









# **NAVIGATING**

ANNUAL REPORT 2015

# **OUR VISION**

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

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# CORPORATE PROFILE



### **Growing Strategically**

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

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

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

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

#### Infrastructure Engineering

- Shipbuilding & Conversion
- Offshore Construction & Repairs
- Turnkey Projects
- In-Situ Offshore Repairs, SPS
   Overlay Services & Maintenance
- Fire Fighting & Fire Detection
   System
- Design & Build, Modification & Repairs
   Marine & Offshore Equipment
- Servicing of Electrical and Hydraulic Systems
- Metalizing Services

### **Corrosion Prevention**

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

## Supply and Distribution

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

### Shipping and Others

- Livestock Carriers
- Tugs & Barges
- Ship Management

# Infrastructure Engineering Division ("IE Division")

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

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

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 the yard in Batam turned operational in 2009, we have constructed and delivered a number of vessels and fabricated steel structures, such as the 160m semi-submersible barge and 140m semi-submersible barge, patrol vessel, various types of crane barges, tug

boats and cargo barges. Apart from new construction, we have also successfully converted ROLO vessels to AMSA approved livestock carriers.

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

In 2015, we have invested in an engineering company which engage 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")

Our past vast records and reputation for reliability have enabled us to secure appointments such as "Resident Contractor" to provide corrosion prevention services in several established shipyards in Singapore and Batam,

Indonesia. Our customers include Keppel Group of companies, Singapore Technologies Group of companies and DDW-PaxOcean Group of companies.

# Supply and Distribution Division ("SD Division")

Supply and Distribution Division ("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.

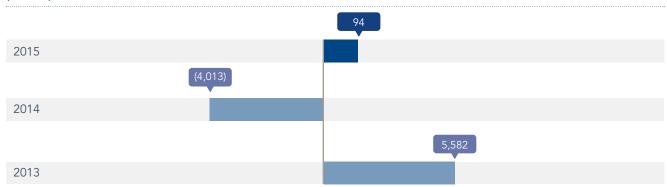
#### Shipping Division ("SH Division")

The Shipping Division has a total fleet of 16 vessels. The 2 livestock vessels trading loading from Australia to Asia such as Vietnam, China, Indonesia and Malaysia on long term Time Charter arrangement. The 6 sets of Tugs and Barges and the 2 tugs are all deployed in Indonesia water, mostly transporting building materials such as sand, aggregates, rock and sometime coal shipment.

# FINANCIAL HIGHLIGHTS

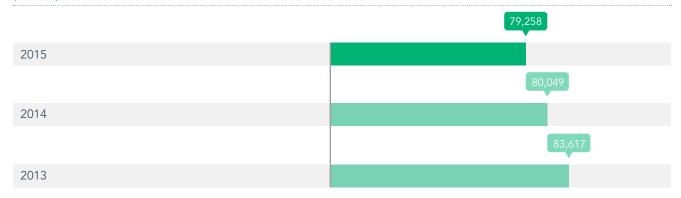
# ATTRIBUTABLE PROFIT / (LOSS)

(\$\$'000)



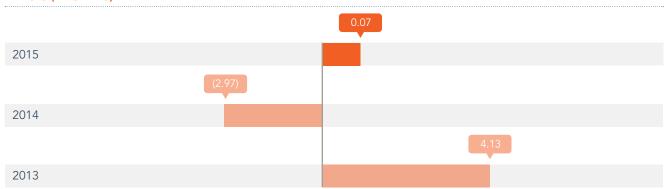
## **TANGIBLE NET WORTH**

(\$\$'000)



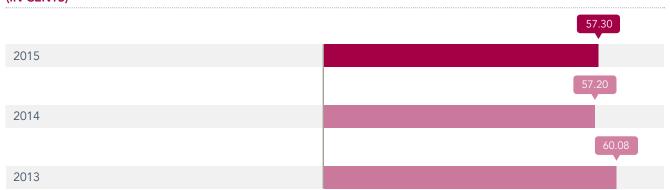
# **EARNINGS PER SHARE**

- BASIC (IN CENTS)



# **NAV PER SHARE**

(IN CENTS)



|   | 2015            | 2014<br>Bootstad | 2013         |
|---|-----------------|------------------|--------------|
|   |                 | Restated         | Restated     |
| Operating Results                       | 00 = 11 == 1    |                  |              |
| Turnover                                | 83,561,571      | 73,924,561       | 83,830,939   |
| EBITDA                                  | 10,873,221      | 7,048,296        | 18,739,709   |
| Pretax (loss) / profit                  | (1,486,946)     | (3,508,778)      | 6,845,063    |
| Attributable (loss) / profit            | 94,315          | (4,013,374)      | 5,582,242    |
| Turnover growth / (decline)             | 13.0%           | -11.8%           | -11.4%       |
| EBITDA growth / (decline)               | 54.3%           | -62.4%           | 86.1%        |
| Pretax growth / (decline)               | 57.6%           | -151.3%          | 227.6%       |
| Attributable profit growth / (decline)  | 102.3%          | -171.9%          | 225.8%       |
| EBITDA margin                           | 13.0%           | 9.5%             | 22.4%        |
| Pretax margin                           | -1.8%           | -4.7%            | 8.2%         |
| Net (loss) / profit margin              | -1.5%           | -5.2%            | 7.2%         |
| Financial Position                      |                 |                  |              |
| Total assets                            | 173,149,624     | 175,405,238      | 182,286,752  |
| Total liabilities                       | (93,872,437)    | 95,291,988       | (98,606,121) |
| Net debt                                | (55,917,920)    | (57,578,839)     | (56,772,175) |
| Tangible Net Worth                      | 79,258,350      | 80,049,413       | 83,616,794   |
| Net Gearing ratio                       | 70.6%           | 71.9%            | 67.9%        |
| Per Share Data (In cents)               |                 |                  |              |
| Basic Earnings per Share - Basic        | 0.07            | (2.97)           | 4.13         |
| - Diluted                               | 0.07            | (2.97)           | 4.13         |
| NAV per Share (in cents)                | 57.30           | 57.20            | 60.08        |
| Segment Results                         |                 |                  |              |
| Turnover                                |                 |                  |              |
| Infrastructure Engineering              | 32,530,383      | 15,665,613       | 25,398,470   |
| Corrosion Prevention                    | 28,334,804      | 36,123,870       | 35,127,369   |
| Supply & Distribution                   | 12,241,436      | 14,534,152       | 15,483,303   |
| Shipping                                | 10,454,948      | 7,600,926        | 7,821,797    |
| Profit / (loss) from operating segments |                 |                  |              |
| Infrastructure Engineering              | (3,143,332)     | (5,209,646)      | (1,147,128)  |
| Corrosion Prevention                    | 5,238,280       | 6,135,213        | 3,106,025    |
| Supply & Distribution                   | 242,211         | 338,866          | 7,192,739    |
| Shipping                                | (648,346)       | (1,209,772)      | 1,314,715    |
| Others                                  | (105,818)       | (57,045)         | (65,453)     |
| Capital Expenditure                     | ( : == /= : = / | (== /= == /      | (,,          |
| Infrastructure Engineering              | 6,541,522       | 593,607          | 1,254,298    |
| Corrosion Prevention                    | 2,202,843       | 1,806,213        | 749,954      |
| Supply & Distribution                   | 2,202,043       | 24,865           | 89,191       |
| Shipping                                | -<br>1,162,461  | 4,944,318        | 17,988,640   |
| Silibbilia                              | 1,102,401       | 7,777,310        | 17,700,040   |

# **EXECUTIVE CHAIRMAN STATEMENT**

"We will continue our efforts to secure more substantial shipbuilding and fabrication contracts and barring any unforeseen events, we expect the Shipping Division to take advantage of the lower bunker prices and improve in FY2015."



#### Dear Shareholders,

The slowing demand for oil and severe drop in oil prices in 2015 continued to depress the regional marine and offshore oil and gas markets. Consequently only a handful of newbuildings contracts were awarded in 2015 to Singapore and Batam shipyards and these were not sufficient to support the shipbuilding industry which is suffering from overcapacity. Oil companies also slashed their expenditure for oil exploration and production activities and the offshore fabrication market remained muted. Available work was greatly reduced, putting further downward pressure on prices and profits as some segments of the Group are reliant on the marine and offshore oil and gas industries.

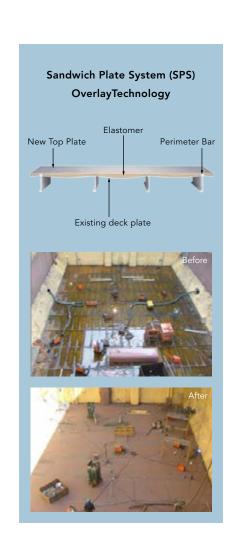
Against this backdrop the Group was able to achieve total revenue of \$\$83.56 million in FY2015 compared to \$\$73.92 million in FY2014, an increase of 13%. The Group was able to reduce its net loss after tax to \$\$1.30

million in FY2015 compared to the net loss of \$\$3.84 million in FY2014.

The Infrastructure Engineering (IE) Division was able to increase its sales by \$\$16.86 million or 107% to \$\$32.53 million in FY2015 compared to \$\$15.67 million in FY2014.

Revenue of our Corrosion Prevention (CP) Division decreased by \$\$7.79 million from \$\$36.12 million in FY2014 to \$\$28.33 million in FY2015. This was due to lower demand for CP services. Our Supply and Distribution (SD) Division achieved a lower revenue of \$\$12.25 million in FY2015 compared to \$\$14.54 million in FY2014, a drop of \$\$2.29 million or 15.7% due to weaker demand for marine hardware products.

The Shipping Division registered a revenue of S\$10.45 million in FY2015 compared to S\$7.60 million in FY2014 but incurred an operating loss in FY2015.





The Group's net loss after tax of \$\$1.30 million was mainly due to operating losses in a recently acquired subsidiary in the IE division. The third part minority shareholders of this subsidiary have acknowledged liability for losses on pre-acquisition projects. Consequently after adjustments the profit attributable to shareholders was \$\$94,000 for FY2015 compared to the loss of \$\$4.01 million in FY2014.

In view of the operating loss suffered by the Group, your Board has decided not to recommend any dividend for FY2015.

The Group has committed to make an investment of about S\$9.0 million on buildings, civil works and plant and machinery at its premises at 55 Shipyard Road, Singapore to obtain an extension of its lease by 28 years from 2015. This investment will allow for optimal utilisation of the land for industrial and office use. As of March 2016, about S\$3.5 million had been

spent and a new office building will be ready in the coming months. The next phase will be the construction of a new workshop and an open fabrication facility.

The Group has taken measures to reduce costs and improve operational efficiencies across all Divisions. Our efforts to increase sales had showed some improvements in some Divisions. We are fully aware that we need to do more to return to profitability in the current year and will actively explore opportunities to grow our revenue and profit.

The crude oil prices remain volatile and global economic conditions are gloomy. This is a challenging environment for the Group as we do not foresee any surge in marine and offshore oil and gas activities.

On behalf of the Board, I would like to place on records our thanks to Mr Lee

Yaw Loong who resigned as alternate director to Mr Kwek Kok Beng on 29 January 2016. I also wish to thank my fellow Directors for their counsel and guidance in FY2015.

Your Board would also like to take this opportunity to express our heartfelt gratitude to our bankers, customers, suppliers and partners whose tremendous support have been invaluable; and to our management team and staff for showing much dedication and commitment to the Group in these difficult times.

## **Chua Beng Kuang**

Executive Chairman

# FINANCIAL & OPERATIONS REVIEW

FY2015 continued to be challenging year for the marine, offshore oil and gas industries. Beng Kuang Group was determined to steer towards recovery as the Group managed to improve its revenue in FY2015 as compared to FY2014. The Group's revenue increased by 13.0% or \$\$9.64 million from \$\$73.92 million in FY2014 to \$\$83.56 million in FY2015.

#### **SEGMENTAL REVIEW**

## Infrastructure Engineering ("IE") Division

Revenue for our IE division increased by 107.6% or \$\$16.86 million from \$\$15.67 million to \$\$32.53 million. The improvement was generated from securing more orders for fabrication and offshore maintenance services.



Asian Sealand Offshore and Marine Pte. Ltd. specialising on Sandwich Plate System Overlay Treatment ("SPS Overlay") brought about improved revenue for IE division securing various onboard repairs for FSO, FPSO vessels as most offshore ship owners are extending the lifespan and sea-worthiness of current operating fleet at work site and defer acquiring new vessels due to the pressure on current weak oil prices.

In March 2015, our IE division ventured into International Offshore Equipments Pte Ltd to diversify its business into manufacturing of pedestal cranes, on-board deck equipment and industrial winches.

Business for our fabrication yard in Batam remain challenging as ship owners deferred major investment on new build vessels. During FY2015, the yard only managed to secure some minor ship repairs work, took in some vessels and barges for berthing and small maintenance work to tide over the difficult year. As a result, the IE division reported consecutive operating losses in FY2015 of S\$3.14 million and S\$5.21 million for FY2014.

#### Corrosion Prevention ("CP") Division

Revenue for our CP division decreased by \$\$7.79 million from \$\$36.12 million in FY2014 to \$\$28.33 million in FY2015. This was due to lower demand from Singapore shipyards for CP services derived from construction of new vessels. However, demand for CP services for vessels undergoing repair remained stable. As a result, operating profit dropped

in tandem with the slowdown in sales in FY2015 to \$\\$5.24 million compared to \$\\$6.14 million for FY2014.

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

Our SD division registered a decline in revenue of \$\$2.29 million from \$\$14.53 million in FY2014 to \$\$12.24 million in FY2015 due to weaker demand for marine hardware products. As a result, operating profit dropped slightly in FY2015 to \$\$0.24 million compared to \$\$0.34 million recorded for FY2014. The current demand for hardware in Batam continued to be weak as volume of export to hardware wholesalers in Indonesia did not pick up as both the industrial and marine activities in Batam was relatively slow.

## Shipping and Others ("SH") Division

Our SH division reported an increase in revenue of \$\$2.85 million for FY2015 from \$\$7.60 million in FY2014 to \$\$10.45 million in FY2015. This can be attributed to the commencement of operations of our second livestock carrier in 2Q2014. However, one of the livestock carriers encountered ship downtime and unforeseen ship repairs in 4Q2015.

In addition, the tugs and barges business in Indonesia was affected by the Indonesian export ban on untreated minerals which led to slowdown in the mining sector, which resulted in few sets tugs and barges being operated on spot charters generating irregular income than the stable time charter contracts. As a result of the above-mentioned, SH division incurred S\$0.75 million operating losses in FY2015 as compared to S\$1.27 million operating loss in FY2014.



### **OPERATING PROFITS**

Our gross profit increased \$\$2.09 million from \$\$14.04 million in FY2014 to \$\$16.10 million in FY2015. However, our gross profit margin remained unchanged at 19.3% in FY2015 as compared to 19.0% in FY2014. The gross margin reported was below expectation primarily due to IE division's unsuccessful attempts to secure sizeable contracts to cover its high fixed costs for the past three years.





