-situ offshore platform and support vessel repairs and sandwich plate system (SPS) overlay treatment.

In 2015, we invested in an engineering company engaged in the manufacturing of pedestal cranes, marine and offshore deck equipment and supply of ship spares.

Going forward, IE division is moving on to secure more sophisticated engineering, procurement and construction projects.



## CORROSION PREVENTION DIVISION ("CP DIVISION")

- Abrasive & Non-Abrasive Blasting
- Paint Application
- Processing & Distributing of Copper Slag
- Rental of Machineries and Equipment

Our past vast record and reputation for reliability have enabled us to secure appointments such as "Resident Contractor" to provide corrosion prevention services in several established shipyards in Singapore and Batam, Indonesia. Our customers include Keppel Group of companies, Singapore Technologies Group of companies and DDW-PaxOcean Group of companies.



## SUPPLY AND DISTRIBUTION DIVISION ("SD DIVISION")

- Personal Protective Equipment
- Blasting Equipment & Accessories
- Welding Equipment & Accessories
- Painting Equipment & Accessories
- Other General Hardware Products

SD Division carries over 400 types of products (marine hardware equipment, tools and other products) under our house brands like MASTER, PROMASTER and SPLASH, all of which are commonly used in the marine, offshore, oil and gas, construction and other industries.



## SHIPPING DIVISION ("SH DIVISION")

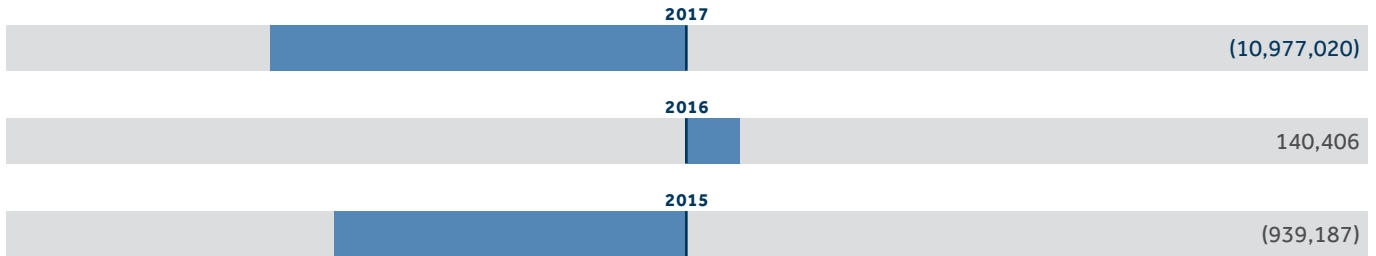
- Livestock Carriers
- Tugs & Barges
- Ship Management

The Shipping Division has a total fleet of 16 vessels. The 2 livestock vessels trade from Australia to Vietnam, China, Indonesia and Malaysia and occasionally to South African countries. The 14 tugs and barges are all deployed in Indonesian waters, transporting mainly coal and building materials such as sand and aggregates.

# FINANCIAL HIGHLIGHTS

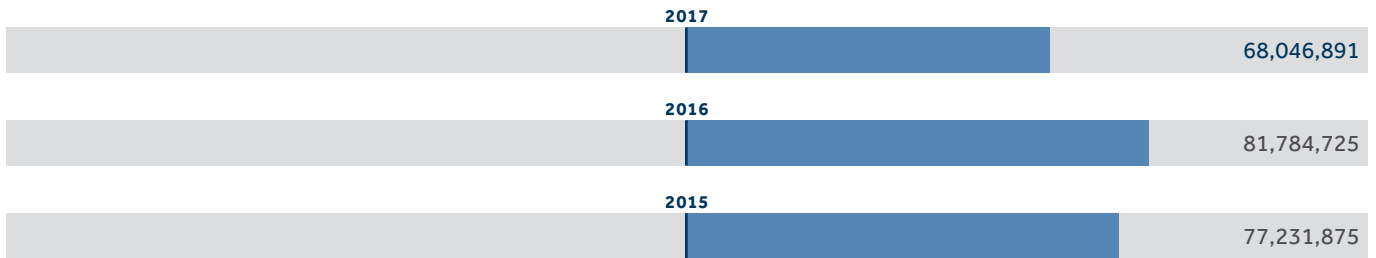
## ATTRIBUTABLE (LOSS) / PROFIT (S\$)

(10,977,020)



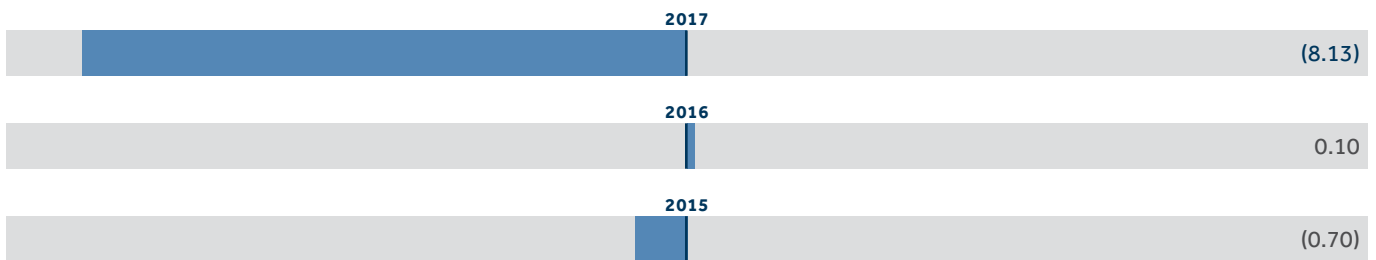
## TANGIBLE NET WORTH (S\$)

68,046,891



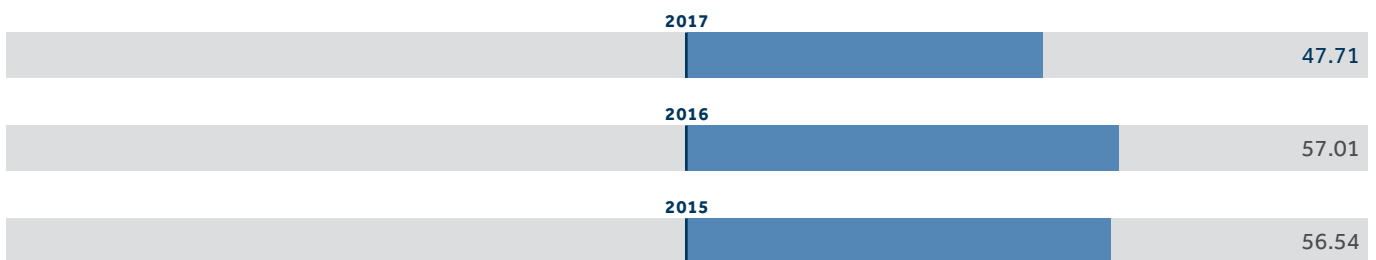
## EARNINGS PER SHARE – BASIC (CENTS)

(8.13)



## NAV PER SHARE (CENTS)

(47.71)



	2017	2016	2015 (RESTATED)
<b>OPERATING RESULTS</b>			
Turnover	54,745,381	76,633,791	83,561,571
EBITDA	1,036,400	13,277,587	9,255,166
Pretax (loss) / profit	(11,247,719)	646,277	(3,513,421)
<b>Attributable (loss) / profit</b>	<b>(10,977,020)</b>	<b>140,406</b>	<b>(939,187)</b>
Turnover (decline) / growth	-28.6%	-8.3%	13.0%
EBITDA (decline) / growth	-92.2%	43.5%	22.7%
Pretax (decline) / growth	NM	118.4%	-0.1%
Attributable profit growth / (decline)	NM	114.9%	51.9%
EBITDA margin	1.9%	17.3%	11.1%
Pretax margin	-20.5%	0.8%	-4.2%
Net (loss) / profit margin	-21.0%	1.6%	-3.9%
<b>FINANCIAL POSITION</b>			
Total assets	141,940,414	164,097,018	173,149,624
Total liabilities	(73,829,686)	(82,248,456)	(95,898,912)
Net debt	(46,955,046)	(52,388,870)	(55,917,919)
<b>Tangible Net Worth</b>	<b>68,046,891</b>	<b>81,784,725</b>	<b>77,231,875</b>
Net Gearing ratio	69.0%	64.1%	72.4%
<b>PER SHARE DATA (IN CENTS)</b>			
<b>Basic Earnings per Share – Basic</b>	<b>(8.13)</b>	<b>0.10</b>	<b>(0.70)</b>
– Diluted	(8.13)	0.10	(0.70)
<b>NAV per Share (in cents)</b>	<b>47.71</b>	<b>57.01</b>	<b>56.54</b>
<b>SEGMENT RESULTS</b>			
<u>Turnover</u>			
Infrastructure Engineering	15,181,949	35,695,946	32,530,383
Corrosion Prevention	18,894,813	20,656,121	28,334,804
Supply & Distribution	9,392,003	9,367,506	12,241,436
Shipping	11,276,616	10,914,218	10,454,948
<u>Profit / (loss) from operating segments</u>			
Infrastructure Engineering	(4,652,657)	2,029,188	(5,169,807)
Corrosion Prevention	747,412	2,666,619	5,238,280
Supply & Distribution	75,208	770,953	242,211
Shipping	(4,287,524)	(1,860,922)	(648,346)
Others	(84,187)	(84,394)	(105,818)
<u>Capital Expenditure</u>			
Infrastructure Engineering	536,321	6,510,237	6,541,522
Corrosion Prevention	151,054	507,914	2,202,843
Supply & Distribution	-	467,800	-
Shipping	1,691,666	1,573,298	1,162,461

NM - Not meaningful

# EXECUTIVE CHAIRMAN'S STATEMENT



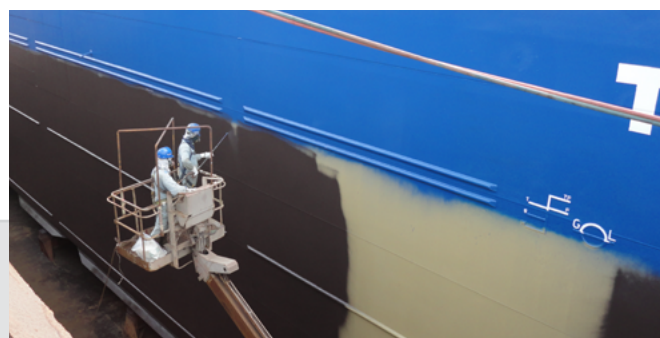
Chua Beng Kuang  
Executive Chairman

**The Group will continue to seek out new projects and intensify our efforts to reduce costs and increase operational efficiencies. We are also actively looking at disposal of certain assets which are not generating the expected revenue and returns and surplus to our current business requirements.**

2017 was a very difficult year for the Group as the marine and offshore oil and gas markets remained depressed with no significant improvement in global crude oil prices. Newbuilding and fabrication contracts awarded during the year were greatly reduced as oil companies and shipowners slashed their capital expenditure in the face of turbulent times. All marine related companies had to downsize their capacity, reduce manpower and operating costs to continue their survival. Some players left the industry, while others had gone through financial restructuring to cope with huge debts to ride through the rough weather. Fortunately, the Group does not have such huge debts and is able to survive this tumultuous year.

Against this backdrop, I regret to report that the Group was only able to achieve a revenue of \$54.75 million in FY2017 compared to \$76.63 million in FY2016. We suffered a loss of \$11.52 million in FY2017 compared to profit of \$1.20 million in FY2016. The loss was mainly due to our failure to secure major marine contracts, foreign exchange loss on the depreciation of the US\$ and unfavourable commercial settlement on few projects.

The revenue of the Infrastructure Engineering Division fell sharply from \$35.70 million in FY2016 to \$15.18 million in FY2017, a drop of 57.5% as it did not secure any significant contract. The profit margin was also affected by the unfavourable settlement of few projects with major customers. Our Corrosion Prevention (CP) Division which is reliant on the Singapore and Batam shipyards also suffered a decline in revenue from \$20.66 million in FY2016 to \$18.89 million in FY2017, a fall of 8.6%.



The Supply and Distribution (SD) Division had a stable revenue of \$9.39 million in FY2017 compared to \$9.37 million in 2016 with steady demand for marine and industrial hardware. Our Shipping Division recorded a marginally higher revenue of \$11.28 million in FY2017 compared to \$10.91 million in FY2016.

The Company was placed in the SGX Watch List on 5 June 2017 due to the Minimum Trading Price (MTP) Entry Criteria. Even though the Company carried out a share consolidation exercise in August 2015, the exercise did not achieve the desired effect of increasing the share price above 0.20 cents per share. Market demand for our shares and general stock market sentiments are factors beyond our control. The Company has about 2 years to explore options to meet the exit criteria and shareholders will be informed as and when there are developments on this aspect.

There is still much uncertainty in the marine and offshore oil and gas markets despite some slight improvement in oil prices and pickup in demand for rigs. The Group will continue to seek out new projects and intensify our efforts to reduce costs and increase operational efficiencies. We are also actively looking at disposal of certain assets which are not generating the expected revenue and returns and surplus to our current business requirements.

On behalf of the Board, I would like to place on records our thanks and appreciation to Mr. Tan Ling Kwok, Philip and Mr. Yong Thiam Fook who resigned as Directors on 19 May 2017 and welcome Mr. Low Wee Siong to the Board. I also wish to thank my fellow Directors for their invaluable advice and guidance in FY2017.

We would also like to express our appreciation to our bankers, customers, suppliers and shareholders for their continued support and to all our employees for their dedication and commitment to go through a very tough year.

**Chua Beng Kuang**  
Executive Chairman

# FINANCIAL & OPERATIONS REVIEW

FY2017 saw the worst hit on contractors serving the offshore oil and gas sectors. Regional offshore support vessels owners faced huge pressure due to low charter rates and under-utilisation throughout 2017. These led to downstream domino effect on Beng Kuang Group in providing shipbuilding and module fabrication services. In particular, our IE division was severely affected as we were unable to secure any sizeable contracts as a result of customers' deferment on capital expenditures. The Group's revenue decreased by 28.6% or S\$21.88 million from S\$76.63 million in FY2016 to S\$54.75 million in FY2017 due mainly to the depressed marine and offshore oil and gas markets.

## SEGMENTAL REVIEW INFRASTRUCTURE ENGINEERING ("IE") DIVISION

Revenue for our IE division fell by 57.5% or S\$20.52 million from S\$35.70 million in FY2016 to S\$15.18 million in FY2017 as no sizeable marine or fabrication contract was secured during FY2017. Some major projects have been re-scheduled, called off or postponed. IE division also faced unfavourable project settlements in this tough market.

Our waterfront fabrication yard in Batam experienced difficult year FY2017. The yard only managed to secure a couple of minor fabrication work and maintenance jobs for tug and barges. Consequently, IE division reported segment operating loss in FY2017 of S\$4.65 million as compared to profit of S\$2.03 million for FY2016.



## CORROSION PREVENTION ("CP") DIVISION

Revenue for our CP division decreased by S\$1.77 million from S\$20.66 million in FY2016 to S\$18.89 million in FY2017. This was because of lower demand from major shipyards due to fewer vessels being built and repaired.

## SUPPLY & DISTRIBUTION ("SD") DIVISION

Revenue from our SD division remained steady at S\$9.37 million in FY2016 and S\$9.39 million in FY2017. The demand for marine and industrial hardware products remains weak.

## SHIPPING AND OTHERS ("SH") DIVISION

Revenue from our SH division remained fairly stable at S\$10.91 million in FY2016 and S\$11.28 million in FY2017.

During the first half of 2017, our livestock carriers experienced downtime due to bad weather in Australia. There were severe land floods over many areas resulting in inability of farmers and exporters to transport cattle to central feedlots and sea ports. We also incurred S\$1.52 million as drydocking expenses for our vessels during the year. Hence, shipping did not perform well in 2017.

Continuing from 2016 into 2017, the tugs and barges business in Indonesia was affected by the Indonesian export ban on untreated minerals which led to slowdown in the mining sector. This resulted in few sets tugs and barges being operated on spot charters generating irregular income than the stable time charter contracts. Consequently SH division incurred S\$4.29 million operating loss in FY2017 as compared to S\$1.86 million operating loss in FY2016.

## OPERATING PROFITS

Our gross profit declined by 57% or S\$11.10 million from S\$19.45 million in FY2016 to S\$8.35 million in FY2017. This was mainly due to the drop in Group's revenue and high fixed costs. In addition, there was an isolated commercial settlement of variation orders





on a major fabrication contract which resulted in the write down of accrual sales of the IE division. This pushed the gross profit down by S\$2.0 million.

EBITDA declined S\$12.24 million from S\$13.28 million in FY2016 to S\$1.04 million in FY2017. The reduced in EBITDA was mainly caused by the decline in revenue from IE division.

The Group registered other losses of S\$0.75 million in FY2017 as compared to profit of S\$1.35 million in FY2016. This was mainly attributable to foreign exchange losses of S\$1.55 million as a result of the weakening of US Dollar against Singapore Dollar in FY2017.

Financial expenses declined slightly by S\$0.14 million from S\$2.97 million in FY2016 to S\$2.83 million in FY2017 mainly due to lower interest as a result of reduced borrowings.

The Group's loss attributable to shareholders was S\$10.98 million for FY2017 compared to profit of S\$0.14 million for FY2016 and was mainly due to the prolonged weak market conditions and unfavourable outcome in IE project settlements.

## CASH FLOW STATEMENT

During FY2017, the Group reported net cash flows generated from operating activities of S\$7.03 million. This was due to improved collections especially in the aspect of managing long outstanding receivables.

Net cash outflows in investing activities was S\$1.88 million during FY2017 because of cost incurred on drydocking and renovation works.

Net cash outflows in financing activities was S\$4.86 million during FY2017 due to repayment of bank loans and hire purchase liabilities.

As a result of the above, the Group registered a net increase in cash and cash equivalent of S\$0.29 million for FY2017.

## ASSETS AND LIABILITIES

The Group registered total assets of S\$141.94 million as at 31 December 2017.

The Group's current assets decreased from S\$57.39 million as at 31 December 2016 to S\$48.71 million as at 31 December 2017 because of reduction in receivables as a result of reduced business during the year.

The Group's non current assets decreased from S\$106.70 million as at 31 December 2016 to S\$93.23 million as at 31 December



2017 mainly because of depreciation in FY2017. Several vessels have been reclassified to inventories as the market for sale and purchase of tugs and barges has improved.

Total liabilities for the Group were S\$73.83 million at 31 December 2017 as compared to S\$82.25 million at 31 December 2016. This was mainly attributable to repayment of bank loans and trade payables.

The Group registered net current liabilities of S\$5.72 million as at 31 December 2017 compared to net current assets of S\$1.64 million as at 31 December 2016 as borrowings of S\$8.41 million has been reclassified to current liabilities as at 31 December 2017.

# BOARD OF DIRECTORS



## MR. CHUA BENG KUANG

Executive Chairman

Mr. Chua Beng Kuang is our Executive Chairman and one of our founders. He was first appointed Director on 8 January 1994 and last re-elected on 28 April 2016. He is primarily in charge of the overall management, including developing and steering corporate plans, business directions and strategies for the Group. He has 35 years of experience within the marine industry. He leads the management in pursuing the Group's mission and objectives and has been instrumental to our growth.



## MR. CHUA MENG HUA

Managing Director | Chief Executive Officer

Mr. Chua Meng Hua is our Managing Director and one of our founders. He was first appointed Director on 8 January 1994 and last re-elected on 28 April 2015. He oversees the overall administrative, safety and operational systems, including developing and steering plans, and directions for the Group. He has 25 years of experience within the marine industry.



## DR. WONG CHIANG YIN

Lead Independent Director | Chairman, Audit Committee | Chairman, Remuneration Committee | Member, Nominating Committee

Dr. Wong Chiang Yin was first appointed as our Independent Director on 30 August 2004 and was last re-elected on 26 April 2017. He is also the Director of two institutions of public character: Academy of Medicine Singapore and SMA Charity Fund Limited.

He is currently the Group CEO and Executive Director of Cordlife Group Limited, a company publicly-listed on the mainboard of SGX. From 2011 to 2015, he was the GCEO and Executive Director of TMC Life Sciences Berhad, a company public-listed in the mainboard of Bursa, Malaysia. Before that, he was the CEO of Pantai Hospitals Berhad.

