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BENG KUANG GROUP

# REGAINING MOMENTUM

Annual Report 2019

## OUR VISION

WE ASPIRE TO BE THE "PREFERRED PARTNER" IN PROVIDING TOTAL SOLUTIONS FOR THE MARINE, OFFSHORE AND OIL & GAS INDUSTRIES.

## OUR 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.

# REGAINING MOMENTUM

## CONTENTS

# 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) License
- Offshore Asset Integrity Management
- Project Management Services
- Supply of Cranes & Deck Equipment
- Rental of Industrial Equipment & Machinery

Our Infrastructure Engineering Division has been accredited with ISO9001:2015 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 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, a patrol vessel, 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 provide asset integrity solutions for floating asset owners and operators. Our services include proficient and cost-efficient "one-stop" offshore in-situ turnkey repairs (periodical maintenances, repairs as per class requirements, life extension, warranty repairs, major repairs, upgrade, etc).

In 2015, we invested in an engineering company which is 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
- Shop Blasting & Painting
- Thermal Spray Coating

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 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")

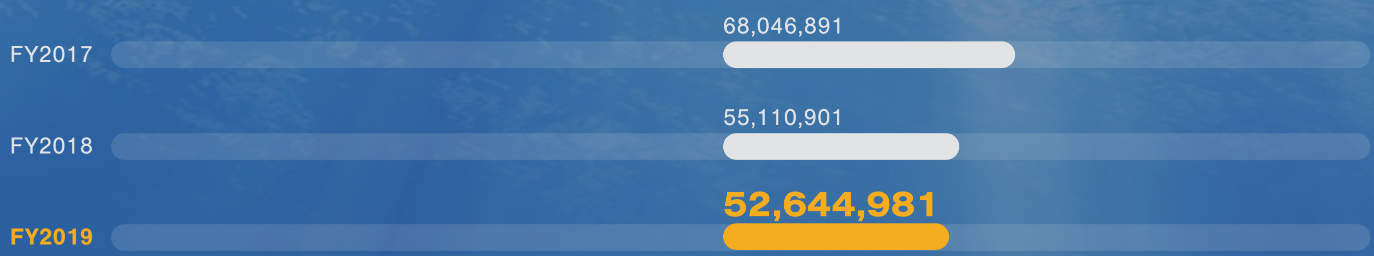
- Livestock Carriers
- Tugs & Barges
- Ship Management

The Shipping Division mainly operates two livestock vessels that trade from Australia to Vietnam, China, Indonesia and Malaysia and occasionally to South Africa countries. Currently, we have two Indonesian flagged tugs.

# FINANCIAL HIGHLIGHTS

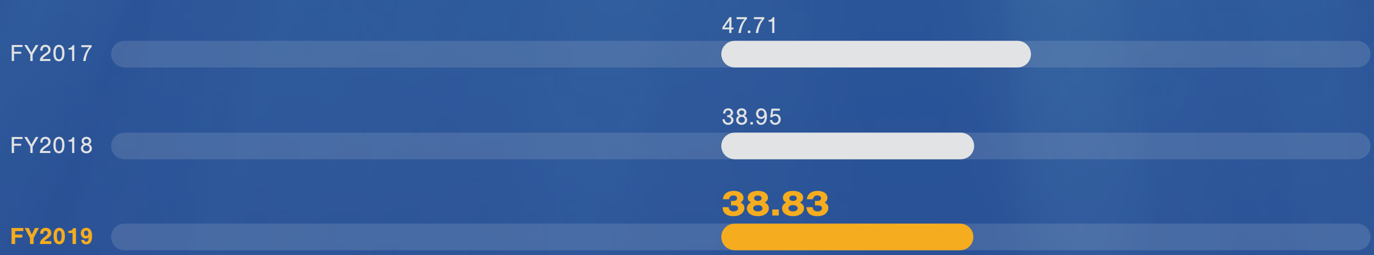
## ATTRIBUTABLE PROFIT / (LOSS)


## TANGIBLE NET WORTH




## BASIC EARNINGS PER SHARE
(In Cents)


## NAV PER SHARE
(in cents)



| | 2019 | 2018 | 2017 |
|---|---|---|---|
| **OPERATING RESULTS** | | | |
| Turnover* | 58,358,162 | 55,315,822 | 45,245,684 |
| Profit/(loss) before tax | 600,467 | (11,427,340) | (11,247,719) |
| EBITDA | 11,149,895 | (720,305) | 1,036,400 |
| **Attributable (loss) / profit** | 4,932 | (11,661,100) | (10,977,020) |
| **FINANCIAL POSITION** | | | |
| Total assets | 115,929,752 | 129,905,689 | 141,940,414 |
| Total liabilities | (63,220,934) | (74,730,951) | (73,829,686) |
| Net debt | (29,924,168) | (29,757,860) | (46,955,046) |
| **Tangible Net Worth** | 52,644,981 | 55,110,901 | 68,046,891 |
| Net Gearing ratio | 57% | 54% | 69% |
| **PER SHARE DATA (IN CENTS)** | | | |
| **Basic Earnings per Share – Basic** | 0.01 | (8.64) | (8.13) |
| – Diluted | 0.01 | (8.64) | (8.13) |
| **NAV per share** | 38.83 | 38.95 | 47.71 |
| **SEGMENT RESULTS*** | | | |
| Turnover | | | |
| Infrastructure Engineering | 16,249,480 | 11,979,975 | 5,682,252 |
| Corrosion Prevention | 19,893,230 | 14,704,328 | 18,894,813 |
| Supply & Distribution | 5,895,688 | 6,493,686 | 9,392,003 |
| Shipping | 16,319,764 | 22,137,833 | 11,276,616 |
| Profit / (loss) from operating segments | | | |
| Infrastructure Engineering | (1,057,490) | 617,139 | (406,663) |
| Corrosion Prevention | 3,632,218 | (241,259) | 747,412 |
| Supply & Distribution | 328,829 | (71,713) | 75,208 |
| Shipping | (4,595,391) | (4,251,404) | (4,287,524) |
| Others | (82,898) | (80,450) | (84,167) |
| Capital Expenditure | | | |
| Infrastructure Engineering | 621,930 | 1,279,259 | 536,321 |
| Corrosion Prevention | 123,060 | 163,775 | 151,054 |
| Supply & Distribution | 41,948 | 15,348 | – |
| Shipping | 3,258,034 | 336,310 | 1,691,666 |

* from continuing operations

# EXECUTIVE CHAIRMAN'S STATEMENT

**Chua Beng Kuang**
*Executive Chairman*

## DEAR SHAREHOLDERS,

The marine, offshore oil and gas markets remained depressed as there was no significant improvement in global crude oil prices in 2019. Lesser newbuilding and fabrication contracts were awarded during the year in the face of challenging times faced by oil majors and shipowners. All marine related companies had downsized their capacity, reduced manpower and operating costs to continue their survival in these tough business conditions.

In these tough market conditions, the Group achieved a revenue of $58.36 million in FY2019 compared to $55.32 million in FY2018 and a nominal profit after tax of approximately $5,000 in FY2019 attributable to shareholders of the Company compared to the loss of $11.66 million attributable to shareholders in FY2018.

The Group has reduced its borrowings (excluding lease liabilities) by $6.8 million from $34.7 million in FY2018 to $27.9 million in FY2019, repaid largely from the $14.0 million sale proceeds of our then subsidiary, Asian Sealand Engineering Pte Ltd.

The revenue of the Infrastructure Engineering Division increased by 35.6% from $11.98 million in FY2018 to $16.25 million in FY2019 with a rise in recurring orders. Our Corrosion Prevention Division which is reliant on the Singapore and Batam shipyards, also achieved a 35.3% increase in revenue from $14.70 million in FY2018 to $19.89 million in FY2019 because of higher demand for its services from shipyards in Singapore and Batam.

Our Supply and Distribution Division had a slightly lower revenue of $5.90 million in FY2019 compared to $6.49 million in FY2018 in line with weakened demand for marine and industrial hardware. Our Shipping Division recorded a much lower revenue of $16.32 million in FY2019 compared to $22.14 million in FY2018 primarily due to the relatively long drydocking period of one of the livestock carriers and the sale of 2 sets of tugs and barges in FY2019. We have since FY2018 reduced our tug and barge fleet from 14 vessels to 2 tugs in FY2019 as part of our efforts to restructure the Shipping Division and reduce losses.

In view of the Group's financial position and its performance in FY2019, the Board has decided not to recommend any dividend for FY2019.


There is still much uncertainty in the outlook for marine, offshore oil and gas industry and this is now aggravated by the recent crash of crude oil price and the world-wide spread of the COVID-19 virus which have adversely affected the global economy. The Group will continue to seek out new projects, intensify our efforts to reduce costs and increase operational efficiencies in this challenging business environment.

On behalf of the Board, I would like to welcome Mr Lum Kin Wah, a marine industry veteran, as an independent Director to the Board. I also wish to thank my fellow Directors for their invaluable advice and guidance in FY2019.

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 sacrifice to go through a very difficult year.

**" THE GROUP WILL CONTINUE TO SEEK OUT NEW PROJECTS, INTENSIFY OUR EFFORTS TO REDUCE COSTS AND INCREASE OPERATIONAL EFFICIENCIES IN THIS CHALLENGING BUSINESS ENVIRONMENT."**

# FINANCIAL & OPERATIONS REVIEW


## BKM FY2019 FINANCIAL & OPERATIONS REVIEW

The Group managed to generate higher revenue along with Singapore shipyards reported higher demand for vessel repairs, upgrade and maintenance activities in FY2019. Though there was a slight pick-up in orders for our Infrastructure Engineering Division, our waterfront fabrication yard in Batam was still operating below optimal capacity. Overall, the Group's revenue increased by 5.5% or S$3.04 million from S$55.32 million in FY2018 to S$58.36 million in FY2019. The Group recorded net loss after tax of S$0.50 million in FY2019 as compared to net loss after tax of S$11.53 million in FY2018.

## SEGMENTAL REVIEW

### Infrastructure Engineering ("IE") Division

Revenue for our IE division increased by 35.6% or S$4.27 million from S$11.98 million in FY2018 to S$16.25 million in FY2019. The increase in revenue for FY2019 was mainly attributable to increased offshore asset repair and maintenance work. On a positive note, there was an increase in work orders on steel fabrication activities for our Singapore and Batam yards. However, IE division's business in Batam remained challenging due to the depressed offshore oil and gas sector where we did not secure sizeable contracts in FY2019.

On 15 May 2019, Beng Kuang Marine Limited acquired 316,200 ordinary shares, representing 51.0% shareholding interest in International Offshore Equipments Pte. Ltd. ("IOE") from Asian Sealand Engineering Pte Ltd ("ASE") for an aggregate S$316,200 based on the original investment cost in IOE. This acquisition is in line with the corporate restructuring of ASE to be undertaken, prior to the sale of ASE.

On 27 August 2019, Asian Sealand Offshore and Marine Pte Ltd ("ASOM") disposed all its 102,000 ordinary shares, representing 51.0% shareholding interest in Asian Sealand Equipment Solutions Pte Ltd ("ASES") to the other remaining shareholders in ASES for an aggregate consideration of S$131,873. The consideration is based on the unaudited net asset value of ASES of S$258,576 as at 30 June 2019.

On 23 December 2019, Asian Sealand Offshore & Marine Pte Ltd ("ASOM"), a 51.0%-owned subsidiary corporation, incorporated a wholly-owned subsidiary in Singapore named PBT Engineering Resources Pte Ltd ("PBT"). PBT will be engaged in the building and repairing of ships, tankers and other ocean-going vessels.

### Corrosion Prevention ("CP") Division

Revenue for our CP division increased by 35.3% or S$5.19 million from S$14.70 million in FY2018 to S$19.89 million in FY2019 mainly due to increase in ship repair activities at major shipyards in Singapore and Batam.

### Supply & Distribution ("SD") Division

Revenue for our SD division decreased by 9.1% or S$0.59 million from S$6.49 million in FY2018 to S$5.90 million in FY2019 due to weak demand for marine and industrial hardware products.

### Shipping and Others("SH") Division

Revenue for our SH division decreased by 26.3% or S$5.82 million from S$22.14 million in FY2018 to S$16.32 million in FY2019 mainly due to the mandatory drydocking and repairs of one of the livestock carriers for seven months. In addition, the tug and barge fleet had been reduced to two tug boats, resulting in a decline in revenue generating assets.

On 5 December 2019, Beng Kuang Marine Limited has acquired 3,833,334 additional ordinary shares in its subsidiary, Water and Environmental Technologies (WET) Pte Ltd ("WET") from two minority shareholders in WET for an aggregate consideration of S$38,333. As a result of the aforesaid acquisition, the Company's shareholding in WET has increased by 13.8% from 51.0% to 64.8%. The consideration was arrived on a willing buyer willing seller basis.

## OPERATING PROFITS

### Continuing Operations

The Group's gross profit from continuing operations increased slightly by S$0.31 million from S$9.59 million in FY2018 to S$9.90 million in FY2019. This was due to increased revenue and gross profit margins from IE and CP division offset by decreased revenue from SD and SH division.

The Group registered nominal profit attributable to shareholders of approximately S$5,000 in FY2019 mainly attributable to S$5.81 million gain on disposal of a subsidiary. As the Group continue to experience challenging marine offshore oil and gas market conditions, the volume of work for both FY2018 and FY2019 were unable to cover the Group's fixed costs and overheads.

### Discontinued Operations and disposal group classified as held for sale

The Company announced on 23 January 2019, that it has entered into a sale and purchase agreement in relation to the Company's proposed disposal of the entire issued and paid-up share capital ASE a wholly-owned subsidiary. Hence, ASE is classified as ''Discontinued Operations" and prior year's comparative figures are restated. The disposal of ASE was completed on 25 June 2019 for a cash consideration of S$14.0 million.

Net gain after tax from discontinued operations was S$3.61 million in FY2019 as compared to net loss after tax of S$4.45 million for FY2018 mainly due to recognition of S$5.81 million post-tax gain upon completion disposal of ASE on 25 June 2019.

## CASHFLOW STATEMENT

Net cash inflow generated from operating activities was S$10.43 million in FY2019. This was mainly generated from decrease in inventories by S$5.99 million; decrease in trade and other receivables by S$1.77 million; and increase on trade and other payables by S$1.37 million.

Net cash inflow from investing activities was S$10.97 million in FY2019. This was attributable to net cash inflow of S$13.42 million from sale of a subsidiary - Asian Sealand Engineering Pte Ltd ("ASE") on 25 June 2019 for consideration S$14.00 million. The gross proceeds of S$14.0 million was used for repayment of bank borrowings amounting to S$11.39 million; ASE's creditors and for the Group's working capital. Capital expenditure on mandatory drydocking repairs on one of the livestock carriers was approximately S$3.0 million.

Net cash outflow in financing activities was S$20.85 million in FY2019. This was mainly due to net repayment of S$15.65 million bank borrowings; redemption of S$5.0 million convertible bond which matured in April 2019; proceeds of $4.0 million on the exchange of 2022 bond from existing bondholders; repayment of lease liabilities of S$1.85 million largely for our right-of-use assets and S$1.61 million dividend paid to non-controlling interest.

As a result of the above, the Group registered a net increase in cash and cash equivalent of S$0.55 million for FY2019.

## ASSETS AND LIABILITIES

The Group registered total assets of S$115.93 million as at 31 December 2019.

The Group's current assets decreased from S$58.18 million as at 31 December 2018 to S$40.31 million as at 31 December 2019. This was mainly due to the completion of the disposal of a subsidiary which was recorded as asset held-for-sale at S$13.51 million as at 31 December 2018 to NIL as at 31 December 2019. Inventories decreased from S$11.24 million to S$5.05 million mainly due to sale of two tug boats and two cargo barges.

The Group's non-current assets increased from S$71.73 million as at 31 December 2018 to S$75.63 million as at 31 December 2019 mainly due to S$5.98 million recorded on right-of-use assets relating to a recently entered three year lease agreement for our headquarter office premise; lease on our trading warehouse cum workers' dormitory at Tuas area in Singapore as well as rental of various equipment. Our SH division incurred capital expenditure of approximately S$3.0 million on mandatory drydocking for one of our livestock carriers in FY2019.

Total liabilities for the Group decreased by S$11.51 million from S$74.73 million as at 31 December FY2018 to S$63.22 million as at 31 December 2019.

The Group's current liabilities decreased by S$13.83 million from S$63.57 million as at 31 December 2018 to S$49.74 million as at 31 December 2019. This was mainly due to completion of the disposal of ASE which was recorded as liabilities held-for-sale at S$13.86 million as at 31 December 2018 to NIL as at 31 December 2019.

The Group's non-current liabilities increased from S$11.16 million as at 31 December 2018 to S$13.48 million as at 31 December 2019 mainly due to lease liabilities S$3.93 million relating to a three year lease agreement for our headquarter office premise; lease on a trading warehouse cum workers' dormitory at Tuas area in Singapore as well as rental of various equipment. The Group also obtained extended terms with few key supportive trade creditors of which S$1.41 million payables shall be due after one year.

The Group registered net current liabilities of S$9.44 million as at 31 December 2019 as compared to S$5.39 million as at 31 December 2018. The increase was primarily due to bullet payments of US$2.63 million vessel loan and S$1.57 million Batam waterfront leasehold property loan due within twelve months. In addition, the Group registered lease liabilities (current portion) of S$2.17 million on the newly entered three (3) years lease agreement (pursuant to SFRS(I) 16 Leases - The Group has applied the standard from its mandatory adoption date of 1 January 2019 to all leases, including leases of Right-of-Use assets in a sublease); a trading warehouse cum dormitory lease at Tuas area in Singapore and rental of various equipment. In addition, there was a bridging loan extended by minority shareholder of one of our subsidiaries to the livestock carriers business for financing the mandatory repair and survey costs which the SH division is actively sourcing term financing for these two vessels which have twelve years and fifteen years remaining useful life respectively.

# 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 22 April 2019. He is primarily in charge of the overall management, including developing and steering corporate plans, business directions and strategies for the Group. He has more than 35 years of experience in the marine industry. He leads management in pursuing the Group's mission and objectives and has been instrumental to our growth.

**MR. CHUA MENG HUA**

Managing Director and 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 25 April 2018. He oversees the overall administrative, safety and operational systems, including developing and steering plans, and directions for the Group. He has more than 25 years of experience in the marine industry.

## MR. LOW WEE SIONG

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

Mr. Low Wee Siong was first appointed as our Independent Director on 19 May 2017 and was last re-elected on 25 April 2018. He is also a director of Wong Tan & Molly Lim LLC and an independent director of PropNex Limited. Mr. Low has more than a decade of experience in capital markets and corporate finance. He has been named amongst Singapore's most influential lawyers aged 40 and under in 2016 by the Singapore Business Review and recommended in The Legal 500 Asia Pacific 2018 and 2020 Editions for capital markets in Singapore.

Mr. Low Wee Siong holds degrees in law and accountancy from the National University of Singapore and the Nanyang Technological University respectively. He is an Advocate and Solicitor of the Supreme Court of Singapore, a Solicitor on the Roll of Solicitors of England and Wales and a Chartered Accountant of Singapore.

## 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 25 April 2018. He is also a director of Chailease Holding Company Ltd, King Wan 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. LUM KIN WAH

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

Mr. Lum Kin Wah was appointed as our Independent Director on 9 May 2019.

He has more than 40 years of experience in the maritime industry in various roles ranging from an apprentice to general manager and director in companies including Keppel Shipyard subsidiary (Keppel Philippines) and PT Pan-United Shipyard Indonesia. He was also the managing director of Nexus Engineering Pte Ltd, a member of the Labroy Engineering Group.

He is a Chartered Engineer registered in the UK and a member of the Society of Naval Architects and Marine Engineers in Singapore.

# 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 over 25 years of experience in the marine, offshore and 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 about 25 years' experience in the corrosion prevention business in the marine, offshore and oil and gas industries. He leads the CP Division in pursing the Group's mission and objectives and has been instrumental in the market expansion in CP Division.