EBITDA improved \$\$3.82 million from \$\$7.05 million in FY2014 to \$\$10.87 million in FY2015. Similarly, EBITDA margin improved by 3.5% from 9.5% in FY2014 to 13.0% in FY2015. The improved in EBITDA was mainly contributed by the increase in revenue from IE division and SH division.

The Group registered other gains of \$\$3.44 million in FY2015 as compared to \$\$1.78 million in FY2014. This was mainly attributable to foreign exchange gain of \$\$1.52 million as a result of the strengthening of US Dollar against Singapore Dollar during the period and government grant of \$\$0.21 million.

Financial expenses increased by \$\$0.93 million from \$\$2.08 million in FY2014 to \$\$3.01 million in FY2015. This was mainly due to interest on new term loans, convertible bond and higher interest rates on short term borrowings.

The Group's net loss after tax of \$\$1.25 million was mainly due to operating losses in a recently acquired subsidiary in the IE division. The third party minority shareholders of this subsidiary have acknowledged liability for losses on pre-acquisition projects. Consequently, after adjustments, the profit attributable to shareholders was \$\$94,000 for FY2015 compared to loss of \$\$4.01 million for FY2014.

#### **CASH FLOW STATEMENT**

The Group registered a positive net cash flow of \$\$8.02 million in FY2015 from its operating activities.

Net cash out flow in investing activities for FY2015 was approximately \$\$1.81 million. The Group incurred capital expenditure of \$\$7.53 million mainly on purchase of \$\$4.64 million on equipment, \$\$1.74 million on construction of new office building in Singapore and \$\$1.15 million on dry docking of vessels. During FY2015, the Group received \$\$5.69 million mainly from disposal of equipment.

Net cash outflow in financing activities was approximately \$\$6.77 million during FY2015. This was mainly due to the net repayment of \$\$9.48 million bank borrowings and \$\$1.78 million finance lease liabilities.

On 27 April 2015, the Company issued S\$5.0 million convertible bonds bearing interest at the rate of eight per cent (8%) per annum. The bonds may be converted into shares at any time after twelve (12) months from the date of issue and up to the date the bonds are redeemed. The conversion price after adjustment on share consolidation completed on 27 August 2015 will be S\$0.84. Proceeds from the bonds were used to repay S\$2.45 million on short term bank borrowings, S\$1.25 million to suppliers and S\$1.20 million to service contractors.

As a result of the above, the Group registered a net decrease in cash and cash equivalent of S\$0.56 million for FY2015.

### **ASSETS AND LIABILITIES**

The Group registered total assets of S\$173.19 million as at 31 December 2015.

The Group's current assets increased marginally from \$\$66.57 million as at 31 December 2014 to \$\$67.65 million as at 31 December 2015.

Total liabilities for the Group were \$\$93.87 million at 31 December 2015 as compared to \$\$95.29 million at end of FY2014. During FY2015, the Group issued \$\$5.0 million convertible bonds and also managed to convert some of its short term borrowings to term loans to pay down borrowings and corrected FY2014 net current liabilities position.

The Group registered net current assets of \$\$2.24 million as at 31 December 2015 as compared to net current liabilities of \$\$8.88 million as at 31 December 2014.

# **BOARD OF DIRECTORS**



MR. CHUA BENG KUANG Executive Chairman

Mr. Chua Beng Kuang is our Executive Chairman and one of our founders. He was first appointed Director on 8 January 1994 and last re-elected on 28 April 2014. He is primarily in charge of the overall management, including developing and steering corporate plans, business directions and strategies for the Group. He has over 33 years of experience within the marine industry. He leads the management in pursuing the Group's mission and objectives and has been instrumental to our growth.



MR. CHUA MENG HUA
Managing Director 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 28 April 2015. He oversees the overall administrative, safety and operational systems, including developing and steering plans, and directions for the Group. He has over 23 years of experience within the marine industry.



MR. ALAN YONG THIAM FOOK Executive Director

Mr. Alan Yong Thiam Fook was appointed as our Executive Director on 14 July 2008. Prior to that, he has been on the Board as a Non-Executive Director since May 2002. He was last re-elected on 28 April 2015. He is our head of the Shipping Division as well as overseeing the Risk Management Committee, investment & joint ventures and business development for the Group.

Mr. Yong was the Chief Financial Officer of Labroy Marine Limited from 1994 to October 2006. He was the Group Financial Controller of JK Yaming International Holdings Limited, Finance Manager of Kuok (Singapore) Ltd, Island Concrete group of companies and Neptune Orient Lines.

Mr. Yong obtained a Bachelor of Science (Economics) from the University of London in 1978. He is a fellow member of the Institute of Certified Public Accountants of Singapore and a member of the Singapore Institute of Directors.



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 19 April 2013. He is also a director of Chailease Holding Company Ltd, Chip Eng Seng Corporation Ltd, King Wan Corporation Ltd, Sinotel Technologies Ltd, Stamford Tyres Corporation Ltd and Sin Ghee Huat Corporation Ltd, all listed companies.

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

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



Chairman, Audit Committee Chairman, Remuneration Committee Member, Nominating Committee

# DR. WONG CHIANG YIN Independent Director

Dr. Wong Chiang Yin was first appointed as our Independent Director on 30 August 2004 and was last re-elected on 28 April 2014. He is also the Director of Academy of Medicine Singapore and SMA Charity Fund Limited.

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

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



Member, Audit Committee Member, Remuneration Committee Member, Nominating Committee

### MR. KWEK KOK BENG Non-Executive Director

Mr. Kwek Kok Beng was appointed as our Non-Executive Director on 17 December 2014 and was last re-elected on 28 April 2015. He is currently the Director of PaxOcean's shipyards in Singapore, Indonesia and China. He has an extensive experience in the shipbuilding and marine industry having worked for more than 27 years in this industry. He has held senior positions in Pacc Ship Managers Pte Ltd, Jurong Shipyard Pte Ltd, Atlantis Shipyard Pte Ltd and ST Marine Limited.

Mr. Kwek obtained his Bachelor of Business in Business Administration (Business Finance) from Royal Melbourne Institute of Technology in 1998.

# 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 23 years of experience in the marine, offshore, oil and gas industries. He leads the IE Division in pursuing the Group's mission and objectives and has been pivotal in the growth of the IE Division.



MR. CHUA BENG HOCK
Deputy Chief Operating Officer

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

He is currently overseeing the Group's business divisions, particularly in the CP Division, including developing and steering plans, directions in the marketing, business development and operations aspects. He has over 21 years of experience in the corrosion prevention business in the marine, offshore, 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. WILLIAM LEE
Chief Financial Officer

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

# **CORPORATE STRUCTURE**









# INFRASTRUCTURE ENGINEERING

- Shipbuilding & Conversion
- Offshore Construction& Repairs
- Turnkey Projects
- In-Situ Offshore Repairs,
   SPS Overlay Services
   & Maintenance
- Fire Fighting & Fire Detection System
- Design & Build, Modification & Repairs of Marine & Offshore Equipment
- Servicing of Electrical and Hydraulic Systems
- Metalizing Services

# CORROSION PREVENTION

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

# SUPPLY AND DISTRIBUTION

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

# SHIPPING AND OTHERS

- Livestock Carriers
- Tugs & Barges
- Ship Management

Asian Sealand
Engineering Pte Ltd

51% International
Offshore
Equipments

**100%** PT. Nexus Engineering Indonesia

Pte Ltd

**100%** ASIC Engineering Sdn Bhd

**100%** MTM (ASE) Metalization Pte Ltd

51% Asian Sealand Offshore and Marine Pte Ltd

**51%** Venture Automation & Electrical Engineering Pte Ltd

100% Beng Kuang Marine (B&Chew) Pte Ltd

100% Beng Kuang Marine (B&M) Pte Ltd

**100%** Beng Kuang Marine (B&Y) Pte Ltd

100% B&K Marine Pte Ltd

100% B&J 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

100% Nexus Sealand
Trading Pte Ltd
100% Picco
Enterprise
Pte Ltd
100% PT. Master Indonesia

100% Quill Marine Pte Ltd

100% Drako Shipping
Pte Ltd

100% PT
Marina
Shipping
70% Ocean Eight
Shipping
Pte Ltd

70% Ocean
Eight
Pte Ltd

51% 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 on subsidiaries.

# CORPORATE INFORMATION

#### **BOARD OF DIRECTORS**

Mr. Chua Beng Kuang Executive Chairman

Mr. Chua Meng Hua Managing Director

Mr. Yong Thiam Fook Executive Director

Mr. Kwek Kok Beng Non-Executive Director

Mr. Goh Chee Wee Independent Director

Dr. Wong Chiang Yin Independent Director

#### **AUDIT COMMITTEE**

Dr. Wong Chiang Yin Chairman

Mr. Goh Chee Wee

Mr. Kwek Kok Beng

### **REMUNERATION COMMITTEE**

Dr. Wong Chiang Yin

Mr. Goh Chee Wee

Mr. Kwek Kok Beng

#### NOMINATING COMMITTEE

Mr. Goh Chee Wee Chairman

Dr. Wong Chiang Yin

Mr. Kwek Kok Beng

# **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 100 Beach Road #30-00 Shaw Tower Singapore 189702

Partner-In-Charge: Mr. Loh Ji Kin (Appointed since Financial Year Ended 2015)

#### **BANKERS**

United Overseas Bank Limited

**DBS Bank Limited** 

Oversea-Chinese Banking Corporation Limited

CIMB Bank Berhad

**BNP** Paribas

Malayan Banking Berhad

RHB Bank Berhad

Hong Leong Finance Ltd

PT. Bank Mandiri (Persero) Tbk

PT. Bank ICBC Indonesia

# REGISTRAR AND THE SHARE TRANSFER OFFICE

M & C Services Private Limited 112 Robinson Road, #05-01,

Singapore 068902 Tel: (65) 6228 0530 Fax: (65) 6225 1452

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

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

#### (A) BOARD MATTERS

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

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

The principal functions of the Board are to:-

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

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

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

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

The Board conducts regular scheduled meetings on a quarterly basis and where the circumstances require, ad-hoc meetings are arranged. Attendance of the Directors via telephone conference is allowed under Regulation 120(2) of the Company's Constitution. The Board may also make decisions by resolutions in writing. The number of Board and Board committees meetings held and attended by each Director during FY2015 are as follows:-

|                                   | Board | Meeting  | Audit C | Committee |       | neration<br>mittee |       | inating<br>mittee |
|-----------------------------------|-------|----------|---------|-----------|-------|--------------------|-------|-------------------|
| Name                              | No of | meetings | No of   | meetings  | No of | meetings           | No of | meetings          |
|                                   | Held  | Attended | Held    | Attended  | Held  | Attended           | Held  | Attended          |
| Chua Beng Kuang                   | 4     | 4        | _       | _         | _     | _                  | _     | _                 |
| Chua Meng Hua                     | 4     | 4        | _       | _         | _     | _                  | _     | _                 |
| Yong Thiam Fook                   | 4     | 4        | _       | _         | _     | -                  | _     | -                 |
| Kwek Kok Beng /<br>Lee Yaw Loong* | 4     | 4        | 4       | 4         | 1     | 1                  | 1     | 1                 |
| Goh Chee Wee                      | 4     | 4        | 4       | 4         | 1     | 1                  | 1     | 1                 |
| Dr Wong Chiang Yin                | 4     | 4        | 4       | 4         | 1     | 1                  | 1     | 1                 |

<sup>\*</sup> Lee Yaw Loong resigned as an Alternate Director to Kwek Kok Beng on 29 Jan 2016.

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

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

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

## Principle 2: Board Composition and Guidance

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

| Executive Directors     |                          |
|-------------------------|--------------------------|
| Chua Beng Kuang         | (Executive Chairman)     |
| Chua Meng Hua           | (Managing Director)      |
| Yong Thiam Fook         | (Executive Director)     |
|                         |                          |
| Non-Executive Directors |                          |
| Kwek Kok Beng           | (Non-Executive Director) |
| Goh Chee Wee            | (Independent Director)   |
| Dr Wong Chiang Yin      | (Independent Director)   |

As the Independent Directors make up one third 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 and Dr. Wong Chiang Yin, are independent.

Mr. Goh Chee Wee and Dr. Wong Chiang Yin were first appointed Directors on 30 August 2004 and have held their office as Directors for more than 11 years and the Code requires their independence should be subject to rigorous review. In this context, the NC and the Board have separately reviewed the independence of Mr. Goh Chee Wee and Dr. Wong Chiang Yin and are satisfied that their long tenure does not impair their independence and they are able to discharge the duties as Directors independently and objectively. They remained independent in character and judgement and there are no relationships or circumstances which are likely to affect their judgement. Both of them are well qualified and experienced and have the ability to make impartial and well balanced decisions and to act in the best interests of the Company and shareholders.

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

#### Principle 3: Chairman and Managing Director

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

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

The Executive Chairman, Mr. Chua Beng Kuang is primarily responsible for the effective workings of the Board. He works together with the Managing Director 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 (with the assistance of the Company Secretary) also prepare the meeting agenda in consultation with the Directors.

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

Mr. Chua Beng Kuang (Executive Chairman) and Mr. Chua Meng Hua (Managing Director) are brothers. The Board is aware of the timeline set by the Code for independent directors to make up half of the Board where the Chairman and CEO are immediate family members.

## Principle 4: Board Membership

The NC has been established with written terms of reference and comprises two Independent Directors and one Non-Executive Director. They are:-

Goh Chee Wee (Chairman, Independent Director)
Dr Wong Chiang Yin (Member, Independent Director)
Kwek Kok Beng (Member, Non-Executive Director)

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

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

The NC is responsible for the re-nomination of the Directors. Regulation 107 of the Company's Constitution requires one-third of the Directors to retire from office at least once in every three years at the Company's AGM whereas Regulation 112 provides that each term of appointment of the Managing Director shall not exceed five years. Retiring Directors are eligible to offer themselves for re-election pursuant to Regulation 109.

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

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

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

### Principle 5: Board Performance

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

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

## Principle 6: Access to Information

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

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

The Company Secretary 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 Secretary would be a matter for the Board as a whole to decide.

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

#### (B) REMUNERATION

#### Principle 7: Procedures for Developing Remuneration Policies

The RC comprises the following three members:-

Dr Wong Chiang Yin (Chairman, Independent Director)
Goh Chee Wee (Member, Independent Director)
Kwek Kok Beng (Member, Non-Executive 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.

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

# Principle 8: Level and Mix of Remuneration

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

The Company has entered into separate service agreements with Mr. Chua Beng Kuang and Mr. Chua Meng Hua for an initial period of three years commencing 1 January 2004 which shall be automatically renewed on a three-year basis and with Mr. Yong Thiam Fook for an initial period of three years commencing 14 July 2008 which shall be automatically renewed on an annual basis. There are no onerous removal clauses in the service agreements. Other than a fixed salary, Mr. Chua Beng Kuang and Mr. Chua Meng Hua are also entitled to an additional variable performance related bonus that is designed to align their interests with those of the shareholders and link rewards to corporate and individual performance.