From 1998 to April 2008, Dr. Wong held various senior positions in the public sector, including Chief Operating Officer of Changi General Hospital and Singapore General Hospital, Director of the Projects Office of Singapore Health Services and Assistant Director in the Ministry of Health of Singapore. He is a council member of both the Singapore Medical Association and Academy of Medicine Singapore. He was President of the Singapore Medical Association from 2006 to 2009.

Dr. Wong is the Chairman of the Citizen's Consultative Committee of the Holland-Bukit Timah Group Representation Constituency, Cashew Division. He holds a Master of Medicine (Public Health) from the National University of Singapore in 1999 and a Master in Business Administration (Finance) from the University of Leicester in 2001.



### **MR. GOH CHEE WEE**

Independent Director | Chairman, Nominating Committee | Member, Audit Committee | Member, Remuneration Committee

Mr. Goh Chee Wee was first appointed as our Independent Director on 30 August 2004 and was last re-elected on 28 April 2016. He is also a director of Chailease Holding Company Ltd, King Wan Corporation Ltd, Stamford Tyres Corporation Ltd and Sin Ghee Huat Corporation Ltd, all listed companies.

Mr. Goh was formerly a Member of Parliament and Minister of State for Trade and Industry, Labour and Communications. He was the Group Managing Director and Chief Executive Officer of Comfort Group Ltd until 2003.

Mr. Goh holds a Bachelor of Science (First Class Honours) degree from the then University of Singapore and a Master of Science (Engineering) degree from the University of Wisconsin, USA.



### **MR. LOW WEE SIONG**

Independent Director | Member, Audit Committee | Member, Remuneration Committee | Member, Nominating Committee

Mr. Low Wee Siong was appointed as our Independent Director on 19 May 2017. He is a Director of Wong Tan & Molly Lim LLC, a law firm. Mr. Low focuses on capital markets and mergers and acquisitions work. He has substantial experience in initial public offerings, reverse takeovers, takeovers, rights issues, structured securities issues, acquisitions and disposals. He has been recommended for capital markets in Singapore in The Legal 500.com Asia Pacific 2018 and named amongst the most influential lawyers aged 40 and under in Singapore by Singapore Business Review.

Mr. Low Wee Siong holds degrees in law and accountancy from the National University of Singapore and the Nanyang Technological University respectively. He is admitted as an Advocate and Solicitor in Singapore, to the Roll of Solicitors of England and Wales and as a Chartered Accountant in Singapore. He was also previously an investment banker and auditor.

# KEY EXECUTIVES



## MR. CHUA BENG YONG

Chief Operating Officer

Mr. Chua Beng Yong is one of the founders and the Head for our Infrastructure Engineering ("IE") Division.

He is currently overseeing the Group's business divisions, including developing and steering plans, directions in the marketing, business development and operations. He has 25 years of experience in the marine, offshore, oil and gas industries. He leads the IE Division in pursuing the Group's mission and objectives and has been pivotal in the growth of the IE Division.



## MR. CHUA BENG HOCK

Deputy Chief Operating Officer

Mr. Chua Beng Hock is one of the founders and the Head for our Corrosion Prevention ("CP") Division.

He is currently overseeing the Group's business divisions, particularly in the CP Division, including developing and steering plans, directions in the marketing, business development and operations aspects. He has over 23 years of experience in the corrosion prevention business in the marine, offshore, oil and gas industries. He leads the CP Division in pursuing the Group's mission and objectives and has been instrumental in the market expansion in CP Division.



## MR. WILLIAM LEE

Chief Financial Officer

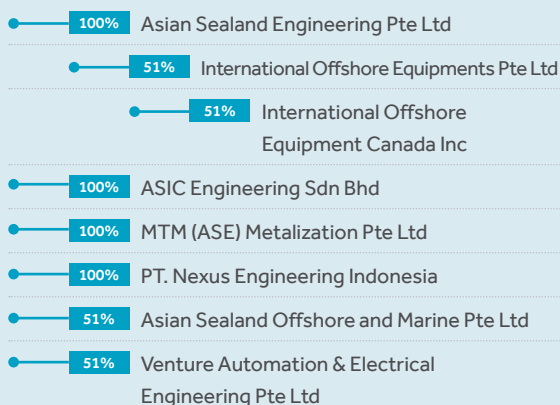
Mr. William Lee is our Chief Financial Officer and has overall responsibility on all financial related matters of the Group. He joined the Group as Finance Manager in 2000 and was promoted as Chief Financial Officer in 2012. Prior to joining the Group, his services were rendered to Bob Low and Company as an Audit Assistant to Audit Senior from 1998 to 2000. He obtained a Bachelor of Accountancy from Queensland University of Technology in 1999.

# CORPORATE STRUCTURE



## INFRASTRUCTURE ENGINEERING

- Shipbuilding / Conversion
- Offshore Construction
- Turnkey Projects
- Sandwich Plate System (SPS) Licensee
- Offshore Asset Integrity Management
- Project Management Services
- Shop Blasting & Painting
- Thermal Spray Coating
- Supply of Cranes & Deck Equipment



## CORROSION PREVENTION

- Abrasive & Non-Abrasive Blasting
- Paint Application
- Processing & Distributing of Copper Slag
- Rental of Machineries and Equipment



## SUPPLY & DISTRIBUTION

- Personal Protective Equipment
- Blasting Equipment & Accessories
- Welding Equipment & Accessories
- Painting Equipment & Accessories
- Other General Hardware Products



## SHIPPING & OTHERS

- Livestock Carriers
- Tugs & Barges
- Ship Management



## GROUP CORPORATE SERVICES

- // Corporate Finance & Special Project
- // Corporate Administration
- // Corporate Management
- // Corporate Development
- // Quality, Health, Safety & Environment

\* Percentage is computed based on Beng Kuang Marine Limited's effective interest in subsidiaries.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

- **Mr. Chua Beng Kuang**  
Executive Chairman
- **Mr. Chua Meng Hua**  
Managing Director and  
Chief Executive Officer
- **Dr. Wong Chiang Yin**  
Lead Independent Director
- **Mr. Goh Chee Wee**  
Independent Director
- **Mr. Low Wee Siong**  
Independent Director  
(Appointed on 19 May 2017)
- **Mr. Yong Thiam Fook**  
Executive Director  
(Resigned on 19 May 2017)
- **Mr. Tan Ling Kwok, Philip**  
Non-Executive Director  
(Resigned on 19 May 2017)

## AUDIT COMMITTEE

- **Dr. Wong Chiang Yin**  
Chairman
- **Mr. Goh Chee Wee**
- **Mr. Low Wee Siong**

## REMUNERATION COMMITTEE

- **Dr. Wong Chiang Yin**  
Chairman
- **Mr. Goh Chee Wee**
- **Mr. Low Wee Siong**

## NOMINATING COMMITTEE

- **Mr. Goh Chee Wee**  
Chairman
- **Dr. Wong Chiang Yin**
- **Mr. Low Wee Siong**

## COMPANY SECRETARIES

- **Ms. Wee Woon Hong**
- **Mr. Srikanth Rayaprolu**

## REGISTERED OFFICE

55 Shipyard Road  
Singapore 628141  
Tel : (65) 6266 0010  
Fax : (65) 6264 0010  
Email: [bkm@bkmgroup.com.sg](mailto:bkm@bkmgroup.com.sg)  
Website: [www.bkmgroup.com.sg](http://www.bkmgroup.com.sg)

## AUDITORS

- **Nexia TS Public Accounting Corporation**  
100 Beach Road  
#30-00 Shaw Tower  
Singapore 189702  
Partner-In-Charge: Mr. Loh Ji Kin  
(Appointed since Financial Year Ended 2015)

## BANKERS

- **United Overseas Bank Limited**
- **CIMB Bank Berhad**
- **DBS Bank Limited**
- **BNP Paribas**
- **Oversea-Chinese Banking Corporation Limited**
- **Malayan Banking Berhad**
- **RHB Bank Berhad**
- **PT Bank Mandiri**
- **PT. Bank ICBC Indonesia**

## REGISTRAR AND THE SHARE TRANSFER OFFICE

- **M & C Services Private Limited**  
112 Robinson Road  
#05-01  
Singapore 068902  
Tel : (65) 6228 0530  
Fax : (65) 6225 1452

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# REPORT OF CORPORATE GOVERNANCE

The Board of Directors (the "Board") of Beng Kuang Marine Limited is committed to maintaining a high standard of corporate governance within the Group. The Company has put in place and adopted various principles, policies and practices complying with revised Code of Corporate Governance 2012 ("the Code") where it is applicable and practical to the Group in the context of the Group's business and organisation structure.

The Company is pleased to report that it has generally adhered to the principles and guidelines as set out in the Code and exceptions are explained below.

## (A) BOARD MATTERS

### Principle 1: The Board's Conduct of Its Affairs

The Board is entrusted with the responsibility of the overall management of the business and corporate affairs of the Group. Every Director is expected, in the course of carrying out his duties, to act in good faith and to consider at all times the interests of the Company.

The principal functions of the Board are to:-

- (a) approve the Group's key business strategies and financial objectives, including the review of annual budgets, major investments / divestments, and funding proposals;
- (b) oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- (c) review and monitor the Management performance;
- (d) set the Company's values and standards, and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (e) approval of interested person transactions

Matters that specifically require the Board's decision or approval are:-

- Corporate strategy and business plans;
- Material investment and divestment proposals;
- Funding decisions of the Group;
- Nominations of Directors and appointment of key personnel;
- Announcement of financial results, the annual report and accounts;
- Material acquisitions and disposal of assets and material expenditures ; and
- All matters of strategic importance.

All other matters are delegated to committees whose actions will be monitored by the Board. These committees include the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") which operate within clearly defined terms of reference and functional procedures.

The Board conducts regular scheduled meetings on a quarterly basis and where the circumstances require, ad-hoc meetings are arranged. Attendance of the Directors via telephone conference is allowed under Regulation 120(2) of the Company's Constitution. The Board may also make decisions by resolutions in writing. The number of Board and Board committees meetings held and attended by each Director during FY2017 are as follows:-



# REPORT OF CORPORATE GOVERNANCE

Name	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	No of meetings		No of meetings		No of meetings		No of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Chua Beng Kuang	4	4	–	–	–	–	–	–
Chua Meng Hua	4	4	–	–	–	–	–	–
Yong Thiam Fook <sup>1</sup>	2	2	–	–	–	–	–	–
Tan Ling Kwok, Philip <sup>2</sup>	2	2	2	2	1	1	1	1
Low Wee Siong <sup>3</sup>	2	2	2	2	–	–	–	–
Goh Chee Wee	4	4	4	4	1	1	1	1
Dr. Wong Chiang Yin	4	4	4	4	1	1	1	1

<sup>1</sup> Yong Thiam Fook resigned as Executive Director of the Company on 19 May 2017.

<sup>2</sup> Tan Ling Kwok, Philip resigned as Non-Executive Director of the Company on 19 May 2017.

<sup>3</sup> Low Wee Siong was appointed as Independent Director of the Company on 19 May 2017.

Where necessary, the Directors will be updated on the latest governance and listing policies that are relevant to the Group. All Directors are also updated regularly concerning any changes in company policies.

The Directors are welcome to request further explanations, briefings or informal discussions on any aspects of the Company's operations or business issues from the Management. The Chairman and Managing Director will make the necessary arrangements for the briefings, informal discussions or explanations required by the Director.

Newly appointed Directors will undergo an orientation programme and will be provided with materials to help them familiarise themselves with the business and governance practices of the Company.

## Principle 2: Board Composition and Guidance

(i) As at the date of this report, the Board comprises three Independent Directors and two Executive Directors as follows:-

### Executive Directors

Chua Beng Kuang	(Executive Chairman)
Chua Meng Hua	(Managing Director and Chief Executive Officer)

### Independent Directors

Dr. Wong Chiang Yin	(Lead Independent Director)
Goh Chee Wee	(Independent Director)
Low Wee Siong	(Independent Director)

As the Independent Directors make up majority of the Board, there is a strong independent element on the Board, thereby allowing it to exercise objective judgment on all matters independently from the Management.

(ii) The independence of each Director is reviewed annually by the NC, which adopts the Code's definition of what constitutes an independent director. The NC is of the view that the Independent Directors, namely Mr. Goh Chee Wee, Dr. Wong Chiang Yin and Mr. Low Wee Siong are independent.

# REPORT OF CORPORATE GOVERNANCE

Mr. Goh Chee Wee and Dr. Wong Chiang Yin were first appointed Directors on 30 August 2004 and have held their office as Directors for more than 13 years and the Code requires their independence should be subject to rigorous review. In this context, the NC and the Board have separately reviewed the independence of Mr. Goh Chee Wee and Dr. Wong Chiang Yin and are satisfied that their long tenure does not impair their independence and they are able to discharge the duties as Directors independently and objectively. They remained independent in character and judgement and there are no relationships or circumstances which are likely to affect their judgement. Both of them are well qualified and experienced and have the ability to make impartial and well balanced decisions and to act in the best interests of the Company and shareholders.

- (iii) The NC is satisfied that the Board consists of persons who, together, will provide core competencies necessary to meet the Company's objectives. It is also of the view that the current Board size of five Directors is appropriate for effective decision making, taking into account the scope and nature of the Company's business. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making processes.

### **Principle 3: Chairman and Chief Executive Officer**

The Company keeps the posts of Chairman and Chief Executive Officer separate. There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, which will ensure a balance of power and authority. Keeping the two posts separate will also ensure increased accountability and greater capacity of the Board for decision-making.

The Managing Director and Chief Executive Officer, Mr. Chua Meng Hua, with the team of key executive officers, is responsible for the day to day management of the Group's operations.

The Executive Chairman, Mr. Chua Beng Kuang is primarily responsible for the effective workings of the Board. He works together with the Managing Director and Chief Executive Officer in scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations. The Chairman and the Managing Director and Chief Executive Officer (with the assistance of the Company Secretary) also prepare the meeting agenda in consultation with the Directors.

The Chairman and the Managing Director and Chief Executive Officer also exercise control over quality, quantity and timeliness of the flow of information between the Management and the Board and assist in ensuring the Group's compliance with the Code.

Mr. Chua Beng Kuang (Executive Chairman) and Mr. Chua Meng Hua (Managing Director and Chief Executive Officer) are brothers.

Dr. Wong Chiang Yin is the Lead Independent Director of the Company, who is available to address Shareholders' concerns on issues that has not been satisfactorily resolved or cannot be appropriately dealt with by the Executive Chairman, Managing Director and Chief Executive Officer or the Chief Financial Officer.

### **Principle 4: Board Membership**

The NC has been established with written terms of reference and as at the date of this report comprises three Independent Directors. They are:-

Goh Chee Wee	(Chairman, Independent Director)
Dr. Wong Chiang Yin	(Member, Lead Independent Director)
Low Wee Siong	(Member, Independent Director)

# REPORT OF CORPORATE GOVERNANCE

The main terms of reference of the NC are as follows:-

- To review nominations for the appointment and re-appointment to the Board and the various Board committees;
- To decide on the evaluation criteria of the Board, propose an objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each Director;
- To decide whether a Director is able to and has been adequately carrying out his duties as Director of the Company (in a case where the Director has multiple board representations);
- To ensure that Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years; and
- To determine, on an annual basis, whether a Director is independent.

The NC is responsible for the re-nomination of the Directors. Regulation 107 of the Company's Constitution requires one-third of the Directors to retire from office at least once in every three years at the Company's AGM whereas Regulation 112 provides that each term of appointment of the Managing Director shall not exceed five years. Retiring Directors are eligible to offer themselves for re-election pursuant to Regulation 109. The NC has recommended to the Board that Mr. Chua Meng Hua and Mr. Goh Chee Wee be nominated for re-election at the forthcoming AGM pursuant to Regulation 107 of the Company's Constitution. In making the recommendations, the NC had considered the Directors' overall contributions and performance. Mr. Chua Meng Hua will, upon re-election as Director of the Company, remain as the Managing Director and Chief Executive Officer of the Company. Mr. Goh Chee Wee will, upon re-election as a Director, remain as an Independent Director of the Company and the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee of the Company. He is considered by the Board to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Under Regulation 117 of the Company's Constitution, any new Director so appointed by the Directors shall hold office until the next annual general meeting of the Company and shall be eligible for re-election. The NC has recommended to the Board that Mr. Low Wee Siong be nominated for re-election at the forthcoming AGM pursuant to Regulation 117 of the Company's Constitution. Mr. Low Wee Siong will, upon re-election as a Director, remain as an Independent Director of the Company and a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company. He is considered by the Board to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

The NC will determine the criteria for the appointment of new Directors. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills and knowledge, the NC, in consultation with the Board, determines the selection criteria for the position based on the skills and knowledge deemed necessary for the Board to best carry out its responsibilities. Candidates may be suggested by directors or management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment. The Board then appoints the most suitable candidate who must stand for election at the next AGM of shareholders.

Having regard to the Directors' attendance and deliberations at meetings of the Board and Board Committees and the time spent on the Company's affairs, the NC and the Board are of the view that a maximum limit on the number directorship in listed companies for a director is not necessary.

Key information regarding the Directors is set out under "Board of Directors" section of this Annual Report.

# REPORT OF CORPORATE GOVERNANCE

## Principle 5: Board Performance

Based on the recommendation of the NC, the Board has established processes and objective performance criteria for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director. The objective performance criteria address how the Board has enhanced long-term shareholders' value and include a comparison with the industry peers. The performance evaluation also includes consideration of return on equity, the Company's share price vis-à-vis the Singapore Straits Times Index. The selected performance criteria will not be changed from year to year unless they are deemed necessary and the Board is able to justify the changes.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

## Principle 6: Access to Information

The Company makes available to all Directors the management accounts, as well as the relevant background or explanatory information relating to matters, that are to be discussed at the Board meetings. Detailed board papers are sent out to the Directors before the scheduled meetings so that the members may be informed of the issues before hand and have sufficient time to formulate questions that they may have. In respect of budgets, any material variance between the forecasts and actual results is reviewed by the Board and disclosed and explained by the Management, where required by the Board.

The Directors have also been provided with the contact details of the Company's Senior Management and Company Secretary to facilitate separate and independent access.

The Company Secretaries and/or his/her representatives attend Board meetings and assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act, Chapter 50, and the provisions in the Listing Manual of the SGX-ST. The appointment and removal of the Company Secretaries would be a matter for the Board as a whole to decide.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

## (B) REMUNERATION

### Principle 7: Procedures for Developing Remuneration Policies

As at the date of this report, the RC comprises the following three members:-

Dr. Wong Chiang Yin	(Chairman, Lead Independent Director)
Goh Chee Wee	(Member, Independent Director)
Low Wee Siong	(Member, Independent Director)

The RC members are familiar with executive compensation matters as they are performing executive functions in the companies where they are employed and/or are holding directorships in other public listed companies.

# REPORT OF CORPORATE GOVERNANCE

The RC recommends to the Board (in consultation with the Chairman) a framework of remuneration for the Board and the Executive Officers as well as specific remuneration packages for the Executive Director and the Managing Director and Chief Executive Officer. The recommendations were submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' and Executive Officers' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. The members of the RC do not participate in any decision concerning their own remuneration package.

## Principle 8: Level and Mix of Remuneration

The remuneration packages for Executive Directors take into account the performance of the Group and the individual Director. The RC also ensures that the Executive Directors are adequately remunerated as compared to industry and comparable companies. The Non-Executive Directors' remuneration in the form of directors' fees take into account the roles that the individual Director play, including but not limited to the efforts, time spent and responsibilities of the Non-Executive Director. The Directors' fees are subject to shareholders' approval at the forthcoming AGM.

The Company has entered into separate service agreements with Mr. Chua Beng Kuang and Mr. Chua Meng Hua for an initial period of three years commencing 1 January 2004 which shall be automatically renewed on a three-year basis. There are no onerous removal clauses in the service agreements. Other than a fixed salary, Mr. Chua Beng Kuang and Mr. Chua Meng Hua are also entitled to an additional variable performance related bonus that is designed to align their interests with those of the shareholders and link rewards to corporate and individual performance.