**MR. LEE WEI LIANG**

Chief Financial Officer

Mr. Lee Wei Liang 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) License
- Offshore Asset Integrity Management
- Project Management Services
- Supply of Cranes & Deck Equipment
- Rental of Industrial Equipment & Machinery

- 100% MTM (ASE) Metalization Pte Ltd
- 100% PT. Nexus Engineering Indonesia
- 100% PT. Master Indonesia
- 51% Asian Sealand Offshore and Marine Pte Ltd
  - 51% ASIC Engineering Sdn Bhd
  - 51% PBT Engineering Resources Pte Ltd
- 51% International Offshore Equipments Pte Ltd
  - 51% International Offshore Equipment Canada Inc
- 51% Venture Automation & Electrical Engineering Pte Ltd

## CORROSION PREVENTION

- Abrasive & Non-Abrasive Blasting
- Paint Application
- Processing & Distributing of Copper Slag
- Rental of Machineries and Equipment
- Shop Blasting & Painting
- Thermal Spray Coating

- 100% Beng Kuang Marine (B&Chew) Pte Ltd
- 100% Beng Kuang Marine (B&M) Pte Ltd
- 100% B&K Marine Pte Ltd
- 100% OneHub Tank Coating Pte Ltd
- 100% PT. Nexelite CP Indonesia
- 80% Nexus Hydrotech Pte Ltd
- 51% Pangco Pte Ltd
  - 51% PT. Berger Batam

## SUPPLY & DISTRIBUTION

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

- 100% Nexus Sealand Trading Pte Ltd
  - 100% Picco Enterprise Pte Ltd

## SHIPPING & OTHERS

- Livestock Carriers
- Tugs & Barges
- Ship Management

- 100% Quill Marine Pte Ltd
  - 70% Cattle Line Two Pte Ltd
  - 70% Cattle Line One Pte Ltd
  - 100% Drako Shipping Pte Ltd
  - 100% PT. Marina Shipping
- 65% Water & Environmental Technologies (WET) Pte Ltd

## 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
- Mr. Low Wee Siong,
  Lead Independent Director
- Mr. Goh Chee Wee,
  Independent Director
- Mr. Lum Kin Wah,
  Independent Director *(Appointed on 9 May 2019)*
- Dr. Wong Chiang Yin,
  Independent Director *(Retired on 22 April 2019)*

## AUDIT COMMITTEE

- Mr. Low Wee Siong,
  Chairman
- Mr. Goh Chee Wee
- Mr. Lum Kin Wah

## REMUNERATION COMMITTEE

- Lum Kin Wah,
  Chairman
- Mr. Goh Chee Wee
- Mr. Low Wee Siong

## NOMINATING COMMITTEE

- Mr. Goh Chee Wee,
  Chairman
- Mr. Low Wee Siong
- Mr. Lum Kin Wah

## 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
Website: www.bkmgroup.com.sg

## AUDITORS

- Nexia TS Public Accounting Corporation
  80 Robinson Road
  #25-00,
  Singapore 068898
  Partner-in-charge : Mr. Loh Ji Kin
  *(Appointed since Financial Year Ended 2015)*

## BANKERS

- United Overseas Bank Limited
- CIMB Bank Berhad
- DBS Bank Limited
- Oversea-Chinese Banking Corporation Limited
- RHB Bank Berhad
- PT Bank Mandiri (Persero) Tbk, SIngapore

## 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

## FINANCIAL CONTENTS

# 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 2018 ("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.

## BOARD MATTERS

### THE BOARD'S CONDUCT OF AFFAIRS

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

Provision 1.1

**Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.**

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

Provision 1.2

**Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.**

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.

# REPORT OF CORPORATE GOVERNANCE

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.

**Provision 1.3**

**The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report.**

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.

**Provision 1.4**

**Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.**

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 Composition of AC, NC and RC are disclosed under various provisions of this Report.

**Provision 1.5**

**Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.**

# REPORT OF CORPORATE GOVERNANCE

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 FY2019 are as follows:-

| | BOARD MEETING | | AUDIT COMMITTEE | | REMUNERATION COMMITTEE | | NOMINATING COMMITTEE | |
|---|---|---|---|---|---|---|---|---|
| | NO OF MEETINGS | | NO OF MEETINGS | | NO OF MEETINGS | | NO OF MEETINGS | |
| NAME | HELD | ATTENDED | HELD | ATTENDED | HELD | ATTENDED | HELD | ATTENDED |
| CHUA BENG KUANG | 4 | 4 | – | – | – | – | – | – |
| CHUA MENG HUA | 4 | 4 | – | – | – | – | – | – |
| LOW WEE SIONG | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| GOH CHEE WEE | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| DR WONG CHIANG YIN* | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| LUM KIN WAH** | 3 | 3 | 3 | 3 | – | – | – | – |

* Retired at the Annual General Meeting held on 22 April 2019

** Appointed on 9 May 2019

**Provision 1.6**

**Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.**

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.

**Provision 1.7**

**Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.**

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.

# REPORT OF CORPORATE GOVERNANCE

## BOARD COMPOSITION AND GUIDANCE

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

**Provision 2.1**

**An "independent director" is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.**

(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*

| | |
|---|---|
| Low Wee Siong | (Lead Independent Director) |
| Goh Chee Wee | (Independent Director) |
| Lum Kin Wah | (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, Mr. Lum Kin Wah and Mr. Low Wee Siong are independent.

Mr. Goh Chee Wee was first appointed Directors on 30 August 2004 and have held his office as Director for more than 15 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 are satisfied that his long tenure does not impair his independence and he is able to discharge the duties as Director independently and objectively. He remained independent in character and judgement and there are no relationships or circumstances which are likely to affect his judgement. He is well qualified and experienced and has the ability to make impartial and well balanced decisions and to act in the best interests of the Company and shareholders.

**Provision 2.2**

**Independent directors make up a majority of the Board where the Chairman is not independent.**

As at the date of this report, the Board had three Independent Directors representing majority of the Board.

# REPORT OF CORPORATE GOVERNANCE

**Provision 2.3**

**Non-executive directors make up a majority of the Board.**

As at the date of this report, the Board had three Non-Executive Independent directors representing majority of the Board.

**Provision 2.4**

**The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.**

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.

While the Board and NC have not implemented a fixed diversity policy, the composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has appropriate mix of expertise and experience to enable management to benefit from a diverse perspective in reviewing the issues that are brought before the Board.

**Provision 2.5**

**Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.**

All Non-Executive Directors, led by the Lead Independent Director, meet regularly with the Executive Directors and management to develop strategies for the Group, review the performance of management, assess remuneration and discuss corporate governance matters. Where warranted, the Independent Non-Executive Directors meet for discussions before the Board meetings in the absence of management. The Lead Independent Director provides feedback to the Board as appropriate.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

**Provision 3.1**

**The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.**

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.

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

<u>**Provision 3.2**</u>

**The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.**

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.

<u>**Provision 3.3**</u>

**The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent.**

**The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.**

Mr Low Wee Siong 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.

## BOARD MEMBERSHIP

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

<u>**Provision 4.1**</u>

**The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to:**

**(a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;**

**(b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;**

**(c) the review of training and professional development programmes for the Board and its directors; and**

**(d) the appointment and re-appointment of directors (including alternate directors, if any).**

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

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.

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

**Provision 4.2**

**The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.**

As at the date of this report, the members of NC are:-

| | |
|---|---|
| Goh Chee Wee | (Chairman, Independent Director) |
| Low Wee Siong | (Member, Lead Independent Director) |
| Lum Kin Wah | (Member, Independent Director) |

**Provision 4.3**

**The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.**

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 Low Wee Siong 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 Low Wee Siong will, upon re-election as a Director, remain as Lead Independent Director of the Company and the Chairman of the Audit Committee and a member of the 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.

Pursuant to 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 Lum Kin Wah be nominated for re-election at the forthcoming AGM pursuant to Regulation 117 of the Company's Constitution. Mr Lum Kin Wah will, upon re-election as a Director, remain as an Independent Director of the Company and Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating 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.

# REPORT OF CORPORATE GOVERNANCE

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.

**Provision 4.4**

**The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.**

The NC meets at least once a year. Please refer to the disclosure in Provision 2.1 in relation to the NC's review of Director's independence.

**Provision 4.5**

**The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.**

All Directors are required to attend courses organized by the Singapore Institute of Directors on their duties and obligations as a Director within 1 year from their appointment. During FY2019, the Company arranged for Mr. Low Wee Siong and Mr. Lum Kin Wah to attend courses conducted by and/or in conjuction with the Singapore Institute of Directors. In addition, the responsibilities of a Director are clearly delineated in their appointment letter or service agreement (as the case may be).

All Directors declare their board memberships and principal commitments as and when practicable. The details of the listed company directorships and principal commitments of the Board members are set out in pages 8 to 9 of this Annual Report.

The NC has reviewed and is satisfied that all Directors have devoted sufficient time and attention to the affairs of the Group to adequately perform their duties as Directors of the Group.

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.

# REPORT OF CORPORATE GOVERNANCE

## BOARD PERFORMANCE

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

**Provision 5.1**

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

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.

**Provision 5.2**

**The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.**

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.

## REMUNERATION MATTERS

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

**Provision 6.1**

**The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on:**

**(a) a framework of remuneration for the Board and key management personnel; and**

**(b) the specific remuneration packages for each director as well as for the key management personnel.**

As at the date of this report, the members of RC are:-

| | |
|---|---|
| Lum Kin Wah | (Chairman, Independent Director) |
| Goh Chee Wee | (Member, Independent Director) |
| Low Wee Siong | (Member, Lead 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.

**Provision 6.2**

**The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.**

As at the date of this report, the members of RC are:

| | |
|---|---|
| Lum Kin Wah | (Chairman, Independent Director) |
| Goh Chee Wee | (Member, Independent Director) |
| Low Wee Siong | (Member, Lead Independent Director) |

**Provision 6.3**

**The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.**

The RC considers all aspects of remuneration, including termination terms, to ensure they are fair. Please refer to the disclosure in Provision 7.1 for remuneration aspects.

**Provision 6.4**

**The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.**

No remuneration consultant was engaged by the Company during FY2019. The RC may consider utilising external expert advice and data, as and when necessary, to assist in the evaluation of its compensation recommendations.

## LEVEL AND MIX OF REMUNERATION

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

**Provision 7.1**

**A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.**

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 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.

**Provision 7.2**

**The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.**

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.

**Provision 7.3**

**Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.**

The RC is of the view that the remuneration is appropriate to attract, retain and motivate the Directors and key management personnel to successfully manage the Company for the long term given the low attrition rate of Directors and key management personnel.

## DISCLOSURE ON REMUNERATION

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

**Provision 8.1**

**The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:**

**(a) each individual director and the CEO; and**

**(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.**

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.

# REPORT OF CORPORATE GOVERNANCE

A summary compensation table of the directors' remuneration for the financial year ended 31 December 2019 is set out below:

| NAME OF DIRECTORS | SALARY# (%) | BONUS (%) | FEES* (%) | BENEFITS (%) | TOTAL (%) |
|---|---|---|---|---|---|
| **Up to S$250,000** | | | | | |
| Chua Beng Kuang | 86.19 | – | – | 13.81 | 100.00 |
| Chua Meng Hua | 90.44 | – | 0.71 | 8.85 | 100.00 |
| Low Wee Siong | – | – | 100.00 | – | 100.00 |
| Goh Chee Wee | – | – | 100.00 | – | 100.00 |
| Lum Kin Wah*** | – | – | 100.00 | – | 100.00 |
| Dr Wong Chiang Yin** | – | – | 100.00 | – | 100.00 |

** These fees are subject to approval of the shareholders at the forthcoming AGM.*
*** Retired at the Annual General Meeting held on 22 April 2019.*
**** Appointed on 9 May 2019.*
*# Salary is inclusive of fixed allowance and CPF contributions.*

A summary compensation table of the top five Executive Officers' remuneration for the financial year ended 31 December 2019 is set out below:

| NAME OF TOP 5 EXECUTIVE OFFICERS | SALARY (%) | BONUS (%) | FEES (%) | BENEFITS (%) | TOTAL (%) |
|---|---|---|---|---|---|
| **Up to S$250,000** | | | | | |
| Chua Beng Yong | 100.00 | – | – | – | 100.00 |
| Chua Beng Hock | 100.00 | – | – | – | 100.00 |
| Lee Wei Liang | 90.78 | – | – | 9.22 | 100.00 |
| Tan Say Tian | 100.00 | – | – | – | 100.00 |
| Irene Lim | 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 Ms. Irene Lim (Senior Manager).

The aggregate total remuneration paid to or accrued to top five Executive Officers (who are not Directors or CEO) for FY2019 amounted to S$638,676.

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.

# REPORT OF CORPORATE GOVERNANCE

**Provision 8.2**

**The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.**

Mr. Chua Beng Kuang, Executive Chairman of the Company, and Mr. Chua Meng Hua, Managing Director and Chief Executive Officer 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$100,000. 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$100,000 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 2019 was less than 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 FY2019 exceeds S$100,000.

**Provision 8.3**

**The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.**

Please refer to the disclosure in Provision 8.1 for the remuneration details of Directors and Key Management Personnel of the Company.

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 Lum Kin Wah, 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.

## ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

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

**Provision 9.1**

**The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.**

The Company manages risks under an overall strategy determined by the Board and supported by AC. The Company sets acceptable risk management standards and periodically reviews the risks that the Group is subject to.

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.

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.

**Provision 9.2**

**The Board requires and discloses in the company's annual report that it has received assurance from:**

**(a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and**

**(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.**

The Board received 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.

## AUDIT COMMITTEE

**Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.**

**Provision 10.1**

**The duties of the AC include:**

**(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;**

**(b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;**

**(c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;**

**(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;**

**(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and**

**(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.**

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

| | |
|---|---|
| Low Wee Siong | (Chairman, Lead Independent Director) |
| Goh Chee Wee | (Member, Independent Director) |
| Lum Kin Wah | (Member, Independent Director) |

Mr Low Wee Siong 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 2019 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").

# REPORT OF CORPORATE GOVERNANCE

The aggregate amount of fees paid or payable to the independent auditors of the Company, broken down into audit and non-audit services during FY2019 are as follows:-

| | |
|---|---|
| Audit fees | : S$167,948 |
| Non-audit fees | : S$48,347 |

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

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 Mr Low Wee Siong, 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.

**Provision 10.2**

**The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.**

As at the date of this report, the members of AC are:

| | |
|---|---|
| Low Wee Siong | (Chairman, Lead Independent Director) |
| Goh Chee Wee | (Member, Independent Director) |
| Lum Kin Wah | (Member, Independent Director) |

Mr Low Wee Siong and Mr Lum Kin Wah have recent and relevant accounting or related financial management expertise or experience.

**Provision 10.3**

**The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.**

None of the AC members were previous partners or directors of the Company's existing auditors.

**Provision 10.4**

**The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.**

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 processes over 1 to 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.

**Provision 10.5**

**The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.**

The AC meets from time to time with the Group's external and internal auditors, in each case without the presence of the management of the Company, at least once a year.

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

**Provision 11.1**

**The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.**

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.

**Provision 11.2**

**The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.**

Separate resolutions are proposed at general meetings of shareholders on each substantially separate issue. 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.

Provision 11.3

**All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.**

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.

Provision 11.4

**The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of 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.

Provision 11.5

**The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.**

The Company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable and the minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting.

Provision 11.6

**The company has a dividend policy and communicates it to shareholders.**

The Company does not have a fixed dividend policy. In view of the Group's weak operating results in FY2019, the Board has decided not to declare any dividend for FY2019. The issue of payment of dividend is deliberated by the Board from time to time.

## ENGAGEMENT WITH SHAREHOLDERS

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

Provision 12.1

**The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of 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.

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.

Provision 12.2

**The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.**

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.

Provision 12.3

**The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.**

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.

## MANAGING STAKEHOLDERS RELATIONSHIPS

### ENGAGEMENT WITH STAKEHOLDERS

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

Provision 13.1

**The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.**

The Company has regularly engaged its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve services and products' standards, as well as to sustain business operations for long-term growth.

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly are able to impact the Group's business and operations.

# REPORT OF CORPORATE GOVERNANCE

Provision 13.2

**The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.**

Please refer to the disclosure in sustainability report, which will be announced on or before 31 May 2020 in relation to the management of stakeholder during FY2019.

Provision 13.3

**The company maintains a current corporate website to communicate and engage with stakeholders.**

The Company updates its corporate website www.bkmgroup.com.sg regularly with information released on the SGXNET and business developments of the Group.

## 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.

## 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 interests of the Company and its minority shareholders.

The Company has not entered into interested person transactions with aggregate value of more than S$100,000 during FY2019 pursuant to Rule 907 of the Listing Manual of the SGX-ST.

## 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.

# REPORT OF CORPORATE GOVERNANCE

## TABLE A

Pursuant to Rule 720(6) of the SGX-ST Listing Manual, the information of the Directors, who are retiring and being eligible, offered themselves for re-election at the upcoming AGM, are as follows:-

| Name of Director | Chua Meng Hua | Low Wee Siong | Lum Kin Wah |
|---|---|---|---|
| Date of appointment | 8 January 1994 | 19 May 2017 | 9 May 2019 |
| Date of last election | 25 April 2018 | 25 April 2018 | Not Applicable |
| Age | 65 | 42 | 63 |
| Country of principal residence | Singapore | Singapore | Singapore |
| The Board's comments on the NC's recommendation for re-election | The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Chua Meng Hua's performance as the Managing Director and Chief Executive Officer of the Company. | The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Low Wee Siong's performance as an Independent Director of the Company. | The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Lum Kin Wah's performance as an Independent Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Executive.<br>Responsible for the day to day management of the Group's operations. | No. Non-Executive. | No. Non-Executive. |
| Job title | Managing Director and Chief Executive Officer | Lead Independent Director, Chairman of Audit Committee and member of Nominating Committee and Remuneration Committee | Independent Director, Chairman of Remuneration Committee, Member of Audit Committee and Nominating Committee |
| Professional qualifications | Nil | • Bachelor of Law<br>• Bachelor of Accountancy<br>• Advocate and Solicitor of the Supreme Court of Singapore<br>• Solicitor on the Roll of Solicitors of England and Wales<br>• Chartered Accountant of Singapore. | • Bachelor of Science (Naval Architecture)<br>• Chartered Engineer / Member of Royal Institute of Naval Architects. UK |

# REPORT OF CORPORATE GOVERNANCE

| Name of Director | Chua Meng Hua | Low Wee Siong | Lum Kin Wah |
|---|---|---|---|
| Working experience and occupation(s) during past 10 years | Beng Kuang Marine Limited<br><br>8 January 1994 to current – Managing Director and Chief Executive Officer | 2014 to Present – Lawyer, Wong Tan & Molly Lim LLC<br><br>2011 to 2014 – Lawyer, Stamford Law Corporation (now known as Morgan Lewis Stamford LLC)<br><br>2009 to 2011 – Banker, RHB Bank Berhad | September 2015 to Present – Founder and Director, LKW Partners Pte. Ltd.<br><br>March 2013 to July 2015 – Senior Executive Vice President, Otto Marine (Ship Building) and Director of PT Batamec Shipyard, Indonesia<br><br>September 2012 to February 2013 – Executive Director, DDW Paxocean Asia, Indonesia<br><br>January 2011 to September 2012 – Representative, NGC Marine Propulsion South East Asia, Singapore<br><br>July 2009 to December 2011 – Chief Operating Officer, Otto Marine, Singapore |
| Shareholdings interest in the listed issuer and its subsidiaries | Mr Chua Meng Hua holds 8,829,875 ordinary shares (6.54%) in the share capital of the Company. | No | No |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Mr Chua Beng Kuang, Executive Chairman and Mr Chua Meng Hua, Managing Director and Chief Executive Officer of the Company, are brothers. Both Mr Chua Beng Kuang and Mr Chua Meng Hua are Substantial Shareholders of the Company. | No | No |
| Conflict of interest (including any competing business) | No | No | No |

# REPORT OF CORPORATE GOVERNANCE

| Name of Director | Chua Meng Hua | Low Wee Siong | Lum Kin Wah |
|---|---|---|---|
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes | Yes |
| Other Principal Commitments Including Directorships | <u>Directorships</u><br>Past (for the last 5 years)<br>• Nil<br>Present<br>• Asian Sealand Offshore & Marine Pte Ltd<br>• B&K Marine Pte Ltd<br>• Beng Kuang Marine (B&Chew) Pte Ltd<br>• Beng Kuang Marine (B&M) Pte Ltd<br>• Cattle Line Two Pte Ltd<br>• Drako Shipping Pte Ltd<br>• International Offshore Equipments Pte Ltd<br>• MTM (ASE) Metalization Pte Ltd<br>• Nexus Hydrotech Pte Ltd<br>• Nexus Sealand Trading Pte Ltd<br>• OneHub Tank Coating Pte Ltd<br>• Pangco Pte Ltd<br>• PBT Engineering Resources Pte Ltd<br>• Picco Enterprise Pte Ltd<br>• Quill Marine Pte Ltd<br>• Venture Automation & Electrical Engineering Pte Ltd<br>• Water and Environment Technologies (WET) Pte Ltd<br>• PT Berger Batam<br>• PT Nexus Engineering Indonesia | <u>Directorships</u><br>Past (for the last 5 years)<br>• Nil<br>Present<br>• Wong Tan & Molly Lim LLC<br>• Propnex Limited | <u>Directorships</u><br>Past (for the last 5 years)<br>• AMA Partners Pte. Ltd.<br>Present<br>• LKW Partners Pte. Ltd. |