## Principle 9: Disclosure on Remuneration

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

A summary compensation table of the directors' remuneration for the financial year ended 31 December 2015 is set out below:

| Name of Directors        | Salary <sup>#</sup><br>(%) | Bonus<br>(%) | Fees*<br>(%) | Benefits<br>(%) | Total<br>(%) |
|--------------------------|----------------------------|--------------|--------------|-----------------|--------------|
| S\$250,001 to S\$500,000 |                            |              |              |                 |              |
| Chua Beng Kuang          | 94.85                      | _            | 0.24         | 4.91            | 100.00       |
| Chua Meng Hua            | 92.87                      | _            | 2.46         | 4.67            | 100.00       |
| Up to \$\$250,000        |                            |              |              |                 |              |
| Yong Thiam Fook          | 98.98                      | _            | 1.02         | _               | 100.00       |
| Goh Chee Wee             | _                          | _            | 100.00       | _               | 100.00       |
| Dr Wong Chiang Yin       | _                          | _            | 100.00       | _               | 100.00       |
| Kwek Kok Beng            | _                          | _            | 100.00       | _               | 100.00       |

<sup>\*</sup> These fees are subject to approval of the shareholders at the forthcoming AGM.

A summary compensation table of the top five Executive Officers' remuneration for the financial year ended 31 December 2015 is set out below:

| Name of Top 5 Executive Officers | Salary<br>(%) | Bonus<br>(%) | Fees<br>(%) | Benefits<br>(%) | Total<br>(%) |
|----------------------------------|---------------|--------------|-------------|-----------------|--------------|
| S\$250,001 to S\$500,000         |               |              |             |                 |              |
| Chua Beng Yong                   | 100.00        | -            | _           | _               | 100.00       |
| Chua Beng Hock                   | 98.34         | -            | 1.66        | _               | 100.00       |
| Up to \$\$250,000                |               |              |             |                 |              |
| Lee Wei Liang                    | 99.32         | -            | 0.68        | _               | 100.00       |
| Tan Say Tian                     | 100.00        | -            | _           | _               | 100.00       |
| S.Thillainathan                  | 100.00        | _            | _           | _               | 100.00       |

Salary is inclusive of fixed allowance and CPF contributions.

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

Mr. Chua Beng Kuang and Mr. Chua Meng Hua (Executive Directors) and Mr. Chua Beng Yong and Mr. Chua Beng Hock (Executive Officers) are brothers. The Code recommends that the remuneration of employees who are immediate family member of a Director or CEO be disclosed within the bands of \$\$50,000. However, the Board is of the opinion that the remuneration details of Mr. Chua Beng Yong and Mr. Chua Beng Hock are confidential and disclosure of their remuneration in the bands of \$\$50,000 would not be in the interest of the Company. Mr. Chua Min Kong who is also a brother of Mr. Chua Beng Kuang and Mr. Chua Meng Hua is employed by the Group as a Manager and his total remuneration in 2015 was between \$\$50,000 to \$\$100,000.

Save as disclosed above, there is no employee who is an immediate family member of any Director or CEO, whose remuneration for FY2015 exceeds \$\$50,000.

The aggregate total remuneration paid to or accrued to top five Executive Officers (who are not Directors or CEO) for FY2015 amounted to S\$918,636.

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

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

The BKM Performance Share Plan was adopted at an Extraordinary General Meeting held on 27 April 2009. The BKM Performance Share Plan is administered by Dr. Wong Chiang Yin, Mr. Goh Chee Wee and Mr. Kwek Kok Beng 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.

#### (C) ACCOUNTABILITY AND AUDIT

#### Principle 10: Accountability

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

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

### Principle 11: Risk Management and Internal Controls

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

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

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

The Company does not have a Board Committee for Risk Management. The Board and the AC has supervised the setting up of an enterprise risk management framework to evaluate and continuously improve the effectiveness of risk management capabilities, control and governance processes. The internal auditors have assisted in setting up this structure and have presented their key findings of their review to the AC and the Board. Key operational (including information technology), business, and financial risks faced by the Group generally and in major contracts and transactions are continuously analysed and identified so that all key risks (including information technology risk) are addressed and internal controls are in place and reviewed periodically by Management, the AC and the Board.

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

# Principle 12: Audit Committee

The AC has been established with written terms of reference and comprises two Independent Directors and one Non-Executive Director. They are:-

Dr Wong Chiang Yin (Chairman, Independent Director)
Goh Chee Wee (Member, Independent Director)
Kwek Kok Beng (Member, Non-Executive Director)

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

- Reviewing the audit plans and reports of the independent auditor and to consider the effectiveness of the actions taken by the Management on the auditor's recommendations;
- Reviewing the internal audit plans, the scope and results of internal audit procedures;
- Review Enterprise Risk Management structure, governance and processes;

- Reviewing the balance sheet of the Company, the consolidated financial statements of the Group for the financial year
  ended 31 December 2015 and other announcements to shareholders and the SGX-ST before submission to the Board
  of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheets of the Company
  and the Consolidated financial statements of the Group;
- Appraising and reporting to the Board on the audits undertaken by the independent auditor, the adequacy of disclosure of
  information, and the adequacy and effectiveness of the system of management internal audit function and internal controls;
- · Reviewing the assistance and co-operation given by the Management to the independent auditor;
- Evaluating quality of work performed by independent auditor;
- Discussing problems and concerns, if any, arising from the interim and final audits;
- Considering and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;
- Reviewing the framework for staff to raise concerns about possible improprieties in matters of financial reporting or
  other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up
  action; and
- Reviewing interested person transactions, as defined in the Listing Manual of SGX-ST.

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

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

The aggregate amount of fees paid or payable to the independent auditors of the Company, broken down into audit and non-audit services during FY2015 are as follows:-

Audit fees : \$\$191,088 Non-audit fees : \$\$53,648

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 Dr Wong Chiang Yin, the AC Chairman. There are arrangements in place for the independent investigation of such matters for appropriate follow-up actions to be taken.

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

### Principle 13: Internal Audit

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

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

# (D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Principle 14: Shareholders Rights

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

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

## Principle 15: Communication with Shareholders

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

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

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

In view of the Group's weak operating results in FY2015, the Board has decided not to declare any dividend for FY2015.

### Principle 16: Conduct of Shareholder Meetings

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

The Constitution of the Company allows for members to appoint up to two proxies to attend and vote in place of the member. The Company does not intend to implement absentia voting methods until security, integrity and other pertinent issues are resolved.

Effective 1 August 2015, the Company is required under the Listing Manual to put all resolutions at general meetings to voting by poll.

#### (E) DEALINGS IN SECURITIES

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

The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company and its officers are not allowed to deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before full financial year, and ending on the date of announcement of the relevant results.

#### (F) INTERESTED PERSON TRANSACTIONS

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

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

Disclosure of interested person transactions are made together with the Company's quarterly results. The AC reviewed the significant transactions entered into by the Company with its interested persons for FY2015 in accordance with its existing procedures.

A summary of the interested person transactions for FY2015 is as follows:

|   | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920). | all interested person |
|---|---|-----------------------|
| [Revenue / (Expenses)]  | <b>S</b> \$   | S\$                   |
| DP Shipbuilding & Engineering Pte Ltd   |   |                       |
| Ship Repair Services  |   | (407,066)             |
| PT. Nanindah Mutiara Shipyard   |   |                       |
| Procurement of Materials and Consumables  |   | (22,455)              |
| Provision of Corrosion Prevention Services  |   | 1,122,283             |
| Hwah Hong Transportation Pte Ltd  |   |                       |
| Sales of Hardware Equipment, Tools and Other<br>Consumables                               |   | 75                    |
| Transportation of Cranes, Equipment & Other Consumables                                   |   | (105,555)             |
| PT. Graha Trisaka Industri  |   |                       |
| Provision of Corrosion Prevention Services  |   | 727,342               |
| Procurement of Materials and Consumables  |   | (72,860)              |
| DDW – PaxOcean Shipyard Pte Ltd (Formerly known as<br>Drydocks World – Singapore Pte Ltd) |   |                       |
| Provision of Corrosion Prevention Services  |   | 3,564,304             |
| Procurement of Materials and Consumables  |   | (120,034)             |
| Transportation Charges  |   | (4,518)               |
| PT. Drydocks World Pertama  |   |                       |
| Provision of Corrosion Prevention Services  |   | 1,453,878             |
| Procurement of Materials and Consumables  |   | (35,758)              |

# (G) MATERIAL CONTRACTS AND LOANS

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

# **DIRECTORS' STATEMENT**

for the financial year ended 31 December 2015

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

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 31 to 109 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 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

### **DIRECTORS**

The directors of the Company in office at the date of this statement are as follows:

Chua Beng Kuang Chua Meng Hua Yong Thiam Fook Goh Chee Wee Dr Wong Chiang Yin Kwek Kok Beng

Lee Yaw Loong

(Resigned as alternate director to Kwek Kok Beng on 29 January 2016)

#### 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:

# **DIRECTORS' STATEMENT**

for the financial year ended 31 December 2015

# Holdings registered in name of director or nominee

|                                      | 01 110           |             |
|--------------------------------------|------------------|-------------|
|                                      | At<br>31.12.2015 | At 1.1.2015 |
| The Company (No. of ordinary shares) |                  |             |
| Chua Beng Kuang                      | 9,066,875        | 36,267,500  |
| Chua Meng Hua                        | 8,829,875        | 35,319,500  |
| Yong Thiam Fook                      | 64,000           | 256,000     |
| Dr Wong Chiang Yin                   | 25,000           | 100,000     |

The directors' interests in the ordinary shares of the Company as at 21 January 2016 were the same as those as at 31 December 2015.

#### **SHARE OPTIONS**

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

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

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

# **AUDIT COMMITTEE**

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

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

Kwek Kok Beng (Member, Non-independent and Non-executive Director)

# **DIRECTORS' STATEMENT**

for the financial year ended 31 December 2015

#### AUDIT COMMITTEE (CONT'D)

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. It performs the following:

- Reviewing the audit plans and reports of the independent auditor and to consider the effectiveness of the actions taken by Management on the auditor's recommendations;
- 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 2015 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;
- Appraising and reporting to the Board on the audit conducted 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
- Reviewing the assistance and co-operation given by Management to the independent auditor;
- Evaluating quality of work performed by the 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
- Reviewing 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.

### INDEPENDENT AUDITOR

| ٦ | The inde | pendent auditor, | Nexia TS | Public A | Accounting C | Corporation, | has expre | essed its wi | illingness to a | ccept re-a | ppointment. |
|---|----------|------------------|----------|----------|--------------|--------------|-----------|--------------|-----------------|------------|-------------|
|   |          |                  |          |          |              |              |           |              |                 |            |             |

| independent additor, Nexia 13 Fublic 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   |

# INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiary corporations (the "Group") set out on pages 31 to 109, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

## Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

### 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.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
Director-in-charge: Loh Ji Kin
Appointed since the financial year ended 31 December 2015

**Singapore** 

21 March 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

|   | Note | 2015<br>\$   | <b>2014</b><br>\$<br>Restated |
|---|------|--------------|-------------------------------|
| Revenue   | 4    | 83,561,571   | 73,924,561                    |
| Cost of sales   |      | (67,428,565) | (59,887,366)                  |
| Gross profit  |      | 16,133,006   | 14,037,195                    |
| Other gains – net   | 7    | 3,435,110    | 1,779,847                     |
| Expenses  |      |              |                               |
| - Selling and distribution  |      | (1,878,222)  | (1,997,304)                   |
| - Administrative  |      | (16,160,348) | (15,252,329)                  |
| - Finance   | 8    | (3,016,492)  | (2,076,187)                   |
| Loss before income tax  |      | (1,486,946)  | (3,508,778)                   |
| Income tax benefit/(expense)  | 9    | 234,373      | (338,516)                     |
| Net loss  |      | (1,252,573)  | (3,847,294)                   |
| Other comprehensive (loss)/income, net of tax: Items that may be reclassified subsequently to profit or loss: |      |              |                               |
| Currency translation differences arising from consolidation – (losses)/gains                                  |      | (5,586)      | 181,913                       |
| Total comprehensive loss  |      | (1,258,159)  | (3,665,381)                   |
| Profit/(loss) attributable to:  |      |              |                               |
| Equity holders of the Company   |      | 94,315       | (4,013,374)                   |
| Non-controlling interests   |      | (1,346,888)  | 166,080                       |
|   |      | (1,252,573)  | (3,847,294)                   |
| Total comprehensive income/(loss) attributable to:  |      |              |                               |
| Equity holders of the Company   |      | 29,771       | (3,888,898)                   |
| Non-controlling interests   |      | (1,287,930)  | 223,517                       |
|   |      | (1,258,159)  | (3,665,381)                   |
| Earnings/(loss) per share attributable to equity holders of the Company (cents per share)                     |      |              |                               |
| - Basic   | 10   | 0.07         | (2.97)                        |
| - Diluted   | 10   | 0.07         | (2.97)                        |

The accompanying notes form an integral part of these financial statements

# **BALANCE SHEET**

As at 31 December 2015

|   | Note | 31.12.2015<br>\$ | <b>31.12.2014</b><br>\$<br>Restated | 1.1.2014<br>\$ |
|---|------|------------------|-------------------------------------|----------------|
| ASSETS  |      |                  |                                     |                |
| Current assets  |      |                  |                                     |                |
| Cash and cash equivalents   | 11   | 5,502,147        | 6,495,080                           | 8,403,197      |
| Frade and other receivables   | 12   | 47,058,953       | 47,320,383                          | 49,345,219     |
| nventories  | 13   | 15,088,441       | 12,750,430                          | 14,581,050     |
|   |      | 67,649,541       | 66,565,893                          | 72,329,466     |
| Non-current assets  |      |                  |                                     |                |
| ntangible assets  | 16   | 63,837           | 63,837                              | 63,837         |
| Property, plant and equipment   | 17   | 105,167,522      | 108,402,579                         | 109,702,851    |
| Deferred income tax assets  | 24   | 313,724          | 372,929                             | 190,598        |
|   |      | 105,545,083      | 108,839,345                         | 109,957,286    |
| Total assets  |      | 173,194,624      | 175,405,238                         | 182,286,752    |
| LIABILITIES<br>Current liabilities  |      |                  | , ,                                 | . ,            |
| rade and other payables   | 18   | 29,853,417       | 28,281,635                          | 30,156,889     |
| Deferred income   | 19   | 768,954          | 408,420                             | 491,977        |
| Provision for warranty  | 20   | _                | 67,500                              | 48,720         |
| Current income tax liabilities  |      | 755,651          | 732,650                             | 976,366        |
| Borrowings  | 21   | 34,027,531       | 45,960,368                          | 47,790,624     |
|   |      | 65,405,553       | 75,450,573                          | 79,464,576     |
| Non-current liabilities   |      |                  |                                     |                |
| Deferred income   | 19   | 719,470          | 933,756                             | 1,148,042      |
| Borrowings  | 21   | 27,392,535       | 18,113,551                          | 17,384,748     |
| Deferred income tax liabilities   | 24   | 354,879          | 794,108                             | 608,755        |
|   |      | 28,466,884       | 19,841,415                          | 19,141,545     |
| otal liabilities  |      | 93,872,437       | 95,291,988                          | 98,606,121     |
| IET ASSETS  |      | 79,322,187       | 80,113,250                          | 83,680,631     |
| EQUITY Capital and reserves attributable to equity holders of the Company |      |                  |                                     |                |
| hare capital  | 25   | 49,651,347       | 49,651,347                          | 49,651,347     |
| Other reserves  | 26   | (304,046)        | (350,532)                           | (475,008)      |
| Retained profits  | 27   | 28,014,758       | 27,920,443                          | 31,933,817     |
|   |      | 77,362,059       | 77,221,258                          | 81,110,156     |
| Non-controlling interests   |      | 1,960,128        | 2,891,992                           | 2,570,475      |
| Total equity  |      | 79,322,187       | 80,113,250                          | 83,680,631     |