## Principle 9: Disclosure on Remuneration

The remuneration of each individual Director to the nearest thousand is not disclosed as the Board believes that the disclosure may be prejudicial to its business interests given the highly competitive marine business environment the Group operates in.

A summary compensation table of the directors' remuneration for the financial year ended 31 December 2017 is set out below:

Name of Directors	Salary <sup>#</sup> (%)	Bonus (%)	Fees* (%)	Benefits (%)	Total (%)
<b>\$S\$250,001 to \$S\$500,000</b>					
Chua Beng Kuang	95.10	–	–	4.90	100.00
Chua Meng Hua	93.41	–	1.92	4.67	100.00
<b>Up to \$S\$250,000</b>					
Yong Thiam Fook <sup>^</sup>	100.00	–	–	–	100.00
Goh Chee Wee	–	–	100.00	–	100.00
Dr Wong Chiang Yin	–	–	100.00	–	100.00
Tan Ling Kwok, Philip <sup>^^</sup>	–	–	100.00	–	100.00
Low Wee Siong <sup>^^</sup>	–	–	100.00	–	100.00

\* These fees are subject to approval of the shareholders at the forthcoming AGM.

<sup>#</sup> Salary is inclusive of fixed allowance and CPF contributions.

<sup>^</sup> Yong Thiam Fook resigned from his office as an Executive Director of the Company with effect from 19 May 2017.

<sup>^^</sup> Tan Ling Kwok, Philip resigned from his office as a Non-Executive Director of the Company with effect from 19 May 2017. Low Wee Siong was appointed as a Independent Director of the Company with effect from 19 May 2017.

# REPORT OF CORPORATE GOVERNANCE

A summary compensation table of the top five Executive Officers' remuneration for the financial year ended 31 December 2017 is set out below:

Name of Top 5 Executive Officers	Salary (%)	Bonus (%)	Fees (%)	Benefits (%)	Total (%)
<b>S\$250,001 to S\$500,000</b>					
Chua Beng Yong	100.00	–	–	–	100.00
<b>Up to S\$250,000</b>					
Chua Beng Hock	98.77	–	1.23	–	100.00
Lee Wei Liang	95.07	–	0.63	4.30	100.00
Tan Say Tian	100.00	–	–	–	100.00
S.Thillainathan	100.00	–	–	–	100.00

The top five Executive Officers of the Group are Mr. Chua Beng Yong (Chief Operating Officer, Head of Infrastructure Engineering Division), Mr. Chua Beng Hock (Deputy Chief Operating Officer, Head of Corrosion Prevention Division), Mr. Lee Wei Liang (Chief Financial Officer), Mr. Tan Say Tian (General Manager, Infrastructure Engineering Division) and Mr. S.Thillainathan (Senior Manager).

Mr. Chua Beng Kuang and Mr. Chua Meng Hua (Executive Directors) and Mr. Chua Beng Yong and Mr. Chua Beng Hock (Executive Officers) are brothers. The Code recommends that the remuneration of employees who are immediate family member of a Director or CEO be disclosed within the bands of S\$50,000. However, the Board is of the opinion that the remuneration details of Mr. Chua Beng Yong and Mr. Chua Beng Hock are confidential and disclosure of their remuneration in the bands of S\$50,000 would not be in the interest of the Company. Mr. Chua Min Kong who is also a brother of Mr. Chua Beng Kuang and Mr. Chua Meng Hua is employed by the Group as a Manager and his total remuneration in 2017 was between S\$50,000 to S\$100,000.

Save as disclosed above, there is no employee who is an immediate family member of any Director or CEO, whose remuneration for FY2017 exceeds S\$50,000.

The aggregate total remuneration paid to or accrued to top five Executive Officers (who are not Directors or CEO) for FY2017 amounted to S\$1,133,494.

The gross remuneration disclosed is computed on gross salaries, allowances and other benefits accruing during the financial year. There are no termination, retirement or any post-employment benefits to directors and key executive officers.

The Company is of the opinion that it is not in the best interest of the Company to disclose the total remuneration of each Director and Key Executive in dollar terms, given the sensitivity of remuneration matters and the competitiveness of the industry for key talent.

The BKM Performance Share Plan was adopted at an Extraordinary General Meeting held on 27 April 2009. The BKM Performance Share Plan is administered by Dr. Wong Chiang Yin, Mr. Goh Chee Wee and Mr. Low Wee Siong and contemplates the award of fully paid shares, free of charge, when or after prescribed performance targets are achieved by the selected employees of the Group. No shares have been issued under this plan during the financial year.

# REPORT OF CORPORATE GOVERNANCE

## (C) ACCOUNTABILITY AND AUDIT

### **Principle 10: Accountability**

The Company has taken efforts to comply with the Listing Manual of the SGX-ST on the disclosure requirements of material information. The Board is mindful of the obligation to provide shareholders of all major developments that affect the Group and strives to maintain a high standard of transparency.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis. This responsibility extends to reports to regulators. The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

### **Principle 11: Risk Management and Internal Controls**

The Board believes in the importance of maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board committees and the Board, the Board, with concurrence of the AC, is of the view that, the system of internal control maintained by the Group provides reasonable assurance of the adequacy and effectiveness of the internal controls in addressing the financial, operational (including information technology) and compliance risks and risk management systems of the Group. This is in turn supported by assurance from the Managing Director and the Chief Executive Officer and the Chief Financial Officer that:

- (a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and are in accordance with the relevant accounting standards; and
- (b) they have evaluated the effectiveness of the Company's internal controls and have discussed with the Company's external and internal auditors of their reporting points and note that the Company has put in place and will continue to maintain a reliable, comprehensive and sound system of risk management and internal control.

The Company does not have a Board Committee for Risk Management. The Board and the AC has supervised the setting up of an enterprise risk management framework to evaluate and continuously improve the effectiveness of risk management capabilities, control and governance processes. The internal auditors have assisted in setting up this structure and 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 (including information technology risk) are addressed and internal controls are in place and reviewed periodically by Management, the AC and the Board.

The Board and AC noted that all internal controls contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process with a view to improve the Group's internal control systems.

The Company will be producing in due course its first annual sustainability report in compliance with SGX-ST Listing Rules.

# REPORT OF CORPORATE GOVERNANCE

## Principle 12: Audit Committee

The AC has been established with written terms of reference and as at the date of this report comprises three Independent Directors. They are:-

Dr. Wong Chiang Yin	(Chairman, Lead Independent Director)
Goh Chee Wee	(Member, Independent Director)
Low Wee Siong	(Member, Independent Director)

Dr. Wong Chiang Yin, the Lead Independent Director, chairs this Committee. The AC met four times in the financial year under review. It performs the following functions:-

- Reviewing the audit plans and reports of the independent auditor and to consider the effectiveness of the actions taken by the Management on the auditor's recommendations;
- Reviewing the internal audit plans, the scope and results of internal audit procedures;
- Review Enterprise Risk Management structure, governance and processes;
- Reviewing the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 December 2017 and other announcements to shareholders and the SGX-ST before submission to the Board of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheets of the Company and the Consolidated financial statements of the Group;
- Appraising and reporting to the Board on the audits undertaken by the independent auditor, the adequacy of disclosure of information, and the adequacy and effectiveness of the system of management internal audit function and internal controls;
- Reviewing the assistance and co-operation given by the Management to the independent auditor;
- Evaluating quality of work performed by independent auditor;
- Discussing problems and concerns, if any, arising from the interim and final audits;
- Considering and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;
- Reviewing the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- Reviewing interested person transactions, as defined in the Listing Manual of SGX-ST.

The AC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation by the Management. It also has full discretion to invite any Director or Executive Officer to attend its meetings and reasonable resources to enable it to discharge its functions properly.

The AC, having reviewed all non-audit services provided by the independent auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the independent auditors and it has accordingly recommended to the Board that Nexia TS Public Accounting Corporation be nominated for reappointment as auditors of the Company at the forthcoming annual general meeting of the Company ("AGM").

The aggregate amount of fees paid or payable to the independent auditors of the Company, broken down into audit and non-audit services during FY2017 are as follows:-

Audit fees	: S\$193,282
Non-audit fees	: S\$37,763

The Company is in compliance with Rules 712 and 715 of the Listing Manual in relation to its independent auditors.



# REPORT OF CORPORATE GOVERNANCE

## Whistle Blowing Policy

The AC has put in place a whistle-blowing arrangement whereby the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to Dr. Wong Chiang Yin, the AC Chairman. There are arrangements in place for the independent investigation of such matters for appropriate follow-up actions to be taken.

Where the need arises, the AC will meet with the independent auditors, without the presence of the Management, to review the adequacy of audit arrangement with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the auditors. The AC has reasonable resources to enable it to discharge the functions properly. The external auditors present to the AC the audit plan and updates relating to any change of accounting standards which have a direct impact on financial statements during the AC meetings.

### **Principle 13: Internal Audit**

The Company outsourced its internal audit function to an external professional firm, who reports directly to the AC and administratively to the Executive Directors. The objective of the internal audit function is to determine whether the Group's risk management, internal controls and governance processes, as designed by the Company, are adequate and functioning in the required manner. The internal auditors have identified the Group's main business processes and developed an audit plan that covers the main business process over a 1-3 year audit cycle.

The AC will review the adequacy of the internal audit function annually and ensures that the internal audit function is adequately resourced and has appropriate standing within the Company.

## **(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

### **Principle 14: Shareholders Rights**

The Company recognises and accepts the principle that all shareholders are treated fairly and equitably and that they have been accorded certain rights under the Singapore Companies Act and the Company's Constitution. Information to all shareholders is disclosed to in a timely and transparent manner and in compliance with SGX disclosure requirements.

Shareholders are given ample opportunity to attend, participate and vote at the Company's general meetings.

### **Principle 15: Communication with Shareholders**

The Company has complied with the Listing Manual on the disclosure requirements of material information to shareholders. The Board is mindful of the obligation to provide shareholders of all major developments that affect the Group and strives to maintain a high standard of transparency.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis. This responsibility extends to reports to regulators.

Information is communicated to shareholders on a timely basis through quarterly financial results and annual reports that are prepared and issued to all shareholders within the mandatory period, SGXNET, press releases and the Company's website at which the shareholders can access information on the Group. The Company does not practice selective disclosure and price sensitive information is first publicly released before the Company meets with any group of investors or analysts.

In view of the Group's weak operating results in FY2017, the Board has decided not to declare any dividend for FY2017.

# REPORT OF CORPORATE GOVERNANCE

## Principle 16: Conduct of Shareholder Meetings

Shareholders are given the opportunity to pose questions to the Directors or the Management at the AGM and all extraordinary general meetings. Shareholders are informed of shareholders' meetings through notices published in the newspapers, annual reports and circulars sent to all shareholders. Each item of special business included in the notices of shareholders' meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues. The members of the AC, NC and RC will be present at these meetings to answer questions relating to matters that are overseen by these committees. The independent auditors will also be present to assist the Directors in addressing any queries posed by the shareholders.

The Constitution of the Company allows for members to appoint up to two proxies to attend and vote in place of the member. In line with the amendments to the Companies Act, Chapter 50 of Singapore, corporate shareholders of the Company who provide nominee or custodial services to third parties are allowed to appoint more than two proxies to attend and vote on their behalf at general meetings. The Company does not intend to implement absentia voting methods until security, integrity and other pertinent issues are resolved.

All resolutions at general meetings are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.

## (E) DEALINGS IN SECURITIES

The Company has adopted policies in line with the Rule 1207(19) set out in the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company and its officers are not allowed to deal in the Company's securities during the period 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 full financial year, and ending on the date of announcement of the relevant results.

## (F) INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested person which set out the procedures for review and approval of such transactions.

All interested person transactions will be documented and submitted on a quarterly basis to the AC for their review to ensure that such transactions are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the Company.

Disclosure of interested person transactions are made together with the Company's quarterly results. The AC reviewed the significant transactions entered into by the Company with its interested persons for FY2017 in accordance with its existing procedures.

# REPORT OF CORPORATE GOVERNANCE

A summary of the interested person transactions for FY2017 is as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920).	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000).
[Revenue / (Expenses)]	S\$	S\$
<b><u>DDW - PaxOcean Shipyard Pte Ltd</u></b>		
Provision of Corrosion Prevention Services		717,884
Procurement of Materials and Consumables		(19,577)
<b><u>PT Drydocks World Pertama</u></b>		
Provision of Corrosion Prevention Services		764,700
Procurement of Materials and Consumables		(61,303)

## (G) MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that except as disclosed in the Directors' Statement and Financial Statements, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the Managing Director or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017.

In the opinion of the directors,

- (i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 36 to 106 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (ii) at the date of this statement, subject to the going concern assumption as set out in Note 4 to the financial statements, 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 as follows:

Chua Beng Kuang  
 Chua Meng Hua  
 Goh Chee Wee  
 Dr Wong Chiang Yin  
 Low Wee Siong (Appointed on 19 May 2017)

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee	
	At 31.12.2017	At 1.1.2017
<b>The Company</b>		
(No. of ordinary shares)		
Chua Beng Kuang	9,066,875	9,066,875
Chua Meng Hua	8,829,875	8,829,875
Dr Wong Chiang Yin	25,000	25,000

The directors' interests in the ordinary shares of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

## SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

## AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Dr Wong Chiang Yin	(Chairman, Lead Independent Director)
Goh Chee Wee	(Member, Independent Director)
Low Wee Siong	(Member, Independent Director)

The AC met four times in the financial year under review and carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the audit plans and reports of the independent auditor and to consider the effectiveness of the actions taken by Management on the auditor's recommendations;
- the internal audit plans, the scope and results of internal audit procedures;
- the Enterprise Risk Management structure, governance and processes;
- the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 December 2017 and other announcements to shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST") before submission to the Board of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;
- the audit conducted by the independent auditor, the adequacy of disclosure of information;
- the assistance and co-operation given by Management to the independent auditor;
- the quality of work performed by the independent auditor;
- the problems and concerns, if any, arising from the interim and final audits;
- the considerations and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;
- the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- the interested person transactions, as defined in the Listing Manual of SGX-ST.

The AC has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

## INDEPENDENT AUDITOR

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

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Chua Beng Kuang  
Executive Chairman

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Chua Meng Hua  
Managing Director and  
Chief Executive Officer

29 March 2018

# INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the accompanying financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity 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, as set out on pages 36 to 106.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial 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.

### *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 year. These matters were addressed in 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.

# INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the matter
<p><b>1. Completeness and accuracy of revenue recognition on construction contracts</b></p> <p>For the financial year ended 31 December 2017, the construction revenue recognised was \$34.08 million.</p> <p>The Group has significant long-term contracts in relation to the provision of infrastructure engineering services and corrosion prevention services. The recognition of profit on construction in accordance with FRS11 is based on the stage of completion of contract activity. This is assessed by reference to the proportion of contract costs incurred for the work performed as at balance sheet date relative to the estimated total costs of contract at completion.</p> <p>We focused on this area because of the significant judgements required in preparing reasonable estimates of the initial budgeted costs, and subsequently, the inherent uncertainties in determining the actual costs attributable to the respective contracts which directly impacts the revenue recognised on the said contracts. Factual errors or imprecise estimations in the computation of both budgeted costs and actual amounts incurred could result in material variance in the amount of profit or loss recognised to date and therefore also in the current period.</p> <p>Furthermore, the budgeted profit on contracts includes key judgements over the expected recovery of costs arising from variations to the contract not uncommonly requested by the customer, compensation events, and claims made against the contractor for delays or other additional costs for which the customer is jointly or severally liable. The inclusion of these amounts in the budget where they are not recoverable could result in a material error in the level of profit or loss recognised by the Group.</p>	<p>Our audit approach comprises of both controls testing and substantive procedures as follows:</p> <ul style="list-style-type: none"> <li>• understood and evaluated the design and implementation of key controls over the budgeting process and recognition of contract costs and testing of these key controls, on a sample basis, to determine whether these controls were operating effectively throughout the year;</li> <li>• discussed with management and understood the estimation and bidding process of contracts and ascertained there are procedures in place to ensure accuracy and completeness of estimated total contract cost;</li> <li>• selected a sample of contracts in order to challenge both current and future financial performance. Samples were selected based on a number of quantitative and qualitative factors, as well as other randomly selected contracts;</li> <li>• for sampled contracts, challenged management's key judgements inherent in the estimated costs to complete as well as tested details of actual costs incurred, both of which drive the accounting under the percentage of completion method, including the following procedures:               <ul style="list-style-type: none"> <li>– reviewed the contract terms and conditions through scrutiny of contract documentation;</li> <li>– verified contract costs incurred from suppliers in respect of materials needed and reviewed the estimation basis of overheads allocated;</li> <li>– reviewed actual cost incurred including accrued costs vis-à-vis estimated contract cost;</li> <li>– tested the existence and completeness of claims and variation orders within contract costs via inspection of correspondence with customers and the suppliers; and</li> </ul> </li> </ul>



# INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the matter
<p><b>1. Completeness and accuracy of revenue recognition on construction contracts (cont'd)</b></p> <p>The accounting policies for construction contracts are set out in Note 2.9 to the consolidated financial statements and the different revenue streams for the Group have been disclosed in Note 5 to the consolidated financial statements.</p>	<p>Our audit approach comprises of both controls testing and substantive procedures as follows: (cont'd)</p> <ul style="list-style-type: none"><li>• for sampled contracts, challenged management's key judgements inherent in the estimated costs to complete as well as tested details of actual costs incurred, both of which drive the accounting under the percentage of completion method, including the following procedures: (cont'd)<ul style="list-style-type: none"><li>– identified inventories during stock take observations which have not been utilised but charged out as project cost incurred, if any.</li></ul></li></ul> <p>Based on our audit procedures performed, we consider management's judgement in preparing the key estimations to be within a reasonable range.</p>
<p><b>2. Impairment of trade receivables and construction contracts due from customers</b></p> <p>As at 31 December 2017, trade receivables and amount due from customers for construction contracts amounted to \$16.21 million and \$6.77 million respectively. Trade receivables and amounts due from customers for construction contracts are stated at their original invoiced value less appropriate allowance for estimated irrecoverable amounts.</p> <p>The Group assesses at each reporting date whether there is objective evidence that a financial asset is impaired. In carrying out this assessment, judgement is applied by the management to determine appropriate parameters and assumptions used to calculate impairment.</p>	<p>Our audit procedures focused on evaluating the key judgements and assumptions used by the management in conducting the impairment review. These procedures included:</p> <ul style="list-style-type: none"><li>• understood, evaluated and validated key controls over sales and receivables cycle;</li><li>• assessed the recoverability of sampled outstanding trade receivable balances by:<ul style="list-style-type: none"><li>– comparing management's views of recoverability of amounts outstanding to historical patterns of receipts, in conjunction with assessing cash received subsequent to year end for its effect in reducing amounts outstanding as at year end;</li><li>– analysed significant receivables aged over 120 days for which impairment allowance were not provided for by the Group and challenged management's assessment to determine whether there were any indicators of impairment; and</li><li>– inspected arrangements and/or correspondences with external parties to assess the recoverability of long outstanding receivables.</li></ul></li></ul>

# INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

*Key Audit Matters (cont'd)*

### Key audit matter

### How our audit addressed the matter

#### 2. Impairment of trade receivables and construction contracts due from customers (cont'd)

Typically, credit terms given to customers ranges between 30 to 120 days. However, due to the deteriorated market outlook in which the Group operates in, an increasing trend of customers requiring a longer time over and above their respective credit terms to make payments have been noted and certain amounts of such are outstanding for more than 365 days, invariably heightening the risk of default. In assessing the recoverability of these amounts, management is required to exercise judgement based on the credit-worthiness of the customers, historical payment trend and business relationship fostered with the respective customers.

Impairment is a subjective area due to the level of judgement applied by the management in determining the impairment allowance. Due to the significance of trade receivables and construction contracts due from customers (representing 16% of total assets) and the related estimation uncertainty, this is considered a key audit matter.

The accounting policies for impairment of trade receivables are set out in 2.7 to the consolidated financial statements. The credit risk and the aging of the trade receivables are as disclosed in Note 30(b) to the consolidated financial statements.