# REPORT OF CORPORATE GOVERNANCE

The general statutory disclosures of the Director are as follows:

| Question | Chua Meng Hua | Low Wee Siong | Lum Kin Wah |
|---|---|---|---|
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No | No |
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No | No |
| (c) Whether there is any unsatisfied judgment against him? | No | No | No |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No | No |
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No | No |
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No | No |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No | No |

# REPORT OF CORPORATE GOVERNANCE

| Question | Chua Meng Hua | Low Wee Siong | Lum Kin Wah |
|---|---|---|---|
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No | No |
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No | No |
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :– | | | |
| (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No | No | No |
| (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No | No |
| (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No | No | No |
| (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, | No | No | No |
| in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | | | |
| (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No | No |

# DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

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 48 to 146 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 2019 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 Group 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
Low Wee Siong
Goh Chee Wee
Lum Kin Wah (Appointed on 9 May 2019)

## 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 31.12.2019 | AT 1.1.2019 |
| **The Company** | | |
| (No. of ordinary shares) | | |
| Chua Beng Kuang | 9,066,875 | 9,066,875 |
| Chua Meng Hua | 8,829,875 | 8,829,875 |

The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

## 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:

| | |
|---|---|
| Low Wee Siong | (Chairman, Lead Independent Director) |
| Goh Chee Wee | (Member, Independent Director) |
| Lum Kin Wah | (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 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 2019 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 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 2019

## INDEPENDENT AUDITOR

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

On behalf of the directors

Chua Beng Kuang
Executive Chairman

Chua Meng Hua
Managing Director and
Chief Executive Officer

31 March 2020

# 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 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 146.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2019 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.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

*Key Audit Matters (continued)*

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE MATTER |
|---|---|
| **1. Completeness and accuracy of revenue recognition on infrastructure engineering and corrosion prevention services** | |
| For the financial year ended 31 December 2019, the revenue recognised from infrastructure engineering and corrosion prevention services was $36.14 million (2018: $26.68 million).<br><br>The Group has significant long-term contracts in relation to the provision of infrastructure engineering services and corrosion prevention services. The recognition of revenue in accordance with SFRS(I) 15 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.<br><br>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 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.<br><br>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.<br><br>The accounting policies for infrastructure engineering and corrosion prevention services are set out in Note 2.2 (a) and (b) respectively to the consolidated financial statements and the different revenue streams for the Group have been disclosed in Note 5 to the consolidated financial statements. | Our audit approach comprises of both controls testing and substantive procedures as follows:<br><br>• understood and evaluated the design and implementation of key controls over the budgeting process, 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;<br><br>• 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;<br><br>• 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;<br><br>• 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 stage of completion method, including the following procedures:<br><br>- reviewed the contract terms and conditions through scrutiny of contract documentation;<br>- verified contract costs incurred from suppliers in respect of materials needed and reviewed the estimation basis of overheads allocated;<br>- reviewed actual cost incurred including accrued costs vis-à-vis estimated contract cost;<br>- tested the existence and completeness of claims and variation orders within contract costs via inspection of correspondence with customers and the suppliers; and<br>- identified inventories during stock take observations which have not been utilised but charged out as project cost incurred, if any.<br><br>• assessed the need for, and adequacy of, provision for onerous loss-making contracts, if any, for those contracts with losses and low profit margins. |

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

*Key Audit Matters (continued)*

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE MATTER |
|---|---|
| **2. Credit loss allowance on trade receivables and contract assets** | |
| As at 31 December 2019, trade receivables and contract assets amounted to $18.69 million and $7.39 million respectively. Trade receivables and contract assets are carried at amortised cost less appropriate allowance for credit losses.<br><br>The Group assesses at each reporting date whether there is objective evidence that the credit risk on trade receivables and contract assets has increased. In carrying out this assessment, judgement is applied by the management to determine appropriate parameters and assumptions used to calculate credit loss allowance.<br><br>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.<br><br>Allowance for credit loss is a subjective area due to the level of judgement applied by the management in determining the credit loss allowance. Due to the significance of trade receivables and contract assets (representing 22% of total assets) and the related estimation uncertainty, this is considered a key audit matter.<br><br>The accounting policies for provision for credit loss allowance of trade receivables are set out in Note 2.10 to the consolidated financial statements. The credit risk and the aging of the trade receivables are disclosed in Note 33(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 the following:<br><br>• understood, evaluated and validated key controls over sales and receivables cycle;<br><br>• assessed the recoverability of sampled outstanding trade receivable balances by:<br><br>- 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;<br><br>- 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 credit loss; and<br><br>- inspected arrangements and/or correspondences with external parties to assess the recoverability of long outstanding receivables.<br><br>• assessed the recoverability of aged contract assets by:<br><br>- comparing management's assessment of recoverability of these amounts to historical patterns of billings and receipts;<br><br>- verifying progress billings issued and cash received subsequent to financial year up to the date of our Independent Auditor's report; and<br><br>- reviewing correspondences with external parties to assess recoverability of long overdue contract assets. |

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

*Key Audit Matters (continued)*

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE MATTER |
|---|---|
| **3. Valuation of property, plant and equipment** | |
| As at 31 December 2019, property, plant and equipment ("PPE") amounting to $72.33 million represent 62% of total assets.<br><br>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 are estimated by an independent third party valuer based on their knowledge of each CGU and the relevant markets.<br><br>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.<br><br>The accounting policies for impairment for property, plant and equipment are set out in Note 2.9(b) to the consolidated financial statements. | Our audit procedures focused on evaluating the key assumptions used by the management in preparing the impairment assessment. These procedures included the following:<br><br>• 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;<br><br>• 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<br><br>• 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. |

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

*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 SFRS(I)s, 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.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

*Auditor's Responsibilities for the Audit of the Financial Statements (continued)*

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

- 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**
**31 March 2020**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2019

| | NOTE | 2019 $ | 2018 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5 | 58,358,162 | 55,315,822 |
| Cost of sales | | (48,453,092) | (45,722,141) |
| Gross profit | | 9,905,070 | 9,593,681 |
| | | | |
| Other gains – net | 8 | 642,178 | 578,336 |
| | | | |
| Expenses | | | |
| - Selling and distribution | | (724,680) | (897,389) |
| - Administrative | | (11,526,108) | (14,073,103) |
| - Finance | 9 | (2,060,410) | (2,186,325) |
| Loss before income tax | | (3,763,950) | (6,984,800) |
| | | | |
| Income tax expense | 10 | (350,898) | (98,433) |
| **Net loss from continuing operations** | | (4,114,848) | (7,083,233) |
| | | | |
| **Discontinued operations** | | | |
| Net gain/(loss) from discontinued operations | 11 | 3,612,026 | (4,449,129) |
| **Total loss** | | (502,822) | (11,532,362) |
| | | | |
| **Other comprehensive loss, net of tax:** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Currency translation differences arising from consolidation – gains/(losses) | | 82,675 | (129,628) |
| **Total comprehensive loss** | | (420,147) | (11,661,990) |
| | | | |
| **Profit/(loss) attributable to:** | | | |
| Equity holders of the Company | | 4,932 | (11,661,100) |
| Non-controlling interests | | (507,754) | 128,738 |
| | | (502,822) | (11,532,362) |
| | | | |
| **Profit/(loss) attributable to equity holders of the Company relates to:** | | | |
| Loss from continuing operations | | (3,607,094) | (7,211,971) |
| Gain/(loss) from discontinued operations | | 3,612,026 | (4,449,129) |
| | | 4,932 | (11,661,100) |
| | | | |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Equity holders of the Company | | 107,483 | (11,827,831) |
| Non-controlling interests | | (527,630) | 165,841 |
| | | (420,147) | (11,661,990) |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2019

| | NOTE | 2019<br>$ | 2018<br>$ |
|---|---|---|---|
| **Earnings/(loss) per share from continuing and discontinued operations attributable to equity holders of the Company (cents per share)** | | | |
| **Basic (loss)/earnings per share** | | | |
| From continuing operations | 12 | (2.67) | (5.34) |
| From discontinued operations | 12 | 2.68 | (3.30) |
| **Diluted earnings/(loss) per share** | | | |
| From continuing operations | 12 | (2.67) | (5.34) |
| From discontinued operations | 12 | 2.68 | (3.30) |

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

# CONSOLIDATED BALANCE SHEET

As at 31 December 2019

| | NOTE | GROUP 2019 $ | GROUP 2018 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 13 | 4,435,361 | 5,212,048 |
| Trade and other receivables | 14 | 23,425,940 | 22,800,657 |
| Contract assets | 5(b) | 7,392,812 | 5,417,268 |
| Inventories | 15 | 5,050,976 | 11,238,111 |
| | | 40,305,089 | 44,668,084 |
| Assets of disposal group classified as held-for-sale | 11 | – | 13,511,137 |
| | | 40,305,089 | 58,179,221 |
| **Non-current assets** | | | |
| Trade and other receivables | 14 | 2,470,000 | 4,030,000 |
| Intangible assets | 17 | 63,837 | 63,837 |
| Property, plant and equipment | 18 | 72,330,196 | 67,276,491 |
| Deferred income tax assets | 27 | 760,630 | 356,140 |
| | | 75,624,663 | 71,726,468 |
| **Total assets** | | 115,929,752 | 129,905,689 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 26,619,642 | 24,455,635 |
| Contract liabilities | 5(b) | 350,326 | 482,682 |
| Deferred income | 22 | 81,322 | 250,271 |
| Current income tax liabilities | | 378,452 | 625,342 |
| Borrowings | 23 | 22,310,718 | 23,898,855 |
| | | 49,740,460 | 49,712,785 |
| Liabilities directly associated with disposal group classified as held-for-sale | 11 | – | 13,859,349 |
| | | 49,740,460 | 63,572,134 |
| **Non-current liabilities** | | | |
| Trade and other payables | 21 | 1,410,974 | – |
| Deferred income | 22 | – | 76,613 |
| Borrowings | 23 | 12,048,811 | 11,071,053 |
| Deferred income tax liabilities | 27 | 20,689 | 11,151 |
| | | 13,480,474 | 11,158,817 |
| **Total liabilities** | | 63,220,934 | 74,730,951 |
| **NET ASSETS** | | 52,708,818 | 55,174,738 |

# CONSOLIDATED BALANCE SHEET

As at 31 December 2019

| | NOTE | 2019 $ | 2018 $ |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 28 | 49,651,347 | 49,651,347 |
| Other reserves | 29 | (1,614,297) | (1,553,551) |
| Retained profits | 30 | 4,392,256 | 4,483,542 |
| | | 52,429,306 | 52,581,338 |
| **Non-controlling interests** | 16 | 279,512 | 2,593,400 |
| **Total equity** | | 52,708,818 | 55,174,738 |

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

# BALANCE SHEET

As at 31 December 2019

| | NOTE | COMPANY 2019 $ | COMPANY 2018 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 13 | 15,663 | 1,428,057 |
| Trade and other receivables | 14 | 87,851,757 | 77,311,993 |
| | | 87,867,420 | 78,740,050 |
| Non-current asset classified as held-for-sale | 11 | – | 7,800,000 |
| | | 87,867,420 | 86,540,050 |
| **Non-current assets** | | | |
| Investments in subsidiary corporations | 16 | 5,030,456 | 4,675,923 |
| Property, plant and equipment | 18 | 3,487,610 | 380,707 |
| Deferred income tax assets | 27 | 8,770 | 17,040 |
| | | 8,526,836 | 5,073,670 |
| **Total assets** | | 96,394,256 | 91,613,720 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 26,025,585 | 17,944,369 |
| Current income tax liabilities | | 13,960 | – |
| Borrowings | 23 | 9,427,334 | 17,637,397 |
| | | 35,466,879 | 35,581,766 |
| **Non-current liability** | | | |
| Borrowings | 23 | 7,568,281 | 1,983,338 |
| **Total liabilities** | | 43,035,160 | 37,565,104 |
| **NET ASSETS** | | 53,359,096 | 54,048,616 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 28 | 49,651,347 | 49,651,347 |
| Other reserves | 29 | – | 163,297 |
| Retained profits | 30 | 3,707,749 | 4,233,972 |
| **Total equity** | | 53,359,096 | 54,048,616 |

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

# BALANCE SHEET

As at 31 December 2019

| | NOTE | ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | | |
|---|---|---|---|---|---|---|---|
| | | SHARE CAPITAL $ | RETAINED PROFITS $ | OTHER RESERVES $ | TOTAL $ | NON-CONTROLLING INTERESTS $ | TOTAL $ |
| **2019** | | | | | | | |
| **Beginning of financial year** | | 49,651,347 | 4,483,542 | (1,553,551) | 52,581,338 | 2,593,400 | 55,174,738 |
| Effects of adopting SFRS(I) 16 | | – | (259,515) | – | (259,515) | – | (259,515) |
| | | 49,651,347 | 4,224,027 | (1,553,551) | 52,321,823 | 2,593,400 | 54,915,223 |
| Acquisition of non-controlling interests | | – | – | – | – | (58,218) | (58,218) |
| Transfer of other reserve on extinguishment of convertible bond | | – | 163,297 | (163,297) | – | – | – |
| Disposal of non-controlling interests in subsidiary | | – | – | – | – | (120,840) | (120,840) |
| Total comprehensive income/(loss) for the financial year | | – | 4,932 | 102,551 | 107,483 | (527,630) | (420,147) |
| Dividend paid to non-controlling interests | 16 | – | – | – | – | (1,607,200) | (1,607,200) |
| **End of financial year** | | 49,651,347 | 4,392,256 | (1,614,297) | 52,429,306 | 279,512 | 52,708,818 |
| **2018** | | | | | | | |
| **Beginning of financial year** | | 49,651,347 | 16,144,642 | (1,386,820) | 64,409,169 | 3,701,559 | 68,110,728 |
| Increase in share by non-controlling interests | | – | – | – | – | 98,000 | 98,000 |
| Total comprehensive (loss)/income for the financial year | | – | (11,661,100) | (166,731) | (11,827,831) | 165,841 | (11,661,990) |
| Dividend paid to non-controlling interests | 16 | – | – | – | – | (1,372,000) | (1,372,000) |
| **End of financial year** | | 49,651,347 | 4,483,542 | (1,553,551) | 52,581,338 | 2,593,400 | 55,174,738 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2019

| | NOTE | 2019 | 2018 |
|---|---|---|---|
| | | $ | $ |
| **Cash flows from operating activities** | | | |
| Net loss | | (502,822) | (11,532,362) |
| *Adjustments for:* | | | |
| Credit loss allowance | 6 | 201,327 | 220,183 |
| Inventories written back | 6 | (2,639) | (595) |
| Income tax expense | 10 | 1,103,288 | 105,022 |
| (Gain)/loss on disposal of property, plant and equipment | 8 | (303,351) | 283,296 |
| Property, plant and equipment written off | 8 | 129,537 | 36,362 |
| Depreciation of property, plant and equipment | 18 | 8,224,969 | 7,916,512 |
| Interest income | 8 | (18,841) | (14,139) |
| Interest expense | 9 | 2,343,301 | 2,811,251 |
| Post-tax gain on disposal of net assets constituting discontinued operations | 8 | (5,831,478) | – |
| Unrealised currency translation differences | | 427,117 | (705,839) |
| | | 5,770,408 | (880,309) |
| *Change in working capital* | | | |
| Inventories | | 5,987,081 | 10,006,109 |
| Contract assets | | (1,543,819) | 888,180 |
| Trade and other receivables | | 1,766,311 | (7,032,636) |
| Trade and other payables | | 1,373,965 | 7,440,331 |
| Contract liabilities | | (132,356) | 109,067 |
| Deferred income | | (245,562) | (339,892) |
| **Cash generated from operations** | | 12,976,028 | 10,190,850 |
| Interest received | | 18,841 | 14,139 |
| Interest paid | | (1,905,527) | (2,319,174) |
| Income tax paid | | (658,719) | (471,584) |
| **Net cash generated from operating activities** | | 10,430,623 | 7,414,231 |
| | | | |
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | 18(b) | (3,889,852) | (1,693,812) |
| Proceeds from disposal of property, plant and equipment | | 1,385,377 | 2,130,427 |
| Proceeds from disposal of subsidiary, net of cash disposed of | 13 | 92,773 | – |
| Net cash inflow on asset held-for-sale | 13 | 13,416,499 | – |
| Net cash outflow from acquisition of non-controlling interests | 16 | (38,333) | – |
| **Net cash generated from investing activities** | | 10,966,464 | 436,615 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2019

| | NOTE | 2019 | 2018 |
|---|---|---|---|
| | | $ | $ |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 2,655,938 | 1,483,500 |
| Repayment of borrowings | | (18,301,750) | (7,303,161) |
| Repayment of convertible bond | | (1,000,000) | – |
| Principal payment of lease liabilities | | (1,850,236) | (211,467) |
| Repayment of bills payable | | (129,249) | (714,335) |
| Interest paid | | (615,410) | (379,915) |
| Dividend paid to non-controlling interests | 16 | (1,607,200) | (1,372,000) |
| Proceeds from subscription of ordinary shares by non-controlling interests | | – | 98,000 |
| **Net cash used in financing activities** | | (20,847,907) | (8,399,378) |
| **Net increase/(decrease) in cash and cash equivalents** | | 549,180 | (548,532) |
| **Cash and cash equivalents** | | | |
| Beginning of financial year | | 1,404,768 | 1,955,425 |
| Effects of currency translation on cash and cash equivalents | | (6,184) | (2,125) |
| **End of financial year** | 13 | 1,947,764 | 1,404,768 |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2019

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 have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) 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 2019**

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") 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 SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases:

**Adoption of SFRS(I) 16 Leases**

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.15.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 *Determining whether an Arrangement contains a Leases*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.1 Basis of preparation (continued)*

**Interpretations and amendments to published standards effective in 2019 (continued)**

**Adoption of SFRS(I) 16 Leases (continued)**

(a) When the Group is the lessee (continued)

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients: (continued)

ii) On a lease-by-lease basis, the Group has:

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
(c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
(d) excluded initial direct costs in the measurement of the right-of-use (“ROU”) asset at the date of initial application; and
(e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019. For ROU assets which meet the definition of an investment property, the Group had measured the ROU assets at their fair values at 1 January 2019.

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristics.

(iii) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

(iv) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.1 Basis of preparation (continued)*

**Interpretations and amendments to published standards effective in 2019 (continued)**

**Adoption of SFRS(I) 16 Leases (continued)**

(b) When the Group is a lessor

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

| | INCREASE/(DECREASE) |
|---|---|
| Property, plant and equipment | 3,594,248 |
| Borrowings | 3,853,763 |
| Retained profits | (259,515) |

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows :

| | |
|---|---|
| Operating lease commitment disclosed as at 31 December 2018 | 1,309,666 |
| Less: Short-term leases | (113,884) |
| Less: Discounting effect using weighted average incremental borrowing rate of 5.25% | (432,797) |
| Add: Extension options which are reasonably certain to be exercised | 2,700,000 |
| Add: Adjustments relating to changes in the index or rate affecting variable payments | 390,778 |
| Lease liabilities recognised as at 1 January 2019 | 3,853,763 |

### *2.2 Revenue recognition*

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

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

(a) Infrastructure engineering services

Revenue from infrastructure engineering is recognised over time based on the stage of completion or to the extent of contract costs incurred where it is probable those costs will be recoverable. Infrastructure engineering service contract includes fabrication and construction of steel structures and/or vessels. Stage of completion for a given contract 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.2 Revenue recognition (continued)*

(a) Infrastructure engineering services (continued)

Invoices for service rendered are raised in accordance with contract and/or works order agreement. Payment terms differ from contract to contract. Payment is generally upon acceptance of progressive claims, milestone achieved as well as handing over project completion as stated in the contractual agreement and/or works order. In most contracts, down payment is required before commencement of work to facilitate mobilisation of project and purchase of materials. No element of financing is deemed present as the credit terms are consistent with market practice. Hence, no interest is charged to customers.

If the value of the goods and services transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the goods and services transferred, a contract liability is recognised.

(b) Corrosion prevention services

The Group provides corrosion prevention services, comprising blasting and painting services. Revenue from corrosion prevention service is recognised over time based on the stage of completion or to the extent of contract costs incurred where it is probable that those costs will be recoverable. The stage of completion for a given contract 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. Proforma invoices ("PI") for service rendered are issued to customers with supporting work done and/or work completion report. Final invoice is issued upon agreement on the final contract price. Payment for these services is due within 30 days upon issuance of agreed final invoice. No element of financing is deemed present as the credit terms are consistent with market practice. Hence, no interest is charged to customers.

If the value of the services transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

(c) Supply and distribution of products

The Group supplies and distributes hardware equipment, tools and other products used in marine, oil and gas, and construction industries. Revenue from the sale of these products is recognised at a point in time when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Invoices for sales of products are issued to the customers when the products are delivered. Payment for these products is due after 30 days from date of invoice. No element of financing is deemed present as the credit terms are consistent with market practice. Hence, no interest is charged to customers.