The accompanying notes form an integral part of these financial statements

# **BALANCE SHEET**

As at 31 December 2015

|  |      | Company    |            |  |
|--|------|------------|------------|--|
|  | Note | 2015       | 2014       |  |
|  |      | \$         | \$         |  |
| ASSETS   | ,    |            |            |  |
| Current assets   |      |            |            |  |
| Cash and bank balances   |      | 103,137    | 174,925    |  |
| Trade and other receivables  | 12   | 69,764,244 | 68,086,900 |  |
|  |      | 69,867,381 | 68,261,825 |  |
| Non-current assets   |      |            |            |  |
| Investments in subsidiary corporations                             | 15   | 10,707,249 | 10,827,249 |  |
| Property, plant and equipment                                      | 17   | 597,127    | 772,134    |  |
| Deferred income tax assets   | 24   | 16,700     | 7,920      |  |
|  |      | 11,321,076 | 11,607,303 |  |
| Total assets   |      | 81,188,457 | 79,869,128 |  |
| LIABILITIES  |      |            |            |  |
| Current liabilities  |      |            |            |  |
| Trade and other payables   | 18   | 6,854,815  | 10,499,547 |  |
| Borrowings   | 21   | 13,599,879 | 17,297,557 |  |
|  |      | 20,454,694 | 27,797,104 |  |
| Non-current liability  |      |            |            |  |
| Borrowings   | 21   | 6,115,384  | 16,250     |  |
| Total liabilities  |      | 26,570,078 | 27,813,354 |  |
| NET ASSETS   |      | 54,618,379 | 52,055,774 |  |
| EQUITY   |      |            |            |  |
| Capital and reserves attributable to equity holders of the Company |      |            |            |  |
| Share capital  | 25   | 49,651,347 | 49,651,347 |  |
| Other reserves   | 26   | 163,297    | _          |  |
| Retained profits   | 27   | 4,803,735  | 2,404,427  |  |
| Total equity   |      | 54,618,379 | 52,055,774 |  |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

|  |           | ← Attributable to equity holders of the Company → |                     |                |   |                                  |             |
|--|-----------|---|---------------------|----------------|---|----------------------------------|-------------|
|  | Note      | Share capital                                     | Retained<br>profits | Other reserves | Equity<br>attributable<br>to owners of<br>the Company | Non-<br>controlling<br>interests | Total       |
|  |           | \$  | \$                  | \$             | \$  | \$                               | \$          |
| 2015   |           |   |                     |                |   |                                  |             |
| Beginning of financial year  |           | 49,651,347  | 27,920,443          | (350,532)      | 77,221,258  | 2,891,992                        | 80,113,250  |
| Acquisition of a subsidiary corporation  | 33(c)     | _   | _                   | _              | _   | 303,800                          | 303,800     |
| Acquisition of additional equity interest in subsidiary corporations                   | 15        | _   | _                   | (52,267)       | (52,267)  | 52,266                           | (1)         |
| Convertible bonds – equity component   | 26(b)(ii) | _   | _                   | 163,297        | 163,297   | _                                | 163,297     |
| Total comprehensive income/ (loss) for the financial year                              |           |   | 94,315              | (64,544)       | 29,771  | (1,287,930)                      | (1,258,159) |
| End of financial year  |           | 49,651,347  | 28,014,758          | (304,046)      | 77,362,059  | 1,960,128                        | 79,322,187  |
| 2014   |           |   |                     |                |   |                                  |             |
| Beginning of financial year (as previously stated)                                     |           | 49,651,347  | 31,935,859          | (407,321)      | 81,179,885  | 2,600,358                        | 83,780,243  |
| Prior year adjustments   | 34        |   | (2,042)             | (67,687)       | (69,729)  | (29,883)                         | (99,612)    |
| Beginning of financial year<br>(restated)  |           | 49,651,347  | 31,933,817          | (475,008)      | 81,110,156  | 2,570,475                        | 83,680,631  |
| Acquisition of subsidiary corporation by non-controlling interests                     | 15        | _   | _                   | _              | _   | 98,000                           | 98,000      |
| Total comprehensive (loss)/<br>income for the financial<br>year (as previously stated) |           | _   | (5,020,435)         | 11,671         | (5,008,764)   | (256,424)                        | (5,265,188) |
| Prior year adjustments   | 34        | _   | 1,007,061           | 112,805        | 1,119,866   | 479,941                          | 1,599,807   |
| Total comprehensive (loss)/ income for the financial year (restated)                   | 3.        | _   | (4,013,374)         | 124,476        | (3,888,898)   | 223,517                          | (3,665,381) |
| End of financial year (restated  | )         | 49,651,347  | 27,920,443          | (350,532)      | 77,221,258  | 2,891,992                        | 80,113,250  |
|  |           |   |                     | · · ·          |   | •                                | -           |

The accompanying notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

|   | Note      | 2015<br>\$  | 2014<br>\$<br>Restated |
|---|-----------|-------------|------------------------|
| Cash flows from operating activities  |           |             |                        |
| Net loss  |           | (1,252,573) | (3,847,294)            |
| Adjustments for:  |           | (:,===,=,=, | (0,0 ,=,               |
| Income tax (credit)/expense   | 9         | (234,373)   | 338,516                |
| Allowance for impairment of trade receivables                                 | 5         | 477,951     | 221,240                |
| Inventories written off   | 5         | _           | 1,070                  |
| Write down of inventories   | 5         | 38,454      | 102,868                |
| Write-back of allowance for impairment of trade receivables                   | 5         | (126,602)   | (85,272)               |
| Write-back of inventories   | 5         | (9,449)     | (43,124)               |
| Gain on disposal of property, plant and equipment                             | 7         | (994,245)   | (859,451)              |
| Property, plant and equipment written off                                     | 7         | 12,535      | 1,503                  |
| Depreciation of property, plant and equipment                                 | 5         | 9,759,772   | 8,983,690              |
| Interest income   | 7         | (7,677)     | (10,826)               |
| Finance expenses  | 8         | 3,016,492   | 2,076,187              |
| Unrealised currency translation losses/(gains)                                |           | 273,337     | (576,878)              |
|   |           | 10,953,622  | 6,302,229              |
| Change in working capital, net of effects from acquisition of subsidiary corp | orations: |             |                        |
| Inventories   |           | (2,282,615) | 1,769,806              |
| Trade and other receivables   |           | 2,359,341   | 1,888,868              |
| Trade and other payables  |           | (90,341)    | (2,154,317)            |
| Cash flows generated from operations  |           | 10,940,007  | 7,806,586              |
| Interest received   |           | 7,677       | 10,826                 |
| Interest paid   |           | (2,806,708) | (1,870,004)            |
| Income tax paid   |           | (122,650)   | (579,210)              |
| Net cash flows generated from operating activities                            |           | 8,018,326   | 5,368,198              |
| Cash flows from investing activities  |           |             |                        |
| Additions to property, plant and equipment                                    | 17(a)     | (7,525,476) | (6,435,373)            |
| Proceeds from disposal of property, plant and equipment                       |           | 5,688,192   | 2,167,788              |
| Acquisition of a subsidiary corporation, net of cash acquired                 | 33(b)     | 39,417      | _                      |
| Acquisition of additional equity interest in subsidiary corporations          | 15        | (1)         | _                      |
| Interest paid   |           | (10,057)    | (91,310)               |
|   |           |             |                        |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

|  | Note | te 2015      | 2014                  |
|--|------|--------------|-----------------------|
|  |      | \$           | <b>\$</b><br>Restated |
| Cash flows from financing activities                                       |      |              |                       |
| Proceeds from borrowings   |      | 4,145,705    | 9,690,811             |
| Repayment of borrowings  |      | (13,623,531) | (10,804,283)          |
| Repayment of finance lease liabilities                                     |      | (1,774,675)  | (1,919,469)           |
| Repayment of bills payable   |      | (339,176)    | (391,104)             |
| Proceeds from convertible bonds  | 22   | 5,000,000    | _                     |
| Interest paid  |      | (182,475)    | (206,744)             |
| Proceeds from subscription of ordinary shares by non-controlling interests | 15   | _            | 98,000                |
| Net cash flows used in financing activities                                |      | (6,774,152)  | (3,532,789)           |
| Net decrease in cash and cash equivalents                                  |      | (563,751)    | (2,523,486)           |
| Cash and cash equivalents  |      |              |                       |
| Beginning of financial year  |      | 3,119,605    | 5,581,599             |
| Effects of currency translation on cash and cash equivalents               |      | 22,701       | 61,492                |
| End of financial year  | 11   | 2,578,555    | 3,119,605             |

For the financial year ended 31 December 2015

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 15 of the financial statements.

Related parties mentioned in these notes refer to the following:

- a) DDW-PaxOcean Asia Pte. Ltd. and its subsidiary corporation ("DDW-PaxOcean Group") in which the Company is an associated company of the DDW PaxOcean Group; and
- b) Hwah Hong Transportation Pte. Ltd. ("Hwah Hong") which is significantly influenced by one of the Group's key management personnel by virtue of his directorship and substantial shareholdings in Hwah Hong.

#### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

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

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

### Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

For the financial year ended 31 December 2015

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

#### 2.1 Basis of preparation (cont'd)

#### **FRS 108 Operating Segments**

The Group has adopted the above amendment to FRS 108 on 1 January 2015. The amendment is applicable for annual periods beginning on or after 1 July 2014. It sets out the required disclosures on the judgements made by management in aggregating operating segments. This includes description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to entity's assets when segments assets are reported.

The Group has included the additional required disclosures in Note 32 of the financial statements.

#### 2.2 Group accounting

- (a) Subsidiary corporations
  - (i) Consolidation

Subsidiary corporations are 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 over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. 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.

For the financial year ended 31 December 2015

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

#### 2.2 Group accounting (cont'd)

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

#### (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 recognised 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 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 the fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to paragraph "Intangible assets – Goodwill" for the accounting policy on goodwill subsequent to initial recognition.

### (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.

For the financial year ended 31 December 2015

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

#### 2.2 Group accounting (cont'd)

#### (b) Transaction 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 transaction 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 in within equity attributable to the equity holders of the Company.

#### 2.3 Property, plant and equipment

#### (a) Measurement

#### (i) Drydockings

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

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

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

### (b) Depreciation

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

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

For the financial year ended 31 December 2015

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

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

#### (b) Depreciation (cont'd)

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.

#### 2.4 Intangible assets

### (a) Goodwill on acquisition

Goodwill on acquisition of subsidiary corporations and businesses on or after 1 January 2010 represents the excess of (i) the aggregate 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, net of the fair values of the liabilities and any contingent liabilities assumed.

Goodwill on acquisition of subsidiary corporations and businesses prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

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

#### (b) Intellectual property rights

Intellectual property rights acquired in business combinations are measured initially at valuation. Intellectual property rights not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit level. The Group's existing intellectual property rights have a finite useful life and are amortised over the period of 8 years on a straight-line basis.

For the financial year ended 31 December 2015

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

#### 2.5 Cash and cash equivalents

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

#### 2.6 Impairment of non-financial assets

Intangible assets
Property, plant and equipment
Investments in subsidiary corporations

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

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 only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

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

#### 2.7 Financial assets

### (a) Classification

The Group classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 12) and "cash and cash equivalents" (Note 11) on the balance sheet.

For the financial year ended 31 December 2015

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

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

#### (b) Recognition and derecognition

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

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

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.

#### (c) Measurement

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

#### (d) Impairment

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

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

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

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

#### 2.8 Investments in subsidiary corporations

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

For the financial year ended 31 December 2015

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

#### 2.9 Construction contracts

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

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

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

At the balance sheet date, the aggregated costs incurred plus recognised profit (less recognised losses) on each contract is compared against the progress billings. Where cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables" (Note 12). Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables" (Note 18).

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

#### 2.10 Inventories

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

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

For the financial year ended 31 December 2015

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

#### 2.11 Trade and other payables

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

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

#### 2.12 Government grants

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

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.

#### 2.13 Provisions

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

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.

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.

#### 2.14 Income taxes

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

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

For the financial year ended 31 December 2015

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

#### 2.14 Income taxes (cont'd)

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:

- (i) 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
- (ii) 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.

### 2.15 Financial guarantees

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

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

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

Intra-group transactions are eliminated on consolidation.

### 2.16 Borrowings

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

For the financial year ended 31 December 2015

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

#### 2.16 Borrowings (cont'd)

#### (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.

#### 2.17 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

#### 2.18 Revenue recognition

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

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

For the financial year ended 31 December 2015

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

#### 2.18 Revenue recognition (cont'd)

(a) Corrosion prevention and infrastructure engineering services

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

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

## (b) Supply and distribution of products

Supply and distribution revenue is recognised net of goods and services tax and discounts when goods have been delivered and accepted by the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (c) Chartering income

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

#### (d) Interest income

Interest income is recognised using the effective interest method.

#### 2.19 Employee compensation

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

#### (a) Defined contribution plan

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

#### (b) Employment leave entitlement

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.

For the financial year ended 31 December 2015

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

#### 2.19 Employee compensation (cont'd)

#### (c) Termination benefits

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

### 2.20 Share capital

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

#### 2.21 Currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, 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 translation 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 cost". 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 positions 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;

For the financial year ended 31 December 2015

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

#### 2.21 Currency translation (cont'd)

- (c) Translation of Group entities' financial statements (cont'd)
  - (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 income and expenses are translated using the exchange rates at the dates of the transactions); and
  - (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

#### 2.22 Fair value estimation

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

#### 2.23 Segment reporting

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

#### 2.24 Leases

(a) When the Group is the lessee:

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

(i) Lessee – Finance leases

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

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

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.

For the financial year ended 31 December 2015

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

#### 2.24 Leases (cont'd)

- (a) When the Group is the lessee:
  - (ii) Lessee Operating leases

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

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

(b) When the Group is the lessor:

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

Lessor - Operating leases

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

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

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

## 2.25 Dividends to Company's shareholders

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

#### 2.26 Offsetting of financial instruments

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

For the financial year ended 31 December 2015

#### 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

#### 3.1 Critical accounting estimates and assumptions

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

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

The recoverable amounts of these assets and where applicable, CGU have been determined based on higher of fair value less costs to sell and value-in-use calculations. The calculation of value-in-use requires the use of estimates (Note 16(a) and Note 17(c)). The carrying amounts of these non-financial assets are disclosed in Notes 15 to 17.