Our audit procedures focused on evaluating the key judgements and assumptions used by the management in conducting the impairment review. These procedures included: (cont'd)

- assessed the recoverability of aged construction contract due from customers by:
  - comparing management's assessment of recoverability of these amounts to historical patterns of billings and receipts;
  - verifying progress billings issued and cash received subsequent to financial year up to the date of our Independent Auditor's report; and
  - reviewing correspondences with external parties to assess recoverability of long overdue construction contract amounts due from customers.

Based on our audit procedures performed, we consider management's carrying value for trade receivables and construction contract amounts due from customers to be within a reasonable range.

# INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the matter
<p><b>3. Valuation of property, plant and equipment</b></p> <p>As at 31 December 2017, property, plant and equipment ("PPE") amounting to \$92.06 million represent 65% of total assets.</p> <p>Management identified separate cash-generating units ("CGU") and has calculated the recoverable amount of CGU where there were indicators of impairment, as the higher of value-in-use and fair value less costs to sell. For the former, the value-in-use is based on discounted future cash flow forecasts over which management makes judgements on certain key inputs including, for example, discount rates and long term growth rates. For the latter, the fair value less costs of disposal is estimated by an independent third party valuer based on their knowledge of each CGU and the relevant markets.</p> <p>Management's assessment of the valuation of PPE was significant to our audit because of the magnitude of the assets under consideration and also as this process involves inherent judgement in determining key assumptions such as future sales growth, profit margins, discount rates and inflation rates. Furthermore, there is an increased risk of impairment due to the pessimistic market sentiment in which the Group operates in.</p> <p>The accounting policies for impairment for property, plant and equipment are set out in Note 2.6 to the consolidated financial statements.</p>	<p>Our audit procedures focused on evaluating the key assumptions used by the management in preparing the impairment assessment. These procedures included the following:</p> <ul style="list-style-type: none"><li>• tested management's assumptions used in the value-in-use calculations and assessed the accuracy of the historical data used by management as the basis of arriving at the estimates;</li><li>• involved our valuation expert to assist us in the evaluation of the reasonableness of the discount rates used by the Group, performed sensitivity analyses where considered necessary, and assessed the consistency of valuation methodologies applied throughout the relevant entities within the Group; and</li><li>• in instances where the Group has obtained a valuation by an independent third party valuer, we assessed the competence and independence of the external valuers to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitation on their work. Considering the fair value of the CGU has been determined by the valuer using the sales comparison method and/or market replacement method, we evaluated the valuation process, methodologies applied, inputs used, adjustments made to reflect the market conditions prevalent in the particular location as well as any other relevant significant assumptions and critical judgement areas.</li></ul> <p>Based on our audit procedures performed, we consider management's key assumptions to be within a reasonable range.</p>

# INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### *Other Information*

Management is responsible for the other information. The other information comprises the information include in the annual report, but does not included 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 performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of Management and Directors for the Financial Statements*

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

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism 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 Beng Kuang Marine Limited

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### *Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)*

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (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 year 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 director on the audit resulting in this independent auditor's report is Loh Ji Kin.

***Nexia TS Public Accounting Corporation***  
***Public Accountants and Chartered Accountants***

Singapore

29 March 2018

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	2017 \$	2016 \$
Revenue	5	54,745,381	76,633,791
Cost of sales		(46,395,107)	(57,183,595)
Gross profit		8,350,274	19,450,196
Other (losses)/gains – net	8	(748,829)	1,348,098
Expenses			
- Selling and distribution		(1,336,105)	(1,556,440)
- Administrative		(14,685,197)	(15,628,869)
- Finance	9	(2,827,862)	(2,966,708)
(Loss)/profit before income tax		(11,247,719)	646,277
Income tax (expense)/credit	10	(269,580)	548,934
<b>Net (loss)/profit</b>		<b>(11,517,299)</b>	<b>1,195,211</b>
<b>Other comprehensive (loss)/income, net of tax:</b>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation – (losses)/gains		(1,975,535)	567,639
<b>Total comprehensive (loss)/income</b>		<b>(13,492,834)</b>	<b>1,762,850</b>
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Company		(10,977,020)	140,406
Non-controlling interests		(540,279)	1,054,805
		<b>(11,517,299)</b>	<b>1,195,211</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity holders of the Company		(12,557,413)	638,025
Non-controlling interests		(935,421)	1,124,825
		<b>(13,492,834)</b>	<b>1,762,850</b>
<b>(Loss)/earnings per share attributable to equity holders of the Company (cents per share)</b>			
- Basic	11	(8.13)	0.10
- Diluted	11	(8.13)	0.10

The accompanying notes form an integral part of these financial statements.

# BALANCE SHEETS

As at 31 December 2017

	Note	Group		Company	
		2017	2016	2017	2016
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	12	5,714,330	4,985,041	31,852	73,873
Trade and other receivables	13	27,914,085	38,190,459	73,850,760	66,995,354
Inventories	14	15,081,166	14,219,375	–	–
		48,709,581	57,394,875	73,882,612	67,069,227
<b>Non-current assets</b>					
Investments in subsidiary corporations	16	–	–	12,519,401	12,519,401
Intangible assets	17	63,837	63,837	–	–
Property, plant and equipment	18	92,057,023	105,562,511	449,377	592,949
Deferred income tax assets	24	1,109,973	1,075,795	16,570	15,370
		93,230,833	106,702,143	12,985,348	13,127,720
<b>Total assets</b>		141,940,414	164,097,018	86,867,960	80,196,947
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	19	19,822,076	23,252,739	13,146,879	6,572,173
Deferred income	20	375,877	345,341	–	–
Current income tax liabilities		510,987	526,051	–	–
Borrowings	21	33,723,143	31,625,685	13,640,775	15,118,711
		54,432,083	55,749,816	26,787,654	21,690,884
<b>Non-current liabilities</b>					
Deferred income	20	290,899	505,184	–	–
Borrowings	21	18,946,233	25,748,226	6,984,493	4,948,399
Deferred income tax liabilities	24	160,471	245,230	–	–
		19,397,603	26,498,640	6,984,493	4,948,399
<b>Total liabilities</b>		73,829,686	82,248,456	33,772,147	26,639,283
<b>NET ASSETS</b>		68,110,728	81,848,562	53,095,813	53,557,664
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	25	49,651,347	49,651,347	49,651,347	49,651,347
Other reserves	26	(1,386,820)	193,573	163,297	163,297
Retained profits	27	16,144,642	27,121,662	3,281,169	3,743,020
		64,409,169	76,966,582	53,095,813	53,557,664
<b>Non-controlling interests</b>	16	3,701,559	4,881,980	–	–
<b>Total equity</b>		68,110,728	81,848,562	53,095,813	53,557,664

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Note	← Attributable to equity holders of the Company →			Total	Non-controlling interests	Total
		Share capital	Retained profits	Other reserves			
		\$	\$	\$	\$	\$	
<b>2017</b>							
<b>Beginning of financial year</b>		49,651,347	27,121,662	193,573	76,966,582	4,881,980	81,848,562
Total comprehensive losses for the financial year		–	(10,977,020)	(1,580,393)	(12,557,413)	(935,421)	(13,492,834)
Dividend paid to non-controlling interests	16	–	–	–	–	(245,000)	(245,000)
<b>End of financial year</b>		49,651,347	16,144,642	(1,386,820)	64,409,169	3,701,559	68,110,728
<b>2016</b>							
<b>Beginning of financial year</b>		49,651,347	26,981,256	(304,046)	76,328,557	967,155	77,295,712
Total comprehensive income for the financial year		–	140,406	497,619	638,025	1,124,825	1,762,850
Increase in share by non-controlling interests	16	–	–	–	–	2,790,000	2,790,000
<b>End of financial year</b>		49,651,347	27,121,662	193,573	76,966,582	4,881,980	81,848,562

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

STAYING RESILIENT

	Note	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Net (loss)/profit		(11,517,299)	1,195,211
<i>Adjustments for:</i>			
Allowance for impairment of trade receivables – net	6	212,580	817,365
Inventories written down	6	267,578	–
Inventories written back	6	(38,962)	(278,324)
Income tax expense/(credit)	10	269,580	(548,934)
Gain on disposal of property, plant and equipment	8	(261,652)	(101,346)
Property, plant and equipment written off	8	20,503	6,378
Depreciation of property, plant and equipment	18	9,462,131	9,672,917
Interest income	8	(5,874)	(8,315)
Interest expense	9	2,827,862	2,966,708
Unrealised currency translation losses/(gains)		3,356,370	(403,581)
		4,592,817	13,318,079
<i>Change in working capital</i>			
Inventories		(1,090,407)	1,147,390
Trade and other receivables		10,063,794	7,637,208
Trade and other payables		(3,651,813)	(8,011,585)
Deferred income		(183,749)	(637,899)
<b>Cash generated from operations</b>		9,730,642	13,453,193
Interest received		5,874	8,315
Interest paid		(2,307,364)	(2,581,983)
Income tax paid		(403,581)	(552,386)
<b>Net cash generated from operating activities</b>		7,025,571	10,327,139
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	18(a)	(2,271,065)	(8,619,895)
Proceeds from disposal of property, plant and equipment		497,084	316,780
Interest paid		(107,976)	(203,348)
<b>Net cash used in investing activities</b>		(1,881,957)	(8,506,463)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		5,129,325	7,406,264
Repayment of borrowings		(8,509,283)	(9,992,585)
Repayment of finance lease liabilities		(1,254,701)	(1,776,956)
Increase in/(repayment of) bills payable		298,100	(911,852)
Interest paid		(277,050)	(357,152)
Dividend paid to non-controlling interests		(245,000)	–
Proceeds from subscription of ordinary shares by non-controlling interests		–	2,790,000
<b>Net cash used in financing activities</b>		(4,858,609)	(2,842,281)

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 \$	2016 \$
<b>Net increase/(decrease) in cash and cash equivalents</b>		285,005	(1,021,605)
<b>Cash and cash equivalents</b>			
Beginning of financial year		1,600,475	2,578,555
Effects of currency translation on cash and cash equivalents		69,945	43,525
<b>End of financial year</b>	12	1,955,425	1,600,475

## Reconciliation of liabilities arising from financing activities

	1 January 2017 \$	Principal and interest payments \$	Non-cash changes			31 December 2017 \$
			Trade and other payables \$	Interest expense \$	Foreign exchange movement \$	
Bank borrowings	45,399,606	(3,379,958)	–	(19,562)	(764,613)	41,235,473
Bills payable	2,037,749	298,101	–	–	–	2,335,850
Finance lease liabilities	1,652,689	(1,254,701)	–	–	–	397,988
Convertible bonds	4,899,301	(178,849)	(221,150)	441,858	–	4,941,160

The accompanying notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1 GENERAL INFORMATION

Beng Kuang Marine Limited (the "Company") is a limited liability company, which is incorporated in the Republic of Singapore and publicly traded on the Singapore Stock Exchange. The address of its registered office is 55 Shipyard Road, Singapore 628141 which is also its principal place of business.

The principal activities of the Company are provision of corrosion prevention services relating to repairing of ships, tankers and other ocean-going vessels and investment holding. The principal activities of subsidiary corporations are shown in Note 16 of the financial statements.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

#### *Interpretations and amendments to published standards effective in 2017*

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

#### **FRS 7 Statement of cash flows**

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Statement of Cash Flows to the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Group accounting

#### (a) Subsidiary corporations

##### (i) Consolidation

Subsidiary corporations are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the entity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interest having a deficit balance.

##### (ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to paragraph "Intangible assets – Goodwill on acquisition" for the subsequent accounting policy on goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Group accounting (cont'd)

#### (a) Subsidiary corporations (cont'd)

##### (iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

#### (b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

### 2.3 Property, plant and equipment

#### (a) Measurement

##### (i) Drydockings

Components of vessel which are required to be replaced at the next drydocking are identified. The cost of these components is depreciated over the period to the next estimated drydocking date. Costs incurred on subsequent drydocking of vessels are capitalised and depreciated over the period to the next drydocking date. When significant drydocking costs recur prior to the expiry of the depreciation period, the remaining costs of the previous drydocking are written off in the month of the subsequent drydocking.

##### (ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.17) directly attributable to the acquisition or construction of property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Property, plant and equipment (cont'd)

#### (a) Measurement (cont'd)

Property, plant and equipment are transferred to inventories at net book value on the date of transfer when the Group intends to sell items of property, plant and equipment in the ordinary course of business.

Inventories are transferred to property, plant and equipment at cost when the Group held the items for use in production or supply of goods or services and are expected to be used during more than one period.

#### (b) Depreciation

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Motor vehicles	8 – 10 years
Furniture, fittings and equipment	3 – 10 years
Forklifts, machinery, tools and equipment	2 – 15 years
Leasehold improvement and renovation	3 – 10 years
Leasehold building	20 – 30 years
Leasehold land	30 years
Yard development	20 – 30 years
Vessels	15 – 20 years
Drydockings	3 years

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

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when changes arise.

#### (c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

#### (d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other (losses)/gains – net".

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Intangible assets

Goodwill on acquisition

Goodwill on acquisition of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

### 2.5 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

### 2.6 Impairment of non-financial assets

*Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

*Intangible assets*

*Property, plant and equipment*

*Investments in subsidiary corporations*

Intangible assets, property, plant and equipment and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Impairment of non-financial assets (cont'd)

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

### 2.7 Financial assets

#### (a) Classification

The Group classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 13) and "cash and cash equivalents" (Note 12) on the balance sheet.

#### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 *Financial assets (cont'd)*

#### (c) Measurement

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

#### (d) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

### 2.8 *Investments in subsidiary corporations*

Investments in subsidiary corporations are stated at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### 2.9 *Construction contracts*

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.9 Construction contracts (cont'd)

The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the cumulative costs incurred plus recognised profit (less recognised losses) on each contract is compared against the progress billings. Where cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables" (Note 13). Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables" (Note 19).

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

### 2.10 Inventories

Inventories relate to trading goods and construction materials to be used in the course of rendering services. Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average method. Work-in-progress represents vessel under construction for future sale. The cost of work-in-progress comprise of direct material, direct labour cost, subcontractors cost, appropriate allocation of fixed and variable production overheads but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

### 2.11 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### 2.12 Government grants

Government grants are recognised as a receivable at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately in "other (losses)/gains – net".

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.13 Provisions

Provisions for warranty and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of economic resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair products still under warranty at the balance sheet date. This provision is calculated based on historical experience of the level of repairs.

Provisions are reviewed at each balance sheet date 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 obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as finance expense. Changes in the estimated timing or amount of the expenditure are recognised in profit or loss when the changes arise.

### 2.14 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date; and
- (b) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax taxes are recognised as income and expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 Income taxes (cont'd)

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

### 2.15 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary corporations' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

### 2.16 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

#### (a) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

#### (b) Convertible bonds

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component, which are separately presented on balance sheet.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.17 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that 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 ready for their intended use or sale.

### 2.18 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Corrosion prevention and infrastructure engineering services

Revenue from corrosion prevention and infrastructure engineering services are recognised based on the stage of completion or to the extent of contract costs incurred where it is probable those costs will be recoverable. The stage of completion for a given project is measured by reference to the contract costs incurred to date against the estimated total costs for the contract. Revenue is recognised to the extent of contract costs incurred, in situations where the contract outcome cannot be reliably measured.

Please refer to the paragraph "Construction contracts" for the accounting policy for revenue from construction contracts.

(b) Supply and distribution of products

Supply and distribution revenue is recognised net of goods and services tax and discounts when goods have been delivered and accepted by the customers. 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.

(c) Chartering income

Chartering income is recognised on a straight-line basis over the charter hire period.

(d) Interest income

Interest income is recognised using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

#### (a) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

#### (b) Short-term compensated absences

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

#### (c) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

### 2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital account.

### 2.21 Currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

#### (b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in income statement within "other (losses)/gains – net".

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.21 Currency translation (cont'd)

- (c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

### 2.22 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amount.

### 2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

### 2.24 Leases

- (a) When the Group is the lessee:

The Group leases land, motor vehicles and certain plant and machineries under finance leases and land, factories and warehouses under operating leases from non-related parties.

- (i) Lessee – Finance leases

Leases where the Group assumes substantially all 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.24 Leases (cont'd)

(a) When the Group is the lessee: (cont'd)

(i) Lessee – Finance leases (cont'd)

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

(ii) 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.

(b) When the Group is the lessor:

The Group leases warehouse and vessels under operating leases to non-related parties.

Lessor – Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

### 2.25 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

### 2.26 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 3.1 Critical accounting estimates and assumptions

#### (a) Estimated impairment of non-financial assets

##### *Impairment of property, plant and equipment*

Property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

Management identifies separate CGUs where there is any objective evidence or indication of impairment, and has calculated the recoverable amount of CGUs at the higher of value-in-use and fair value less costs to sell. For the former, the value-in-use is based on discounted future cash flow forecasts over which management makes judgements on certain key inputs including, for example, discount rates and long term growth rates. For the latter, the fair value less costs of disposal is estimated by an independent third party valuer based on their knowledge of each CGU and the relevant markets.

If the management estimated growth rate used in the value-in-use calculation for shipping CGU as at 31 December 2017 had been lowered by 5% (2016: 5%), the recoverable amount of the property, plant and equipment in shipping CGU would have been reduced by \$6,889,595 (2016: \$2,457,311) and the Group would have recognised an impairment charge on property, plant and equipment in shipping CGU of \$2,356,735 (2016: \$Nil).

If the management estimated weighted cost of capital used in determining the pre-tax discount rate applied to the discounted cash flows for shipping CGU had been raised by 1% than management's estimates (for example, 9% instead of 8%) at 31 December 2017, the Group would have recognised an impairment charge on property, plant and equipment in shipping CGU of \$527,470 (2016: \$Nil).

If the valuation of property, plant and equipment for infrastructure engineering and corrosion prevention CGU had been lowered by 10%, the Group would have recoverable amount of \$58,160,192 (2016: \$42,657,589) instead of \$64,622,435 (2016: \$47,397,321), while the carrying amount of the infrastructure engineering and corrosion prevention CGU is \$27,514,880 (2016: \$24,499,335). No allowance for impairment has been recognised in the shipping, infrastructure engineering and corrosion prevention CGU in the financial year ended 31 December 2017.

#### (b) Impairment of loans and receivables

Management assesses at the end of each reporting period whether there is any objective evidence that receivables are impaired. In carrying out this assessment, judgement is applied by the management to determine appropriate parameters and assumptions used to calculate impairment. Impairment is a subjective area due to the level of judgement applied by the management in determining the impairment allowance. The carrying amounts of trade and other receivables at the balance sheet date are disclosed in Note 13.

If the values of loans and receivables that is past due but not impaired as at 31 December 2017 increase/decrease by 10%, the Group's allowance for impairment will increase/decrease by \$Nil and \$699,098 (2016: \$Nil and \$562,699) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

### 3.1 Critical accounting estimates and assumptions (cont'd)

#### (c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 30 years. The carrying amounts of the Group's property, plant and equipment at 31 December 2017 were \$92,057,023 (2016: \$105,562,511). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If the actual useful lives of the property, plant and equipment differ by 10% from management's estimate, the carrying amount of the property, plant and equipment will be approximately higher/lower by \$847,781 and \$1,036,176 (2016: \$1,215,021 and \$1,327,416) respectively.

#### (d) Construction contracts

The Group recognised revenue arising from provision of corrosion prevention and infrastructure engineering services based on the stage of completion method of contract activity. The stage of completion is measured by reference to the proportion of contract costs incurred for the work performed as at balance sheet date against the estimated total costs for the contract at completion.

Significant judgements required in preparing reasonable estimates of the initial budgeted costs, and subsequently, the inherent uncertainties in determining the actual costs attributable to the respective contracts which directly impacts the revenue recognised on the said contracts. Factual errors or imprecise estimations in the computation of both budgeted costs and actual amounts incurred could result in material variance in the amount of profit or loss recognised to date and therefore also in the current period.

The budgeted profit on contracts includes key judgements over the expected recovery of costs arising from variations to the contract not uncommonly requested by the customer, compensation events, and claims made against the contractor for delays or other additional costs for which the customer is jointly or severally liable. The inclusion of these amounts in the budget where they are not recoverable could result in a material error in the level of profit or loss recognised by the Group. The carrying amount of construction contracts is disclosed in Note 15.