(d) Charter income

Revenue from ship charter is recognised over time progressively over the course of voyage and when collection of payment is reasonably assured. Invoices for charter are raised when the voyage is confirmed and payment is due when cargo is loaded on the vessel or the vessel begins its voyage.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.2 Revenue recognition (continued)*

(e) Sale of vessels

Revenue from the sale of vessels is recognised at a point in time when the customer takes control of the vessel represented by when the vessel is delivered to the customer. Invoices for sales of vessels are issued to the customers when the contract is signed.

(f) Interest income

Interest income is recognised using the effective interest method.

(g) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(h) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

### *2.3 Government grants*

Government grants are recognised as a receivable at their fair value when 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 gains – net".

### *2.4 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.4 Group accounting (continued)*

(a) Subsidiary corporations (continued)

(i) Consolidation (continued)

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.4 Group accounting (continued)*

(a) Subsidiary corporations (continued)

(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.

### *2.5 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 2.7) directly attributable to the acquisition or construction of property, plant and equipment.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.5 Property, plant and equipment (continued)*

(a) Measurement (continued)

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

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 – 20 years |
| Leasehold Improvement and renovation | 3 – 10 years |
| Leasehold building | 3 – 29 years |
| Leasehold land | 30 years |
| Yard development | 2 – 30 years |
| Vessels | 5 – 20 years |
| Drydockings | 2.5 – 5 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 gains – net”.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.6 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.

### *2.7 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 construction or development of properties and assets under construction. 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.

### *2.8 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 Impairment of non-financial assets*

*(a) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.9 Impairment of non-financial assets (continued)*

(b) *Property, plant and equipment*
*Investments in subsidiary corporations*

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.

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.

### *2.10 Financial assets*

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.10 Financial assets (continued)*

(a) Classification and measurement (continued)

At initial recognition

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

*At subsequent measurement*

*(i) Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, listed and unlisted debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains and losses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income"

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gains and losses".

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.10 Financial assets (continued)*

(a) Classification and measurement (continued)

*(ii) Equity instruments*

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 33(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) 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 debt instrument, 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.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.11 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.

### *2.12 Financial guarantees*

The Company has issued corporate guarantees to banks for bank 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. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

### *2.13 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.14 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.

### *2.15 Leases*

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

*(i) 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.

- 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.

  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.

- 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.15 Leases (continued)*

(a) The accounting policy for leases before 1 January 2019 are as follows: (continued)

*(ii) 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.

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

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

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

- Right-of-use assets

  The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  Right-of-use assets are presented within “Property, plant and equipment”.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.15 Leases (continued)*

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

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

- Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

– Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
– Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
– Amount expected to be payable under residual value guarantees
– The exercise price of a purchase option if is reasonably certain to exercise the option; and
– Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

– There is a change in future lease payments arising from changes in an index or rate;
– There is a changes in the Group's assessment of whether it will exercise an extension option; or
– There are modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.15 Leases (continued)*

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

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

- Variable lease payments

  Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

  Details of the variable lease payments are disclosed in Note 19.

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

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retains in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

### *2.16 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.17 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.18 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.

### *2.19 Employee compensation*

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

(a) Defined contribution plans

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.20 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 gains – net".

(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.

### *2.21 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.

### *2.22 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *2.23 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.

### *2.24 Dividends to Company's shareholders*

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

### *2.25 Non-current assets (or disposal groups) held-for-sale and discontinued operations*

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations; or

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary corporation acquired exclusively with a view to resale.

## 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.

*(a) 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 cash flow forecasts over which management makes judgements on certain key inputs including, among others, 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.

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

*(a) Impairment of property, plant and equipment (continued)*

If the management estimated revenue growth rate used in the value-in-use calculation for shipping CGU as at 31 December 2019 had been lowered by 1% (2018: 1%), the recoverable amount of the property, plant and equipment in shipping CGU would have been reduced by $6,390,614 (2018: $8,177,321) and the Group would have recognised an impairment charge on property, plant and equipment in shipping CGU of $Nil (2018: $6,505,015).

If the management estimated weighted average cost of capital used in determining the pre-tax discount rate applied to the pre-tax cash flow projections for shipping CGU had been raised by 1% from management's estimates (for example, 10% instead of 9%), the Group would have recognised an impairment charge on property, plant and equipment of shipping CGU of $Nil (2018: $912,285).

If the independent third party valuation of property, plant and equipment for infrastructure engineering CGU had been lowered by 10%, the recoverable amount would be $36,397,783 (2018: $37,475,598) instead of $40,441,981 (2018: $41,639,553), while the carrying amount of the infrastructure engineering CGU is $17,224,774 (2018: $19,349,685). No allowance for impairment has been recognised in the shipping and infrastructure engineering CGUs for the financial year ended 31 December 2019.

*(b) Estimation of total contract costs*

The Group has significant ongoing contracts for infrastructure engineering and corrosion prevention services. For these contracts, revenue is recognised over time by reference to the stage of completion. The stage of completion is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of contract revenue. When it is probable that the total contract costs will exceed the total contract revenue, a provision for onerous contracts is recognised immediately.

Significant judgement is used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of the surveying engineers to determine the progress of the work and also on past experience of completed projects.

As at 31 December 2019, $1,540,069 (2018: $1,018,788) of the Group's contract assets is subject to the estimation of stage of completion using the input method. If the total contract cost of on-going contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's revenue and contract assets would have been lower/higher by $57,878 and $61,941 (2018: $86,118 and $52,782) respectively.

*(c) Impairment of trade receivables and contract assets*

As at 31 December 2019, the Group's gross trade receivables (Note 14) and contract assets (Note 5(b)) amounted to $20,303,137 (2018: $19,487,004) and $7,392,812 (2018: $5,417,268) respectively, arising from the Group's different revenue segments – infrastructure engineering, corrosion prevention, supply and distribution and shipping.

Based on the Group's historical credit loss experience, trade receivables exhibited significantly different loss patterns for different aging group. Accordingly, management has determined the expected loss rates by grouping the receivables based on shared credit risk characteristics and days past due. A loss allowance of $1,612,260 (2018: $1,534,636) for trade receivables was recognised as at 31 December 2019.

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

*(c) Impairment of trade receivables and contract assets (continued)*

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately.

The Group's and the Company's credit risk exposure for trade receivables and contract assets by different revenue segment is set out in Note 33(b)(i).

*(d) 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 2 to 30 years. The carrying amounts of the Group's property, plant and equipment at 31 December 2019 were $72,330,196 (2018: $62,276,491). 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 $824,098 and $1,007,230 (2018: $671,814 and $821,107) respectively.

## 4. GOING CONCERN

The Group incurred a total comprehensive loss of $420,147 for the financial year ended 31 December 2019 (2018: $11,661,990) and, as of that date, the Group's current liabilities exceeded its current assets by $9,435,371 (2018: $5,392,913). These conditions indicate the existence of events and conditions that may cast significant doubt on the Group's ability to continue as a going concern.

The Directors have considered the operations of the Group as going concern and the financial statements of the Group were prepared on a going concern basis as they believe the Group will be able to turn around the results and meet its obligations as and when they fall due within the next twelve months because of the following:

(i) the Group's ability to generate positive operating cash flows;

(ii) continuous support from financial institutions as the Group has not historically defaulted on repayment of its borrowings; and

(iii) planned streamlining of operations to cut costs and overheads.

In the event that the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

## 5. REVENUE

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

| | AT A POINT IN TIME $ | OVER TIME $ | TOTAL $ |
|---|---|---|---|
| 2019 | | | |
| Infrastructure engineering | | | |
| - Singapore | 75,963 | 4,974,202 | 5,050,165 |
| - Indonesia | 452,828 | 2,311,684 | 2,764,512 |
| - Others | 400,174 | 8,034,628 | 8,434,802 |
| | 928,965 | 15,320,514 | 16,249,479 |
| Corrosion prevention | | | |
| - Singapore | 660 | 16,145,432 | 16,146,092 |
| - Indonesia | – | 3,747,139 | 3,747,139 |
| | 660 | 19,892,571 | 19,893,231 |
| Supply and distribution | | | |
| - Singapore | 5,280,390 | – | 5,280,390 |
| - Indonesia | 615,298 | – | 615,298 |
| | 5,895,688 | – | 5,895,688 |
| Shipping | | | |
| - Indonesia | 4,654,342 | 719,763 | 5,374,105 |
| - Others | – | 10,945,659 | 10,945,659 |
| | 4,654,342 | 11,665,422 | 16,319,764 |
| Total | 11,479,655 | 46,878,507 | 58,358,162 |

## 5. REVENUE (CONTINUED)

(a) Disaggregation of revenue from contracts with customers (continued)

| | AT A POINT IN TIME $ | OVER TIME $ | TOTAL $ |
|---|---|---|---|
| **2018** | | | |
| Infrastructure engineering | | | |
| - Singapore | 20,570 | 4,472,086 | 4,492,656 |
| - Indonesia | 1,943,779 | 3,460,640 | 5,404,419 |
| - Others | – | 2,082,900 | 2,082,900 |
| | 1,964,349 | 10,015,626 | 11,979,975 |
| Corrosion prevention | | | |
| - Singapore | 4,579 | 11,581,744 | 11,586,323 |
| - Indonesia | – | 2,953,545 | 2,953,545 |
| - Others | 164,460 | – | 164,460 |
| | 169,039 | 14,535,289 | 14,704,328 |
| Supply and distribution | | | |
| - Singapore | 5,996,644 | – | 5,996,644 |
| - Indonesia | 495,002 | – | 495,002 |
| - Others | 2,040 | – | 2,040 |
| | 6,493,686 | – | 6,493,686 |
| Shipping | | | |
| - Indonesia | 6,436,375 | 2,243,497 | 8,679,872 |
| - Others | – | 13,457,961 | 13,457,961 |
| | 6,436,375 | 15,701,458 | 22,137,833 |
| Total | 15,063,449 | 40,252,373 | 55,315,822 |

## 5. REVENUE (CONTINUED)

(b) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Trade receivables (Note 14) | 18,690,877 | 17,952,368 |
| Contract assets | 7,392,812 | 5,417,268 |
| Contract liabilities | (350,326) | (482,682) |

Contract assets represent the Group's right to consideration in exchange for infrastructure engineering and corrosion prevention services that the Group has transferred to a customer but remained unbilled as at year end. Upon billing, the amounts recognised as contract assets are reclassified to trade receivables.

Contract liabilities for infrastructure engineering contracts have decreased due to lesser contracts in which the Group billed and received consideration ahead of the provision of services.

Revenue recognised in relation to contract liabilities

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Revenue recognised in current period that was included in the contract liabilities balance at the beginning of the period | 538,208 | 50,578 |

## 6. EXPENSES BY NATURE

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Purchases of inventories and construction materials | 16,990,226 | 15,664,230 |
| Subcontractors' fees | 3,354,635 | 5,421,353 |
| Depreciation of property, plant and equipment (Note 18) | 7,823,940 | 6,850,701 |
| Inventories written down (Note 15) | 51,861 | 1,178,829 |
| Inventories written back (Note 15) | (2,639) | (595) |
| Allowance for impairment of trade receivables – net (Note 33(b)) | 201,327 | 220,183 |
| Total depreciation and impairment | 8,074,489 | 8,249,118 |
| Fees on audit services paid/payable to: | | |
| - Auditor of the Company | 167,948 | 149,895 |
| - Other auditor | 16,123 | 11,420 |
| Total fees on audit services | 184,071 | 161,315 |
| Fees on non-audit services paid/payable to: | | |
| - Auditor of the Company | 48,347 | 32,869 |
| - Other auditor | 730 | 1,402 |
| Total fees on non-audit services | 49,077 | 34,271 |
| Employees' accommodation and utilities | 1,460,088 | 2,116,090 |
| Employee compensation (Note 7) | 15,505,886 | 15,435,131 |
| Foreign worker levies | 1,099,786 | 995,587 |
| Insurance | 818,790 | 695,951 |
| Maintenance of equipment and machinery | 519,286 | 1,007,226 |
| Office related expenses | 442,995 | 413,888 |
| Professional fees | 459,983 | 546,643 |
| Rental on operating lease and repair of equipment and machinery | 404,548 | 285,213 |
| Shipping related expenses | 2,870,766 | 3,308,389 |
| Transport and travelling | 916,457 | 997,368 |
| Other expenses | 1,365,662 | 1,517,806 |
| Changes in inventories | 6,187,135 | 3,843,054 |
| Total cost of sales, selling and distribution and administrative expenses | 60,703,880 | 60,692,633 |

## 7. EMPLOYEE COMPENSATION

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Wages and salaries | 13,487,677 | 14,806,186 |
| Employer's contribution to defined contribution plans including Central Provident Fund | 802,698 | 730,340 |
| Other short-term benefits | 1,334,953 | 1,192,538 |
| | 15,625,328 | 16,729,064 |
| Less: Amount attributable to discontinued operations | (119,442) | (1,293,933) |
| Amount attributable to continuing operations (Note 6) | 15,505,886 | 15,435,131 |

## 8. OTHER GAINS – NET

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Interest income from bank deposits | 18,841 | 14,139 |
| Gain/(loss) on disposal of property, plant and equipment | 300,501 | (283,296) |
| Property, plant and equipment written off | (17,788) | (36,362) |
| Currency translation (losses)/gains, net | (542,819) | 483,136 |
| Government grants [a] | 268,920 | 192,316 |
| Deferred income from sales and leaseback transactions | 214,286 | – |
| Miscellaneous back-charge of services | 400,237 | 208,403 |
| | 642,178 | 578,336 |

[a] There is no condition attached to government grants.

## 9. FINANCE EXPENSES

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Interest expense | | |
| - Bank borrowings | 1,635,279 | 2,103,852 |
| - Bank overdrafts | 162,657 | 173,786 |
| - Lease liabilities/finance lease liabilities | 305,382 | 19,915 |
| - Bills payable | 55,180 | 67,990 |
| - Convertible bonds | 62,008 | 445,708 |
| - Bonds | 122,795 | – |
| | 2,343,301 | 2,811,251 |
| Less: Amount attributable to discontinued operations | (282,891) | (624,926) |
| Amount attributable to continuing operations | 2,060,410 | 2,186,325 |

## 10. INCOME TAX EXPENSE

Income tax expense

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Tax expense/(credit) attributable to the profit/(loss) is made up of: | | |
| - Profit/(loss) for the financial year: | | |
| From continuing operations | | |
| Current income tax - Singapore | 344,029 | 471,017 |
| - Foreign | 97,135 | 25,574 |
| | 441,164 | 496,591 |
| Deferred income tax (Note 27) | 281,227 | (391,646) |
| | 722,391 | 104,945 |
| From discontinued operations | | |
| Deferred income tax - Singapore (Note 27) | 218,556 | (141,592) |
| | 940,947 | (36,647) |
| - Under/(over) provision in prior financial years: | | |
| From continuing operations | | |
| Current income tax - Singapore | (4,952) | 28,619 |
| - Foreign | (23,402) | 60,729 |
| | 912,593 | 52,701 |
| Deferred income tax (Note 27) | (343,138) | (95,860) |
| | 569,455 | (43,159) |
| From discontinued operations | | |
| Deferred income tax - Singapore (Note 27) | 533,833 | 148,181 |
| | 1,103,288 | 105,022 |
| Tax expense is attributable to: | | |
| - Continuing operations | 350,898 | 98,433 |
| - Discontinued operations (Note 11(a)) | 752,390 | 6,589 |
| | 1,103,288 | 105,022 |

## 10. INCOME TAX EXPENSE (CONTINUED)

Income tax expense (continued)

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

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Profit/(loss) before income tax | | |
| - Continuing operations | (3,763,950) | (6,984,800) |
| - Discontinued operations | 4,364,417 | (4,442,540) |
| | 600,467 | (11,427,340) |
| Tax at the applicable tax rate of 17% (2018: 17%) | 102,079 | (1,942,648) |
| Effects of: | | |
| - expenses not deductible for tax purposes | 1,465,225 | 1,496,026 |
| - income not subject to tax | (1,082,570) | (29,047) |
| - tax incentives | (32,233) | (51,711) |
| - different tax rates in other countries | (8,036) | 135,804 |
| - deferred tax assets not recognised | 496,334 | 316,685 |
| - under-provision of tax in prior years | 162,341 | 141,669 |
| - others | 148 | 38,244 |
| Tax charge | 1,103,288 | 105,022 |

## 11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

On 14 August 2018, the Company entered into a non-binding term sheet with a potential buyer for the proposed disposal of all the issued share capital of its wholly-owned subsidiary, Asian Sealand Engineering Pte. Ltd. ("ASE"). On 23 January 2019, the Company has entered into a sale and purchase agreement in relation to the Company's proposed disposal of the entire issued and paid-up share capital of ASE. The entire assets and liabilities related to ASE are presented as disposal group held-for-sale, and the results for the current financial period reported on and the corresponding period of the immediately preceding financial year are presented separately in the statement of comprehensive income as "Discontinued operations". The change in classification and presentation has no effect to the profit or loss after tax and net asset value of the Group.

The disposal of ASE was completed on 25 June 2019 for a cash consideration of S$14.0 million. The gain on disposal of ASE recognised was S$5.81 million.

On 27 August 2019, Asian Sealand Offshore & Marine Pte Ltd, a 51%-owned subsidiary corporation, has sold its 51% interest in Asian Sealand Equipment Solutions Pte. Ltd to the non-controlling interests for an aggregate consideration of S$131,874. The consideration is based on the unaudited net asset value of ASES of S$258,576 as at 30 June 2019.

(a) The results of the discontinued operations and the re-measurement of the disposal group are as follows:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Revenue | 1,929,970 | 8,830,406 |
| Expenses | (3,277,669) | (13,435,275) |
| Other (losses)/gains, net | (119,363) | 162,329 |
| Loss before tax from discontinued operations | (1,467,062) | (4,442,540) |
| Tax (Note 10) | (752,390) | (6,589) |
| Loss after tax from discontinued operations | (2,219,452) | (4,449,129) |
| Post-tax gain on disposal of net assets constituting discontinued operations | 5,831,478 | – |
| | 3,612,026 | (4,449,129) |

## 11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(b) Details of the assets of disposal group classified as held-for-sale were as follows:

| | CASH AND BANK BALANCES | PROPERTY, PLANT AND EQUIPMENT | TRADE AND OTHER RECEIVABLES | CONTRACT ASSETS | INVENTORIES | DEFERRED INCOME TAX ASSETS | TOTAL |
|---|---|---|---|---|---|---|---|
| 2019 | | | | | | | |
| Beginning of financial year | 45,360 | 10,322,808 | 1,125,850 | 464,583 | 467,106 | 1,085,430 | 13,511,137 |
| Transfer to fellow subsidiary corporations | (45,360) | (2,715,943) | (1,125,850) | (464,583) | (467,106) | (1,085,430) | (5,904,272) |
| Disposal | – | (7,606,865) | – | – | – | – | (7,606,865) |
| End of financial year | – | – | – | – | – | – | – |
| 2018 | | | | | | | |
| Beginning of financial year | – | – | – | – | – | – | – |
| Reclassification during the year | 45,360 | 10,322,808 | 1,125,850 | 464,583 | 467,106 | 1,085,430 | 13,511,137 |
| End of financial year | 45,360 | 10,322,808 | 1,125,850 | 464,583 | 467,106 | 1,085,430 | 13,511,137 |

## 11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(c) Details of non-current asset classified as held-for-sale in Company's balance sheet were as follows:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Investments in subsidiary corporations (Note 16) | – | 7,800,000 |

(d) Details of liabilities directly associated with disposal group classified as held-for sale were as follows:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Trade and other payables | – | 2,473,157 |
| Borrowings and overdrafts | – | 11,386,192 |
| | – | 13,859,349 |

The bank borrowings secured on the disposal group classified as held-for-sale were fully repaid during the year. The bank borrowings include secured liabilities of $11,386,192 for the Group's building on leasehold land.

## 12. EARNINGS/(LOSS) PER SHARE

| | CONTINUING OPERATIONS | | DISCONTINUED OPERATIONS | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| (Loss)/profit attributable to equity holders of the Company ($) | (3,607,093) | (7,211,971) | 3,612,026 | (4,449,129) |
| Weighted average number of ordinary shares for basic earnings per share | 135,010,406 | 135,010,406 | 135,010,406 | 135,010,406 |
| Basic (loss)/earnings per share (cents per share) | (2.67) | (5.34) | 2.68 | (3.30) |
| Diluted (loss)/earnings per share (cents per share) | (2.67) | (5.34) | 2.68 | (3.30) |

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

The Group has no potential dilutive shares as at 31 December 2019. The dilutive potential ordinary shares arising from convertible bonds as at 31 December 2018 have not been included in the calculation of diluted loss per share because they are anti-dilutive.