Impairment of property, plant and equipment

If the management estimated growth rate used in the value-in-use calculation for shipping CGU as at 31 December 2015 had been lowered by 5% (2014: 5%) the carrying amount of the property, plant and equipment in shipping CGU would have been reduced by \$3,046,840 (2014: 2,836,075) and the Group would have recognised an impairment charge on property, plant and equipment in shipping CGU of \$3,046,840 (2014: \$2,836,075).

If the management estimated weighted cost of capital used in determining the pre-tax discount rate applied to the discounted cash flows for shipping CGU had been raised by 1% than management's estimates (for example, 8% instead of 7%) at 31 December 2015, the Group would have recognised an impairment charge on property, plant and equipment in shipping CGU of \$82,356 (2014:\$901,625).

If the valuation of property, plant and equipment for infrastructure engineering CGU had been lowered by 10%, the Group would have recoverable amount of \$41,547,338 (2014: \$58,229,595) instead of \$46,163,709 (2014: \$68,699,550), while the carrying amount of the infrastructure engineering CGU is \$26,225,069 (2014: \$35,773,381). No allowance for impairment has been recognised in the shipping and infrastructure engineering CGU in the financial year ended 31 December 2015.

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

Management reviews its loans and receivables for objective evidence of impairment annually. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delays in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there is a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

For the financial year ended 31 December 2015

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

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

#### (b) Impairment of loans and receivables (cont'd)

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar risk characteristics. The methodology and assumptions used are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amounts of trade and other receivables at the balance sheet date are disclosed in Note 12.

If the values of financial assets that is past due but not impaired as at 31 December 2015 increase/decrease by 10%, the Group's allowance for impairment will increase/decrease by \$643,518 and \$1,101,282 (2014: \$874,917 and \$813,075) respectively.

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

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 30 years. The carrying amounts of the Group's property, plant and equipment at 31 December 2015 were \$105,167,522 (2014: \$108,402,578). 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 \$803,889 and \$982,532 (2014: \$841,310 and \$1,028,268) respectively.

### (d) Construction contracts

The Group recognised revenue arising from provision of corrosion prevention and infrastructure engineering services based on the stage of completion method or to the extent of contract costs incurred where it is probable those costs will be recoverable. The stage of completion is measured by reference to the contract costs incurred to date against the estimated total costs for the contract.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contract costs incurred. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and historical settlements with the customers. The carrying amount of construction contracts is disclosed in Note 14.

If the revenue on uncompleted contracts at the balance sheet date increases/decreases by 10% from management's estimates, the Group's revenue will increase/decrease by \$1,745,686 and \$1,745,688 (2014: \$912,813 and \$847,024) respectively.

If the contract costs of uncompleted contracts to be incurred increase/decrease by 10% from management's estimates, the Group's profit will decrease/increase by \$80,623 and \$86,907 (2014: \$159,101 and \$240,152) respectively.

For the financial year ended 31 December 2015

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

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

#### (e) Uncertain tax positions

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amounts of the Group and the Company's current income tax liabilities and deferred income tax liabilities/(assets) at 31 December 2015 were \$755,651 and \$Nil (2014: \$732,650 and \$Nil) and \$41,155 and (\$16,700) (2014: \$421,179 and (\$7,920)) respectively.

#### 4 REVENUE

|                                     | G          | Group                         |  |
|-------------------------------------|------------|-------------------------------|--|
|                                     | 2015       | <b>2014</b><br>\$<br>Restated |  |
|                                     | \$         |                               |  |
| Infrastructure engineering services | 32,530,383 | 15,665,613                    |  |
| Corrosion prevention services       | 28,334,804 | 36,123,870                    |  |
| Supply and distribution of products | 12,241,435 | 14,534,152                    |  |
| Chartering income                   | 10,454,949 | 7,600,926                     |  |
|                                     | 83,561,571 | 73,924,561                    |  |

For the financial year ended 31 December 2015

## 5 EXPENSES BY NATURE

|  | Group      |             |
|--|------------|-------------|
|  | 2015       | 2014        |
|  | \$         | \$          |
|  |            | Restated    |
| Purchases of inventories and construction materials                          | 27,827,363 | 28,279,550  |
| Subcontractors' fees   | 4,602,815  | 2,014,312   |
| Depreciation of property, plant and equipment (Note 17)                      | 9,759,772  | 8,983,690   |
| Write-back of allowance for impairment of trade receivables (Note 30(b)(ii)) | (126,602)  | (85,272)    |
| nventories written off   | _          | 1,070       |
| Vrite down of inventories  | 38,454     | 102,868     |
| Vrite-back of inventories (Note 13)  | (9,449)    | (43,124)    |
| Allowance for impairment of trade receivables (Note 30(b)(ii))               | 477,951    | 221,240     |
| Total amortisation, depreciation and impairment                              | 10,140,126 | 9,180,472   |
| ees on audit services paid/payable to:                                       |            |             |
| - Auditor of the Company   | 191,088    | 190,401     |
| Other auditor  | 15,459     | 2,550       |
| Total fees on audit services   | 206,547    | 192,951     |
| ees on non-audit services paid/payable to:                                   |            |             |
| - Auditor of the Company   | 53,648     | 37,500      |
| Other auditor  | 4,470      | 3,847       |
| otal fees on non-audit services  | 58,118     | 41,347      |
| Employee compensation (Note 6)   | 23,137,886 | 23,646,289  |
| Employees' accommodation and utilities                                       | 3,533,916  | 2,940,668   |
| Rental and repair of equipment and machinery                                 | 1,095,648  | 58,699      |
| Maintenance of equipment and machinery                                       | 2,764,369  | 2,262,347   |
| ransport and travelling  | 1,144,625  | 1,254,342   |
| Office related expenses  | 630,891    | 661,438     |
| nsurance   | 1,538,798  | 1,380,515   |
| oreign worker levies   | 1,895,090  | 1,980,027   |
| Shipping related expenses  | 2,935,493  | 2,233,605   |
| Other expenses   | 1,578,985  | 2,737,119   |
| Changes in inventories   | 2,376,465  | (1,726,682) |
| Total cost of sales, selling and distribution and administrative expenses    | 85,467,135 | 77,136,999  |

For the financial year ended 31 December 2015

### 6 EMPLOYEE COMPENSATION

|  | Group      |                        |
|--|------------|------------------------|
|  | 2015<br>\$ | 2014<br>\$<br>Restated |
| Wages and salaries   | 21,035,653 | 21,281,309             |
| Employer's contribution to defined contribution plans including Central Provident Fund | 1,081,022  | 960,803                |
| Other short-term benefits  | 1,021,211  | 1,404,177              |
|  | 23,137,886 | 23,646,289             |

### 7 OTHER GAINS – NET

|   | Group      |                        |
|---|------------|------------------------|
|   | 2015<br>\$ | 2014<br>\$<br>Restated |
|   |            |                        |
| Interest income from bank deposits                | 7,677      | 10,826                 |
| Gain on disposal of property, plant and equipment | 994,245    | 859,451                |
| Property, plant and equipment written off         | (12,535)   | (1,503)                |
| Currency translation gains, net                   | 1,704,735  | 189,223                |
| Government grants (a)                             | 416,307    | 202,501                |
| Sales of scrap                                    | _          | 224,607                |
| Miscellaneous back-charge of services             | 324,681    | 294,742                |
|   | 3,435,110  | 1,779,847              |

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

### 8 Finance expenses

|   | Group     |           |
|---|-----------|-----------|
|   | 2015      | 2014      |
|   | \$        | \$        |
|   |           | Restated  |
| Interest expense  |           |           |
| - Bank borrowings   | 2,252,967 | 1,747,724 |
| – Bank overdrafts   | 172,875   | 150,595   |
| - Finance lease liabilities                               | 182,475   | 206,744   |
| - Bills payable   | 122,183   | 62,434    |
| - Convertible bonds (Note 22)                             | 296,049   | _         |
|   | 3,026,549 | 2,167,497 |
| Less: Amount capitalised in property, plant and equipment | (10,057)  | (91,310)  |
| Finance expenses recognised in profit or loss             | 3,016,492 | 2,076,187 |

Borrowing costs on construction of a building and vessel were capitalised at the rate range from 3.73% to 4.50% and Nil (2014: Nil and 3.16%) respectively.

For the financial year ended 31 December 2015

## 9 INCOME TAX (BENEFIT)/EXPENSE

|   | Gro       | Group      |  |
|---|-----------|------------|--|
|   | 2015      | 2014<br>\$ |  |
|   | \$        |            |  |
| Tax (benefit)/expense attributable to loss is made up of: |           |            |  |
| - Loss for the financial year:                            |           |            |  |
| Current income tax – Singapore                            | 277,373   | 32,976     |  |
| – Foreign   | 606,806   | 438,542    |  |
|   | 884,179   | 471,518    |  |
| Deferred income tax (Note 24)                             | (138,348) | 40,035     |  |
|   | 745,831   | 511,553    |  |
| - Over provision in prior financial years                 |           |            |  |
| Current income tax – Singapore                            | (4,252)   | (42,855)   |  |
| – Foreign   | (734,276) | (93,169)   |  |
|   | (738,528) | (136,024)  |  |
| Deferred income tax (Note 24)                             | (241,676) | (37,013)   |  |
|   | (980,204) | (173,037)  |  |
|   | (234,373) | 338,516    |  |

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

|   | G           | Group                  |  |
|---|-------------|------------------------|--|
|   | 2015        | 2014<br>\$<br>Restated |  |
|   | \$          |                        |  |
| Loss before income tax                            | (1,486,946) | (3,508,778)            |  |
| Tax at the applicable tax rate of 17% (2014: 17%) | (252,781)   | (596,492)              |  |
| Effects of:                                       |             |                        |  |
| - expenses not deductible for tax purposes        | 621,625     | 556,941                |  |
| - income not subject to tax                       | (402,926)   | (492,072)              |  |
| - tax incentives                                  | (102,323)   | (62,632)               |  |
| - different tax rates in other countries          | 225,874     | (130,702)              |  |
| - deferred tax assets not recognised              | 666,715     | 1,215,866              |  |
| - others  | (10,353)    | 20,644                 |  |
| Tax charge  | 745,831     | 511,553                |  |

For the financial year ended 31 December 2015

#### 10 EARNINGS/(LOSS) PER SHARE

|   | G           | Group                   |  |
|---|-------------|-------------------------|--|
|   | 2015        | <b>2014</b><br>Restated |  |
| Profit/(loss) attributable to equity holders of the Company (\$)        | 94,315      | (4,013,374)             |  |
| Weighted average number of ordinary shares for basic earnings per share | 135,010,406 | 135,010,406             |  |
| Basic earnings/(loss) per share (cents per share)                       | 0.07        | (2.97)                  |  |
| Diluted earnings/(loss) per share (cents per share)                     | 0.07        | (2.97)                  |  |

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

The comparative figures for loss per share have been adjusted for the share consolidation exercise to consolidate every four ordinary shares into one consolidated share.

The Group has no dilution in its earnings per share as at 31 December 2015 and 2014. The dilutive potential ordinary shares arising from convertible bonds have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

### 11 CASH AND CASH EQUIVALENTS

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

|  | Gr          | Group       |  |
|--|-------------|-------------|--|
|  | 2015<br>\$  | 2014        |  |
|  |             | \$          |  |
| Cash and bank balances   | 5,502,147   | 6,495,080   |  |
| Less: Bank overdrafts (Note 21)                                    | (2,923,592) | (3,375,475) |  |
| Cash and cash equivalents per consolidated statement of cash flows | 2,578,555   | 3,119,605   |  |

For the financial year ended 31 December 2015

#### 12 TRADE AND OTHER RECEIVABLES

|  | G           | roup       | Company    |            |  |
|--|-------------|------------|------------|------------|--|
|  | 2015        | 2014       | 2015       | 2014       |  |
|  | \$          | \$         | \$         | \$         |  |
| Trade receivables  |             |            |            |            |  |
| <ul> <li>Subsidiary corporations</li> </ul>  | _           | _          | 1,752,150  | 1,569,534  |  |
| - Related parties  | 2,850,109   | 3,425,754  | _          | _          |  |
| <ul> <li>Non-related parties</li> </ul>  | 26,368,757  | 27,334,711 | 1,810      | _          |  |
|  | 29,218,866  | 30,760,465 | 1,753,960  | 1,569,534  |  |
| Less: Allowance for impairment of trade receivables - non-related parties (Note 30(b)(ii)) | (1,101,282) | (813,075)  | _          | _          |  |
| Trade receivables – net  | 28,117,584  | 29,947,390 | 1,753,960  | 1,569,534  |  |
| Construction contracts   |             |            |            |            |  |
| – Due from customers (Note 14)   | 13,487,005  | 12,982,936 | _          | _          |  |
| - Retentions (Note 14)   | 816,112     | 926,987    | _          | _          |  |
|  | 14,303,117  | 13,909,923 | _          | _          |  |
| Non-trade receivables  |             |            |            |            |  |
| - Subsidiary corporations  | _           | _          | 67,950,905 | 65,577,847 |  |
| - Non-related parties  | 3,576,163   | 2,809,680  | 37,628     | 452,162    |  |
|  | 3,576,163   | 2,809,680  | 67,988,533 | 66,030,009 |  |
| Deposits   | 517,348     | 374,510    | _          | _          |  |
| Prepayments  | 544,741     | 278,880    | 21,751     | 2,700      |  |
| Unbilled receivables   | _           | _          | _          | 484,657    |  |
|  | 4,638,252   | 3,463,070  | 68,010,284 | 66,517,366 |  |
|  | 47,058,953  | 47,320,383 | 69,764,244 | 68,086,900 |  |

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

- (i) An amount of \$Nil (2014: \$426,448) due from a subsidiary corporation which bears fixed interest amount of \$Nil (2014: \$80,000) per annum and is receivable on demand.
- (ii) Amounts of \$8,306,194 (2014: \$5,435,077) due from certain subsidiary corporations which bear fixed interest rate from the range of 3.22% to 5.00% (2014: 3.22% to 5.00%) per annum and are receivable on demand.

For the financial year ended 31 December 2015

#### 13 INVENTORIES

|                        | G          | roup       |
|------------------------|------------|------------|
|                        | 2015       | 2014       |
|                        | \$         | \$         |
| Construction materials | 3,983,629  | 3,837,961  |
| Trading goods          | 10,018,533 | 5,891,143  |
| Work-in-progress       | 1,086,279  | 3,021,326  |
|                        | 15,088,441 | 12,750,430 |

The cost of inventories related to construction materials and trading goods recognised as an expense and included in "cost of sales" amounted to \$6,737,319 (2014: \$7,623,772) and \$9,325,038 (2014: \$13,980,008) respectively.

The Group reversed \$9,449 (2014: \$43,124) of previous inventory write-down in prior years, as the inventories were sold above the carrying amounts in 2015. The amount reversed has been included in "cost of sales".

The work-in-progress represents costs incurred for unsold vessels under construction.