If the revenue on uncompleted contracts at the balance sheet date increases/decreases by 10% from management's estimates, the Group's revenue will increase/decrease by \$536,093 and \$536,093 (2016: \$1,819,347 and \$1,819,347) respectively.

If the contract costs of uncompleted contracts to be incurred increase/decrease by 10% from management's estimates, the Group's profit will decrease/increase by \$124,447 and \$133,700 (2016: \$61,875 and \$66,811) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 4 GOING CONCERN

As at 31 December 2017, the Group incurred a net loss of \$11,517,299 (2016: Net profit of \$1,195,211) during the financial year ended 31 December 2017 and, as of that date, the Group's current liabilities exceeded its current assets by \$5,722,502 (2016: current assets exceeded its current liabilities by \$1,645,059).

As disclosed in Note 21(c), the Group breached bank covenants as required by certain banks (the "Banks"). As a result, the Group's bank borrowings of \$14,419,542 could be called for repayment at any time upon notification by the financial institutions, and consequently, a non-current portion of the borrowings amounting to \$8,417,447 has been re-classified to current liabilities as at 31 December 2017.

Subsequent to the financial year end, the Group has obtained waivers for the breach of bank covenants for these Banks and that the Banks will not request for early repayments of loan as long as there are no overdue repayments. Should the re-classification of non-current portion of the borrowings amounting to \$8,417,447 to current liabilities as at 31 December 2017 be reversed, the Group would be in net current assets position of \$2,694,945.

In addition, the Group's leasehold building and vessels with carrying amounts of \$27,160,995 (2016: \$29,082,486) and \$45,776,150 (2016: \$56,952,390) respectively, are mortgaged to the Banks to secure the bank borrowings. The carrying amounts of the leasehold building and vessels are sufficient to repay the borrowings should the Banks call for repayment. Credit facilities from other financial institutions continue to be available to the Group to meet the short-term working capital requirements.

On the basis that the Group has not historically defaulted on repayments of bank borrowings, as well as the continuous support from the financial institutions and the ability to generate sufficient cash flows from its operations by fulfilling its order books, the Board of Directors is confident that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate. As such, the financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its debt obligations as and when they fall due within the next twelve months.

## 5 REVENUE

	Group	
	2017 \$	2016 \$
Infrastructure engineering services	15,181,949	35,695,946
Corrosion prevention services	18,894,813	20,656,121
Supply and distribution of products	9,392,003	9,367,506
Chartering income	11,276,616	10,914,218
	54,745,381	76,633,791

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 6 EXPENSES BY NATURE

	Group	
	2017 \$	2016 \$
Purchases of inventories and construction materials	19,789,073	17,961,665
Subcontractors' fees	3,302,375	9,730,137
Depreciation of property, plant and equipment (Note 18)	9,462,131	9,672,917
Inventories written down (Note 14)	267,578	–
Inventories written back (Note 14)	(38,962)	(278,324)
Allowance for impairment of trade receivables – net (Note 30(b)(ii))	212,580	817,365
Total depreciation and impairment	9,903,327	10,211,958
Fees on audit services paid/payable to:		
- Auditor of the Company	193,282	169,288
- Other auditor	23,418	27,352
Total fees on audit services	216,700	196,640
Fees on non-audit services paid/payable to:		
- Auditor of the Company	37,763	45,521
- Other auditor	2,780	5,302
Total fees on non-audit services	40,543	50,823
Employees' accommodation and utilities	3,518,760	4,021,513
Employee compensation (Note 7)	18,459,659	19,369,336
Foreign worker levies	1,423,473	1,732,403
Insurance	780,981	1,484,520
Maintenance of equipment and machinery	1,107,438	1,879,461
Office related expenses	535,575	650,794
Professional fee	376,674	334,276
Rental on operating lease and repair of equipment and machinery	50,473	816,973
Shipping related expenses	1,823,964	3,824,175
Transport and travelling	1,113,273	1,044,666
Other expenses	835,912	190,498
Changes in inventories	(861,791)	869,066
Total cost of sales, selling and distribution and administrative expenses	62,416,409	74,368,904

## 7 EMPLOYEE COMPENSATION

	Group	
	2017 \$	2016 \$
Wages and salaries	16,264,722	17,167,634
Employer's contribution to defined contribution plans including Central Provident Fund	880,287	1,015,470
Other short-term benefits	1,314,650	1,186,232
	18,459,659	19,369,336

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 8 OTHER (LOSSES)/GAINS – NET

	Group	
	2017 \$	2016 \$
Interest income from bank deposits	5,874	8,315
Gain on disposal of property, plant and equipment	261,652	101,346
Property, plant and equipment written off	(20,503)	(6,378)
Currency translation (losses)/gains, net	(1,550,632)	351,777
Government grants <sup>(a)</sup>	179,704	287,853
Miscellaneous back-charge of services	375,076	605,185
	(748,829)	1,348,098

<sup>(a)</sup> There is no condition attached to government grants.

## 9 FINANCE EXPENSES

	Group	
	2017 \$	2016 \$
Interest expense		
- Bank borrowings	2,124,358	2,257,833
- Bank overdrafts	171,079	164,424
- Finance lease liabilities	98,201	155,508
- Bills payable	100,342	153,960
- Convertible bonds	441,858	438,331
	2,935,838	3,170,056
Less: Amount capitalised in property, plant and equipment	(107,976)	(203,348)
Finance expenses recognised in profit or loss	2,827,862	2,966,708

Borrowing costs on construction of a building were capitalised at the rate range from 4.36% to 4.50% (2016: 4.50% to 4.65%).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 10 INCOME TAX EXPENSE/(CREDIT)

	Group	
	2017 \$	2016 \$
Tax expense/(credit) attributable to the loss/(profit) is made up of:		
- Loss/(profit) for the financial year:		
Current income tax - Singapore	426,496	335,904
- Foreign	32,702	176,560
	459,198	512,464
Deferred income tax (Note 24)	(381,118)	10,190
	78,080	522,654
- Under/(over) provision in prior financial years:		
Current income tax - Singapore	317,675	(224,614)
- Foreign	(388,356)	34,936
	(70,681)	(189,678)
Deferred income tax (Note 24)	262,181	(881,910)
	191,500	(1,071,588)
	269,580	(548,934)

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2017 \$	2016 \$
(Loss)/profit before income tax	(11,247,719)	646,277
Tax at the applicable tax rate of 17% (2016: 17%)	(1,912,112)	109,867
Effects of:		
- expenses not deductible for tax purposes	1,083,561	479,034
- income not subject to tax	(307,980)	(513,016)
- tax incentives	(68,408)	(217,701)
- different tax rates in other countries	(153,518)	348,474
- deferred tax assets not recognised	1,412,543	317,186
- others	23,994	(1,190)
Tax charge	78,080	522,654

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 11 (LOSS)/EARNINGS PER SHARE

	Group	
	2017	2016
(Loss)/profit attributable to equity holders of the Company (\$)	(10,977,020)	140,406
Weighted average number of ordinary shares for basic (loss)/earnings per share	135,010,406	135,010,406
Basic (loss)/earnings per share (cents per share)	(8.13)	0.10
Diluted (loss)/earnings per share (cents per share)	(8.13)	0.10

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The Group has no dilution in its earnings per share as at 31 December 2017 and 2016. The dilutive potential ordinary shares arising from convertible bonds have not been included in the calculation of diluted (loss)/earnings per share because they are anti-dilutive.

## 12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Cash at bank and on hand	5,618,952	4,985,041	31,852	73,873
Short-term bank deposits	95,378	–	–	–
	5,714,330	4,985,041	31,852	73,873

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

	Group	
	2017 \$	2016 \$
Cash and bank balances	5,714,330	4,985,041
Less: Bank overdrafts (Note 21)	(3,758,905)	(3,384,566)
Cash and cash equivalents per consolidated statement of cash flows	1,955,425	1,600,475

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Trade receivables				
- Subsidiary corporations	–	–	1,744,494	1,116,192
- Related parties	109	1,175,330	–	–
- Non-related parties	17,925,451	22,741,689	–	–
	17,925,560	23,917,019	1,744,494	1,116,192
Less: Allowance for impairment of trade receivables				
- non-related parties (Note 30(b)(ii))	(1,717,364)	(1,877,655)	–	–
Trade receivables - net	16,208,196	22,039,364	1,744,494	1,116,192
Construction contracts				
- Due from customers (Note 15)	6,770,031	11,202,857	–	–
- Retentions (Note 15)	836,128	583,467	–	–
	7,606,159	11,786,324	–	–
Non-trade receivables				
- Subsidiary corporations	–	–	72,058,083	65,804,899
- Non-related parties	2,404,687	2,738,145	11,879	66,699
	2,404,687	2,738,145	72,069,962	65,871,598
Deposits	374,641	968,430	1,520	–
Prepayments	1,320,402	658,196	34,784	7,564
	4,099,730	4,364,771	72,106,266	65,879,162
	27,914,085	38,190,459	73,850,760	66,995,354

The non-trade receivables from subsidiary corporations are unsecured, interest-free and are receivable on demand except for:

Amounts of \$31,316,765 (2016: \$26,901,843) due from certain subsidiary corporations bear fixed interest rate from the range of 1.6% to 5.65% (2016: 1.50% to 5.61%) per annum and are receivable on demand.

## 14 INVENTORIES

	Group	
	2017 \$	2016 \$
Construction materials and components	2,625,504	5,129,978
Trading goods	12,455,662	9,089,397
	15,081,166	14,219,375

The cost of inventories related to construction materials and trading goods recognised as an expense and included in "cost of sales" amounted to \$3,541,222 (2016: \$1,579,876) and \$7,420,385 (2016: \$6,780,826) respectively.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 14 INVENTORIES (CONT'D)

The Group provided for inventory write-down amounted to \$267,578 (2016: \$Nil), as the inventories were sold below the carrying amounts in 2017. The amount provided for has been included in "cost of sales".

The Group reversed \$38,962 (2016: \$278,324) of previous inventory write-down in prior financial years, as the inventories were sold above the carrying amounts in 2017. The amount reversed has been included in "cost of sales".

## 15 CONSTRUCTION CONTRACTS

	Group	
	2017 \$	2016 \$
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	14,831,961	37,289,556
Less: Progress billings	(8,435,545)	(26,536,457)
	6,396,416	10,753,099
Presented as:		
Due from customers on construction contracts (Note 13)	6,770,031	11,202,857
Due to customers on construction contracts (Note 19)	(373,615)	(449,758)
	6,396,416	10,753,099
Retentions on construction contracts (Note 13)	836,128	583,467

## 16 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2017 \$	2016 \$
Equity investments at cost		
Beginning of financial year	12,519,401	10,707,249
Struck off	–	(187,848)
Additions	–	2,000,000
End of financial year	12,519,401	12,519,401

### Increase in share capital of a subsidiary corporation

On 16 December 2016, Cattle Line Two Pte. Ltd. ("CLT") (formerly known as Ocean Eight Shipping Pte. Ltd.) increased its issued and paid share capital from \$2,600,000 to \$11,900,000. The payment for the increase in share was made by way of capitalisation of the loan amount of \$9,300,000 owing by CLT to its existing shareholders in proportion to their current shareholdings.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 16 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Details of the subsidiary corporations as at 31 December 2017 and 2016 are as follows:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Company		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
<b>Subsidiary corporations held by the Company</b>								
Nexus Sealand Trading Pte. Ltd. <sup>(1)</sup>	Supply and distribution of hardware equipment, tools and other products	Singapore	100	100	100	100	–	–
Asian Sealand Engineering Pte. Ltd. <sup>(1)</sup>	Provision of infrastructure engineering services	Singapore	100	100	100	100	–	–
PT. Nexus Engineering Indonesia <sup>(2)</sup>	Provision of infrastructure engineering services	Indonesia	100 <sup>(5)</sup>	100 <sup>(5)</sup>	100 <sup>(5)</sup>	100 <sup>(5)</sup>	–	–
PT. Master Indonesia <sup>(4)</sup>	Supply and distribution of hardware equipment, tools and other products	Indonesia	100 <sup>(5)</sup>	100 <sup>(5)</sup>	100 <sup>(5)</sup>	100 <sup>(5)</sup>	–	–
B & K Marine Pte. Ltd. <sup>(1)</sup>	Provision of corrosion prevention services	Singapore	100	100	100	100	–	–
Beng Kuang Marine (B&Chew) Pte. Ltd. <sup>(1)</sup>	Provision of corrosion prevention services	Singapore	100	100	100	100	–	–
Beng Kuang Marine (B&M) Pte. Ltd. <sup>(1)</sup>	Provision of corrosion prevention services	Singapore	100	100	100	100	–	–
Nexus Hydrotech Pte. Ltd. <sup>(1)</sup>	Provision of corrosion prevention services (utilising hydro-jetting machines)	Singapore	80	80	80	80	20	20
ASIC Engineering Sdn Bhd <sup>(3)</sup>	Provision of infrastructure engineering services	Malaysia	100	100	100	100	–	–
Venture Automation & Electrical Engineering Pte. Ltd. <sup>(1)</sup>	Provision of industrial and marine automation works	Singapore	51	51	51	51	49	49
Pangco Pte. Ltd. <sup>(1)</sup>	Provision of corrosion prevention services	Singapore	51	51	51	51	49	49
Water and Environmental Technologies (WET) Pte. Ltd. <sup>(1)</sup>	Provision of research and development, and solution for waste management	Singapore	51	51	51	51	49	49

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 16 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Details of the subsidiary corporations as at 31 December 2017 and 2016 are as follows: (cont'd)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Company		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
<b>Subsidiary corporations held by the Company (cont'd)</b>								
Asian Sealand Offshore and Marine Pte. Ltd. <sup>(1)</sup>	Provision of offshore repair and maintenance services	Singapore	51	51	51	51	49	49
PT. Nexelite CP Indonesia <sup>(4)</sup>	Provision of corrosion prevention services	Indonesia	100 <sup>(5)</sup>	100 <sup>(5)</sup>	100 <sup>(5)</sup>	100 <sup>(5)</sup>	–	–
Quill Marine Pte. Ltd. <sup>(1)</sup>	Investment holding company and provision of freight transport services	Singapore	100	100	100	100	–	–

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %
<b>Held by Nexus Sealand Trading Pte. Ltd.</b>						
MTM (ASE) Metalizing Pte. Ltd. <sup>(1)</sup>	Provision of metalising services	Singapore	100	100	–	–
Picco Enterprise Pte. Ltd. <sup>(1)</sup>	Supply and distribution of beverage products	Singapore	100	100	–	–
OneHub Tank Coating Pte. Ltd. <sup>(1)</sup>	Provision for internal tank coating services	Singapore	100	100	–	–
<b>Held by Pangco Pte. Ltd.</b>						
PT. Berger Batam <sup>(4)</sup>	Provision of corrosion prevention services	Indonesia	51 <sup>(5)</sup>	51 <sup>(5)</sup>	49	49
<b>Held by Quill Marine Pte. Ltd.</b>						
Drako Shipping Pte. Ltd. <sup>(1)</sup>	Provision of freight transport services	Singapore	100	100	–	–
Cattle Line Two Pte. Ltd. <sup>(1)</sup> (Formerly known as Ocean Eight Shipping Pte. Ltd.)	Provision of freight transport services	Singapore	70	70	30	30

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 16 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Details of the subsidiary corporations as at 31 December 2017 and 2016 are as follows: (cont'd)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2017 %	2016 %	2017 %	2016 %
<b><u>Held by Asian Sealand Engineering Pte. Ltd.</u></b>						
International Offshore Equipments Pte. Ltd. <sup>(1)</sup>	Provision of design, manufacture, and fabricate offshore equipment and ship parts	Singapore	51	51	49	49
<b><u>Held by Drako Shipping Pte. Ltd.</u></b>						
PT. Marina Shipping <sup>(4)</sup>	Provision of freight transport services	Indonesia	100	100	–	–
<b><u>Held by Cattle Line Two Pte. Ltd. (Formerly known as Ocean Eight Shipping Pte. Ltd.)</u></b>						
Cattle Line One Pte. Ltd. <sup>(4)</sup> (Formerly known as Ocean Eight Pte. Ltd.)	Provision of freight transport services	Marshall Islands	70	70	30	30
<b><u>Held by International Offshore Equipments Pte. Ltd.</u></b>						
International Offshore Equipment Canada Inc. <sup>(6)</sup>	Design, manufacture and fabricate offshore equipment and ship parts	Canada	51	51	49	49

<sup>(1)</sup> Audited by Nexia TS Public Accounting Corporation, Singapore

<sup>(2)</sup> Audited by Kantor Akuntan Publik Charles & Nurlena, Indonesia and audited by Nexia TS Public Accounting Corporation for consolidation purposes

<sup>(3)</sup> Audited by S.H. Lim & Co., Malaysia

<sup>(4)</sup> Audited by Nexia TS Public Accounting Corporation for consolidation purposes. Not required to be audited under the laws of the country of incorporation

<sup>(5)</sup> 1% of the shareholding is held in trust for the Group by an employee of the Group

<sup>(6)</sup> Not required to be audited under the laws of the country of incorporation

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 16 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

### Carrying value of non-controlling interests

	2017 \$	2016 \$
Nexus Hydrotech Pte. Ltd.	745,732	678,807
Pangco Pte. Ltd.	426,650	514,826
Venture Automation & Electrical Engineering Pte. Ltd.	325,270	356,609
Water and Environmental Technologies (WET) Pte. Ltd.	283,310	324,561
Cattle Line Two Pte. Ltd. (Formerly known as Ocean Eight Shipping Pte. Ltd.) and its subsidiary corporation	3,281,230	4,369,462
Asian Sealand Offshore and Marine Pte. Ltd.	2,506,550	1,562,691
International Offshore Equipments Pte. Ltd. and its subsidiary corporation	(3,867,183)	(2,924,976)
	<u>3,701,559</u>	<u>4,881,980</u>

### Summarised financial information of subsidiary corporations with material non-controlling interests

Set out below are the summarised unaudited financial information for each subsidiary corporation that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

### Summarised balance sheets

	Asian Sealand Offshore and Marine Pte. Ltd.		Cattle Line Two Pte. Ltd.		International Offshore Equipments Pte. Ltd.	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
<b>As at 31 December</b>						
<b>Current</b>						
Assets	6,964,208	5,098,207	16,985,047	13,939,854	2,823,425	4,424,852
Liabilities	(1,945,842)	(2,022,795)	(25,273,231)	(23,673,811)	(9,091,572)	(8,853,312)
Total current net assets/ (liabilities)	5,018,366	3,075,412	(8,288,184)	(9,733,957)	(6,268,147)	(4,428,460)
<b>Non-current</b>						
Assets	110,629	136,080	26,110,335	29,181,669	44,036	81,455
Liabilities	(8,590)	(17,330)	(5,522,800)	(6,178,998)	–	–
Total non-current net assets	102,039	118,750	20,587,535	23,002,671	44,036	81,455
<b>Net assets/(liabilities)</b>	<u>5,120,405</u>	<u>3,194,162</u>	<u>12,299,351</u>	<u>13,268,714</u>	<u>(6,224,111)</u>	<u>(4,347,005)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 16 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

### Summarised statements of comprehensive income

	Asian Sealand Offshore and Marine Pte. Ltd.		Cattle Line Two Pte. Ltd.		International Offshore Equipments Pte. Ltd.	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Revenue	10,444,912	10,859,510	5,292,702	6,352,329	1,216,009	1,846,559
Profit/(loss) before income tax	2,888,741	3,068,700	37,940	1,660,536	(1,877,107)	(1,408,272)
Income tax expense	(462,499)	(338,106)	–	–	–	–
Profit/(loss) for the financial year	2,426,242	2,730,594	37,940	1,660,536	(1,877,107)	(1,408,272)
Profit/(loss) for the financial year allocated to non-controlling interests	1,188,859	1,337,991	11,382	498,161	(919,782)	(690,053)
Dividends paid to non-controlling interests	245,000	–	–	–	–	–

### Summarised statement of cash flows

	Asian Sealand Offshore and Marine Pte. Ltd.		Cattle Line Two Pte. Ltd.		International Offshore Equipments Pte. Ltd.	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Cash flows from operating activities						
Cash generated from/(used in) operations	1,131,247	1,675,760	3,364,239	(5,779,742)	717,259	925,922
Interest received	72,890	–	123	310	–	–
Interest paid	–	–	(378,444)	(439,817)	(31,667)	(140,981)
Income tax paid	(320,868)	–	(16)	–	–	–
<b>Net cash generated from/ (used in) operating activities</b>	883,269	1,675,760	2,985,902	(6,219,249)	685,592	784,941
<b>Net cash (used in)/ generated from investing activities</b>	(11,339)	(138,364)	(814,060)	9,298,311	(1,212)	(108,263)
<b>Net cash used in financing activities</b>	(500,000)	–	(1,489,937)	(3,364,065)	(692,835)	(622,064)
<b>Net increase/(decrease) in cash and cash equivalents</b>	371,930	1,537,396	681,905	(285,003)	(8,455)	54,614
Cash and cash equivalents						
Beginning of financial year	1,854,240	316,844	127,738	412,741	68,043	13,429
End of financial year	2,226,170	1,854,240	809,643	127,738	59,588	68,043

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 17 INTANGIBLE ASSETS

	Group	
	2017	2016
	\$	\$
<b>Composition:</b>		
Goodwill arising on consolidation	63,837	63,837

### (a) Goodwill arising on consolidation

	Group	
	2017	2016
	\$	\$
<b>Cost</b>		
Beginning and end of financial year	2,368,545	2,368,545
<b>Accumulated impairment</b>		
Beginning and end of financial year	2,304,708	2,304,708
	63,837	63,837

#### *Impairment tests for goodwill*

Goodwill is allocated to the Group's CGU identified to countries of operation and business segments where goodwill is tested annually for impairment or more frequently if there are indications of impairment. The Group's CGU is allocated to the shipping segment in Indonesia.