## 13. CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Cash at bank and on hand | 3,872,960 | 4,659,062 | 15,663 | 1,428,057 |
| Short-term bank deposits | 562,401 | 552,986 | – | – |
| | 4,435,361 | 5,212,048 | 15,663 | 1,428,057 |

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

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Cash and bank balances | 4,435,361 | 5,212,048 |
| Less: Bank overdrafts (Note 23) | (2,487,597) | (3,852,640) |
| Add: Assets in disposal group classified as held-for-sale | – | 45,360 |
| Cash and cash equivalents per consolidated statement of cash flows | 1,947,764 | 1,404,768 |

## 13. CASH AND CASH EQUIVALENTS (CONTINUED)

Disposal of subsidiary corporations

At 25 June 2019 and 27 August 2019, the Group has effectively transferred the control and management of Asian Sealand Engineering Pte. Ltd. ("ASE") and Asian Sealand Equipment Solutions Pte. Ltd ("ASES") relevant activities to the purchaser following a commitment to sell and on those dates respectively, deconsolidated ASE and ASES accordingly. The effects of the disposal on the cash flows of the Group were:

| | AT DECEMBER 2019 $ | |
|---|---|---|
| | ASE | ASES |
| Carrying amount of assets and liabilities disposed of: | | |
| Cash and cash equivalents | – | 39,101 |
| Trade and other receivables | – | 92,929 |
| Contract assets | – | 32,858 |
| Inventories | – | 90,055 |
| Property, plant and equipment | 7,606,865 | 2,352 |
| Total assets | 7,606,865 | 257,295 |
| Trade and other payables | – | (25,446) |
| Provisions | – | (980) |
| Total liabilities | – | (26,426) |
| Net assets disposed of | 7,606,865 | 230,869 |
| Cash inflows arising from disposal: | | |
| Net assets disposed of (as above) | 7,606,865 | 230,869 |
| Non-controlling interests derecognised | – | (120,840) |
| Gain on disposal (Note 11) | 5,809,633 | 21,845 |
| Total purchase consideration receivable | 13,416,499 | 131,874 |
| Cash proceeds received from disposal | 13,416,499 | 131,874 |
| Less: Cash and cash equivalents in a subsidiary corporation disposed of | – | (39,101) |
| Net cash inflow on disposal | 13,416,499 | 92,773 |

## 14. TRADE AND OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Trade receivables | | | | |
| - Subsidiary corporations | – | – | 3,074,331 | 2,338,822 |
| - Non-related parties | 20,303,137 | 19,487,004 | – | 163,776 |
| | 20,303,137 | 19,487,004 | 3,074,331 | 2,502,598 |
| Less: Loss allowance | (1,612,260) | (1,534,636) | – | – |
| Trade receivables - net | 18,690,877 | 17,952,368 | 3,074,331 | 2,502,598 |
| Non-trade receivables | | | | |
| - Subsidiary corporations | – | – | 84,446,244 | 74,750,890 |
| - Non-related parties | 5,645,567 | 7,706,702 | 84,812 | 47,919 |
| | 5,645,567 | 7,706,702 | 84,531,056 | 74,798,809 |
| Retentions | 528,923 | 605,269 | – | – |
| Deposits | 537,787 | 218,616 | 241,520 | 1,520 |
| Prepayments | 492,786 | 347,702 | 4,850 | 9,066 |
| | 7,205,063 | 8,878,289 | 84,777,426 | 74,809,395 |
| | 25,895,940 | 26,830,657 | 87,851,757 | 77,311,993 |
| Current | 23,425,940 | 22,800,657 | 87,851,757 | 77,311,993 |
| Non-current | 2,470,000 | 4,030,000 | – | – |
| Total trade and other receivables | 25,895,940 | 26,830,657 | 87,851,757 | 77,311,993 |

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

Amounts of $32,768,870 (2018: $32,764,946) due from certain subsidiary corporations bear fixed interest rate from the range of 3.27% to 6.04% (2018: 2.44% to 5.83%) per annum and are receivable on demand.

The fair values of non-current trade and other receivables are computed based on cash flows discounted at market borrowing rates. The fair values are within level 2 of the fair value hierarchy.

(a) Fair value

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Trade receivables | 2,450,695 | 3,926,513 | – | – |

## 14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Market borrowing rates

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | % | % | % | % |
| Trade receivables | 5.25 | 5.33 | – | – |

## 15. INVENTORIES

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Construction materials and components | 1,484,678 | 1,169,706 |
| Trading goods | 3,566,298 | 10,068,405 |
| | 5,050,976 | 11,238,111 |

The cost of inventories related to construction materials and trading goods recognised as an expense and included in "cost of sales" amounted to $560,954 (2018: $700,013) and $9,654,798 (2018: $13,806,370) respectively.

The Group recognised inventory write-down of $51,861 (2018: $1,178,829) for inventories were expected to be sold below the carrying amounts. The amount recognised has been included in "cost of sales".

The Group reversed $2,639 (2018: $595) of previous inventory write-down in prior financial years, as the inventories were sold above the carrying amounts in subsequent period. The amount reversed has been included in "cost of sales".

## 16. INVESTMENTS IN SUBSIDIARY CORPORATIONS

| | COMPANY | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| *Equity investments at cost* | | |
| Beginning of financial year | 4,675,923 | 12,519,401 |
| Acquisition of non-controlling interest | 38,333 | – |
| Addition | 316,200 | – |
| Disposal | – | (43,478) |
| Reclassified to non-current asset classified as held-for-sale (Note 11(c)) | – | (7,800,000) |
| End of financial year | 5,030,456 | 4,675,923 |

## 16. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

**Acquisition of a subsidiary corporation**

On 15 May 2019, the Company has acquired 51% interest of International Offshore Equipments Pte. Ltd. from its former subsidiary, Asian Sealand Engineering Pte. Ltd. ("ASE") for an aggregate consideration of S$316,200. The said consideration will be set-off against debts owed to the Company by ASE.

**Acquisition of non-controlling interest**

On 5 December 2019, the Company acquired additional shares in its subsidiary, Water and Environmental Technologies (WET) Pte. Ltd. ("WET") for a purchase consideration of $38,333 thereupon holding 64.8% (2018 : 51%) of the share capital of WET. The Group derecognised non-controlling interests of $38,333 and recorded an increase in equity attributable to owners of the parent of $58,218. The effect of changes in the ownership interest of WET on the equity attributable to owners of the Company during the year is summarised as follows:

| | |
|---|---|
| Carrying amount of non-controlling interest acquired | 58,218 |
| Consideration paid to non-controlling interests | (38,333) |
| | 19,885 |

**Incorporation of a subsidiary corporation**

On 23 December 2019, Asian Sealand Offshore & Marine Pte Ltd, a 51%-owned subsidiary corporation, has incorporated a wholly-owned subsidiary in Singapore named PBT Engineering Resources Pte Ltd ("PBT").

## 16. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Details of the subsidiary corporations as at 31 December 2019 and 2018 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 | |
|---|---|---|---|---|---|---|---|---|
| | | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | | | % | % | % | % | % | % |
| **Subsidiary corporations held by the Company** | | | | | | | | |
| Nexus Sealand Trading Pte. Ltd. (1) | Supply and distribution of hardware equipment, tools and other products | Singapore | 100 | 100 | 100 | 100 | – | – |
| Asian Sealand Engineering Pte. Ltd. (1) | Provision of infrastructure engineering services | Singapore | – | 100* | – | 100* | – | – |
| PT. Nexus Engineering Indonesia (2) | Provision of infrastructure engineering services | Indonesia | 100(5) | 100(5) | 100(5) | 100(5) | – | – |
| PT. Master Indonesia (4) | Sourcing and procurement of material and equipment in engineering and construction | Indonesia | 100(5) | 100(5) | 100(5) | 100(5) | – | – |
| B & K Marine Pte. Ltd.(1) | Provision of corrosion prevention services | Singapore | 100 | 100 | 100 | 100 | – | – |
| Beng Kuang Marine (B&Chew) Pte. Ltd. (1) | Provision of corrosion prevention services | Singapore | 100 | 100 | 100 | 100 | – | – |
| Beng Kuang Marine (B&M) Pte. Ltd. (1) | Provision of corrosion prevention services | Singapore | 100 | 100 | 100 | 100 | – | – |
| Nexus Hydrotech Pte. Ltd. (1) | Provision of corrosion prevention services (utilising hydro-jetting machines) | Singapore | 80 | 80 | 80 | 80 | 20 | 20 |
| Venture Automation & Electrical Engineering Pte. Ltd. (1) | Provision of industrial and marine automation works | Singapore | 51 | 51 | 51 | 51 | 49 | 49 |

## 16. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Details of the subsidiary corporations as at 31 December 2019 and 2018 are as follows: (continued)

| 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 | |
|---|---|---|---|---|---|---|---|---|
| | | | 2019 % | 2018 % | 2019 % | 2018 % | 2019 % | 2018 % |
| **Subsidiary corporations held by the Company (continued)** | | | | | | | | |
| Pangco Pte. Ltd. [(1)] | Provision of corrosion prevention services | Singapore | 51 | 51 | 51 | 51 | 49 | 49 |
| Water and Environmental Technologies (WET) Pte. Ltd. [(1)] | Provision of research and development, and solution for waste management | Singapore | 64.8 | 51 | 64.8 | 51 | 35.2 | 49 |
| Asian Sealand Offshore and Marine Pte. Ltd. [(1)] | Provision of offshore repair and maintenance services | Singapore | 51 | 51 | 51 | 51 | 49 | 49 |
| PT. Nexelite CP Indonesia [(4)] | Provision of corrosion prevention services | Indonesia | 100[(5)] | 100[(5)] | 100[(5)] | 100[(5)] | – | – |
| Quill Marine Pte. Ltd. [(1)] | Investment holding company and provision of freight transport services | Singapore | 100 | 100 | 100 | 100 | – | – |
| International Offshore Equipments Pte. Ltd. [(1)] | Provision of design, manufacture, and fabricate offshore equipment and ship parts | Singapore | 51 | – | 51 | – | 49 | – |

## 16. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Details of the subsidiary corporations as at 31 December 2019 and 2018 are as follows: (continued)

| NAME | PRINCIPAL ACTIVITIES | COUNTRY OF BUSINESS/ INCORPORATION | PROPORTION OF ORDINARY SHARES HELD BY THE GROUP | | PROPORTION OF ORDINARY SHARES HELD BY NON-CONTROLLING INTERESTS | |
|---|---|---|---|---|---|---|
| | | | 2019 % | 2018 % | 2019 % | 2018 % |
| **Held by Nexus Sealand Trading Pte. Ltd.** | | | | | | |
| MTM (ASE) Metalization Pte. Ltd. [(1)] | Provision of metalising services | Singapore | 100 | 100 | – | – |
| Picco Enterprise Pte. Ltd. [(1)] | Supply and distribution of beverage products | Singapore | 100 | 100 | – | – |
| OneHub Tank Coating Pte. Ltd. [(1)] | Provision for internal tank coating services | Singapore | 100 | 100 | – | – |
| **Held by Pangco Pte. Ltd.** | | | | | | |
| PT. Berger Batam [(4)] | Provision of corrosion prevention services | Indonesia | 51[(5)] | 51[(5)] | 49 | 49 |
| **Held by Quill Marine Pte. Ltd.** | | | | | | |
| Drako Shipping Pte. Ltd. [(1)] | Provision of freight transport services | Singapore | 100 | 100 | – | – |
| Cattle Line Two Pte. Ltd. [(1)] | Provision of freight transport services | Singapore | 70 | 70 | 30 | 30 |
| **Held by Drako Shipping Pte. Ltd.** | | | | | | |
| PT. Marina Shipping [(4)] | Provision of freight transport services | Indonesia | 100 | 100 | – | – |
| **Held by Cattle Line Two Pte. Ltd.** | | | | | | |
| Cattle Line One Pte. Ltd. [(4)] | Provision of freight transport services | Marshall Islands | 70 | 70 | 30 | 30 |
| **Held by International Offshore Equipments Pte. Ltd.** | | | | | | |
| International Offshore Equipment Canada Inc. [(6)] | Design, manufacture and fabricate offshore equipment and ship parts | Canada | 51 | 51 | 49 | 49 |

## 16. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Details of the subsidiary corporations as at 31 December 2019 and 2018 are as follows: (continued)

| NAME | PRINCIPAL ACTIVITIES | COUNTRY OF BUSINESS/ INCORPORATION | PROPORTION OF ORDINARY SHARES HELD BY THE GROUP | | PROPORTION OF ORDINARY SHARES HELD BY NON-CONTROLLING INTERESTS | |
|---|---|---|---|---|---|---|
| | | | 2019 % | 2018 % | 2019 % | 2018 % |
| **Held by Asian Sealand Offshore and Marine Pte. Ltd.** | | | | | | |
| Asian Sealand Equipment Solutions Pte. Ltd. [(1)] | General engineering design, consultancy and rental of industrial equipment and machinery | Singapore | – | 26 | – | 74 |
| ASIC Engineering Sdn Bhd [(3)] | Provision of infrastructure engineering services | Malaysia | 51 | 51 | 49 | 49 |
| PBT Engineering Resources Pte. Ltd. [(1)] | Building and repairing of ships, tankers and other ocean-going vessels. | Singapore | 51 | – | 49 | – |

(1) Audited by Nexia TS Public Accounting Corporation, Singapore
(2) Audited by Kantor Akuntan Publik Charles & Nurlena, Indonesia and audited by Nexia TS Public Accounting Corporation for consolidation purposes
(3) Audited by S.H. Lim & Co., Malaysia
(4) Audited by Nexia TS Public Accounting Corporation for consolidation purposes. Not required to be audited under the laws of the country of incorporation
(5) 1% of the shareholding is held in trust for the Group by an employee of the Group
(6) Not required to be audited under the laws of the country of incorporation
* The carrying amount of investment has been reclassified to non-current asset held-for-sale

**Carrying value of non-controlling interests**

| | 2019 $ | 2018 $ |
|---|---|---|
| Nexus Hydrotech Pte. Ltd. | 637,208 | 660,966 |
| Pangco Pte. Ltd. | 297,375 | 261,382 |
| Venture Automation & Electrical Engineering Pte. Ltd. | 258,570 | 291,938 |
| Water and Environmental Technologies (WET) Pte. Ltd. | 146,023 | 243,889 |
| Cattle Line Two Pte. Ltd. and its subsidiary corporation | 1,908,528 | 2,916,474 |
| Asian Sealand Offshore and Marine Pte. Ltd. and its subsidiary corporations | 1,561,209 | 2,521,774 |
| International Offshore Equipments Pte. Ltd. and its subsidiary corporation | (4,529,401) | (4,303,023) |
| | 279,512 | 2,593,400 |

## 16. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

**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. | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ | $ | $ |
| **As at 31 December** | | | | | | |
| **Current** | | | | | | |
| Assets | 5,329,239 | 7,090,222 | 14,746,625 | 16,287,171 | 2,233,470 | 2,160,498 |
| Liabilities | (2,502,094) | (2,739,799) | (32,716,716) | (26,439,793) | (10,119,438) | (10,000,577) |
| Total current net assets/(liabilities) | 2,827,145 | 4,350,423 | (17,970,091) | (10,152,622) | (7,885,968) | (7,840,079) |
| **Non-current** | | | | | | |
| Assets | 692,955 | 533,111 | 25,739,381 | 25,067,157 | 467,748 | 739,466 |
| Liabilities | (18,380) | (5,300) | – | (4,001,855) | (150,528) | – |
| Total non-current net assets | 674,575 | 527,811 | 25,739,381 | 21,065,302 | 317,220 | 739,466 |
| **Net assets/ (liabilities)** | 3,501,720 | 4,878,234 | 7,769,290 | 10,912,680 | (7,568,748) | (7,100,613) |

## 16. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

**Summarised statements of comprehensive income**

| | ASIAN SEALAND OFFSHORE AND MARINE PTE. LTD. | | CATTLE LINE TWO PTE. LTD. | | INTERNATIONAL OFFSHORE EQUIPMENTS PTE. LTD. | |
|---|---|---|---|---|---|---|
| | 2019<br>$ | 2018<br>$ | 2019<br>$ | 2018<br>$ | 2019<br>$ | 2018<br>$ |
| Revenue | 9,940,054 | 12,455,965 | 3,844,145 | 7,425,959 | 2,187,226 | 973,538 |
| Profit/(loss) before income tax | 2,241,686 | 2,990,379 | (3,002,260) | (1,614,085) | (468,136) | (876,501) |
| Income tax expense | (338,200) | (432,549) | – | – | – | – |
| Profit/(loss) for the financial year | 1,903,486 | 2,557,830 | (3,002,260) | (1,614,085) | (468,136) | (876,501) |
| Profit/(loss) for the financial year allocated to non-controlling | 932,708 | 1,253,336 | (900,678) | (484,225) | (229,387) | (429,486) |
| Dividends paid to non-controlling interests | 1,607,200 | 1,372,000 | – | – | – | – |

## 16. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

**Summarised statement of cash flows**

| | ASIAN SEALAND OFFSHORE AND MARINE PTE. LTD. | | CATTLE LINE TWO PTE. LTD. | | INTERNATIONAL OFFSHORE EQUIPMENTS PTE. LTD. | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ | $ | $ |
| Cash flows from operating activities | | | | | | |
| Cash generated from operations | 4,566,156 | 2,549,875 | 5,378,293 | 2,577,174 | 219,105 | 1,200,455 |
| Interest received | 83,243 | 83,243 | 123 | 213 | – | – |
| Interest paid | – | – | (282,228) | (753,420) | (231,504) | (231,504) |
| Income tax paid | (68,158) | (322,920) | – | 16 | – | – |
| **Net cash generated from operating activities** | 3,971,241 | 2,310,198 | 5,096,188 | 1,823,983 | (12,399) | 968,951 |
| **Net cash used in investing activities** | (448,892) | (132,472) | (2,987,345) | (1,580) | 11,074 | (1,008,587) |
| **Net cash used in financing activities** | (3,280,000) | (2,800,000) | (2,333,834) | (2,333,834) | – | – |
| **Net increase/(decrease) in cash and cash equivalents** | 242,349 | (622,274) | (224,991) | (511,431) | (1,325) | (39,636) |
| Cash and cash equivalents | | | | | | |
| Beginning of financial year | 1,603,896 | 2,226,170 | 298,212 | 809,643 | 19,952 | 59,588 |
| End of financial year | 1,846,245 | 1,603,896 | 73,221 | 298,212 | 18,627 | 19,952 |

## 17. INTANGIBLE ASSETS

| | 2019 $ | 2018 $ |
|---|---|---|
| **Composition:** | | |
| Goodwill arising on consolidation | 63,837 | 63,837 |

Goodwill arising on consolidation

| | GROUP | |
|---|---|---|
| | 2019 $ | 2018 $ |
| ***Cost*** | | |
| Beginning and end of financial year | 2,368,545 | 2,368,545 |
| ***Accumulated impairment*** | | |
| 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 CGUs 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 is 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 tenth-year period (representing estimated remaining useful lives of tugboats) with an estimated average revenue growth rate of 5% (2018: 2.8%). The growth rate did not exceed the long-term average growth rate in which the CGU operates. The pre-tax discount rate applied to the pre-tax cash flow projections is 10% (2018: 9%).