### 14 CONSTRUCTION CONTRACTS

|  | Group        |              |  |
|--|--------------|--------------|--|
|  | 2015         | 2014         |  |
|  | \$           | \$           |  |
| Aggregate costs incurred and profits recognised (less losses recognised) to date |              |              |  |
| on uncompleted construction contracts  | 39,849,377   | 32,500,707   |  |
| Less: Progress billings  | (27,226,052) | (19,809,997) |  |
|  | 12,623,325   | 12,690,710   |  |
| Presented as:  |              |              |  |
| Due from customers on construction contracts (Note 12)                           | 13,487,005   | 12,982,936   |  |
| Due to customers on construction contracts (Note 18)                             | (863,680)    | (292,226)    |  |
|  | 12,623,325   | 12,690,710   |  |
| Retentions on construction contracts (Note 12)                                   | 816,112      | 926,987      |  |

For the financial year ended 31 December 2015

#### 15 INVESTMENTS IN SUBSIDIARY CORPORATIONS

|                             | Co         | mpany      |
|-----------------------------|------------|------------|
|                             | 2015       | 2014       |
|                             | \$         | \$         |
| Equity investments at cost  |            |            |
| Beginning of financial year | 10,827,249 | 4,256,615  |
| Impairment charge           | (120,000)  | _          |
| Additions                   | _          | 6,570,634  |
| End of financial year       | 10,707,249 | 10,827,249 |

#### Impairment charge on investment in a subsidiary corporation

Impairment loss of \$120,000 (2014: \$Nil) in a subsidiary corporation was recognised during the financial year. The Impairment loss was made to write down the carrying amount of investment in a subsidiary to its recoverable amount following a review of the subsidiary corporation's business.

#### Acquisition of a subsidiary corporation

On 9 May 2014, the Company increased its investment in a wholly-owned subsidiary corporation, Asian Sealand Engineering Pte. Ltd. ("ASE") from \$1 million to \$5 million by subscribing additional 4,000,000 ordinary shares allotted by ASE. The payment for the 4,000,000 ordinary shares in ASE was made by way of capitalisation of an amount of \$4,000,000 owing by ASE to the Company.

On 20 August 2014, the Company increased its investment a wholly-owned subsidiary corporation, in PT Nexus Engineering Indonesia ("Nexus") from \$388,233 (US\$250,000) to \$2,856,870 (US\$2,250,000) by subscribing additional 2,000,000 ordinary shares allotted by Nexus. The payment for the 2,000,000 shares in Nexus was made by way of capitalisation of an amount of \$2,468,636 (US\$2,000,000) owing by Nexus to the Company.

### Subscription of interests in a subsidiary corporation by non-controlling interests without loss of control

On 12 May 2014, a wholly-owned subsidiary corporation, Asian Sealand Offshore and Marine Pte. Ltd. ("ASOM") increased its issued and paid-up share capital from \$2 to \$200,000. The Company has subscribed for additional 101,998 ordinary shares for a cash consideration of \$101,998. The remaining 98,000 ordinary shares were subscribed for a cash consideration of \$98,000 by an existing employee of the Group, who is not related to any of the Directors or Substantial Shareholders of the Company.

Following the aforesaid subscription, the Company now holds 102,000 ordinary shares of the total 200,000 paid up share capital in ASOM. This resulted in a decrease in the Company's interests in ASOM from 100% to 51% and an increase in non-controlling interests in ASOM from Nil to 49%. The Company's investment in ASOM is paid by cash. However, there is no impact at group level.

For the financial year ended 31 December 2015

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

#### Acquisition of additional equity interest in subsidiary corporations

On 3 June 2015, the Group's wholly-owned subsidiary corporation, Quill Marine Pte. Ltd. acquired the remaining 15% equity interest in Drako Shipping Pte. Ltd. and its subsidiary corporation, PT. Marina Shipping (collectively referred to as the "Drako Group") for a cash consideration of \$1. The Group now holds 100% of the equity share capital of Drako Group. On the acquisition date, the carrying amount of the net liabilities of Drako Group was \$52,266. The difference of \$52,267 between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

The following summarises the effect of the change in the Group's ownership interest in Drako Group on the equity attributable to owners of the Company:

|  | 2015   |
|--|--------|
|  | \$     |
| Consideration paid for acquisition of non-controlling interests            | 1      |
| Decrease in equity attributable to non-controlling interests               | 52,266 |
| Decrease in equity attributable to owners of the Company (Note 26(b)(iii)) | 52,267 |

For the financial year ended 31 December 2015

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

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

| Name of companies   | Principal activities  | Country of business/incorporation | ordinar<br>held    | rtion of<br>y shares<br>by the<br>oup | ordinar<br>held b<br>contr | rtion of<br>y shares<br>y non-<br>olling<br>rests |           | nvestment |
|---|---|-----------------------------------|--------------------|---------------------------------------|----------------------------|---|-----------|-----------|
|   | •   |                                   | 2015               | 2014                                  | 2015                       | 2014  | 2015      | 2014      |
|   |   |                                   | %                  | %                                     | %                          | %   | \$        | \$        |
| Subsidiary corpor   | ations held by the Comp   | any                               |                    |                                       |                            |   |           |           |
| Nexus Sealand<br>Trading Pte. Ltd. <sup>(1)</sup>         | Supply and distribution of hardware equipment, tools and other products       | Singapore                         | 100                | 100                                   | -                          | _   | 2         | 2         |
| Asian Sealand<br>Engineering<br>Pte. Ltd. <sup>(1)</sup>  | Provision of infrastructure engineering services                              | Singapore                         | 100                | 100                                   | -                          | _   | 5,800,000 | 5,800,000 |
| PT. Nexus<br>Engineering<br>Indonesia <sup>(2)</sup>      | Provision of infrastructure engineering services                              | Indonesia                         | 100 <sup>(5)</sup> | 100 <sup>(5)</sup>                    | -                          | -   | 2,856,869 | 2,856,869 |
| PT. Master<br>Indonesia <sup>(4)</sup>                    | Supply and distribution of hardware equipment, tools and other products       | Indonesia                         | 100 <sup>(5)</sup> | 100 <sup>(5)</sup>                    | -                          | -   | 177,000   | 177,000   |
| B & J Marine<br>Pte. Ltd. <sup>(1)</sup>                  | Provision of hydro-<br>jetting and tank cleaning<br>services                  | Singapore                         | 100                | 100                                   | -                          | -   | 87,848    | 87,848    |
| B & K Marine<br>Pte. Ltd. <sup>(1)</sup>                  | Provision of corrosion prevention services                                    | Singapore                         | 100                | 100                                   | -                          | -   | 100,000   | 100,000   |
| Beng Kuang<br>Marine (B&Chew)<br>Pte. Ltd. <sup>(1)</sup> | Provision of corrosion prevention services                                    | Singapore                         | 100                | 100                                   | -                          | _   | 100,000   | 100,000   |
| Beng Kuang<br>Marine (B&M)<br>Pte. Ltd. <sup>(1)</sup>    | Provision of corrosion prevention services                                    | Singapore                         | 100                | 100                                   | -                          | _   | 100,000   | 100,000   |
| Beng Kuang<br>Marine (B&Y)<br>Pte. Ltd. <sup>(1)</sup>    | Provision of corrosion prevention services                                    | Singapore                         | 100                | 100                                   | -                          | _   | 100,000   | 100,000   |
| Nexus Hydrotech<br>Pte. Ltd. <sup>(1)</sup>               | Provision of corrosion prevention services (utilising hydro-jetting machines) | Singapore                         | 80                 | 80                                    | 20                         | 20  | 80,000    | 80,000    |
| ASIC Engineering<br>Sdn Bhd <sup>(3)</sup>                | Provision of infrastructure engineering services                              | Malaysia                          | 100                | 100                                   | -                          | -   | 43,479    | 43,479    |

For the financial year ended 31 December 2015

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

| Name of companies   | Principal activities  | Country of business/incorporation | ordinary | rtion of<br>y shares<br>by the<br>oup | ordinary<br>held b | rtion of<br>y shares<br>y non-<br>olling<br>rests | Cost of in | nvestment  |
|---|---|-----------------------------------|----------|---------------------------------------|--------------------|---|------------|------------|
|   |   |                                   | 2015     | 2014                                  | 2015               | 2014  | 2015       | 2014       |
|   |   |                                   | %        | %                                     | %                  | %   | \$         | \$         |
| Subsidiary corpo  | rations held by the Com   | <u>pany</u>                       |          |                                       |                    |   |            |            |
| Venture<br>Automation<br>& Electrical<br>Engineering<br>Pte. Ltd. (1) | Provision of industrial<br>and marine<br>automation works                         | Singapore                         | 51       | 51                                    | 49                 | 49  | 102,000    | 102,000    |
| Pangco Pte. Ltd. (1   | Provision of corrosion prevention services  | Singapore                         | 51       | 51                                    | 49                 | 49  | 51         | 51         |
| Water and<br>Environmental<br>Technologies<br>(WET) Pte. Ltd. (1)     | Provision of research<br>and development,<br>and solution for waste<br>management | Singapore                         | 51       | 51                                    | 49                 | 49  | 378,000    | 498,000    |
| Asian Sealand<br>Offshore and<br>Marine Pte. Ltd. <sup>(1)</sup>      | Provision of offshore repair and maintenance services                             | Singapore                         | 51       | 51                                    | 49                 | 49  | 102,000    | 102,000    |
| PT. Nexelite CP<br>Indonesia <sup>(4)</sup>                           | Provision of corrosion prevention services  | Indonesia                         | 100(5)   | 100 (5)                               | _                  | _   | 280,000    | 280,000    |
| Quill Marine<br>Pte. Ltd. <sup>(1)</sup>                              | Investment holding company and provision of freight transport services            | Singapore                         | 100      | 100                                   | -                  | -   | 400,000    | 400,000    |
|   |   |                                   |          |                                       |                    |   | 10,707,249 | 10,827,249 |

For the financial year ended 31 December 2015

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

| Name of companies                                  | Principal activities  | Country of business/ incorporation | ordinary s        | rtion of<br>hares helo<br>Group | ordinary s<br>I by non-co | rtion of<br>hares held<br>ontrolling<br>rests |
|--|---|------------------------------------|-------------------|---------------------------------|---------------------------|---|
|  |   |                                    | 2015              | 2014                            | 2015                      | 2014  |
|  |   |                                    | %                 | %                               | %                         | <u>%</u>                                      |
| Held by Nexus Sealand                              | _   |                                    |                   |                                 |                           |   |
| MTM (ASE) Metalizing<br>Pte. Ltd. <sup>(1)</sup>   | Provision of metalising services  | Singapore                          | 100               | 100                             | _                         | _   |
| Picco Enterprise<br>Pte. Ltd. <sup>(1)</sup>       | Supply and distribution of beverage products  | Singapore                          | 100               | 100                             | -                         | -   |
| OneHub Tank Coating<br>Pte. Ltd. <sup>(1)</sup>    | Provision for internal tank coating services  | Singapore                          | 100               | 100                             | _                         | -   |
| Held by Water & Envir                              | onment Technologies (WET) Pte. L  | <u>.td.</u>                        |                   |                                 |                           |   |
| Pureflow Pte. Ltd. (1)                             | Struck-off in current financial year  | Singapore                          | _                 | 51                              | -                         | 49  |
| Asia Recovery Centre<br>Pte. Ltd. <sup>(1)</sup>   | Struck-off in current financial year  | Singapore                          | -                 | 51                              | -                         | 49  |
| Held by Pangco Pte. L                              | td.   |                                    |                   |                                 |                           |   |
| PT. Berger Batam <sup>(4)</sup>                    | Provision of corrosion prevention services  | Indonesia                          | 51 <sup>(5)</sup> | 51 <sup>(5)</sup>               | 49                        | 49  |
| Held by Quill Marine F                             | Pte. Ltd.   |                                    |                   |                                 |                           |   |
| Drako Shipping<br>Pte. Ltd. <sup>(1)</sup>         | Provision of freight transport services   | Singapore                          | 100               | 85                              | -                         | 15  |
| Ocean Eight Shipping<br>Pte. Ltd. <sup>(1)</sup>   | Provision of freight transport services   | Singapore                          | 70                | 70                              | 30                        | 30  |
| Held by Asian Sealand                              | Engineering Pte. Ltd.   |                                    |                   |                                 |                           |   |
| International Offshore<br>Equipments Pte. Ltd. (1) | Provision of design, manufacture,<br>and fabricate offshore equipment<br>and ship parts | Singapore                          | 51                | -                               | 49                        | -   |

For the financial year ended 31 December 2015

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

|                          |   |                     |        |       | Propoi   | tion of    |
|--------------------------|---|---------------------|--------|-------|----------|------------|
|                          |   | Country of          |        |       | -        | hares held |
|                          |   |                     | -      |       | by non-c | •          |
| Name of companies        | Principal activities                    | incorporation       | by the | Group | inte     | rests      |
|                          |   |                     | 2015   | 2014  | 2015     | 2014       |
|                          |   |                     | %      | %     | %        | %          |
| Held by Drako Shippir    | ng Pte Ltd.                             |                     |        |       |          |            |
| PT. Marina Shipping (4)  | Provision of freight transport services | Indonesia           | 100    | 85    | -        | 15         |
| Held by Ocean Eight S    | Shipping Pte Ltd                        |                     |        |       |          |            |
| Ocean Eight Pte. Ltd. (4 | Provision of freight transport services | Marshall<br>Islands | 70     | 70    | 30       | 30         |

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

### Carrying value of non-controlling interests

|  | 2015        | 2014                  |
|--|-------------|-----------------------|
|  | \$          | <b>\$</b><br>Restated |
| Nexus Hydrotech Pte. Ltd.  | 361,405     | 358,143               |
| Pangco Pte. Ltd.   | 416,848     | 259,315               |
| Venture Automation & Electrical Engineering Pte. Ltd.                                | 390,227     | 556,227               |
| Water and Environmental Technologies (WET) Pte. Ltd. and its subsidiary corporations | 365,914     | 417,765               |
| Drako Shipping Pte. Ltd. and its subsidiary corporation                              | _           | 4,202                 |
| Ocean Eight Shipping Pte. Ltd. and its subsidiary corporation                        | 1,436,018   | 1,156,184             |
| Asian Sealand Offshore and Marine Pte. Ltd.  | 224,699     | 140,156               |
| International Offshore Equipments Pte. Ltd.  | (1,234,983) | _                     |
|  | 1,960,128   | 2,891,992             |

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

<sup>(3)</sup> Audited by Nexia SSY, Malaysia

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

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

For the financial year ended 31 December 2015

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

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

Set out below are the summarised of 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 sheet

|                               | Ocean Eight Sh | nipping Pte. Ltd. | International<br>Offshore<br>Equipments Pte.<br>Ltd. |
|-------------------------------|----------------|-------------------|--|
|                               | 2015           | 2015              |  |
|                               | \$             | \$<br>Restated    | \$   |
| As at 31 December             |                |                   |  |
| Current                       |                |                   |  |
| Assets                        | 2,515,724      | 3,137,692         | 6,391,338  |
| Liabilities                   | (9,531,067)    | (33,175,028)      | (7,340,070)  |
| Total current net liabilities | (7,015,343)    | (30,037,336)      | (948,732)  |
| Non-current                   |                |                   |  |
| Assets                        | 46,838,819     | 45,667,821        | 36,474   |
| Liabilities                   | (35,036,750)   | (11,776,540)      |  |
| Total non-current net assets  | 11,802,069     | 33,891,281        | 36,474   |
| Net assets/(liabilities)      | 4,786,726      | 3,853,945         | (912,258)  |