The recoverable amounts of the CGUs are determined based on value-in-use. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period were extrapolated using an estimated growth rate of 11% (2016: 5%) once every two years. The budgeted gross margin used in the value-in-use calculation is 10% (2016: 18%). The growth rate did not exceed the long-term average growth rate in which the CGU operates. The pre-tax discount rate used in the projected cash flows is 8% (2016: 8%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 18 PROPERTY, PLANT AND EQUIPMENT

Group 2017	Motor vehicles	Furniture, fittings and equipment	Forklifts, machinery, tools and equipment	Leasehold improvement and renovation	Leasehold building	Leasehold land	Yard development	Construction in-progress	Vessels	Drydockings	Total
<b>Cost</b>											
Beginning of financial year	3,143,783	3,209,508	38,068,640	3,298,081	9,807,682	2,224,933	16,279,899	8,212,152	73,898,316	3,652,456	161,795,450
Transfer from/(to)	-	332,056	-	292,575	7,084,001	-	727,500	(8,436,132)	-	-	-
Transfer from inventory	-	-	-	-	-	-	-	-	3,935,691	-	3,935,691
Transfer to inventory	-	-	-	-	-	-	-	-	(9,370,527)	(1,815,724)	(11,186,251)
Additions	171,773	24,194	202,258	10,790	-	-	-	279,845	171,027	1,519,154	2,379,041
Disposals	(182,594)	(4,469)	(928,952)	-	-	-	-	-	-	-	(1,116,015)
Written-off	-	(311,702)	(469,921)	(2,610,799)	(439,466)	-	-	-	-	-	(3,831,888)
Currency translation differences	(15,137)	(33,400)	(221,983)	-	-	-	(241,992)	-	(4,089,023)	(124,398)	(4,725,933)
End of financial year	3,117,825	3,216,187	36,650,042	990,647	16,452,217	2,224,933	16,765,407	55,865	64,545,484	3,231,488	147,250,095
<b>Accumulated depreciation</b>											
Beginning of financial year	2,006,186	2,805,327	24,159,704	3,188,469	2,369,640	569,504	3,839,879	-	15,319,324	1,974,906	56,232,939
Transfer to inventory	-	-	-	-	-	-	-	-	(3,493,762)	(1,277,395)	(4,771,157)
Depreciation charge (Note 6)	300,098	171,439	2,311,706	24,604	667,809	80,634	755,118	-	3,767,129	1,383,594	9,462,131
Disposals	(157,420)	(4,469)	(718,694)	-	-	-	-	-	-	-	(880,583)
Written-off	-	(309,943)	(451,204)	(2,610,772)	(439,466)	-	-	-	-	-	(3,811,385)
Currency translation differences	(9,678)	(28,127)	(160,988)	-	-	-	(79,662)	-	(693,892)	(66,526)	(1,038,873)
End of financial year	2,139,186	2,634,227	25,140,524	602,301	2,597,983	650,138	4,515,335	-	14,898,799	2,014,579	55,193,072
<b>Net book value</b>											
End of financial year	978,639	581,960	11,509,518	388,346	13,854,234	1,574,795	12,250,072	55,865	49,646,685	1,216,909	92,057,023



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 18 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2016	Motor vehicles	Furniture, fittings and equipment	Forklifts, machinery, tools and equipment	Leasehold improvement and renovation	Leasehold building	Leasehold land	Yard development	Construction in-progress	Vessels	Drydockings	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>											
Beginning of financial year	3,469,497	3,093,406	39,220,753	3,454,305	7,790,582	2,212,200	16,711,452	3,466,683	72,687,488	2,055,067	154,161,433
Transfer from/(to)	73,649	(20,326)	80,717	6,966	2,015,297	12,733	(567,204)	(1,601,832)	-	-	-
Additions	474,112	181,263	481,474	-	1,803	-	-	6,347,301	-	1,573,296	9,059,249
Disposals	(841,933)	(3,128)	(850,662)	-	-	-	-	-	-	-	(1,695,723)
Written-off	(36,717)	(59,551)	(995,039)	(163,190)	-	-	-	-	-	-	(1,254,497)
Currency translation differences	5,175	17,844	131,397	-	-	-	135,651	-	1,210,828	24,093	1,524,988
End of financial year	3,143,783	3,209,508	38,068,640	3,298,081	9,807,682	2,224,933	16,279,899	8,212,152	73,898,316	3,652,456	161,795,450
<b>Accumulated depreciation</b>											
Beginning of financial year	2,462,862	2,709,230	22,598,511	3,346,536	1,853,296	488,870	3,177,796	-	11,306,519	1,050,291	48,993,911
Transfer from/(to)	15,675	(9,425)	63,349	5,119	47,176	-	(121,894)	-	-	-	-
Depreciation charge	283,660	153,979	3,160,613	-	469,168	80,634	745,272	-	3,864,613	914,978	9,672,917
(Note 6)											
Disposals	(721,066)	(3,128)	(756,095)	-	-	-	-	-	-	-	(1,480,289)
Written-off	(36,717)	(59,545)	(988,671)	(163,186)	-	-	-	-	-	-	(1,248,119)
Currency translation differences	1,772	14,216	81,997	-	-	-	38,705	-	148,192	9,637	294,519
End of financial year	2,006,186	2,805,327	24,159,704	3,188,469	2,369,640	569,504	3,839,879	-	15,319,324	1,974,906	56,232,939
<b>Net book value</b>											
End of financial year	1,137,597	404,181	13,908,936	109,612	7,438,042	1,655,429	12,440,020	8,212,152	58,578,992	1,677,550	105,562,511

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 18 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company 2017	Motor vehicles \$	Furniture, fittings and equipment \$	Total \$
<b>Cost</b>			
Beginning of financial year	1,406,281	832,531	2,238,812
Additions	24,394	–	24,394
Transfer (to)/from a subsidiary corporation	(86,181)	4,920	(81,261)
End of financial year	1,344,494	837,451	2,181,945
<b>Accumulated depreciation</b>			
Beginning of financial year	825,688	820,175	1,645,863
Depreciation charge	130,346	4,397	134,743
Transfer (to)/from a subsidiary corporation	(52,955)	4,917	(48,038)
End of financial year	903,079	829,489	1,732,568
<b>Net book value End of financial year</b>	<b>441,415</b>	<b>7,962</b>	<b>449,377</b>

Company 2016	Motor vehicles \$	Furniture, fittings and equipment \$	Forklifts, machinery, tools and equipment \$	Leasehold improvement and renovation \$	Total \$
<b>Cost</b>					
Beginning of financial year	1,429,727	858,580	787,669	163,191	3,239,167
Additions	159,300	7,307	–	–	166,607
Disposal	(182,746)	(8,700)	–	–	(191,446)
Written-off	–	(24,656)	(787,669)	(163,191)	(975,516)
End of financial year	1,406,281	832,531	–	–	2,238,812
<b>Accumulated depreciation</b>					
Beginning of financial year	843,381	847,804	787,668	163,187	2,642,040
Depreciation charge	119,366	5,722	–	–	125,088
Disposal	(137,059)	(8,698)	–	–	(145,757)
Written-off	–	(24,653)	(787,668)	(163,187)	(975,508)
End of financial year	825,688	820,175	–	–	1,645,863
<b>Net book value End of financial year</b>	<b>580,593</b>	<b>12,356</b>	<b>–</b>	<b>–</b>	<b>592,949</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 18 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### (a) Assets held under finance lease

The carrying amounts of motor vehicles and forklifts, machinery, tools and equipment held under finance leases amounted to \$389,145 (2016: \$615,997) and \$171,269 (2016: \$4,050,190) respectively as at the balance sheet date.

For the purpose of the consolidated statement of cash flows, during the financial year the Group acquired property, plant and equipment with an aggregate cost of \$2,379,041 (2016: \$9,059,249) of which \$Nil (2016: \$439,354) were acquired under finance leases and cash payments of \$2,271,065 (2016: \$8,619,895).

### (b) Assets pledged as security

The Group's leasehold building and vessels with carrying amounts of \$27,160,995 (2016: \$29,082,486) and \$45,776,150 (2016: \$56,952,390) respectively, are mortgaged to secure the Group's bank borrowings (Note 21 (a)).

### (c) Impairment testing

The Group performed impairment assessment for property, plant and equipment during the financial year because of the losses made by certain subsidiary corporations which operate in the shipping, infrastructure engineering and corrosion prevention segments.

The recoverable amounts of the shipping CGU are determined based on value-in-use. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a fifteen-year period with an estimated growth rate of 10% once every two years and 11% once every five years (2016: 5% once every two years). The growth rate did not exceed the long-term average growth rate in which the CGU operates. The pre-tax rate used to discount the forecast cash flows is 8% (2016: 8%) per annum.

The recoverable amount of the infrastructure engineering and corrosion prevention CGU as at 31 December 2017 is measured based on fair value less costs to sell. The fair values of leasehold building, leasehold land and yard development are determined by independent valuers and the fair value of other categories of property, plant and equipment are measured based on quotation from non-related suppliers, therefore, are classified under level 2. The most significant input into valuation approach is the estimated selling prices.

During the financial year, no allowance for impairment is recognised for property, plant and equipment under shipping, infrastructure engineering and corrosion prevention segments as the recoverable amounts exceed the carrying amounts by \$4,746,739 (2016: \$2,516,699) and \$37,107,859 (2016: \$22,897,986) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 19 TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade payables				
- Subsidiary corporations	-	-	-	1,391
- Related parties	98,727	94,455	-	-
- Non-related parties	10,450,916	13,090,136	29,369	17,307
	10,549,643	13,184,591	29,369	18,698
Construction contracts				
- Due to customers (Note 15)	373,615	449,758	-	-
Non-trade payables				
- Subsidiary corporations	-	-	9,088,973	3,505,148
- Related parties	-	1,097	-	-
- Non-related parties	3,864,321	2,381,087	877,627	100,127
	3,864,321	2,382,184	9,966,600	3,605,275
Accruals for operating expenses	2,574,781	2,404,764	3,150,910	2,948,200
Accruals for project expenses	2,459,716	4,831,442	-	-
	5,034,497	7,236,206	3,150,910	2,948,200
	19,822,076	23,252,739	13,146,879	6,572,173

The non-trade payables due to subsidiary corporations and related parties are unsecured, interest-free and are payable on demand.

## 20 DEFERRED INCOME

	Group	
	2017	2016
	\$	\$
Current	375,877	345,341
Non-current	290,899	505,184
	666,776	850,525
Movement of deferred income is as follows:		
Beginning of financial year	850,525	1,488,424
Charter	161,592	131,056
Recognised in profit or loss	(345,341)	(768,955)
End of financial year	666,776	850,525

Charter represents ship chartering revenue received in advance and is non-refundable.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 21 BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<i>Current</i>				
Bank borrowings	27,500,834	24,962,927	10,648,747	12,348,921
Bank overdrafts (Note 12)	3,758,905	3,384,566	2,975,777	2,753,849
Bills payable	2,335,850	2,037,749	–	–
Finance lease liabilities (Note 23)	127,554	1,240,443	16,251	15,941
	33,723,143	31,625,685	13,640,775	15,118,711
<i>Non-current</i>				
Bank borrowings	13,734,639	20,436,679	2,000,000	–
Convertible bonds (Note 22)	4,941,160	4,899,301	4,941,160	4,899,301
Finance lease liabilities (Note 23)	270,434	412,246	43,333	49,098
	18,946,233	25,748,226	6,984,493	4,948,399
Total borrowings	52,669,376	57,373,911	20,625,268	20,067,110

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
6 months or less	32,100,672	26,092,994	13,624,524	15,102,770
6 – 12 months	1,494,917	4,070,026	–	–
1 – 5 years	8,734,639	17,104,940	–	–
Over 5 years	–	3,331,739	–	–
	42,330,228	50,599,699	13,624,524	15,102,770

### (a) Security granted

Total borrowings included amounts of \$22,983,645 (2016: \$30,787,055) and \$59,583 (2016: \$65,038) for the Group and the Company respectively which are secured over certain assets of the Group. Bank borrowings of the Group are secured over vessels and certain leasehold building (Note 18(b)). Finance lease liabilities of the Group and the Company are effectively secured over the leased motor vehicles and machineries (Note 18(a)), as the legal title is retained by the lessor and will be transferred to the Group and the Company upon full settlement of the finance lease liabilities.

The bank overdrafts, bills payable and other short-term bank borrowings were supported by corporate guarantees given by the Company (Note 30(b)).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 21 BORROWINGS (CONT'D)

### (b) Fair value of non-current borrowings

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Bank borrowings	13,207,720	18,844,123	1,710,967	–
Convertible bonds	4,941,160	4,899,301	4,941,160	4,899,301
Finance lease liabilities	254,664	402,826	40,459	46,707

The fair value above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group and the Company as follows:

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
Bank borrowings	5.28	3.20 – 3.72	5.28	–
Convertible bonds	8.00	8.00	8.00	8.00
Finance lease liabilities	5.06	2.80 – 3.25	5.06	3.25

The fair values are within Level 2 of the fair value hierarchy.

### (c) Breaches of loan covenants

As at 31 December 2017, some of the Group's loan agreements are subjected to covenant clauses, whereby the Group is required to meet certain key financial ratios. As at the financial year end, the Group did not fulfil the key financial ratios of certain banks.

Due to these breaches of covenant clauses, the banks are contractually entitled to request for immediate repayment of these outstanding loans. As a result, the Group's bank borrowings of \$14,419,542 could be called for repayment at any time upon notification by the financial institutions, and consequently, a non-current portion of the borrowings amounting to \$8,417,447 has been re-classified to current liabilities as at 31 December 2017.

The management is cognisant to the above mentioned non-adherence of the financial ratios and obtained in-principle approval from the banks to waive the above subsequent to the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 22 CONVERTIBLE BONDS

On 27 April 2015, the Company issued convertible bonds with a nominal value of \$5million bearing interest at 8% per annum. All or any part of the bonds may be converted to new shares at \$0.84 nominal value after 12 months from the date of issue or redeemable within 4 years from the date of issue.

The fair value of the liability component, included in non-current borrowings, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 26(b)(ii)), net of deferred income taxes.

The carrying amount of the liability component of the convertible bonds at the balance sheet date is derived as follows:

	Group and Company	
	2017	2016
	\$	\$
Face value of convertible bonds issued on 27 April 2015	5,000,000	5,000,000
Equity conversion component on initial recognition (Note 26(b)(ii))	(163,297)	(163,297)
Liability component on initial recognition	4,836,703	4,836,703
Accumulated amortisation of interest expense	1,176,239	734,380
Accumulated payment of interests	(1,071,782)	(671,782)
Liability component at end of financial year (Note 21)	4,941,160	4,899,301

## 23 FINANCE LEASE LIABILITIES

The Group and the Company leases land, motor vehicles and certain plant and machineries from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group and the Company with options to purchase the leased assets at nominal values at the end of the lease term.

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Minimum lease payment due				
- Not later than one year	143,198	1,335,632	17,544	18,156
- Between one and five years	291,032	451,457	46,782	55,922
- Later than five years	-	2,503	-	-
	434,230	1,789,592	64,326	74,078
Less: Future finance charges	(36,242)	(136,903)	(4,742)	(9,039)
Present value of finance lease liabilities	397,988	1,652,689	59,584	65,039

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 23 FINANCE LEASE LIABILITIES (CONT'D)

The present value of finance lease liabilities are analysed as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Not later than one year (Note 21)	127,554	1,240,443	16,251	15,941
Later than one year (Note 21)				
- Between one and five years	270,434	409,743	43,333	49,098
- Later than five years	–	2,503	–	–
	270,434	412,246	43,333	49,098
Total	397,988	1,652,689	59,584	65,039

## 24 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Deferred income tax assets				
- To be recovered after one year	(1,109,973)	(1,075,795)	(16,570)	(15,370)
Deferred income tax liabilities				
- To be settled after one year	160,471	245,230	–	–

Movement in deferred income tax account is as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Beginning of financial year	(830,565)	41,155	(15,370)	(16,700)
Tax (credited)/charged to profit or loss (Note 10)	(118,937)	(871,720)	(1,200)	1,330
End of financial year	(949,502)	(830,565)	(16,570)	(15,370)



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 24 DEFERRED INCOME TAX (CONT'D)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same jurisdiction) is as follows:

### Deferred income tax assets

	Accelerated tax depreciation \$	Allowance for impairment \$	Tax losses \$	Total \$
<b>Group</b>				
<b>2017</b>				
Beginning of financial year	(1,076,240)	(82,935)	42,730	(1,116,445)
Charged/(credited) to profit or loss	141,523	9,310	(181,830)	(30,997)
End of financial year	(934,717)	(73,625)	(139,100)	(1,147,442)
<b>2016</b>				
Beginning of financial year	–	(78,236)	(8,750)	(86,986)
(Credited)/charged to profit or loss	(1,076,240)	(4,699)	51,480	(1,029,459)
End of financial year	(1,076,240)	(82,935)	42,730	(1,116,445)

### Deferred income tax liabilities

	Accelerated tax depreciation \$	Allowance for impairment \$	Tax losses \$	Total \$
<b>Group</b>				
<b>2017</b>				
Beginning of financial year	285,880	–	–	285,880
Credited to profit or loss	(87,940)	–	–	(87,940)
End of financial year	197,940	–	–	197,940
<b>2016</b>				
Beginning of financial year	128,141	–	–	128,141
Charged to profit or loss	157,739	–	–	157,739
End of financial year	285,880	–	–	285,880

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 24 DEFERRED INCOME TAX (CONT'D)

*Deferred income tax (assets)/ liabilities*

	Accelerated tax depreciation	Provision	Total
	\$	\$	\$
<b>Company</b>			
<b>2017</b>			
Beginning of financial year	5,700	(21,070)	(15,370)
(Credited)/charged to profit or loss	(4,350)	3,150	(1,200)
End of financial year	1,350	(17,920)	(16,570)
<b>2016</b>			
Beginning of financial year	4,360	(21,060)	(16,700)
Charged/(credited) to profit or loss	1,340	(10)	1,330
End of financial year	5,700	(21,070)	(15,370)

Deferred income tax liabilities of \$238,676 (2016: \$478,880) have not been recognised for the withholding and other taxes that will be payable on the earnings of certain overseas subsidiary corporations when remitted to the holding corporation. These unremitted earnings are permanently reinvested and amount to \$4,773,514 (2016: \$9,577,596) at the balance sheet date.

The Group has unutilised tax losses and unabsorbed capital allowances of approximately \$8,037,988 (2016: \$6,906,696) and \$43,852 (2016: \$92,995) respectively, available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with certain provision of the Singapore Income Tax Act. The tax losses and capital allowances have no expiry date.