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2019

## 18. PROPERTY, PLANT AND EQUIPMENT

| GROUP<br>2019 | MOTOR VEHICLES | FURNITURE, FITTINGS AND EQUIPMENT | FORKLIFTS, MACHINERY, TOOLS AND EQUIPMENT | LEASEHOLD MPROVEMENT AND RENOVATION | LEASEHOLD BUILDING | LEASEHOLD LAND | YARD DEVELOPMENT | CONSTRUCTION IN-PROGRESS | VESSELS | DRYDOCKINGS | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | | | | | |
| Beginning of financial year | 2,356,637 | 2,356,785 | 23,266,036 | 698,098 | 9,368,216 | 2,224,933 | 15,914,322 | 55,865 | 54,788,503 | 2,915,536 | 113,944,931 |
| Adoption of SFRS(I) 16 | – | – | – | – | 8,294,419 | – | – | – | – | – | 8,294,419 |
| | 2,356,637 | 2,356,785 | 23,266,036 | 698,098 | 17,662,635 | 2,224,933 | 15,914,322 | 55,865 | 54,788,503 | 2,915,536 | 122,239,350 |
| Transfer from inventory | – | – | – | – | – | – | – | – | 579,745 | – | 579,745 |
| Reclassified from disposal group | 71,248 | 421,845 | 5,265,058 | – | – | – | – | – | – | – | 5,758,151 |
| Additions | 178,328 | 77,377 | 2,483,884 | – | 1,994,438 | – | – | 41,787 | 2,386 | 3,255,647 | 8,033,847 |
| Disposals | (133,035) | (22,619) | (5,106,568) | – | – | – | – | – | – | – | (5,262,222) |
| Written-off | - | (391,999) | (505,357) | – | – | – | – | – | – | – | (897,356) |
| Disposal of subsidiary | - | (2,157) | (4,384) | – | – | – | – | – | – | – | (6,541) |
| Currency translation differences | 4,146 | 9,769 | 71,524 | 1,504 | – | – | 71,810 | – | (657,635) | (36,191) | (535,073) |
| End of financial year | 2,477,324 | 2,449,001 | 25,470,193 | 699,602 | 19,657,073 | 2,224,933 | 15,986,132 | 97,652 | 54,712,999 | 6,134,992 | 129,909,901 |
| **Accumulated depreciation** | | | | | | | | | | | |
| Beginning of financial year | 1,594,566 | 2,300,715 | 17,328,521 | 586,047 | 2,868,526 | 730,772 | 5,178,004 | – | 13,817,452 | 2,263,837 | 46,668,440 |
| Adoption of SFRS(I) 16 | – | – | – | – | 4,700,171 | – | – | – | – | – | 4,700,171 |
| Reclassified from disposal group | 55,392 | 250,799 | 2,898,710 | (15,769) | (133,242) | – | (13,683) | – | –– | – | 3,042,207 |
| Depreciation charge | | | | | | | | | | | |
| - Continuing operations (Note 6) | 193,887 | 71,196 | 1,688,815 | 3,149 | 1,686,425 | 80,634 | 732,120 | - | 2,680,659 | 687,055 | 7,823,940 |
| - Discontinued operations | 813 | 33,708 | 203,814 | 15,769 | 133,242 | – | 13,683 | – | – | – | 401,029 |
| Disposals | (118,265) | (22,380) | (4,039,551) | – | – | – | – | – | – | – | (4,180,196) |
| Written-off | - | (280,541) | (487,010) | – | – | – | – | – | – | – | (767,551) |
| Disposal of subsidiary | - | (479) | (3,736) | – | – | – | – | – | – | – | (4,215) |
| Currency translation differences | 3,145 | 9,489 | 55,423 | 1,510 | – | – | 28,944 | – | (174,461) | (28,170) | (104,120) |
| End of financial year | 1,729,538 | 2,362,507 | 17,644,986 | 590,706 | 9,255,122 | 811,406 | 5,939,068 | – | 16,323,650 | 2,922,722 | 57,579,705 |
| **Net book value** | | | | | | | | | | | |
| **End of financial year** | **747,786** | **86,494** | **7,825,207** | **108,896** | **10,401,951** | **1,413,527** | **10,047,064** | **97,652** | **38,389,349** | **3,212,270** | **72,330,196** |

## 18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| GROUP 2018 | MOTOR VEHICLES | FURNITURE, FITTINGS AND EQUIPMENT | FORKLIFTS, MACHINERY, TOOLS AND EQUIPMENT | LEASEHOLD MPROVEMENT AND RENOVATION | LEASEHOLD BUILDING | LEASEHOLD LAND | YARD DEVELOPMENT | CONSTRUCTION IN-PROGRESS | VESSELS | DRYDOCKINGS | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | | | | | |
| Beginning 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 |
| Transfer to inventory | – | – | – | – | – | – | – | – | (10,812,963) | (701,149) | (11,514,112) |
| Reclassified to disposal group (Note 11(b)) | (71,248) | (691,989) | (5,326,660) | (315,376) | (7,084,001) | – | (727,500) | – | – | – | (14,216,774) |
| Additions | 201,871 | 23,180 | 1,212,508 | 22,801 | – | – | – | – | 2,548 | 331,784 | 1,794,692 |
| Disposals | (876,385) | (4,076) | (8,544,241) | – | – | – | – | – | – | – | (9,424,702) |
| Written-off | (7,500) | (169,775) | (616,551) | – | – | – | – | – | – | – | (793,826) |
| Currency translation differences | (7,926) | (16,742) | (109,062) | 26 | – | – | (123,585) | – | 1,053,434 | 53,413 | 849,558 |
| End of financial year | 2,356,637 | 2,356,785 | 23,266,036 | 698,098 | 9,368,216 | 2,224,933 | 15,914,322 | 55,865 | 54,788,503 | 2,915,536 | 113,944,931 |
| **Accumulated depreciation** | | | | | | | | | | | |
| Beginning 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 |
| Transfer to inventory | – | – | – | – | – | – | – | – | (4,361,074) | (523,473) | (4,884,547) |
| Reclassified to disposal group (Note 11(b)) | (55,392) | (313,405) | (2,960,011) | (52,150) | (465,116) | – | (47,892) | – | – | – | (3,893,966) |
| Depreciation charge | | | | | | | | | | | |
| - Continuing operations (Note 6) | 211,427 | 81,056 | 1,482,345 | 5,684 | 469,176 | 80,634 | 729,090 | – | 3,050,672 | 740,617 | 6,850,701 |
| - Discontinued operations | 4,879 | 83,514 | 653,361 | 30,207 | 266,483 | – | 27,367 | – | – | – | 1,065,811 |
| Disposals | (692,093) | (3,541) | (6,315,345) | – | – | – | – | – | – | – | (7,010,979) |
| Written-off | (7,500) | (165,580) | (584,384) | – | – | – | – | – | – | – | (757,464) |
| Currency translation differences | (5,941) | (15,556) | (87,969) | 5 | – | – | (45,896) | – | 229,055 | 32,114 | 105,812 |
| End of financial year | 1,594,566 | 2,300,715 | 17,328,521 | 586,047 | 2,868,526 | 730,772 | 5,178,004 | – | 13,817,452 | 2,263,837 | 46,668,440 |
| **Net book value** | | | | | | | | | | | |
| **End of financial year** | 762,071 | 56,070 | 5,937,515 | 112,051 | 6,499,690 | 1,494,161 | 10,736,318 | 55,865 | 40,971,051 | 651,699 | 67,276,491 |

## 18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| COMPANY<br>2019 | MOTOR VEHICLES<br>$ | FURNITURE, FITTINGS AND EQUIPMENT<br>$ | FORKLIFTS, MACHINERY, TOOLS AND EQUIPMENT<br>$ | LEASEHOLD BUILDING<br>$ | TOTAL<br>$ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Beginning of financial year | 1,118,268 | 688,782 | – | – | 1,807,050 |
| Additions | – | 4,398 | 1,994,438 | 1,994,438 | 3,993,274 |
| End of financial year | 1,118,268 | 693,180 | 1,994,438 | 1,994,438 | 5,800,324 |
| **Accumulated depreciation** | | | | | |
| Beginning of financial year | 739,158 | 687,185 | – | – | 1,426,343 |
| Depreciation charge | 108,826 | 1,931 | 387,807 | 387,807 | 886,371 |
| End of financial year | 847,984 | 689,116 | 387,807 | 387,807 | 2,312,714 |
| **Net book value** | | | | | |
| **End of financial year** | 270,286 | 4,064 | 1,606,631 | 1,606,631 | 3,487,610 |
| **2018** | | | | | |
| **Cost** | | | | | |
| Beginning of financial year | 1,344,494 | 837,451 | – | – | 2,181,945 |
| Additions | 107,000 | – | – | – | 107,000 |
| Disposals | (333,226) | (135,549) | – | – | (468,775) |
| Written-off | – | (12,700) | – | – | (12,700) |
| Transfer to a subsidiary corporation | – | (420) | – | – | (420) |
| End of financial year | 1,118,268 | 688,782 | – | – | 1,807,050 |
| **Accumulated depreciation** | | | | | |
| Beginning of financial year | 903,079 | 829,489 | – | – | 1,732,568 |
| Depreciation charge | 108,825 | 3,259 | – | – | 112,084 |
| Disposals | (272,746) | (135,538) | – | – | (408,284) |
| Written-off | – | (8,846) | – | – | (8,846) |
| Transfer to a subsidiary corporation | – | (1,179) | – | – | (1,179) |
| End of financial year | 739,158 | 687,185 | – | – | 1,426,343 |
| **Net book value** | | | | | |
| **End of financial year** | 379,110 | 1,597 | – | – | 380,707 |

## 18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Right-of-use assets

Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 19(a).

(b) Assets held under finance lease

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 $8,033,847 (2018: $1,794,692) of which $4,143,996 (2018: $100,880) were acquired under finance leases and cash payments of $3,889,852 (2018: $1,693,812).

(c) Assets pledged as security

The Group's leasehold building, yard development and vessels with carrying amounts of $18,533,040 (2018: $25,573,245) and $37,988,775 (2018: $37,360,400) respectively, are mortgaged to secure the Group's bank borrowings (Note 23 (a)).

(d) 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 and infrastructure engineering 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 tenth-year to fifteen-year period (representing estimated remaining useful lives of vessels and tugboats) with an estimated average revenue growth rate of 4.5% (2018: 2.8%). The growth rate did not exceed the long-term average growth rate in which the CGU operates. The pre-tax discount rate applied to the pre-tax cash flow projections is 9-10% (2018: 9%).

The recoverable amount of the infrastructure engineering CGU as at 31 December 2019 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 and infrastructure engineering as the recoverable amounts exceed the carrying amounts.

## 19. LEASES – THE GROUP AS A LESSEE

The Group leases offices, a warehouse with workers' dormitory and several equipment. The leases typically run for a period of three to seven years, with an option to renew the specific lease after that date. Lease payments are renegotiated upon renewal to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The warehouse with workers' dormitory lease was entered on 19 April 2013 with a sale and leaseback agreement. Previously, this lease were classified as an operating lease under SFRS(I) 1-17.

(a) Carrying amounts

ROU assets classified within property, plant and equipment.

| | GROUP | |
|---|---|---|
| | 31 DECEMBER 2019 $ | 1 JANUARY 2019 $ |
| Plant and machinery | 1,606,631 | – |
| Leasehold building | 4,371,437 | 3,594,248 |
| | 5,978,068 | 3,594,248 |

(b) Depreciation charge during the year

| | 2019 $ |
|---|---|
| Plant and machinery | 387,807 |
| Leasehold building | 1,217,249 |
| Total | 1,605,056 |

(c) Interest expense

| | 2019 $ |
|---|---|
| Interest expense on lease liabilities | 291,066 |

(d) Lease expense not capitalised in lease liabilities

| | 2019 $ |
|---|---|
| Lease expense – short-term lease | 168,120 |
| Lease expense – low-value lease | 4,616 |
| Total | 172,736 |

(e) Total cash outflow for all the leases in 2019 was $1,850,237.

(f) Addition of ROU assets during the financial year 2019 was $3,988,876.

## 19. LEASES – THE GROUP AS A LESSEE (CONTINUED)

(g) Future cash outflow which are not capitalised in lease liabilities

Extension options

The leases for certain retail stores, equipment and motor vehicles contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

## 20. LEASES – THE GROUP AS A LESSOR

Nature of the Group's leasing activities – Group as a lessor

The Group has leased out their owned vessels to non-related parties for monthly lease payments. This lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from leasing out vessels recognised during the financial year 2019 was $690,708 (2018: $1,534,424)

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

| | 31 DECEMBER 2019 $ | 1 JANUARY 2019 $ |
|---|---|---|
| Less than one year | 14,533 | 36,468 |

## 21. TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Trade payables | | | | |
| - Subsidiary corporations | – | – | – | 26,857 |
| - Related parties | 16,338 | 3,305 | – | – |
| - Non-related parties | 9,423,320 | 9,476,711 | 290,104 | 42,095 |
| | 9,439,658 | 9,480,016 | 290,104 | 68,952 |
| Non-trade payables | | | | |
| - Subsidiary corporations | – | – | 18,923,114 | 10,355,233 |
| - Non-related parties | 10,983,845 | 7,002,599 | 3,532,769 | 2,563,915 |
| | 10,983,845 | 7,002,599 | 22,455,883 | 12,919,148 |
| Accruals for operating expenses | 5,264,655 | 6,735,746 | 3,279,598 | 4,956,269 |
| Accruals for project expenses | 2,342,458 | 1,237,274 | – | – |
| | 7,607,113 | 7,973,020 | 3,279,598 | 4,956,269 |
| | 28,030,616 | 24,455,635 | 26,025,585 | 17,944,369 |
| Current | 26,619,642 | 24,455,635 | 26,025,585 | 17,944,369 |
| Non-current | 1,410,974 | – | – | – |
| | 28,030,616 | 24,455,635 | 26,025,585 | 17,944,369 |

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

The fair values of non-current trade and other payables are computed based on cash flows discounted at market borrowing rates. The fair values are within level 2 of the fair value hierarchy.

(a) Fair value

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Trade payables | 1,387,828 | – | – | – |

(b) Market borrowing rates

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | % | % | % | % |
| Trade payables | 5.25 | – | – | – |

## 22. DEFERRED INCOME

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Current | 81,322 | 250,271 |
| Non-current | – | 76,613 |
| | 81,322 | 326,884 |

As at 31 December 2019, deferred income includes $76,613 (2018: $290,899) gain from sale and leaseback transaction entered into by a subsidiary corporation in the financial year 2012 that was deferred and amortised in proportion to the lease payment over the lease period.

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Movement of deferred income is as follows: | | |
| Beginning of financial year | 326,884 | 666,776 |
| Charter | – | 35,985 |
| Recognised in profit or loss | (245,562) | (375,877) |
| End of financial year | 81,322 | 326,884 |

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

## 23. BORROWINGS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| *Current* | | | | |
| Bank borrowings | 16,032,114 | 13,344,355 | 5,965,357 | 9,625,065 |
| Bank overdrafts (Note 13) | 2,487,597 | 3,852,640 | 2,133,162 | 2,996,373 |
| Bills payable | 1,492,266 | 1,621,515 | – | – |
| Convertible bonds (Note 24) | – | 4,986,868 | – | 4,986,868 |
| Finance lease liabilities (Note 26) | – | 93,477 | – | 29,091 |
| Lease liabilities | 2,298,741 | – | 1,328,815 | – |
| | 22,310,718 | 23,898,855 | 9,427,334 | 17,637,397 |
| *Non-current* | | | | |
| Bank borrowings | 3,927,083 | 10,877,129 | 1,583,333 | 1,916,666 |
| Bond (Note 25) | 3,985,545 | – | 3,985,545 | – |
| Finance lease liabilities (Note 26) | – | 193,924 | – | 66,672 |
| Lease liabilities | 4,136,183 | – | 1,999,403 | – |
| | 12,048,811 | 11,071,053 | 7,568,281 | 1,983,338 |
| Total borrowings | 34,359,529 | 34,969,908 | 16,995,615 | 19,620,735 |

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 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| 6 months or less | 17,320,497 | 17,214,037 | 7,448,477 | 12,538,104 |
| 6 – 12 months | 1,806,064 | 1,364,889 | 233,376 | – |
| 1 – 5 years | – | 6,116,712 | – | – |
| | 19,126,561 | 24,695,638 | 7,681,853 | 12,538,104 |

(a) Security granted

Total borrowings included amounts of $7,344,319 (2018: $9,142,586) and $1,014,378 (2018: $95,796) 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(c)). Certain 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.

The bank overdrafts, bills payable and other short-term bank borrowings were supported by corporate guarantees given by the Company (Note 33(b)).

## 23. BORROWINGS (CONTINUED)

(b) Fair value of non-current borrowings

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Bank borrowings | 3,702,515 | 10,709,778 | 1,420,497 | 1,708,513 |
| Bond | 4,084,000 | – | 4,084,000 | – |

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 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | % | % | % | % |
| Bank borrowings | 5.25 | 5.33 | 5.33 | 5.33 |
| Bond | 9.00 | – | 9.00 | – |

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

## 23. BORROWINGS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

| | 1 JANUARY 2019 | PRINCIPAL AND INTEREST PAYMENTS | NON-CASH CHANGES | | | | | | 31 DECEMBER 2019 |
|---|---|---|---|---|---|---|---|---|---|
| | | | TRADE AND OTHER PAYABLES | EXCHANGE OF BOND | ADDITION TO PROPERTY, PLANT AND EQUIPMENT | ASSET HELD-FOR-SALE | INTEREST EXPENSE | FOREIGN EXCHANGE MOVEMENT | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Bank borrowings | 24,221,484 | (15,645,812) | – | – | – | 11,386,192 | 70,383 | (73,050) | 19,959,197 |
| Bills payable | 1,621,515 | (129,249) | – | – | – | – | – | – | 1,492,266 |
| Lease liabilities | 287,401 | (1,850,236) | – | – | 7,997,759 | – | – | – | 6,434,924 |
| Convertible bonds | 4,986,868 | (1,000,000) | 246,695 | (4,000,000) | – | – | (233,563) | – | – |
| Bond | – | – | – | 4,000,000 | – | – | (14,455) | – | 3,985,545 |

| | 1 JANUARY 2018 | PRINCIPAL AND INTEREST PAYMENTS | NON-CASH CHANGES | | | | | 31 DECEMBER 2018 |
|---|---|---|---|---|---|---|---|---|
| | | | TRADE AND OTHER PAYABLES | ADDITION TO PROPERTY, PLANT AND EQUIPMENT | ASSET HELD-FOR-SALE | INTEREST EXPENSE | FOREIGN EXCHANGE MOVEMENT | |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Bank borrowings | 41,235,473 | (5,819,661) | – | – | (11,386,192) | 26,453 | 165,411 | 24,221,484 |
| Bills payable | 2,335,850 | (714,335) | – | – | – | – | – | 1,621,515 |
| Lease liabilities | 397,988 | (211,467) | – | 100,880 | – | – | – | 287,401 |
| Convertible bonds | 4,941,160 | (360,000) | (40,000) | – | – | 445,708 | – | 4,986,868 |

## 23. BORROWINGS (CONTINUED)

(d) Breaches of loan covenants

The Group's loan agreements are subjected to covenant clauses, whereby the Group is required to meet certain key financial ratios. As at 31 December 2019 and 2018, 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 the outstanding loans amounted to $5,958,685 (2018: $12,211,583).

As at 31 December 2019, the outstanding loans were presented as current liabilities and management was able to obtain in-principle approval from banks to waive the above subsequent to balance sheet date.

As at 31 December 2018, certain non-current borrowings were reclassified as current borrowings as the management obtained in-principle approval from the banks to waive the above subsequent to balance sheet date.

## 24. CONVERTIBLE BONDS

On 27 April 2015, the Company issued convertible bonds with a nominal value of $5 million 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 29(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 | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Face value of convertible bonds issued on 27 April 2015 | 5,000,000 | 5,000,000 |
| Equity conversion component on initial recognition (Note 29(b)(ii)) | (163,297) | (163,297) |
| Liability component on initial recognition | 4,836,703 | 4,836,703 |
| Accumulated amortisation of interest expense | 1,683,956 | 1,621,947 |
| Accumulated payment of interests | (1,520,659) | (1,471,782) |
| Payment | (1,000,000) | – |
| Exchanged to bond (Note 25) | (4,000,000) | – |
| Liability component at end of financial year (Note 23) | – | 4,986,868 |

## 25. BOND

On 26 April 2019 an aggregate S$4,000,000 of the convertible bonds ("existing bonds") in the principal amount of S$5,000,000 due 26 April 2019 has been exchanged for an aggregate principal amount of S$4,000,000 9.0% bond due 26 April 2022, three (3) years from the completion date of the exchange offer, being 26 April 2019.