## Summarised statement of comprehensive income

|   | Ocean Eight Sh | ipping Pte. Ltd.      | International Offshore Equipments Pte. Ltd. |  |  |
|---|----------------|-----------------------|---|--|--|
|   | 2015           | 2015 2014             |   |  |  |
|   | \$             | <b>\$</b><br>Restated | \$  |  |  |
| Revenue   | 8,337,769      | 5,409,460             | 7,304,473                                   |  |  |
| Profit/(loss) before income tax   | 662,973        | 52,120                | (1,532,258)                                 |  |  |
| Income tax expense  | _              | _                     | _   |  |  |
| Profit/(loss) for the financial year  | 662,973        | 52,120                | (1,532,258)                                 |  |  |
| Profit/(loss) for the financial year allocated to non-controlling interests | 198,892        | 15,636                | (1,538,783)                                 |  |  |

For the financial year ended 31 December 2015

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

#### Summarised statement of cash flows

|  |                 |                       | International<br>Offshore<br>Equipments |
|--|-----------------|-----------------------|---|
|  | Ocean Eight Shi | pping Pte. Ltd.       | Pte. Ltd.                               |
|  | 2015            | 2014                  | 2015                                    |
|  | \$              | <b>\$</b><br>Restated | \$                                      |
| Cash flows from operating activities                   |                 |                       |   |
| Cash generated from/(used in) operations               | 4,760,291       | 9,296,755             | (1,445,388)                             |
| Interest received                                      | 603             | 305                   | 1,050                                   |
| Interest paid  | _               | _                     | (75,019)                                |
| Net cash generated from/(used in) operating activities | 4,760,894       | 9,297,060             | (1,519,357)                             |
| Net cash (used in)/generated from investing activities | (867,000)       | (6,453,148)           | 360,821                                 |
| Net cash (used in)/generated from financing activities | (4,454,894)     | (2,527,090)           | 1,123,831                               |
| Net (decrease)/increase in cash and cash equivalents   | (561,000)       | 316,822               | (34,706)                                |
| Cash and cash equivalents                              |                 |                       |   |
| Beginning of financial year                            | 1,017,102       | 700,280               | 48,135                                  |
| End of financial year                                  | 456,102         | 1,017,102             | 13,429                                  |

### 16 INTANGIBLE ASSETS

|                                   | Gro    | ир     |
|-----------------------------------|--------|--------|
|                                   | 2015   | 2014   |
|                                   | \$     | \$     |
| Composition:                      |        |        |
| Goodwill arising on consolidation | 63,837 | 63,837 |
| Intellectual property rights      |        | _      |
|                                   | 63,837 | 63,837 |

### a) Goodwill arising on consolidation

|                                     | G         | roup      |
|-------------------------------------|-----------|-----------|
|                                     | 2015      | 2014      |
|                                     | \$        | \$        |
| 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    |

For the financial year ended 31 December 2015

#### 16 INTANGIBLE ASSETS (CONT'D)

#### a) Goodwill arising on consolidation (cont'd)

#### Impairment tests for goodwill

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

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

Cash flow projection used in the value-in-use calculations were based on financial budgets approved by management covering a five year period. Cash flows beyond the five-year period were extrapolated using an estimated growth rate of 10% (2014: 10%) bi-annually. The budgeted gross margin used in the value-in-use calculation is 17% (2014: 21%). The growth rate did not exceed the long-term average growth rate in which the CGU operates. The pre-tax discount rate used in the projected cash flows is 7% (2014: 10%) per annum.

#### b) Intellectual property rights

|                                     | Gre     | oup     |
|-------------------------------------|---------|---------|
|                                     | 2015    | 2014    |
|                                     | \$      | \$      |
| Cost                                |         |         |
| Beginning and end of financial year | 467,000 | 467,000 |
| Accumulated impairment              |         |         |
| Beginning and end of financial year | 467,000 | 467,000 |
|                                     |         |         |

The Group holds two patent applications, namely Nano-Structured Photocatalytic Oxidation Process and Rotating Flow Membrane. Patents are amortised over 8 years from the date of commercialisation and have been fully amortised during the financial year (2014: 1 year).

For the financial year ended 31 December 2015

| Group<br>2015                      | Motor     | Furniture,<br>fittings<br>and<br>equipment | Forklifts,<br>machinery,<br>tools and | Leasehold improvement and renovation | Leasehold | Leasehold | Yard       | Construction<br>in progress | Vessels    | Drydockings | Total         |
|------------------------------------|-----------|--|---------------------------------------|--------------------------------------|-----------|-----------|------------|-----------------------------|------------|-------------|---------------|
|                                    | ₩         | . ↔  | . ₩                                   | ₩                                    | ₩         | ₩         | ₩.         |                             | ₩          | \$          | ₩.            |
| Cost                               |           |  |                                       |                                      |           |           |            |                             |            |             |               |
| Beginning of<br>financial year     | 3,668,192 | 3,120,147                                  | 42,602,469                            | 3,467,608                            | 7,817,531 | 2,212,200 | 16,670,519 | 3,688,067                   | 69,242,936 | 893,908     | 153,383,577   |
| Adjustment                         | I         | I  | (39,046)                              | I                                    | I         | I         | I          | I                           | I          | I           | (39,046)      |
| Acquisition of a subsidiary        |           |  |                                       |                                      |           |           |            |                             |            |             |               |
| corporation<br>(Note 33)           | 12,825    | 13,405                                     | 67.049                                | 4.331                                | I         | I         | I          | I                           | I          | I           | 97,610        |
| Additions                          |           | 89,387                                     | 6,928,349                             |                                      | I         | I         | I          | 1,739,865                   | I          | 1,149,225   | 9,906,826     |
| Disposals                          | (167,751) | (120,317)                                  | (10,106,364)                          | (16,951)                             | (26,949)  | I         | (175)      | I                           | I          | I .         | (10,438,507)  |
| Write-off                          | (21,636)  | (1,937)                                    | (230,142)                             | I                                    | I         | I         | I          | I                           | I          | I           | (253,715)     |
| Transfer to                        |           |  |                                       |                                      |           |           |            |                             |            |             |               |
| inventories                        | I         | I  | I                                     | I                                    | I         | I         | I          | (1,961,249)                 | I          | I           | (1,961,249)   |
| Currency translation differences   | (22,133)  | (7,279)                                    | (1,562)                               | (683)                                | I         | I         | 41,108     | I                           | 3,444,552  | 11,934      | 3,465,937     |
| End of financial                   |           |  |                                       |                                      |           |           |            |                             |            |             |               |
| year                               | 3,469,497 | 3,093,406                                  | 39,220,753                            | 3,454,305                            | 7,790,582 | 2,212,200 | 16,711,452 | 3,466,683                   | 72,687,488 | 2,055,067   | 154,161,433   |
| Accumulated depreciation           | ciation   |  |                                       |                                      |           |           |            |                             |            |             |               |
| Beginning of<br>financial year     | 2,301,228 | 2,632,716                                  | 24,715,086                            | 3,332,898                            | 1,374,332 | 408,236   | 2,402,735  | I                           | 7,468,120  | 345,647     | 44,980,998    |
| Depreciation charge (Note 5)       | 313 391   | 203 240                                    | 3 599 488                             | 78 634                               | 482 535   | 80.634    | 768 325    | I                           | 3 578 881  | 704 644     | 9 759 772     |
| Disposals                          | (117.603) | (116,698)                                  | (5,492,199)                           | (14.315)                             | (3,571)   |           | (175)      | I                           |            |             | (5.744.561)   |
| Write-off                          | (21,636)  | (1,937)                                    | (217,607)                             |                                      | 1         | 1         | ` I        | I                           | I          | ı           | (241,180)     |
| Currency translation differences   | (12,518)  | (8,091)                                    | (6,257)                               | (681)                                | I         | ı         | 6,911      | I                           | 259,518    | I           | 238,882       |
| End of financial                   |           |  |                                       |                                      |           |           |            |                             |            |             |               |
| year                               | 2,462,862 | 2,709,230                                  | 22,598,511                            | 3,346,536                            | 1,853,296 | 488,870   | 3,177,796  | 1                           | 11,306,519 | 1,050,291   | 48,993,911    |
| Net book value<br>End of financial | 1 004 435 | 721 100                                    | 14 400 000                            | 072 201                              | F 037 204 | 000 000 1 | 12 522 454 | 607 771 6                   | 070 000 17 | 725 100 1   | 10E 147 E22   |
| year                               | 1,000,033 | 364,170                                    | 747,770,01                            | 40/'/01                              | 007'/64'6 | 1,723,330 | 000'00'5   | 3,400,003                   | 01,380,709 |             | 770, 101, 601 |

PROPERTY, PLANT AND EQUIPMENT

For the financial year ended 31 December 2015

| Group<br>2014   | Motor<br>vehicles | Furniture,<br>fittings<br>and<br>equipment | Forklifts,<br>machinery,<br>tools and<br>equipment | Leasehold<br>improvement<br>and<br>renovation | Leas      | Leasehold<br>land | Yard<br>development | Const<br>in pr | Vessels      | Drydockings | Total       |
|---|-------------------|--|--|---|-----------|-------------------|---------------------|----------------|--------------|-------------|-------------|
|   | <del>n</del>      | <del>0</del>                               | A  | A   | A         | A                 | A                   | A              | <del>n</del> | A           | ft          |
| <b>Cost</b><br>Beginning of financial year                    |                   |  |  |   |           |                   |                     |                |              |             |             |
| (as previously stated)  | 3,707,997         | 3,074,027                                  | 43,650,812   | 3,470,025                                     | 8,722,131 | 1,924,353         | 16,384,689          | 29,279,388     | 37,521,093   | 393,463     | 148,127,978 |
| Prior year adjustments  | 1                 | 23   | 1  | 1   | 1         | 1                 | 1                   | (440,520)      | 297,279      | 1           | (143,218)   |
| Beginning of financial year<br>(restated)                     | 3,707,997         | 3,074,050                                  | 43,650,812   | 3,470,025                                     | 8,722,131 | 1,924,353         | 16,384,689          | 28,838,868     | 37,818,372   | 393,463     | 147,984,760 |
| Adjustment  | ı                 | ı  | ı  | I   | ı         | ı                 | ı                   | (123,464)      | ı            | ı           | (123,464)   |
| Additions (as previously<br>stated)                           | 130,480           | 157,679                                    | 1,645,478  | I   | I         | 287,847           | 23,914              | 4,751,618      | I            | 493,709     | 7,490,725   |
| Prior year adjustments  | I                 | I  | I  | I   | I         | I                 | I                   | (128,458)      | I            | 92,736      | (121,722)   |
| Additions (restated)  | 130,480           | 157,679                                    | 1,645,478  | I   | I         | 287,847           | 23,914              | 4,623,160      | I            | 500,445     | 7,369,003   |
| Disposals   | (147,275)         | (47,348)                                   | (2,147,620)  | I   | (643,867) | I                 | I                   | (10,927)       | I            | I           | (2,997,037) |
| Write-off   | (20,501)          | (63,298)                                   | (587,050)  | (2,417)                                       | I         | 1                 | 1                   | 1              | 1            | ı           | (673,266)   |
| Reclassification (as previously stated)                       | I                 | I  | 38,580   | I   | (260,733) | I                 | 260,733             | (29,464,291)   | 29,425,711   | ı           | I           |
| Prior year adjustments  | I                 | 1  | 1  | I   | I         | I                 | 1                   | (1,211,815)    | 1,211,815    | I           | I           |
| Reclassification (restated)                                   | I                 | 1  | 38,580   | I   | (260,733) | 1                 | 260,733             | (30,676,106)   | 30,637,526   | I           | I           |
| Currency translation<br>differences (as<br>previously stated) | (2,509)           | (936)                                      | 2,269  | I   | I         | I                 | 1,183               | I              | I            | I           | 7           |
| Prior year adjustments  | ı                 | I  | I  | I   | I         | I                 | I                   | 1,036,536      | 787,038      | I           | 1,823,574   |
| Currency translation differences (restated)                   | (2,509)           | (936)                                      | 2,269  | 1   | I         | 1                 | 1,183               | 1,036,536      | 787,038      | 1           | 1,823,581   |
| End of financial year<br>(restated)                           | 3,668,192         | 3,120,147                                  | 42,602,469   | 3,467,608                                     | 7,817,531 | 2,212,200         | 16,670,519          | 3,688,067      | 69,242,936   | 893,908     | 153,383,577 |

PROPERTY, PLANT AND EQUIPMENT (CONT'D

For the financial year ended 31 December 2015

| Group<br>2014   | Motor     | Furniture,<br>fittings<br>and | Forklifts,<br>machinery,<br>tools and | Leasehold improvement and renovation | Leasehold<br>building | Leasehold | Yard           | Yard Construction<br>development in progress | Vessels    | Drydockings | Total       |
|---|-----------|-------------------------------|---------------------------------------|--------------------------------------|-----------------------|-----------|----------------|--|------------|-------------|-------------|
|   | ₩         | . <del>vs</del>               | . <del>∨</del>                        | ₩.                                   | • <del>•</del>        | ₩         | · <del>v</del> | ) <del>vs</del>                              | ₩          | )<br>₩      | ₩.          |
| Accumulated depreciation                                | ation     |                               |                                       |                                      |                       |           |                |  |            |             |             |
| Beginning of financial year (as previously stated)      | 2,027,586 | 2,405,134                     | 23,108,592                            | 3,251,951                            | 1,110,452             | 338,278   | 1,564,569      | I  | 4,382,040  | 136,913     | 38,325,515  |
| Prior year adjustments                                  | I         | 16                            | I                                     | ı                                    | I                     | I         | I              | I  | (43,622)   | I           | (43,606)    |
| Beginning of financial year<br>(restated)               | 2,027,586 | 2,405,150                     | 23,108,592                            | 3,251,951                            | 1,110,452             | 338,278   | 1,564,569      | I  | 4,338,418  | 136,913     | 38,281,909  |
| Depreciation charge (as previously stated)              | 357,183   | 333,225                       | 3,671,581                             | 82,196                               | 383,911               | 856'69    | 821,779        | I  | 3,027,731  | 208,734     | 8,956,298   |
| Prior year adjustments                                  | ı         | 30                            | I                                     | I                                    | I                     | I         | I              | I  | 27,362     | I           | 27,392      |
| Depreciation charge (restated) (Note 5)                 | 357,183   | 333,255                       | 3,671,581                             | 82,196                               | 383,911               | 69,958    | 821,779        | I  | 3,055,093  | 208,734     | 069'886'8   |
| Disposals   | (62,003)  | (41,576)                      | (1,480,294)                           | 1                                    | (104,827)             | I         | ı              | I  | I          | I           | (1,688,700) |
| Write-off   | (20,501)  | (63,298)                      | (586,715)                             | (1,249)                              | ı                     | I         | •              | I  | I          | ı           | (671,763)   |
| Reclassification  | I         | ı                             | I                                     | ı                                    | (15,204)              | I         | 15,204         | I  | I          | I           | I           |
| Currency translation differences (as previously stated) | (1,037)   | (859)                         | 1,922                                 | 1                                    | ı                     | I         | 1,183          | ı  | ı          | 1           | 1,209       |
| Prior year adjustments                                  | ı         | 44                            | I                                     | I                                    | I                     | I         | I              | I  | 74,609     | I           | 74,653      |
| Currency translation differences (restated)             | (1,037)   | (815)                         | 1,922                                 | I                                    | ı                     | ı         | 1,183          | ı  | 74,609     | I           | 75,862      |
| End of financial year<br>(restated)                     | 2,301,228 | 2,632,716                     | 24,715,086                            | 3,332,898                            | 1,374,332             | 408,236   | 2,402,735      | 1  | 7,468,120  | 345,647     | 44,980,998  |
| Net book value<br>End of financial year<br>(restated)   | 1,366,964 | 487,431                       | 17,887,383                            | 134,710                              | 6,443,199             | 1,803,964 | 14,267,784     | 3,688,067                                    | 61,774,816 | 548,261     | 108,402,579 |