The potential deferred tax assets of approximately \$1,376,773 (2016: \$1,189,947) have not been recognised in the financial statements in accordance with accounting policy stated in Note 2.14.

## 25 SHARE CAPITAL

	Group and Company	
	No. of shares	Amount \$
<b>2017</b>		
Beginning and end of financial year	135,010,406	49,651,347
<b>2016</b>		
Beginning and end of financial year	135,010,406	49,651,347

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and a right to dividends as and when declared by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 26 OTHER RESERVES

(a) Composition:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Currency translation reserve	(1,497,850)	82,543	–	–
Equity component of convertible bonds (Note 22)	163,297	163,297	163,297	163,297
Premium paid on acquisition of non-controlling interests	(52,267)	(52,267)	–	–
	(1,386,820)	193,573	163,297	163,297

(b) Movements:

(i) Currency translation reserve

	Group	
	2017	2016
	\$	\$
Currency translation reserve		
Beginning of financial year	82,543	(415,076)
Net currency translation differences of financial statements of foreign subsidiary corporations	(1,580,393)	497,619
End of financial year	(1,497,850)	82,543

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.

(ii) Equity component of convertible bonds

	Group and Company	
	2017	2016
	\$	\$
Beginning and end of financial year	163,297	163,297

(iii) Premium paid on acquisition of non-controlling interests

	Group	
	2017	2016
	\$	\$
Beginning and end of financial year	(52,267)	(52,267)

Other reserves are non-distributable.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 27 RETAINED PROFITS

- (a) Retained profits of the Group and the Company are distributable.
- (b) Movement in retained profits for the Company is as follows:

	Company	
	2017	2016
	\$	\$
Beginning of financial year	3,743,020	4,803,735
Net loss	(461,851)	(1,060,715)
End of financial year	3,281,169	3,743,020

## 28 CONTINGENT LIABILITIES

- (a) Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of certain subsidiary corporations. These bank borrowings amount to \$25,398,158 (2016: \$30,448,437). The fair values of the corporate guarantees have not been recognised in the financial statements of the Company as the amounts involved are not material to the Company and has no significant impact on the consolidated financial statements of the Group.

- (b) Financial support

The Company provides financial support to certain subsidiary corporations to enable these subsidiary corporations to operate as going concern and to meet their liabilities as and when they fall due.

## 29 COMMITMENTS

- (a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2017	2016
	\$	\$
Property, plant and equipment	–	816,714

- (b) Operating lease commitments - where the Group and the Company are the lessees

The Group and the Company lease land, factories and warehouses from non-related parties under non-cancellable operating lease arrangements. These leases have varying terms, escalation clauses and renewal rights.

Operating lease payments recognised in the Group's profit or loss during the financial year amounted to \$1,511,898 (2016: \$1,689,133).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 29 COMMITMENTS (CONT'D)

- (b) Operating lease commitments – where the Group and the Company are the lessees (cont'd)

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Not later than one year	1,460,633	1,649,631	–	5,520
Between one and five years	2,497,267	3,737,165	–	–
Later than five years	4,620,587	5,229,766	–	–
	8,578,487	10,616,562	–	5,520

- (c) Operating lease commitments – where the Group is a lessor

The Group leases warehouse and vessels to non-related parties under non-cancellable operating leases. The lessees are required to pay fixed monthly lease payments for those vessels on hire.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group	
	2017	2016
	\$	\$
Not later than one year	5,892,990	6,303,226
Between one and five years	946,313	7,308,650
	6,839,303	13,611,876

## 30 FINANCIAL RISK MANAGEMENT

### Financial risk factors

The Group is exposed to financial risks arising from its operations and the use of financial instruments. Though the Group does not have written risk management policies and guidelines, the Audit Committee and the Board of Directors meet periodically to review and analyse the Group's exposure to market risk (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group adopts a conservative strategy on managing its financial risks, thus, the exposure to market risk is kept at a minimum level. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk

(i) Currency risk

The Group operates in South East Asia with dominant operations in Singapore and Indonesia. Currency risk arises when transactions are denominated in foreign currencies such as Indonesian Rupiah ("IDR") and United States Dollar ("USD"). The Group's exposure to currency translation risk is not considered as significant by management and the risk is primarily managed by natural hedges of matching assets and liabilities denominated in foreign currencies. The Group closely monitors the currency translation risk and will consider hedging significant currency translation exposure should the need arise in future.

The Group's currency exposure based on the information provided to key management is as follows:

At 31 December 2017	SGD \$	USD \$	IDR \$	Other \$	Total \$
<b>Financial assets</b>					
Cash and cash equivalents	3,168,452	1,936,808	572,722	36,348	5,714,330
Trade and other receivables	12,837,727	7,140,181	4,931,280	1,684,495	26,593,683
Receivables from subsidiary corporations	146,253,442	1,774,039	7,737,311	58,968	155,823,760
	162,259,621	10,851,028	13,241,313	1,779,811	188,131,773
<b>Financial liabilities</b>					
Borrowings	(44,850,268)	(7,819,108)	–	–	(52,669,376)
Trade and other payables	(11,936,575)	(3,328,993)	(3,981,205)	(201,688)	(19,448,461)
Payables to subsidiary corporations	(146,253,442)	(1,774,039)	(7,737,311)	(58,968)	(155,823,760)
	(203,040,285)	(12,922,140)	(11,718,516)	(260,656)	(227,941,597)
<b>Net financial (liabilities)/assets</b>	(40,780,664)	(2,071,112)	1,522,797	1,519,155	(39,809,824)
Add: Net non-financial assets	21,477,902	40,115,544	46,258,194	68,912	107,920,552
<b>Currency profile including non-financial liabilities and assets</b>	(19,302,762)	38,044,432	47,780,991	1,588,067	68,110,728
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies</b>	–	3,071,614	(1,372,336)	301,943	2,001,221

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Group's currency exposure based on the information provided to key management is as follows: (cont'd)

<b>At 31 December 2016</b>	<b>SGD</b> \$	<b>USD</b> \$	<b>IDR</b> \$	<b>Other</b> \$	<b>Total</b> \$
<b>Financial assets</b>					
Cash and cash equivalents	3,260,073	1,219,588	446,704	58,676	4,985,041
Trade and other receivables	21,721,374	5,554,728	9,010,475	1,245,686	37,532,263
Receivables from subsidiary corporations	99,259,132	1,520,966	3,141,096	78,639	103,999,833
	<u>124,240,579</u>	<u>8,295,282</u>	<u>12,598,275</u>	<u>1,383,001</u>	<u>146,517,137</u>
<b>Financial liabilities</b>					
Borrowings	(47,261,915)	(10,071,894)	–	(40,102)	(57,373,911)
Trade and other payables	(18,107,021)	(1,861,376)	(2,731,431)	(103,153)	(22,802,981)
Payables to subsidiary corporations	(99,259,132)	(1,520,966)	(3,141,096)	(78,639)	(103,999,833)
	<u>(164,628,068)</u>	<u>(13,454,236)</u>	<u>(5,872,527)</u>	<u>(221,894)</u>	<u>(184,176,725)</u>
<b>Net financial (liabilities)/assets</b>	(40,387,489)	(5,158,954)	6,725,748	1,161,107	(37,659,588)
Add: Net non-financial assets	32,830,720	44,719,037	41,872,295	86,098	119,508,150
<b>Currency profile including non-financial liabilities and assets</b>	<u>(7,556,769)</u>	<u>39,560,083</u>	<u>48,598,043</u>	<u>1,247,205</u>	<u>81,848,562</u>
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies</b>	<u>–</u>	<u>3,583,144</u>	<u>2,756,439</u>	<u>1,247,205</u>	<u>7,586,788</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Company's currency exposure based on the information provided to key management is as follows: (cont'd)

	← 2017 →			← 2016 →		
	SGD	USD	Total	SGD	USD	Total
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash and cash equivalents	22,223	9,629	31,852	60,714	13,159	73,873
Trade and other receivables	73,815,976	–	73,815,976	66,987,790	–	66,987,790
	73,838,199	9,629	73,847,828	67,048,504	13,159	67,061,663
<b>Financial liabilities</b>						
Borrowings	(20,625,268)	–	(20,625,268)	(20,067,110)	–	(20,067,110)
Trade and other payables	(13,146,879)	–	(13,146,879)	(6,572,173)	–	(6,572,173)
	(33,772,147)	–	(33,772,147)	(26,639,283)	–	(26,639,283)
<b>Net financial assets</b>	40,066,052	9,629	40,075,681	40,409,221	13,159	40,422,380
Add: Net non-financial assets	13,020,132	–	13,020,132	13,135,284	–	13,135,284
<b>Currency profile including non-financial assets</b>	53,086,184	9,629	53,095,813	53,544,505	13,159	53,557,664
<b>Currency exposure of financial assets net of those denominated in the Company's functional currencies</b>	–	9,629	9,629	–	13,159	13,159



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) Market risk (cont'd)

#### (i) Currency risk (cont'd)

If the IDR and USD change against the SGD by approximately 8% (2016: 5%) and approximately 8% (2016: 2%) respectively with all other variable including tax rate is being held constant, the effect arising from the net financial liability/asset position will be as follows:

	Group	
	2017	2016
	Profit after tax	Profit after tax
	\$	\$
IDR against SGD		
- Strengthened	(91,123)	114,392
- Weakened	91,123	(114,392)
USD against SGD		
- Strengthened	203,955	59,480
- Weakened	(203,955)	(59,480)

The Company has no significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

#### (ii) Interest rate risk

The Group's exposure to interest rate risks relates primarily to interest earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favorable interest rates available in the market.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

The table below analyses the Group's and the Company's borrowings by different type of financing at fixed rate and floating rate and their maturity.

	Within 1 year \$	Within 2 to 5 years \$	More than 5 years \$	Total \$
<b>Group</b>				
<b>2017</b>				
<b>Fixed rate</b>				
Finance lease liabilities	127,554	270,434	–	397,988
Convertible bonds	–	4,941,160	–	4,941,160
Bank borrowings	–	3,295,833	1,704,167	5,000,000
<b>Floating rate</b>				
Bank borrowings	27,500,834	8,734,639	–	36,235,473
Bank overdrafts	3,758,905	–	–	3,758,905
Bills payable	2,335,850	–	–	2,335,850
<b>2016</b>				
<b>Fixed rate</b>				
Finance lease liabilities	1,240,443	409,743	2,503	1,652,689
Convertible bonds	–	4,899,301	–	4,899,301
Bank borrowings	222,222	–	–	222,222
<b>Floating rate</b>				
Bank borrowings	24,740,705	17,104,940	3,331,739	45,177,384
Bank overdrafts	3,384,566	–	–	3,384,566
Bills payable	2,037,749	–	–	2,037,749
<b>Company</b>				
<b>2017</b>				
<b>Fixed rate</b>				
Finance lease liabilities	16,521	43,333	–	59,584
Convertible bonds	–	4,941,160	–	4,941,160
<b>Floating rate</b>				
Bank borrowings	10,648,747	1,083,333	916,667	12,648,747
Bank overdrafts	2,975,777	–	–	2,975,777
<b>2016</b>				
<b>Fixed rate</b>				
Finance lease liabilities	15,941	49,098	–	65,039
Convertible bonds	–	4,899,301	–	4,899,301
<b>Floating rate</b>				
Bank borrowings	12,348,921	–	–	12,348,921
Bank overdrafts	2,753,849	–	–	2,753,849

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) Market risk (cont'd)

#### (ii) Interest rate risk (cont'd)

For the floating rate financial assets and liabilities, a change of 100 basis points (bp) in the interest rate at the reporting date would increase/(decrease) profit or loss by the amount shown below. This analysis assumes that all variables including tax rate are being held constant.

	Group		Company	
	100 bp Increase \$	100 bp Decrease \$	100 bp Increase \$	100 bp Decrease \$
<b>2017</b>				
<b>Floating rate instruments</b>				
Singapore Dollar	307,522	(307,522)	126,487	(126,487)
United States Dollar	78,191	(78,191)	–	–
<b>2016</b>				
<b>Floating rate instruments</b>				
Singapore Dollar	373,213	(373,213)	123,489	(123,489)
United States Dollar	100,719	(100,719)	–	–

### (b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis through the application of credit approvals, credit limits and debt monitoring procedures. Where appropriate, the Company and its subsidiary corporations obtain guarantees from the customer or arrange netting agreements. For customers of lower credit standing, the Group would usually enforce to transact in cash terms, advance payments and letters of credit. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Company	
	2017 \$	2016 \$
Corporate guarantees provided to banks on subsidiary corporations' bank borrowings (Note 28)	25,398,158	30,488,437

The trade receivables of the Group comprise of 4 debtors (2016: 2 debtors) that individually represented 11 - 35% (2016: 11 - 25%) of the trade receivables.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### (b) Credit risk (cont'd)

The credit risk for trade receivables based on the information provided by management is as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<u>By geographical areas</u>				
- Singapore	4,391,241	13,409,465	1,153,106	524,804
- Indonesia	5,621,028	5,892,619	591,388	591,388
- Malaysia	150,296	–	–	–
- Australia	4,455,503	1,499,248	–	–
- United Kingdom	734,302	226,329	–	–
- China	74,388	–	–	–
- Switzerland	600,543	466,729	–	–
- Others	180,895	544,974	–	–
	16,208,196	22,039,364	1,744,494	1,116,192
<u>By types of customers</u>				
- Non-related parties	16,208,087	20,864,034	–	–
- Related parties	109	1,175,330	–	–
- Subsidiary corporations	–	–	1,744,494	1,116,912
	16,208,196	22,039,364	1,744,494	1,116,912

### (i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and the Company.

### (ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2017	2016
	\$	\$
Past due		
- Less than 30 days	1,596,807	3,103,713
- 30 to 60 days	1,016,302	1,912,577
- 61 to 90 days	778,380	1,021,076
- More than 90 days	6,791,170	7,112,196
	10,182,659	13,149,562

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### (b) Credit risk (cont'd)

#### (ii) Financial assets that are past due and/or impaired (cont'd)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment is as follows:

	Group	
	2017	2016
	\$	\$
Past due 1 to 3 months	424,086	1,310,073
Past due over 3 months	2,635,539	3,184,717
	3,059,625	4,494,790
Less: Estimated rebates/discount	(238,769)	(575,697)
	2,820,856	3,919,093
Less: Allowance for impairment (Note 13)	(1,717,364)	(1,877,655)
	1,103,492	2,041,438
Beginning of financial year	1,877,655	1,101,282
Allowance made (Note 6)	252,487	839,910
Allowance utilised	(372,871)	(40,992)
Allowance written back (Note 6)	(39,907)	(22,545)
End of the financial year	1,717,364	1,877,655

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

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and having an adequate amount of committed credit facilities (Note 21) to enable the Group to meet its normal operating commitments. The Group's objective is to maintain a balance through the use of bank borrowings, bank overdrafts and finance lease liabilities. As at balance sheet date, assets held by the Group and the Company for managing liquidity risks included cash and bank balances as disclosed in Note 12.

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by the Group management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group also managed sufficient funding through short-term bank loans and overdraft facilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### (c) Liquidity risk (cont'd)

The table below analyses non-financial derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year \$	Between 1 to 5 years \$	Over 5 years \$
<b>Group</b>			
<b>At 31 December 2017</b>			
Trade and other payables	19,448,461	–	–
Borrowings	33,723,143	20,862,272	–
<b>At 31 December 2016</b>			
Trade and other payables	22,802,981	–	–
Borrowings	31,625,685	24,153,167	3,512,324
<b>Company</b>			
<b>At 31 December 2017</b>			
Trade and other payables	13,146,879	–	–
Borrowings	13,640,775	6,308,932	1,086,823
Financial guarantee contracts	25,398,158	–	–
<b>At 31 December 2016</b>			
Trade and other payables	6,572,173	–	–
Borrowings	15,118,711	4,955,223	–
Financial guarantee contracts	30,448,437	–	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### (d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group and the Company are also required by the banks to maintain certain gearing ratio. The Group's and the Company's strategies, which remain unchanged during the financial years ended 31 December 2017 and 31 December 2016, are to maintain a gearing ratio not exceeding 1.5 times of the tangible net worth.

The gearing ratio is calculated as net debt divided by tangible net worth. Net debt is calculated as interest bearing borrowings less cash and cash equivalents. Tangible net worth is calculated by shareholders' equity less intangible assets.

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Net debt</b>				
Interest bearing borrowings	52,669,376	57,373,911	20,625,268	20,067,110
Less: Cash and cash equivalents	(5,714,330)	(4,985,041)	(31,852)	(73,873)
	46,955,046	52,388,870	20,593,416	19,993,237
<b>Tangible net worth</b>				
Shareholders' equity	68,110,728	81,848,562	53,095,813	53,557,664
Less: Intangible assets	(63,837)	(63,837)	–	–
	68,046,891	81,784,725	53,095,813	53,557,664
Gearing ratio	0.69	0.64	0.39	0.37

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2017 and 2016 except for the breach of financial covenants by two of the subsidiary corporations of the Group for the financial year ended 31 December 2017 which was disclosed in Note 21(c) to the financial statements.

### (e) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Loans and receivables	32,308,013	42,517,304	73,847,828	67,061,663
Financial liabilities at amortised cost	72,117,837	80,176,892	33,772,147	26,639,283

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### (f) Offsetting financial assets and financial liabilities

#### (i) Financial asset

The Group has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet	
	Gross amounts – financial assets (a) \$	Gross amounts – financial liabilities (b) \$	Net amounts – financial assets presented in the balance sheet (c) = (a)-(b) \$	Financial assets (d) \$	Net amount (e) = (c)+(d) \$
<b>As at 31 December 2017</b>					
Trade receivables	-	-	-	109	109
<b>As at 31 December 2016</b>					
Trade receivables	1,122,489	(6,029)	1,116,460	58,870	1,175,330

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet	
	Gross amounts – financial assets (a) \$	Gross amounts – financial liabilities (b) \$	Net amounts – financial assets presented in the balance sheet (c) = (a)-(b) \$	Financial assets (d) \$	Net amount (e) = (c)+(d) \$
<b>As at 31 December 2017</b>					
Trade and other receivables	5,913,079	(28,020)	5,885,059	67,917,518	73,802,577
<b>As at 31 December 2016</b>					
Trade and other receivables	2,737,182	(42,871)	2,694,311	64,226,780	66,921,091



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### (f) Offsetting financial assets and financial liabilities (cont'd)

#### (ii) Financial liabilities

The Group has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet	
	Gross amounts – financial liabilities (a) \$	Gross amounts – financial assets (b) \$	Net amounts – financial liabilities presented in the balance sheet (c) = (a)-(b) \$	Financial liabilities (d) \$	Net amount (e) = (c)+(d) \$
<b>As at 31 December 2017</b>					
Trade payables	–	–	–	98,727	98,727
<b>As at 31 December 2016</b>					
Trade payables	6,029	(6,029)	–	94,455	94,455

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet	
	Gross amounts – financial liabilities (a) \$	Gross amounts – financial assets (b) \$	Net amounts – financial liabilities presented in the balance sheet (c) = (a)-(b) \$	Financial liabilities (d) \$	Net amount (e) = (c)+(d) \$
<b>As at 31 December 2017</b>					
Trade and other payables	1,820,429	(28,020)	1,792,409	7,296,564	9,088,973
<b>As at 31 December 2016</b>					
Trade and other payables	1,348,412	(42,871)	1,305,541	2,200,998	3,506,539

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 31 RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

- (a) Sale and purchase of goods and services

	Group	
	2017	2016
	\$	\$
Sale of goods and/or services to related parties	1,482,685	5,528,987
Purchase of material and/or services from related parties	129,486	562,460

Related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members.

Outstanding balances at 31 December 2017, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 13 and 19 respectively.

- (b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2017	2016
	\$	\$
Wages and salaries	2,545,257	2,856,734
Employer's contribution to defined contribution plans, including Central Provident Fund	160,731	184,526
Other short-term benefits	44,412	37,561
	2,750,400	3,078,821
Directors of the Company	1,614,055	1,970,667
Executive officers of the Group	1,136,345	1,108,154
	2,750,400	3,078,821

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 32 SEGMENT INFORMATION

Business segments

For management purposes, the Group organised their business units into five reportable operating segments as follows:

(a) Infrastructure Engineering

This relates to the turnkey engineering services from planning, project management to implementation involving fabrication, corrosion prevention services for steel work structure, piping modules of oil rigs and jack-up rigs and construction of new vessels.