## 26. FINANCE LEASE LIABILITIES

As at 31 December 2019, the Group leases certain plant and equipment and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.1.

| | GROUP | COMPANY |
|---|---|---|
| | 31 DECEMBER 2018 | 31 DECEMBER 2018 |
| | $ | $ |
| Minimum lease payment due | | |
| - Not later than one year | 102,971 | 31,848 |
| - Between one and five years | 204,343 | 73,341 |
| | 307,314 | 105,189 |
| Less: Future finance charges | (19,913) | (9,426) |
| Present value of finance lease liabilities | 287,401 | 95,763 |

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

| | GROUP | COMPANY |
|---|---|---|
| | 31 DECEMBER 2018 | 31 DECEMBER 2018 |
| | $ | $ |
| - Not later than one year (Note 23) | 93,477 | 29,091 |
| Later than one year (Note 23) | | |
| - Between one and five years | 193,924 | 66,672 |
| Total | 287,401 | 95,763 |

## 27. 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 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Deferred income tax assets | (760,630) | (356,140) | (8,770) | (17,040) |
| Deferred income tax liabilities | 20,689 | 11,151 | – | – |
| Net deferred tax assets | (739,941) | (344,989) | (8,770) | (17,040) |

Movement in deferred income tax account is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Beginning of financial year | (344,989) | (949,502) | (17,040) | (16,570) |
| Reclassified to disposal group (Note 11(b)) | – | 1,085,430 | – | – |
| Transfered to subsidiary corporation | (1,085,430) | – | – | – |
| Tax credited to profit or loss (Note 10) | 690,478 | (480,917) | 8,270 | (470) |
| End of financial year | (739,941) | (344,989) | (8,770) | (17,040) |

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 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| <u>Group</u> | | | | |
| **2019** | | | | |
| Beginning of financial year | (46,970) | (47,190) | (261,980) | (356,140) |
| (Credited)/charged to profit or loss | (310,860) | 14,400 | (108,030) | (404,490) |
| End of financial year | (357,830) | (32,790) | (370,010) | (760,630) |
| **2018** | | | | |
| Beginning of financial year | (934,717) | (73,625) | (139,100) | (1,147,442) |
| Reclassified to disposal group | 1,081,420 | 4,010 | – | 1,085,430 |
| (Credited)/charged to profit or loss | (193,673) | 22,425 | (122,880) | (294,128) |
| End of financial year | (46,970) | (47,190) | (261,980) | (356,140) |

## 27. DEFERRED INCOME TAX (CONTINUED)

*Deferred income tax liabilities*

| | ACCELERATED TAX DEPRECIATION $ | ALLOWANCE FOR IMPAIRMENT $ | TOTAL $ |
|---|---|---|---|
| **Group** | | | |
| **2019** | | | |
| Beginning of financial year | 11,151 | – | 11,151 |
| Charged/(credited) to profit or loss | 18,849 | (9,311) | (9,538) |
| End of financial year | 30,000 | (9,311) | 20,689 |
| **2018** | | | |
| Beginning of financial year | 197,940 | – | 197,940 |
| Credited to profit or loss | (186,789) | – | (186,789) |
| End of financial year | 11,151 | – | 11,151 |

*Deferred income tax (assets)/liabilities*

| | ACCELERATED TAX DEPRECIATION $ | PROVISION $ | TOTAL $ |
|---|---|---|---|
| **Company** | | | |
| **2019** | | | |
| Beginning of financial year | 1,540 | (18,580) | (17,040) |
| (Credited)/charged to profit or loss | (850) | 9,120 | 8,270 |
| End of financial year | 690 | (9,460) | (8,770) |
| **2018** | | | |
| Beginning of financial year | 1,350 | (17,920) | (16,570) |
| Charged/(credited) to profit or loss | 190 | (660) | (470) |
| End of financial year | 1,540 | (18,580) | (17,040) |

As at 31 December 2018 and 2019, the Group has no unremitted earnings from overseas subsidiary corporations that may be subject to withholding and other taxes when remitted to the Company, hence no deferred income tax liability were recognised.

The Group has unutilised tax losses and unabsorbed capital allowances of approximately $12,923,835 (2018: $13,000,232) and $44,244 (2018: $44,244) 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.

Potential deferred tax assets of approximately $2,122,963 (2018: $1,903,398) have not been recognised in the financial statements in accordance with accounting policy stated in Note 2.17.

## 28. SHARE CAPITAL

| | GROUP AND COMPANY | |
|---|---|---|
| | NO. OF ORDINARY SHARES | AMOUNT |
| | | $ |
| **2019** | | |
| Beginning and end of financial year | 135,010,406 | 49,651,347 |
| **2018** | | |
| 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.

## 29. OTHER RESERVES

(a) Composition:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Currency translation reserve | (1,562,030) | (1,664,581) | – | – |
| Equity component of convertible bonds (Note 24) | – | 163,297 | – | 163,297 |
| Premium paid on acquisition of non-controlling interests | (52,267) | (52,267) | – | – |
| | (1,614,297) | (1,553,551) | – | 163,297 |

(b) Movements:

*(i) Currency translation reserve*

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| *Currency translation reserve* | | |
| Beginning of financial year | (1,664,581) | (1,497,850) |
| Net currency translation differences of financial statements of foreign subsidiary corporations | 102,551 | (166,731) |
| End of financial year | (1,562,030) | (1,664,581) |

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.

## 29. OTHER RESERVES (CONTINUED)

(b) Movements: (continued)

(ii) Equity component of convertible bonds

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Beginning of financial year | 163,297 | 163,297 |
| Transfer of other reserve on extinguishment of convertible bond | (163,297) | – |
| End of financial year | – | 163,297 |

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

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Beginning and end of financial year | (52,267) | (52,267) |

Other reserves are non-distributable.

## 30. 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 | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Beginning of financial year | 4,233,972 | 3,281,169 |
| Transfer of other reserve on extinguishment of convertible bond | 163,297 | – |
| Net (loss)/profit | (689,520) | 952,803 |
| End of financial year | 3,707,749 | 4,233,972 |

## 31. CONTINGENT LIABILITIES

(a) Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of certain subsidiary corporations. These bank borrowings amount to $12,491,216 (2018: $23,241,377). The Company has evaluated the fair values of the corporate guarantees and considered not material and is of the view that the consequential liabilities derived from its guarantee to the banks with regard to the subsidiary corporations are minimal. The subsidiary corporations for which the guarantees were provided have no history of default in the payment of borrowings and credit facilities.

(b) Financial support

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

## 32. COMMITMENTS

(a) Capital commitments

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

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Property, plant and equipment | 540,000 | 1,300,000 |

(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.

As at 31 December 2018, the future minimum lease payables under noncancelable operating leases contracted for but not recognised as liabilities, are as follows:

| | GROUP |
|---|---|
| | $ |
| Not later than one year | 868,079 |
| Between one and five years | 441,587 |
| | 1,309,666 |

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

## 32. COMMITMENTS (CONTINUED)

(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.

As at 31 December 2018, 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 |
|---|---|
| | $ |
| Not later than one year | 36,468 |

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 20.

## 33. 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.

(a) Market risk

(i) Currency risk

The Group mainly 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.

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

| AT 31 DECEMBER 2019 | SGD $ | USD $ | IDR $ | OTHERS $ | TOTAL $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 3,314,466 | 476,310 | 209,826 | 434,759 | 4,435,361 |
| Trade and other receivables | 11,262,110 | 6,118,079 | 7,614,592 | 408,373 | 25,403,154 |
| Receivables from subsidiary corporations | 122,488,237 | 864,853 | 546,917 | 225,301 | 124,125,308 |
| | 137,064,813 | 7,459,242 | 8,371,335 | 1,068,433 | 153,963,823 |
| **Financial liabilities** | | | | | |
| Borrowings | (30,410,790) | (3,948,739) | – | – | (34,359,529) |
| Trade and other payables | (22,405,421) | (1,513,284) | (3,757,880) | (354,031) | (28,030,616) |
| Payables to subsidiary corporations | (122,488,237) | (864,853) | (546,917) | (225,301) | (124,125,308) |
| | (175,304,448) | (6,326,876) | (4,304,797) | (579,332) | (186,515,453) |
| **Net financial (liabilities)/assets** | (38,239,635) | 1,132,366 | 4,066,538 | 489,101 | (32,551,630) |
| Add: Net non-financial assets/(liabilities) | | | | | |
| - Continuing operations | 12,047,516 | 38,001,699 | 27,808,954 | 9,467 | 77,867,636 |
| Add: Contract assets | 4,719,638 | – | 2,673,174 | – | 7,392,812 |
| **Currency profile including non-financial liabilities and assets** | (21,472,481) | 39,134,065 | 34,548,666 | 498,568 | 52,708,818 |
| **Currency exposure of financial assets net of those denominated in the respective entities' functional currencies** | – | 1,298,962 | 5,316,405 | 23,216 | 6,638,583 |

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

| AT 31 DECEMBER 2018 | SGD $ | USD $ | IDR $ | OTHERS $ | TOTAL $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 4,004,409 | 915,083 | 269,641 | 22,915 | 5,212,048 |
| Trade and other receivables | 8,131,355 | 7,556,872 | 10,369,943 | 424,785 | 26,482,955 |
| Receivables from subsidiary corporations | 120,183,827 | 1,847,472 | 2,042,577 | 645,115 | 124,718,991 |
| | 132,319,591 | 10,319,427 | 12,682,161 | 1,092,815 | 156,413,994 |
| **Financial liabilities** | | | | | |
| Borrowings | (29,321,580) | (5,648,328) | - | - | (34,969,908) |
| Trade and other payables | (15,027,498) | (3,876,360) | (5,438,066) | (113,711) | (24,455,635) |
| Payables to subsidiary corporations | (120,183,827) | (1,847,472) | (2,042,577) | (645,115) | (124,718,991) |
| | (164,532,905) | (11,372,160) | (7,480,643) | (758,826) | (184,144,534) |
| **Net financial (liabilities)/assets** | (32,213,314) | (1,052,733) | 5,201,518 | 333,989 | (27,730,540) |
| Add: Net non-financial assets/(liabilities) | | | | | |
| - Continuing operations | 4,593,677 | 38,299,121 | 34,930,199 | 13,225 | 77,836,222 |
| - Disposal group | (348,212) | - | - | - | (348,212) |
| Add: Contract assets | 2,686,861 | 390,428 | 2,013,288 | 326,691 | 5,417,268 |
| **Currency profile including non-financial liabilities and assets** | (25,280,988) | 37,636,816 | 42,145,005 | 673,905 | 55,174,738 |
| **Currency exposure of financial assets net of those denominated in the respective entities' functional currencies** | - | 3,276,035 | (13,679) | 354,086 | 3,616,442 |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2019

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

| | 31 DECEMBER 2019 | | | 31 DECEMBER 2018 | | |
|---|---|---|---|---|---|---|
| | SGD | USD | TOTAL | SGD | USD | TOTAL |
| | $ | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 9,267 | 6,396 | 15,663 | 1,420,688 | 7,369 | 1,428,057 |
| Trade and other receivables | 87,846,907 | – | 87,846,907 | 77,302,927 | – | 77,302,927 |
| | 87,856,174 | 6,396 | 87,862,570 | 78,723,615 | 7,369 | 78,730,984 |
| **Financial liabilities** | | | | | | |
| Borrowings | (16,995,615) | – | (16,995,615) | (19,620,735) | – | (19,620,735) |
| Trade and other payables | (26,025,585) | – | (26,025,585) | (17,944,369) | – | (17,944,369) |
| | (43,021,200) | – | (43,021,200) | (37,565,104) | – | (37,565,104) |
| **Net financial assets** | | | | 41,158,511 | 7,369 | 41,165,880 |
| Add: Net non-financial assets | 44,834,974 | 6,396 | 44,841,370 | 5,082,736 | – | 5,082,736 |
| Add: Assets held-for-sale | – | – | – | 7,800,000 | – | 7,800,000 |
| **Currency profile including non-financial assets** | 44,834,974 | 6,396 | 44,841,370 | 54,041,247 | 7,369 | 54,048,616 |
| **Currency exposure of financial assets net of those denominated in the Company's functional currencies** | – | 6,396 | 6,396 | – | 7,369 | 7,369 |

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the IDR and USD change against the SGD by approximately 3% (2018: 5%) and approximately 1% (2018: 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 | |
|---|---|---|
| | 2019 | 2018 |
| | PROFIT AFTER TAX | |
| | $ | $ |
| IDR against SGD | | |
| - Strengthened | 132,378 | (568) |
| - Weakened | (132,378) | 568 |
| USD against SGD | | |
| - Strengthened | (10,781) | 54,382 |
| - Weakened | 10,781 | (54,382) |

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.

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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<br>$ | WITHIN 2 TO 5 YEARS<br>$ | MORE THAN 5 YEARS<br>$ | TOTAL<br>$ |
|---|---|---|---|---|
| <u>Group</u> | | | | |
| **31 December 2019** | | | | |
| **Fixed rate** | | | | |
| Lease liabilities | 2,298,741 | 4,128,627 | 7,556 | 6,434,924 |
| Bonds | – | 3,985,545 | – | 3,985,545 |
| Bank borrowings | 885,417 | 3,927,083 | – | 4,812,500 |
| **Floating rate** | | | | |
| Bank borrowings | 15,146,697 | – | – | 15,146,697 |
| Bank overdrafts | 2,487,597 | – | – | 2,487,597 |
| Bills payable | 1,492,266 | – | – | 1,492,266 |
| **31 December 2018** | | | | |
| **Fixed rate** | | | | |
| Lease liabilities | 93,477 | 193,924 | – | 287,401 |
| Convertible bonds | 4,986,868 | – | – | 4,986,868 |
| Bank borrowings | 239,583 | 4,177,083 | 583,334 | 5,000,000 |
| **Floating rate** | | | | |
| Bank borrowings | 13,104,772 | 6,116,712 | – | 19,221,484 |
| Bank overdrafts | 3,852,640 | – | – | 3,852,640 |
| Bills payable | 1,621,514 | – | – | 1,621,514 |

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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. (continued)

| | WITHIN 1 YEAR | WITHIN 2 TO 5 YEARS | MORE THAN 5 YEARS | TOTAL |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Company** | | | | |
| **31 December 2019** | | | | |
| **Fixed rate** | | | | |
| Lease liabilities | 1,328,815 | 1,999,403 | – | 3,328,218 |
| Bonds | – | 3,985,545 | – | 3,985,545 |
| Bank borrowings | 416,667 | 1,583,333 | – | 2,000,000 |
| **Floating rate** | | | | |
| Bank borrowings | 5,548,691 | – | – | 5,548,691 |
| Bank overdrafts | 2,133,162 | – | – | 2,133,162 |
| **31 December 2018** | | | | |
| **Fixed rate** | | | | |
| Finance lease liabilities | 29,091 | 66,672 | – | 95,763 |
| Convertible bonds | 4,986,868 | – | – | 4,986,868 |
| Bank borrowings | 83,333 | 1,333,333 | 583,334 | 2,000,000 |
| **Floating rate** | | | | |
| Bank borrowings | 9,541,731 | – | – | 9,541,731 |
| Bank overdrafts | 2,996,373 | – | – | 2,996,373 |

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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) the total 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 $ |
| **31 December 2019** | | | | |
| **Floating rate instruments** | | | | |
| Singapore Dollar | 105,715 | (105,715) | 55,487 | (55,487) |
| United States Dollar | 60,674 | (60,674) | – | – |
| **31 December 2018** | | | | |
| **Floating rate instruments** | | | | |
| Singapore Dollar | 119,878 | (119,878) | 95,417 | (95,417) |
| United States Dollar | 88,552 | (88,552) | – | – |

(b) Credit risk

Credit risk refers to the risk that a 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 | |
|---|---|---|
| | 2019 $ | 2018 $ |
| Corporate guarantees provided to banks on subsidiary corporations' bank borrowings (Note 31) | 12,491,216 | 23,241,377 |

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

The trade receivables of the Group comprise of 2 debtors (2018: 3 debtors) that individually represented 18% - 24% (2018: 10% - 26%) of the trade receivables.

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| By geographical areas | | | | |
| - Singapore | 8,090,603 | 5,578,972 | 2,482,943 | 1,747,434 |
| - Indonesia | 4,629,239 | 6,281,502 | 591,388 | 591,388 |
| - Malaysia | 245,573 | 188,590 | – | – |
| - Australia | 4,554,794 | 4,614,472 | – | – |
| - United Kingdom | 148,814 | – | – | – |
| - Switzerland | 783,756 | 1,096,723 | – | – |
| - Others | 238,098 | 192,109 | – | 163,776 |
| | 18,690,877 | 17,952,368 | 3,074,331 | 2,502,598 |
| By type of customers | | | | |
| - Non-related parties | 18,690,877 | 17,952,368 | – | 163,776 |
| - Subsidiary corporations | – | – | 3,074,331 | 2,338,822 |
| | 18,690,877 | 17,952,368 | 3,074,331 | 2,502,598 |

(i) Trade receivables and contract assets

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 180 days from invoice date, and considers to write off or provide credit loss allowance when a debtor fails to make contractual payments after more than 365 days past due. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's and the Company's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2019 are set out in the provision matrix as follows:

| | NOT PAST DUE NOR IMPAIRED | PAST DUE 0 TO 30 DAYS | PAST DUE 31 TO 180 DAYS | PAST DUE 181 TO 365 DAYS | MORE THAN ONE YEAR | TOTAL |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Group** | | | | | | |
| **Infrastructure engineering** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 41% | |
| Trade receivables | 748,805 | 1,666,589 | 1,554,474 | 200,008 | 3,229,245 | 7,399,121 |
| Contract assets | 4,838,344 | – | – | – | – | 4,838,344 |
| Loss allowance | – | – | – | – | (1,425,160) | (1,425,160) |
| **Corrosion prevention** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 36% | |
| Trade receivables | 1,216,870 | 2,040,920 | 2,171,873 | 126,965 | 408,046 | 5,964,674 |
| Contract assets | 2,554,468 | – | – | – | – | 2,554,468 |
| Loss allowance | – | – | – | – | (150,441) | (150,441) |
| **Supply and distribution** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 4% | |
| Trade receivables | 700,368 | 275,919 | 352,908 | 207,519 | 847,834 | 2,384,548 |
| Loss allowance | – | – | – | – | (36,660) | (36,660) |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2019

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

The Group's and the Company's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2019 are set out in the provision matrix as follows: (continued)

| | NOT PAST DUE NOR IMPAIRED | PAST DUE 0 TO 30 DAYS | PAST DUE 31 TO 180 DAYS | PAST DUE 181 TO 365 DAYS | MORE THAN ONE YEAR | TOTAL |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Group** | | | | | | |
| **Shipping** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Trade receivables | 901,754 | 697,181 | 2,309,087 | 171,090 | 475,682 | 4,554,794 |
| Loss allowance | – | – | – | – | – | – |
| **Company** | | | | | | |
| **Corrosion prevention** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Trade receivables | 336,943 | 131,931 | 473,101 | 235,026 | 1,897,330 | 3,074,331 |
| Loss allowance | – | – | – | – | – | – |

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

The Group's and the Company's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

| | NOT PAST DUE NOR IMPAIRED | PAST DUE 0 TO 30 DAYS | PAST DUE 31 TO 180 DAYS | PAST DUE 181 TO 365 DAYS | MORE THAN ONE YEAR | TOTAL |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Group | | | | | | |
| **Infrastructure engineering** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 29% | |
| Trade receivables | 1,514,757 | 813,050 | 369,753 | 175,480 | 4,472,704 | 7,345,744 |
| Contract assets | 2,666,795 | – | – | – | – | 2,666,795 |
| Loss allowance | – | – | – | – | 1,323,035 | 1,323,035 |
| **Corrosion prevention** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 33% | |
| Trade receivables | 819,450 | 1,079,610 | 1,076,738 | 949,894 | 303,750 | 4,229,442 |
| Contract assets | 2,750,473 | – | – | – | – | 2,750,473 |
| Loss allowance | – | – | – | – | 100,296 | 100,296 |
| **Supply and distribution** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 12% | |
| Trade receivables | 436,418 | 264,664 | 534,472 | 186,494 | 917,602 | 2,339,650 |
| Loss allowance | – | – | – | – | 111,305 | 111,305 |

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

The Group's and the Company's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows: (continued)

| | NOT PAST DUE NOR IMPAIRED | PAST DUE 0 TO 30 DAYS | PAST DUE 31 TO 180 DAYS | PAST DUE 181 TO 365 DAYS | MORE THAN ONE YEAR | TOTAL |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Group** | | | | | | |
| **Shipping** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Trade receivables | 335,435 | 935,396 | 2,040,118 | 1,558,213 | 703,006 | 5,572,168 |
| Loss allowance | – | – | – | – | – | – |
| **Company** | | | | | | |
| **Corrosion prevention** | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Trade receivables | 391,686 | 125,190 | 378,566 | 240,280 | 1,366,876 | 2,502,598 |
| Loss allowance | – | – | – | – | – | – |

The Group uses the following categories of internal credit risk rating for financial assets which are subject to expected credit losses under the 3-stage general approach. These four categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

| CATEGORY OF INTERNAL CREDIT RATING | DEFINITION OF CATEGORY | BASIS OF RECOGNITION OF EXPECTED CREDIT LOSSES |
|---|---|---|
| **PERFORMING** | Borrower or issuer have a low risk of default and a strong capability to meet contractual cash flows | 12-month expected credit losses |
| **UNDER-PERFORMING** | Borrower or issuer for which there is a significant increase in credit risk; as significant in credit risk is presumed if interest and/ or principal repayment are 365 days past due | Lifetime expected credit losses |
| **NON-PERFORMING** | Interest and/or principal payment are 365 days past due | Lifetime expected credit losses |
| **WRITE-OFF** | Interest and/or principal repayments relating to debtor that failing to engage in a repayment plan with the Group and have no reasonable expectation of recovery. | Asset is written off |

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

Expected credit losses

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

| | TRADE RECEIVABLES $ | CONTRACT ASSETS $ |
|---|---|---|
| **Group** | | |
| **31 December 2019** | | |
| Beginning of financial year | 1,534,636 | – |
| Allowance made (Note 6) | 213,240 | – |
| Allowance utilised | (123,703) | – |
| Allowance written back (Note 6) | (11,913) | – |
| End of the financial year | 1,612,260 | – |
| **Group** | | |
| **31 December 2018** | | |
| Beginning of financial year | 1,717,364 | – |
| Reclassified to disposal group | (376,227) | – |
| Allowance made (Note 6) | 300,200 | – |
| Allowance utilised | (26,684) | – |
| Allowance written back (Note 6) | (80,017) | – |
| End of the financial year | 1,534,636 | – |

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and having an adequate amount of committed credit facilities (Note 23) 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 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 13.