(b) Corrosion Prevention

This relates to the provision of corrosion prevention services, mainly blasting and painting services as part of the shipbuilding, ship conversion and ship repair activities in the marine, oil and gas and other industries.

(c) Supply and Distribution

This relates to the supply and distribution of hardware equipment, tools and other products used in the marine, oil and gas, and construction industries.

(d) Shipping

This relates to the chartering of livestock carriers, and tugs and barges; and ship management services.

(e) Others

This relates to the provision of effective and efficient technological solution for water and waste water treatment; solid waste management; and other areas on recovery of natural resources.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 32 SEGMENT INFORMATION (CONT'D)

The segment information provided to the Board of Directors for the reportable segments are as follows:

	Infrastructure Engineering \$	Corrosion Prevention \$	Supply and Distribution \$	Shipping \$	Others \$	Total \$
<b>2017</b>						
Total segment sales	17,351,700	19,762,883	11,568,632	11,276,616	–	59,959,831
Inter-segment sales	(2,169,751)	(868,070)	(2,176,629)	–	–	(5,214,450)
Sales to external customers	15,181,949	18,894,813	9,392,003	11,276,616	–	54,745,381
<b>Results:</b>						
Segment results	(3,506,191)	1,050,198	215,506	(3,055,086)	(84,167)	(5,379,740)
Interest expense	(1,149,398)	(304,758)	(140,298)	(1,233,408)	–	(2,827,862)
Interest income	2,932	1,972	–	970	–	5,874
(Loss)/profit from operating segment	(4,652,657)	747,412	75,208	(4,287,524)	(84,167)	(8,201,728)
Unallocated administrative expenses						(3,045,991)
Loss before income tax						(11,247,719)
Income tax expense						(269,580)
Net loss						(11,517,299)
Profit attributable to non- controlling interests						540,279
						(10,977,020)
Net profit includes:						
- Depreciation of property, plant and equipment	2,842,496	1,406,313	58,168	5,155,154	–	9,462,131
<b>Other information</b>						
<b>Segment assets</b>	52,258,397	17,289,239	7,761,694	64,047,792	583,292	141,940,414
Segment assets include:-						
Additions to: Property, plant and equipment	536,321	151,054	–	1,691,666	–	2,379,041
<b>Segment liabilities</b>	(25,398,306)	(14,510,825)	(4,641,806)	(11,621,458)	(7,800)	(56,180,195)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 32 SEGMENT INFORMATION (CONT'D)

The segment information provided to the Board of Directors for the reportable segments are as follows: (cont'd)

	Infrastructure Engineering \$	Corrosion Prevention \$	Supply and Distribution \$	Shipping \$	Others \$	Total \$
<b>2016</b>						
Total segment sales	46,057,716	27,933,589	11,684,796	11,296,631	–	96,972,732
Inter-segment sales	(10,361,770)	(7,277,468)	(2,317,290)	(382,413)	–	(20,338,941)
Sales to external customers	35,695,946	20,656,121	9,367,506	10,914,218	–	76,633,791
<b>Results:</b>						
Segment results	3,095,061	3,387,802	911,086	(829,719)	(84,394)	6,479,836
Interest expense	(1,067,528)	(726,904)	(140,133)	(1,032,143)	–	(2,966,708)
Interest income	1,655	5,721	–	940	–	8,316
Profit/(loss) from operating segment	2,029,188	2,666,619	770,953	(1,860,922)	(84,394)	3,521,444
Unallocated administrative expenses						(2,875,167)
Profit before income tax						646,277
Income tax benefit						548,934
Net profit						1,195,211
Profit attributable to non-controlling interests						(1,054,805)
						140,406
Net loss includes:						
- Depreciation of property, plant and equipment	3,204,277	1,614,544	67,975	4,786,121	–	9,672,917
<b>Other information</b>						
<b>Segment assets</b>	66,583,430	20,433,082	9,281,665	67,105,583	693,258	164,097,018
Segment assets include:-						
Additions to: Property, plant and equipment	6,510,237	507,914	467,800	1,573,298	–	9,059,249
<b>Segment liabilities</b>	(36,292,925)	(14,908,322)	(4,530,636)	(14,094,697)	(7,917)	(69,834,497)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 32 SEGMENT INFORMATION (CONT'D)

### (a) Reconciliations

#### (i) Segment assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, management monitors the property, plant and equipment, intangible assets, inventories, receivables and operating cash attributable to each segment. All assets are allocated to reportable segments.

Segment assets are reconciled to total assets as follows:

	2017	2016
	\$	\$
Segment assets for reportable segments	141,357,121	163,403,760
Other segment assets	583,293	693,258
	<u>141,940,414</u>	<u>164,097,018</u>

#### (ii) Segment liabilities

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than certain borrowings.

Segment liabilities are reconciled to total liabilities as follows:

	2017	2016
	\$	\$
Segment liabilities for reportable segments	56,172,396	69,826,580
Other segment liabilities	7,800	7,917
Unallocated:		
Borrowings	17,649,490	12,413,959
	<u>73,829,686</u>	<u>82,248,456</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 32 SEGMENT INFORMATION (CONT'D)

### (b) Geographical information

The Group's five business segments operate in three main geographical areas:

- Singapore - the Company is headquartered and has operations in Singapore. The operations in this area are principally the infrastructure engineering, the corrosion prevention, supply and distribution, and investment holdings;
- Indonesia - the operations in this area relate to all the reportable segments.
- Other countries - the operations include the shipping in Australia and the infrastructure engineering in China, Canada, South Africa, Myanmar and Malaysia.

Revenues and non-current assets based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2017	2016	2017	2016
	\$	\$	\$	\$
Singapore	28,101,147	49,271,607	43,110,793	48,053,544
Indonesia	8,658,909	10,798,655	36,235,500	42,311,660
Others	17,985,325	16,563,529	13,884,540	16,336,939
	54,745,381	76,633,791	93,230,833	106,702,143

Non-current assets presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheet.

### (c) Revenue from major services and customers

Revenue from external customers are derived from all reportable segments as disclosed in Note 5.

Revenue from a major customer amounted to \$4,963,083 (2016: \$18,264,689), arising from sales by the infrastructure engineering segment.

Revenue from another major customer amounted to \$7,104,388 (2016: \$9,043,298), arising from sales by the corrosion prevention segment.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 33 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 or later periods and which the Group has not early adopted:

### Effective for annual periods beginning on or after 1 January 2018

- FRS 109 Financial Instruments
- FRS 115 Revenue from Contracts and Customers
- Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers
- Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 40: Transfer of Investment Property
- INT FRS 122 Foreign Currency Transactions and Advance Consideration
- Improvements to FRSs (December 2017)
  - Amendments to FRS 101: First-time Adoption of Financial Reporting Standards
  - Amendments to FRS 28: Investments in Associates and Joint Ventures

### Effective for annual periods beginning on or after 1 January 2019

- FRS 116 Leases Illustrative Examples & Amendments to Guidance on Other Standards
- Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to FRS 109: Prepayment Features with Negative Compensation
- INT FRS 123: Uncertainty over Income Tax Treatments
- Amendments to FRS 103: Business Combinations
- Amendments to FRS 111: Joint Arrangements
- Amendments to FRS 12: Income Taxes
- Amendments to FRS 23: Borrowing Costs

The Group has yet to assess the full impact from adoption of the above standards and intends to apply the relevant standards in the financial years where the standards become effective.

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

### FRS 109 Financial Instruments

FRS 109 replaces FRS 39 Financial instruments: Recognition and Measurement and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI ("FVOCI"). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there were no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair changes arising from changes in own credit risk. For liabilities designed at fair value through profit or loss, such changes are recognised in OCI.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 33 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

### FRS 109 Financial Instruments (cont'd)

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The new standard also introduces expanded disclosure requirements and changes in presentation.

### FRS 115 Revenue from Contracts and Customers

FRS 115 replaces FRS 11 Construction Contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

### FRS 116 Leases

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$8,578,487 (2016: \$10,616,562) (Note 29(b)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 34 ADOPTION OF SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

### (a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under IFRS 1. Management has assessed these optional exemptions and decided not to elect the relevant optional exemptions, as such there will be no significant adjustments to the Group's financial statements prepared under SFRS.

### (b) Adoption of SFRS(I) equivalent of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 January 2018. Accordingly, requirements of SFRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017.

#### (i) Classification and measurement

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) equivalent of IFRS 9. As a result of the assessment, management does not expect significant adjustments to the Group's balance sheet line items.

#### (ii) Impairment of financial assets

The following financial assets will be subject to the expected credit loss impairment model under SFRS(I) equivalent of IFRS 9:

- Trade receivables and contract assets recognised under SFRS(I) equivalent of IFRS 15; and
- Loans to related parties and other receivables at amortised cost.

Management does not expect significant provision for impairment for the above financial assets and corresponding decrease in opening retained profits is not expected to arise from the application of the expected credit loss impairment model.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 34 ADOPTION OF SFRS(I) (CONT'D)

### (c) Adoption of SFRS(I) equivalent of IFRS 15

In accordance with the requirements of IFRS 1, the Group will adopt SFRS(I) equivalent of IFRS 15 retrospectively. The main adjustments are as follows:

#### (i) Accounting for costs incurred to fulfil a contract

Under SFRS, training costs incurred on staff working specifically on certain contracts to construct specialised equipment are expensed to the profit or loss as they do not qualify for recognition as an asset under any SFRS.

Under SFRS(I) equivalent of IFRS 15, as these costs relate directly to the Group's contracts with customers and are expected to be recovered, they will be capitalised as "contract assets - costs to fulfil a contract".

#### (ii) Accounting for contracts with multiple performance obligations

Under SFRS, each contract for construction of specialised equipment has been assessed to be one contract with revenue recognised progressively by reference to the stage of completion of the contract activity at the balance sheet date.

The Group has assessed each contract under the requirements of SFRS(I) equivalent of IFRS 15 and concluded that for each of these contracts there are two distinct performance obligations which are satisfied at different timings. This will result in different timings of revenue recognition for each performance obligation under each contract.

#### (iii) Presentation of contract assets and liabilities

The Group is expected to change the presentation of certain amounts in the balance sheet to reflect the terminology in SFRS(I) equivalent of IFRS 15:

- Amounts due from customers arising from construction contracts and construction contract work-in-progress under SFRS will be reclassified to be presented as part of contract assets.
- The expected volume discounts and refunds to customers which have been presented as current provisions under SFRS, will be classified as contract liabilities.
- Advances received from customers arising from construction contracts and amounts due to customers arising from construction contracts under SFRS will be reclassified to be presented as part of contract liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 34 ADOPTION OF SFRS(I) (CONT'D)

### (d) Summary of provisional financial impact

The line items on the Group's financial statements that may be adjusted with significant impact arising from the adoption of SFRS(I) as described above are summarised below:

	As at 31 Dec 2017 reported under SFRS \$	(Provisional) As at 1 Jan 2018 reported under SFRS(I) \$	As at 1 Jan 2017 reported under SFRS \$	(Provisional) As at 1 Jan 2017 reported under SFRS(I) \$
Trade and other receivables	27,914,085	21,144,054	38,190,459	26,987,602
Contract assets	–	6,770,031	–	11,202,857
Contract liabilities	–	373,615	–	449,758
Trade and other payables	19,822,076	19,448,461	23,252,739	22,802,981

## 35 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Beng Kuang Marine Limited on 29 March 2018.

# SHAREHOLDING STATISTICS

As at 15 March 2018

Issued and fully paid	: S\$50,127,342.00
Number of shares	: 135,010,406
Number of Treasury Shares held	: Nil
Number of Subsidiary Holdings held	: Nil
Class of shares	: Ordinary shares
Voting rights	: 1 vote per ordinary share

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2018, 56.29% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

## ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	20	1.12	900	0.00
100 - 1,000	107	5.97	67,300	0.05
1,001 - 10,000	953	53.21	4,672,125	3.46
10,001 - 1,000,000	695	38.81	36,921,828	27.35
1,000,001 and above	16	0.89	93,348,253	69.14
	<b>1,791</b>	<b>100.00</b>	<b>135,010,406</b>	<b>100.00</b>

## TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	CHAN KWAN BIAN	27,305,575	20.22
2	CHUA BENG KUANG	9,066,875	6.71
3	CHUA MENG HUA	8,829,875	6.54
4	MAYBANK KIM ENG SECURITIES PTE LTD	8,057,328	5.97
5	CHUA BENG HOCK	6,329,875	4.69
6	CHUA BENG YONG	6,329,875	4.69
7	TEO GIM TIONG	6,000,000	4.44
8	TEO GIM KIM	5,500,000	4.07
9	RAFFLES NOMINEES (PTE) LTD	4,609,825	3.41
10	LIM CHEE SAN	3,191,700	2.36
11	PHILLIP SECURITIES PTE LTD	1,521,475	1.13
12	TAY YEW CHONG	1,521,250	1.13
13	OCBC SECURITIES PRIVATE LTD	1,376,500	1.02
14	SEH KIAN HOON	1,348,700	1.00
15	DBS NOMINEES PTE LTD	1,234,400	0.91
16	CHUA WUI WUI	1,125,000	0.83
17	CHANG THIAM HUI	850,000	0.63
18	CGS-CIMB SECURITIES (S) PTE LTD	781,753	0.58
19	UNITED OVERSEAS BANK NOMINEES PTE LTD	757,800	0.56
20	CHUAH LAM SIANG	700,000	0.52
		<b>96,437,806</b>	<b>71.41</b>

# SHAREHOLDING STATISTICS

As at 15 March 2018

## SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Chua Beng Kuang	9,066,875	6.71	–	–
Chua Meng Hua	8,829,875	6.54	–	–
Chan Kwan Bian	27,305,575	20.22	–	–

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Beng Kuang Marine Limited (the "Company") will be held at 55 Shipyard Road, Singapore 628141 on Wednesday, 25 April 2018 at 11.00 a.m., for the purpose of transacting the following businesses:-

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect Mr Chua Meng Hua as a Director retiring pursuant to Regulation 107 of the Company's Constitution. **(Resolution 2)**  
  
[See Explanatory Note 1]
3. To re-elect Mr Goh Chee Wee as a Director retiring pursuant to Regulation 107 of the Company's Constitution. **(Resolution 3)**  
  
[See Explanatory Note 2]
4. To re-elect Mr Low Wee Siong as a Director retiring pursuant to Regulation 117 of the Company's Constitution. **(Resolution 4)**  
  
[See Explanatory Note 3]
5. To approve the payment of Directors' fees of S\$107,305 (2016: S\$103,900) for the financial year ended 31 December 2017. **(Resolution 5)**
6. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

## AS SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without amendments:

**Authority to allot and issue shares up to 50 per centum (50%) of issued share capital**

**(Resolution 7)**

"That pursuant to Section 161 of the Companies Act, Cap. 50, and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50 per centum (50%) of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20 per centum (20%) of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company

# NOTICE OF ANNUAL GENERAL MEETING

(the percentage of issued share capital being based on the issued share capital (excluding treasury shares and subsidiary holdings) at the time such authority is given after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of awards outstanding or subsisting at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or on the date by which the next AGM is required by law to be held, whichever is the earlier."

[See Explanatory Note 4]

8. To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without modification:

**Authority to grant awards and to allot and issue shares under BKM Performance Share Plan**

**(Resolution 8)**

"That approval be and is hereby given to the Directors to grant awards from time to time in accordance with the provisions of Beng Kuang Performance Share Plan ("BKM PSP"), and, pursuant to Section 161 of the Act, to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the vesting of the awards under BKM PSP, provided always that the aggregate number of Shares to be allotted and issued pursuant to BKM PSP, when aggregated together with Shares to be allotted and issued pursuant to any other existing employee share schemes of the Company shall not exceed 15 per cent. of the total number of issued Shares excluding treasury shares and subsidiary holdings from time to time."

[See Explanatory Note 5]

9. To transact any other business that may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Wee Woon Hong  
Srikanth Rayaprolu  
Company Secretaries

Singapore

9 April 2018



# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

1. Mr Chua Meng Hua will, upon re-election as Director of the Company, remain as the Managing Director and Chief Executive Officer of the Company. Further information on Mr Chua Meng Hua can be found in the Annual Report 2017.
2. Mr Goh Chee Wee will, upon re-election as a Director, remain as an Independent Director of the Company and the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee of the Company. He is considered by the Board to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Mr Goh Chee Wee does not have any relationship including immediate family relationship between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Goh Chee Wee can be found in the Annual Report 2017.
3. Mr Low Wee Siong will, upon re-election as a Director, remain as an Independent Director of the Company and a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company. He is considered by the Board to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Mr Low Wee Siong does not have any relationship including immediate family relationship between himself and the Directors, the Company and its 10% shareholders. Further information on Mr Low Wee Siong can be found in the Annual Report 2017.
4. The proposed Ordinary Resolution 7, if passed, will authorise the Directors of the Company to issue shares up to 50% of the Company's issued share capital (excluding treasury shares and subsidiary holdings), with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.
5. The proposed Ordinary Resolution 8, if passed, will empower the Directors to offer and grant awards under BKM PSP (as from time to time amended, modified or supplemented), which was approved at the extraordinary general meeting of the Company on 27 April 2009, and to allot and issue shares in the capital of the Company, pursuant to the vesting of the awards under BKM PSP provided that the aggregate number of Shares to be issued under BKM PSP, when aggregated with Shares to be issued under any other existing share schemes of the Company, does not exceed 15 per cent. of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company for the time being.

## Notes:

- (i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two (2) proxies to attend and vote instead of him.
- (ii) Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.
- (iv) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
- (v) The instrument appointing a proxy must be deposited at the registered office of the Company at 55 Shipyard Road, Singapore 628141, not less than 48 hours before the time appointed for holding the above Meeting.
- (vi) A depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the above Meeting in order for the Depositor to be entitled to attend and vote at the above Meeting.

## Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. Your and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

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**BENG KUANG MARINE LIMITED**

(Registration No.: 199400196M)

(Incorporated in the Republic of Singapore)

**PROXY FORM****ANNUAL GENERAL MEETING****Important:**

This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2018. "Personal data" in this proxy form has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("PDPA"), which includes your and your proxy's and/or representative's name, address and NRIC/Passport No.

I/We\*, \_\_\_\_\_ (Name) NRIC/Passport/Company Registration No.\* \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a member/members of **BENG KUANG MARINE LIMITED** (the "Company") hereby appoint :

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or \*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her\*, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our\* proxy/proxies\* to attend and to vote for me/us\* on my/our\* behalf at the AGM of the Company to be held at 55 Shipyard Road, Singapore 628141 on Wednesday, 25 April 2018 at 11.00 a.m., and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/their discretion.

<input type="checkbox"/>	Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.
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All resolutions put to the vote at the AGM shall be decided by way of poll.

No.	Resolutions	Number of Votes For **	Number of Votes Against**
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017		
2.	Re-election of Mr Chua Meng Hua as a Director of the Company		
3.	Re-election of Mr Goh Chee Wee as a Director of the Company		
4.	Re-election of Mr Low Wee Siong as a Director of the Company		
5.	Approval of Directors' Fees for the financial year ended 31 December 2017		
6.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors and authorise the Directors to fix their remuneration		
7.	Authority to allot and issue of shares		
8.	Authority to grant awards and to allot and issue shares under BKM PSP		

\* Delete accordingly

\*\* If you wish to exercise all your votes "For" or "Against", please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

Total Number of Shares held

\_\_\_\_\_  
Signature(s) of Shareholder(s)/or

Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore or any statutory modification thereof, as the case may be), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend and vote at an AGM of the Company. Where such member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at an AGM of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

**"relevant intermediary" means:**

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
  - (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 55 Shipyard Road, Singapore 628141 not less than 48 hours before the time appointed for the AGM.
  5. A proxy need not be a member of the Company.
  6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
  7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
  8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
  9. The submission of an instrument or form appointing a proxy by a member does not preclude him/her from attending and voting in person at the AGM if he/she so wishes.
  10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the AGM, as certified by the Depository to the Company.





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**BENG KUANG GROUP**

**BENG KUANG MARINE LIMITED**

Company Reg No.: 199400196M

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