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.

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.

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(c) Liquidity risk (continued)

| | LESS THAN 1 YEAR $ | BETWEEN 1 TO 5 YEARS $ | OVER 5 YEARS $ |
|---|---|---|---|
| **Group** | | | |
| **At 31 December 2019** | | | |
| Trade and other payables | 26,619,642 | 1,410,974 | – |
| Borrowings | 22,310,718 | 12,048,811 | 7,556 |
| **At 31 December 2018** | | | |
| Trade and other payables | 24,455,635 | – | – |
| Borrowings | 23,898,855 | 11,251,945 | 637,744 |

| | LESS THAN 1 YEAR $ | BETWEEN 1 TO 5 YEARS $ | OVER 5 YEARS $ |
|---|---|---|---|
| **Company** | | | |
| **At 31 December 2019** | | | |
| Trade and other payables | 26,025,585 | – | – |
| Borrowings | 9,427,334 | 3,582,736 | – |
| Financial guarantee contracts | 12,491,216 | – | – |
| **At 31 December 2018** | | | |
| Trade and other payables | 17,944,369 | – | – |
| Borrowings | 17,637,397 | 1,737,577 | 637,744 |
| Financial guarantee contracts | 23,241,377 | – | – |

(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 2019 and 31 December 2018, are to maintain a gearing ratio not exceeding 1.5 times of the tangible net worth.

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(d) Capital risk (continued)

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 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| **Net debt** | | | | |
| Interest bearing borrowings | 34,359,529 | 34,969,908 | 16,995,615 | 19,620,735 |
| Less: Cash and cash equivalents | (4,435,361) | (5,212,048) | (15,663) | (1,428,057) |
| | 29,924,168 | 29,757,860 | 16,979,952 | 18,192,678 |
| **Tangible net worth** | | | | |
| Shareholders' equity | 52,708,818 | 55,174,738 | 53,359,096 | 54,048,616 |
| Less: Intangible assets | (63,837) | (63,837) | – | – |
| | 52,644,981 | 55,110,901 | 53,359,096 | 54,048,616 |
| Gearing ratio | 0.57 | 0.54 | 0.32 | 0.34 |

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 2018 except for the breach of financial covenants by two of the subsidiary corporations of the Group for the financial years ended 31 December 2019 and 2018 which was disclosed in Note 23(d) to the financial statements.

(e) Financial instruments by category

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Financial assets, at amortised cost | 37,231,327 | 37,112,271 | 87,862,570 | 78,730,984 |
| Financial liabilities at amortised cost | 62,390,145 | 59,425,543 | 43,021,200 | 37,565,104 |

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

(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) |
| | $ | $ | $ | $ | $ |
| **As at 31 December 2019** | | | | | |
| Trade receivables | – | – | – | – | – |
| **As at 31 December 2018** | | | | | |
| Trade receivables | – | – | – | – | – |

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) |
| | $ | $ | $ | $ | $ |
| **As at 31 December 2019** | | | | | |
| Trade and other receivables | 14,109,194 | (12,544) | 14,096,650 | 73,423,925 | 87,520,575 |
| **As at 31 December 2018** | | | | | |
| Trade and other receivables | 10,119,437 | (3,173) | 10,116,264 | 66,973,448 | 77,089,712 |

## 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

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

(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) |
| | $ | $ | $ | $ | $ |
| **As at 31 December 2019** | | | | | |
| Trade payables | – | – | – | 16,338 | 16,338 |
| **As at 31 December 2018** | | | | | |
| Trade payables | – | – | – | 3,305 | 3,305 |

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) |
| | $ | $ | $ | $ | $ |
| **As at 31 December 2019** | | | | | |
| Trade and other payables | 12,544 | (12,544) | – | 18,923,114 | 18,923,114 |
| **As at 31 December 2018** | | | | | |
| Trade and other payables | 1,924,158 | – | 1,924,158 | 8,457,932 | 10,382,090 |

## 34. 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 | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Purchase of material and/or services from related parties | 30,845 | 32,006 |
| Professional fees paid to related parties | 10,851 | – |

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 2019, 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 14 and 21 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

| | GROUP | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Wages and salaries | 1,663,963 | 2,412,526 |
| Employer's contribution to defined contribution plans, including Central Provident Fund | 159,383 | 155,847 |
| Other short-term benefits | 46,624 | 46,624 |
| | 1,869,970 | 2,614,997 |
| Directors of the Company | 1,079,641 | 1,538,503 |
| Executive officers of the Group | 790,329 | 1,076,494 |
| | 1,869,970 | 2,614,997 |

## 35. 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 2019

## 35. SEGMENT INFORMATION (CONTINUED)

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

| | INFRASTRUCTURE ENGINEERING | CORROSION PREVENTION | SUPPLY AND DISTRIBUTION | SHIPPING | OTHERS | TOTAL FOR CONTINUING OPERATIONS |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **2019** | | | | | | |
| Total segment sales | 16,882,592 | 21,195,090 | 8,160,983 | 16,319,764 | – | 62,558,429 |
| Inter-segment sales | (633,112) | (1,301,860) | (2,265,295) | – | – | (4,200,267) |
| Sales to external customers | 16,249,480 | 19,893,230 | 5,895,688 | 16,319,764 | – | 58,358,162 |
| **Results:** | | | | | | |
| Segment results | (912,837) | 3,759,201 | 589,998 | (3,086,627) | (82,898) | 266,837 |
| Interest expense | (151,942) | (128,491) | (271,213) | (1,508,764) | – | (2,060,410) |
| Interest income | 7,289 | 1,508 | 10,044 | – | – | 18,841 |
| (Loss)/profit from operating segment | (1,057,490) | 3,632,218 | 328,829 | (4,595,391) | (82,898) | (1,774,732) |
| Unallocated administrative expenses | | | | | | (1,989,218) |
| Loss before income tax | | | | | | (3,763,950) |
| Income tax expense | | | | | | (350,898) |
| Net loss | | | | | | (4,114,848) |
| Loss attributable to non-controlling interests | | | | | | 507,754 |
| | | | | | | (3,607,094) |
| Net loss includes: | | | | | | |
| - Depreciation of property, plant and equipment | 2,175,527 | 1,400,475 | 879,071 | 3,368,866 | – | 7,823,939 |
| **Other information** | | | | | | |
| **Segment assets** | 37,568,593 | 15,844,574 | 8,518,350 | 53,575,518 | 422,717 | 115,929,752 |
| Segment assets include: - | | | | | | |
| Additions to: Property, plant and equipment | 621,930 | 123,060 | 41,948 | 3,258,034 | – | 4,044,972 |
| **Segment liabilities** | (12,825,727) | (23,047,967) | (6,730,495) | (9,005,245) | (10,591) | (51,620,025) |

## 35. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Board of Directors for the reportable segments is as follows: (continued)

| | INFRASTRUCTURE ENGINEERING | CORROSION PREVENTION | SUPPLY AND DISTRIBUTION | SHIPPING | OTHERS | TOTAL FOR CONTINUING OPERATIONS |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **2018** | | | | | | |
| Total segment sales | 12,759,548 | 17,320,796 | 8,605,563 | 22,137,833 | – | 60,823,740 |
| Inter-segment sales | (779,573) | (2,616,468) | (2,111,877) | – | – | (5,507,918) |
| Sales to external customers | 11,979,975 | 14,704,328 | 6,493,686 | 22,137,833 | – | 55,315,822 |
| **Results:** | | | | | | |
| Segment results | 1,040,518 | (19,556) | 45,221 | (2,841,281) | (80,405) | (1,855,503) |
| Interest expense | (424,876) | (224,707) | (126,117) | (1,410,580) | (45) | (2,186,325) |
| Interest income | 1,497 | 3,004 | 9,183 | 455 | – | 14,139 |
| Profit/(loss) from operating segment | 617,139 | (241,259) | (71,713) | (4,251,406) | (80,450) | (4,027,689) |
| Unallocated administrative expenses | | | | | | (2,957,111) |
| Loss before income tax | | | | | | (6,984,800) |
| Income tax expense | | | | | | (98,433) |
| Net loss | | | | | | (7,083,233) |
| Profit attributable to non-controlling interests | | | | | | (128,738) |
| | | | | | | (7,211,971) |
| Net loss includes: | | | | | | |
| - Depreciation of property, plant and equipment | 2,068,051 | 941,022 | 48,761 | 3,792,867 | – | 6,850,701 |
| **Other information** | | | | | | |
| **Segment assets** | 36,709,471 | 13,012,447 | 6,320,477 | 59,849,206 | 502,950 | 116,394,551 |
| Segment assets include: - | | | | | | |
| Additions to: Property, plant and equipment | 1,279,259 | 163,775 | 15,348 | 336,310 | – | 1,794,692 |
| **Segment liabilities** | (11,394,591) | (18,240,790) | (4,255,515) | (9,977,414) | (7,929) | (43,876,239) |

## 35. SEGMENT INFORMATION (CONTINUED)

(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:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Segment assets for reportable segments | 115,507,035 | 115,891,601 |
| Other segment assets | 422,717 | 502,951 |
| Unallocated: | | |
| Assets associated with disposal group | – | 13,511,137 |
| | 115,929,752 | 129,905,689 |

(i) 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:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Segment liabilities for reportable segments | 51,609,434 | 43,868,310 |
| Other segment liabilities | 10,591 | 7,929 |
| Unallocated: | | |
| Liabilities associated with disposal group | – | 14,230,349 |
| Borrowings | 11,600,908 | 16,624,363 |
| | 63,220,933 | 74,730,951 |

## 35. SEGMENT INFORMATION (CONTINUED)

(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 Switzerland, Canada, South Africa and Malaysia.

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

| | REVENUE | | NON-CURRENT ASSETS | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Singapore | 26,581,989 | 22,075,623 | 35,598,668 | 27,432,514 |
| Indonesia | 12,501,054 | 17,532,838 | 28,237,895 | 31,373,306 |
| Others | 19,275,119 | 15,707,361 | 11,788,101 | 12,920,648 |
| | 58,358,162 | 55,315,822 | 75,624,664 | 71,726,468 |

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 is derived from all reportable segments as disclosed in Note 5.

Revenue from a major customer amounted to $9,819,477 (2018: $5,594,289), arising from sales by both the corrosion prevention and infrastructure engineering segment.

## 36. EVENTS OCCURRING AFTER BALANCE SHEET DATE

The emergence of COVID-19 has brought about uncertainties to the Group's operating environment and its financial position subsequent to the financial year end. The Group is aware of the challenges posed by these developing events and the impact they potentially could have on our business sector. As the situation is still evolving, the effect of the outbreak is subject to uncertainty hence the Group is unable to quantify the magnitude and duration of such impact and has not considered such impact, if any, on the following areas involving critical accounting estimates, assumptions and judgements at this time.

## 37. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Amendments to SFRS(I) 3 Business Combination (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term ‘outputs’ is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a ‘concentration test’ that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

## 38. 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 31 March 2020.

# SUSTAINABILITY STATEMENT

The Group strongly believes that sustainability is one of the key factors to stay resilient and remain competitive in the market. As a socially responsible corporation, our Group is determined to minimise carbon footprint through environment conservation efforts such as embracing key strategies surrounding "Reduce, Reuse, Recycle". Meanwhile, we also work towards providing a conducive working environment for all our employees in the Group.

Our Group is determined to maintain sustainable and long-standing business relationships with key stakeholders. Feedback from both internal and external stakeholders are received and taken into consideration in making our sustainable business strategy. Our third Sustainability Report will be released by May 2020 and will encompass the following key elements:

### ANTI-CORRUPTION

We are committed to achieve high standards of corporate governance and we uphold our stance on zero tolerance to corruption. Our Anti-Corruption Policies and Whistle Blowing Policy were established and updated under the guidance of Code of Corporate Governance 2018 and the SGX listing rules.

### ENERGY

Energy consumptions are closely monitored by the Group as the effort to reduce the carbon footprint during our business operations. We also encourage our employees to actively engage in our environmentally friendly initiatives not just in office, but at home as well. Moving forward, we will continue to implement more feasible environment conservation measures in all our entities and work towards to reduce our total energy consumption further while ensure the normal operations in our business.

### WATER

Although 71% is covered by water on our planet, only 4% of which is potable. Bearing this in mind, water conservation is one of our top priorities to ensure sustainability. New technologies such as water efficient fittings are widely implemented across our Group. Constant reminders are given to all employees to cultivate habits for water conservation.

### EFFLUENTS AND WASTE

"Reduce, Reuse, Recycle" is the main strategy implemented across the Group throughout the years in compliance with relevant environmental laws and regulations. Policies and procedures are established and formalised for waste management as both hazardous and non-hazardous wastes are inevitable in our business operation. Waste collectors, especially for hazardous waste, are carefully selected to handle the waste generated in consideration of factors such as reputations and social responsibility.

### OCCUPATIONAL HEALTH AND SAFETY

Employees are the foundation for the corporation. Taking care of their health and safety is our utmost priority. Policies and Procedures were established and put into place to minimise the possibility of any health and safety issues at workplace and office.

# SHAREHOLDING STATISTICS

as at 13 March 2020

| | |
|---|---|
| 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 13 March 2020, 56.32% 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 | 22 | 1.28 | 1,000 | 0.00 |
| 100 – 1,000 | 103 | 6.02 | 64,200 | 0.05 |
| 1,001 - 10,000 | 915 | 53.45 | 4,478,450 | 3.32 |
| 10,001 - 1,000,000 | 656 | 38.32 | 35,024,200 | 25.94 |
| 1,000,001 and above | 16 | 0.93 | 95,442,556 | 70.69 |
| | 1,712 | 100.00 | 135,010,406 | 100.00 |

# SHAREHOLDING STATISTICS

as at 13 March 2020

## TOP 21 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 | 8,057,381 | 5.97 |
| 5 | DBS NOMINEES PTE LTD | 7,264,850 | 5.38 |
| 6 | CHUA BENG HOCK | 6,329,875 | 4.69 |
| 7 | CHUA BENG YONG | 6,329,875 | 4.69 |
| 8 | LIM CHEE SAN | 5,810,000 | 4.30 |
| 9 | TEO GIM KIM | 5,500,000 | 4.07 |
| 10 | YEO CHUNG SUN | 3,250,000 | 2.41 |
| 11 | TAY YEW CHONG | 1,521,250 | 1.13 |
| 12 | RAFFLES NOMINEES (PTE) LIMITED | 1,397,675 | 1.04 |
| 13 | SEH KIAN HOON | 1,348,700 | 1.00 |
| 14 | OCBC SECURITIES PRIVATE LTD | 1,212,850 | 0.90 |
| 15 | CHUA WUI WUI | 1,115,000 | 0.83 |
| 16 | RHB SECURITIES SINGAPORE PTE LTD | 1,102,775 | 0.82 |
| 17 | CHANG THIAM HUI | 850,000 | 0.63 |
| 18 | CGS-CIMB SECURITIES (SINGAPORE) PTE LTD | 781,750 | 0.58 |
| 19 | NGIN TEO MEE | 723,400 | 0.54 |
| 20 | CHUAH LAM SIANG | 700,000 | 0.52 |
| 21 | NGE YOCK HUA | 700,000 | 0.52 |
| | | 99,197,706 | 73.49 |

## SUBSTANTIAL SHAREHOLDERS

| | DIRECT INTERESTS | | DEEMED INTERESTS | |
|---|---|---|---|---|
| | 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 Monday, 29 June 2020 at 11.00 a.m., for the purpose of transacting the following business:-

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2019 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 Low Wee Siong as a Director retiring pursuant to Regulation 107 of the Company's Constitution. **(Resolution 3)**

   [See Explanatory Note 2]

4. To re-elect Mr Lum Kin Wah 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$112,831 (2018: S$109,400) for the financial year ended 31 December 2019. **(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)**

# NOTICE OF ANNUAL GENERAL MEETING

## 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 (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 (i) new shares arising from the conversion or exercise of convertible securities which were issued and outstanding or subsitting at the time this resolution is passed or (ii) new shares arising from the exercise of share options or vesting of awards which were issued and outstanding or subsitting at the time this resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST and (iii) 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 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 2020

# 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 2019. Please refer to pages 34 to 38 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

2. Mr Low Wee Siong will, upon re-election as Director of the Company, continue to serve as the Lead Independent Director of the Company, Chairman of Audit Committee and a member of the Nominating and Remuneration Committees of the Company. Further information on Mr Low Wee Siong can be found in the Annual Report 2019. Mr Low Wee Siong is considered by the Board to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to pages 34 to 38 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

3. Mr Lum Kin Wah will, upon re-election as Director of the Company, continue to serve as Independent Director of the Company, Chairman of Remuneration Committee and a member of the Audit and Nominating Committees of the Company. Further information on Mr Lum Kin Wah can be found in the Annual Report 2019. Mr Lum Kin Wah is considered by the Board to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to pages 34 to 38 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

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.

**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 attending, speaking, proposing, seconding and/or voting at the AGM and/or by a member of the Company submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and/or vote at the AGM and/or any adjournment thereof, the person/member (i) understands and accepts that photographs, images, audio and/or video recordings and transcripts of the AGM may be taken and/or made by the Company (and/or its agents and service providers), (ii) consents to the collection, use and disclosure of the person's/member's and its proxy(ies)'s or representative(s)'s personal data by the Company (and/or its agents and service providers) for legal, regulatory, compliance, corporate policies, procedures and administration, corporate actions, corporate communications and investor relations purposes and for the purposes of the processing, administration and record keeping by the Company (and/or its agents and service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation, compilation, recording, keeping of the attendance lists, transcripts, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (and/or its agents and service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines and for publication and/or use in the Company's Annual Report, corporate brochures, newsletters, publications, materials and/or corporate website by the Company (and/or its agents and service providers) (collectively, the "**Purposes**"), (iii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (and/or its agents and service providers), 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 (and/or its agents and service providers) of 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.

# NOTICE OF ANNUAL GENERAL MEETING

**Measures to Minimise Risk of COVID-19**

In order to minimise the risk of community spread of COVID-19, the following steps will be taken for Shareholders and others attending the AGM:

1. All persons attending the AGM will be required to undergo a temperature check and make a health declaration;
2. Any person who has recent travel history to any countries, irrespective of nationality, will not be permitted to attend the AGM;
3. Any person who has fever or exhibits flu-like symptoms will not be permitted to attend the AGM; and
4. If the situation remains at DORSCON Orange or higher, there will be no food served at the AGM.

Shareholders are advised to arrive at the AGM venue early given that the above-mentioned measures may cause delay in the registration process.

**In view of the COVID-19 situation, we wish to advise Shareholders that it is not essential for you to attend the AGM in person. Shareholders should refrain from attending the AGM under the present circumstances as long as the DORSCON level remains at Orange, or higher.**

**To vote on any or all of the resolutions at the AGM, you are encouraged to send in your votes in advance by proxy. You may appoint the Chairman as your proxy. The proxy form is attached to the Notice of AGM.**

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate up to the day of the AGM in order to minimise any risk to shareholders and others attending the AGM and to comply with any requirement or recommendations issued by any government agencies from time to time.

The Company seeks the understanding and cooperation of all Shareholders.

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**BENG KUANG MARINE LIMITED**
**(Registration No. 199400196M)**
(Incorporated in 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 2020. "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 NO. | PROPORTION OF SHAREHOLDINGS | |
|---|---|---|---|
| | | NO. OF SHARES | % |
| ADDRESS | | | |

and/or

| NAME | NRIC/PASSPORT NO. | PROPORTION OF SHAREHOLDINGS | |
|---|---|---|---|
| | | NO. 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 Monday, 29 June 2020 at 11.00 a.m., and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against or abstain from voting 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 for or against or abstain from voting at his/their discretion.

| | |
|---|---|
| | 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. |

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** | NUMBER OF VOTES ABSTAIN** |
|---|---|---|---|---|
| 1 | Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019 | | | |
| 2 | Re-election of Mr Chua Meng Hua as a Director of the Company | | | |
| 3 | Re-election of Mr Low Wee Siong as a Director of the Company | | | |
| 4 | Re-election of Mr Lum Kin Wah as a Director of the Company | | | |
| 5 | Approval of Directors' Fees for the financial year ended 31 December 2019 | | | |
| 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 | | | |

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

Dated this _________ day of___________ 2020.

| 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.