PROPERTY, PLANT AND EQUIPMENT (CONT'D)

For the financial year ended 31 December 2015

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

| Company<br>2015             | Motor<br>vehicles | Furniture,<br>fittings<br>and<br>equipment | Forklifts,<br>machinery,<br>tools and<br>equipment | Leasehold<br>improvement<br>and<br>renovation | Total     |
|-----------------------------|-------------------|--|--|---|-----------|
|                             | \$                | \$   | \$   | \$  | \$        |
| Cost                        |                   |  |  |   |           |
| Beginning of financial year | 1,429,727         | 858,580                                    | 840,199  | 163,191                                       | 3,291,697 |
| Disposal                    | _                 | _  | (52,530)   | _   | (52,530)  |
| End of financial year       | 1,429,727         | 858,580                                    | 787,669  | 163,191                                       | 3,239,167 |
| Accumulated depreciation    |                   |  |  |   |           |
| Beginning of financial year | 720,343           | 809,066                                    | 827,063  | 163,091                                       | 2,519,563 |
| Depreciation charge         | 123,038           | 38,738                                     | 4,818  | 96  | 166,690   |
| Disposal                    | _                 | _  | (44,213)   | _   | (44,213)  |
| End of financial year       | 843,381           | 847,804                                    | 787,668  | 163,187                                       | 2,642,040 |
| Net book value              |                   |  |  |   |           |
| End of financial year       | 586,346           | 10,776                                     | 1  | 4   | 597,127   |

| Company<br>2014                         | Motor<br>vehicles | Furniture,<br>fittings<br>and<br>equipment | Forklifts,<br>machinery,<br>tools and<br>equipment | Leasehold<br>improvement<br>and<br>renovation | Total     |
|---|-------------------|--|--|---|-----------|
|   | \$                | \$   | \$   | \$  | \$        |
| Cost                                    |                   |  |  |   |           |
| Beginning of financial year             | 1,402,678         | 818,749                                    | 840,199  | 163,191                                       | 3,224,817 |
| Additions                               | 27,049            | 40,865                                     | _  | _   | 67,914    |
| Write-off                               | _                 | (2,507)                                    | _  | _   | (2,507)   |
| Transfer from a subsidiary corporation  | _                 | 1,473                                      | _  | _   | 1,473     |
| End of financial year                   | 1,429,727         | 858,580                                    | 840,199  | 163,191                                       | 3,291,697 |
| Accumulated depreciation                |                   |  |  |   |           |
| Beginning of financial year             | 596,375           | 703,538                                    | 820,411  | 145,547                                       | 2,265,871 |
| Depreciation charge                     | 123,968           | 106,603                                    | 6,652  | 17,544  | 254,767   |
| Write-off                               | _                 | (2,507)                                    | _  | _   | (2,507)   |
| Transfer from a subsidiary corporation  | _                 | 1,432                                      | _  | _   | 1,432     |
| End of financial year                   | 720,343           | 809,066                                    | 827,063  | 163,091                                       | 2,519,563 |
| Net book value<br>End of financial year | 709,384           | 49,514                                     | 13,136   | 100   | 772,134   |

For the financial year ended 31 December 2015

### 17 PROPERTY, PLANT AND EQUIPMETNT (CONT'D)

### a) Assets held under finance lease

The carrying amounts of motor vehicles and forklifts, machinery, tools and equipment held under finance leases amounted to \$547,547 (2014: \$937,633) and \$8,246,181 (2014: \$5,232,108) respectively.

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 \$9,906,826 (2014: \$7,369,003) of which \$2,381,350 (2014: \$933,630) were acquired under finance leases and cash payments of \$7,525,476 (2014: \$6,435,373).

### b) Assets pledged as security

The Group's leasehold building and vessels with carrying amounts of \$23,919,984 (2014: \$1,544,451) and \$59,582,888 (2014: \$59,840,555) respectively, are mortgaged to secure the Group's bank borrowings (Note 21).

### c) Impairment testing

The Group performed impairment assessment for property, plant and equipment during the financial year because of the losses made by certain subsidiary corporations which operate in the Shipping and Infrastructure Engineering segments.

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

Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering an eleven-year period with an estimated growth rate of 10% (2014:10%) bi-annually. The growth rate did not exceed the long-term average growth rate in which the CGU operates. The pre-tax rate used to discount the forecast cash flows is 7% (2014:10%) per annum.

The recoverable amount of the Infrastructure Engineering CGU as at 31 December 2015 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 segments as the recoverable amounts exceed the carrying amounts by \$2,262,279 (2014: \$124,643) and \$19,938,640 (2014: \$32,926,169) respectively.

For the financial year ended 31 December 2015

### 18 TRADE AND OTHER PAYABLES

|   | G          | roup       | Cor       | mpany      |
|---|------------|------------|-----------|------------|
|   | 2015       | 2014       | 2015      | 2014       |
|   | \$         | \$         | \$        | \$         |
| Trade payables                          |            |            |           |            |
| - Related parties                       | 110,870    | 61,011     | _         | _          |
| <ul> <li>Non-related parties</li> </ul> | 15,315,503 | 12,936,802 | 20,222    | 59,552     |
|   | 15,426,373 | 12,997,813 | 20,222    | 59,552     |
| Construction contracts                  |            |            |           |            |
| – Due to customers (Note 14)            | 863,680    | 292,226    | _         |            |
| Non-trade payables                      |            |            |           |            |
| - Subsidiary corporations               | _          | _          | 4,170,693 | 7,397,651  |
| - Related parties                       | 1,046      | 1,465      | _         |            |
| <ul> <li>Non-related parties</li> </ul> | 5,943,983  | 6,830,574  | 279,492   | 1,556,431  |
|   | 5,945,029  | 6,832,039  | 4,450,185 | 8,954,082  |
| Accruals for operating expenses         | 3,706,873  | 5,938,920  | 2,384,408 | 1,485,913  |
| Accruals for project expenses           | 3,911,462  | 2,220,637  | _         | _          |
|   | 7,618,335  | 8,159,557  | 2,384,408 | 1,485,913  |
|   | 29,853,417 | 28,281,635 | 6,854,815 | 10,499,547 |

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

### 19 DEFERRED INCOME

|  | Gr        | oup       |
|--|-----------|-----------|
|  | 2015      | 2014      |
|  | \$        | \$        |
| Current                                    | 768,954   | 408,420   |
| Non-current                                | 719,470   | 933,756   |
|  | 1,488,424 | 1,342,176 |
| Movement of deferred income is as follows: |           |           |
| Beginning of financial year                | 1,342,176 | 1,640,019 |
| Charter income                             | 554,668   | 194,134   |
| Amortisation                               | (408,420) | (491,977) |
| End of financial year                      | 1,488,424 | 1,342,176 |

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

For the financial year ended 31 December 2015

### 20 PROVISION FOR WARRANTY

The Group grants one year warranty on major construction contracts and undertakes to repair the constructed products for defects attributable to poor workmanship and defective materials provided by the Group. A provision is recognised at the balance sheet date of expected warranty claims based on past experience of the level of repairs.

Movement in provision for warranty is as follows:

|                             | Gre      | oup      |
|-----------------------------|----------|----------|
|                             | 2015     | 2014     |
|                             | \$       | \$       |
| Beginning of financial year | 67,500   | 48,720   |
| Provisions utilised         | _        | (1,374)  |
| Provisions written back     | (67,500) | (47,346) |
| Provisions made             | -        | 67,500   |
| End of the financial year   |          | 67,500   |

### 21 BORROWINGS

|                                     | G          | iroup      | Co         | mpany      |
|-------------------------------------|------------|------------|------------|------------|
|                                     | 2015       | 2014       | 2015       | 2014       |
|                                     | \$         | \$         | \$         | \$         |
| Current                             |            |            |            | '          |
| Bank borrowings                     | 26,320,815 | 38,296,077 | 11,756,646 | 15,019,628 |
| Bank overdrafts (Note 11)           | 2,923,592  | 3,375,475  | 1,826,983  | 2,245,429  |
| Bills payable                       | 2,949,602  | 2,925,359  | _          | _          |
| Finance lease liabilities (Note 23) | 1,833,522  | 1,363,457  | 16,250     | 32,500     |
|                                     | 34,027,531 | 45,960,368 | 13,599,879 | 17,297,557 |
| Non-current                         |            |            |            |            |
| Bank borrowings                     | 21,374,793 | 17,099,546 | 1,254,412  | _          |
| Convertible bonds (Note 22)         | 4,860,972  | _          | 4,860,972  | _          |
| Finance lease liabilities (Note 23) | 1,156,770  | 1,014,005  | _          | 16,250     |
|                                     | 27,392,535 | 18,113,551 | 6,115,384  | 16,250     |
| Total borrowings                    | 61,420,066 | 64,073,919 | 19,715,263 | 17,313,807 |

For the financial year ended 31 December 2015

### 21 BORROWINGS (CONT'D)

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:

|                  | G          | roup       | Coi        | mpany      |
|------------------|------------|------------|------------|------------|
|                  | 2015       | 2014       | 2015       | 2014       |
|                  | \$         | \$         | \$         | \$         |
| 6 months or less | 28,073,974 | 39,527,111 | 12,974,859 | 17,281,307 |
| 6 – 12 months    | 5,953,557  | 6,433,257  | 625,020    | 16,250     |
| 1 – 5 years      | 25,425,493 | 15,817,568 | 6,115,384  | 16,250     |
| Over 5 years     | 1,967,042  | 2,295,983  | _          | _          |
|                  | 61,420,066 | 64,073,919 | 19,715,263 | 17,313,807 |

### a) Security granted

Total borrowings included amounts of \$35,213,850 (2014: \$27,537,312) and \$4,877,223 (2014: \$48,750) 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 projects work-in-progress (Note 17(b)). Finance lease liabilities of the Group and the Company are effectively secured over the leased motor vehicles and machineries (Note 17(a)), as the legal title is retained by the lessor and will be transferred to the Group and the Company upon full settlement of the finance lease liabilities.

The bank overdrafts, bills payable and other short-term bank borrowings were supported by corporate guarantees given by the Company (Note 28).

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

|                           | G          | roup       | Comp      | pany   |
|---------------------------|------------|------------|-----------|--------|
|                           | 2015       | 2014       | 2015      | 2014   |
|                           | \$         | \$         | \$        | \$     |
| Bank borrowings           | 21,841,154 | 17,602,283 | 1,427,518 | _      |
| Convertible bonds         | 4,860,972  | _          | 4,860,972 | _      |
| Finance lease liabilities | 1,220,638  | 1,100,194  | _         | 51,091 |

For the financial year ended 31 December 2015

### 21 BORROWINGS (CONT'D)

### b) Fair value of non-current borrowings (cont'd)

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:

|                           | Gı          | roup        | Comp | any  |
|---------------------------|-------------|-------------|------|------|
|                           | 2015        | 2014        | 2015 | 2014 |
|                           | %           | %           | %    | %    |
| Bank borrowings           | 3.20 - 3.75 | 2.20 - 3.25 | 3.72 | _    |
| Convertible bonds         | 8.00        | _           | 8.00 | _    |
| Finance lease liabilities | 2.80 - 3.25 | 2.20 - 3.25 | _    | 3.25 |

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

### 22 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 26), 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 |
|---|-------------------|
|   | 2015              |
|   | \$                |
| Face value of convertible bonds issued on 27 April 2015             | 5,000,000         |
| Equity conversion component on initial recognition (Note 26(b)(ii)) | (163,297)         |
| Liability component on initial recognition                          | 4,836,703         |
| Accumulated amortisation of interest expense (Note 8)               | 296,049           |
| Accumulated payment of interests                                    | (271,780)         |
| Liability component at end of financial year (Note 21)              | 4,860,972         |

For the financial year ended 31 December 2015

### 23 FINANCE LEASE LIABILITIES

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

|   | Group     |           | Comp    | oany    |
|---|-----------|-----------|---------|---------|
|   | 2015      | 5 2014    | 2015    | 2014    |
|   | \$        | \$        | \$      | \$      |
| Minimum lease payment due                   |           |           |         |         |
| <ul> <li>Not later than one year</li> </ul> | 1,975,204 | 1,517,988 | 17,472  | 34,944  |
| - Between one and five years                | 1,235,116 | 1,110,736 | _       | 17,472  |
| <ul> <li>Later than five years</li> </ul>   | 2,557     | 10,859    | _       | _       |
|   | 3,212,877 | 2,639,583 | 17,472  | 52,416  |
| Less: Future finance charges                | (222,585) | (262,121) | (1,222) | (3,666) |
| Present value of finance lease liabilities  | 2,990,292 | 2,377,462 | 16,250  | 48,750  |

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

|   | Group     |                | Company |        |
|---|-----------|----------------|---------|--------|
|   | 2015 2014 | 2015 2014 2015 | 2015    | 2014   |
|   | \$        | \$             | \$      | \$     |
| Not later than one year (Note 21)         | 1,833,522 | 1,363,457      | 16,250  | 32,500 |
| Later than one year (Note 21)             |           |                |         |        |
| - Between one and five years              | 1,154,213 | 1,005,210      | _       | 16,250 |
| <ul> <li>Later than five years</li> </ul> | 2,557     | 8,795          | _       |        |
|   | 1,156,770 | 1,014,005      | _       | 16,250 |
| Total                                     | 2,990,292 | 2,377,462      | 16,250  | 48,750 |

For the financial year ended 31 December 2015

### 24 DEFERRED INCOME TAX

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

|  | Group     |           | Company  |         |
|--|-----------|-----------|----------|---------|
|  | 2015      | 2015 2014 | 2015     | 2014    |
|  | \$        | \$        | \$       | \$      |
| Deferred income tax assets                         |           |           |          |         |
| <ul> <li>To be recovered after one year</li> </ul> | (313,724) | (372,929) | (16,700) | (7,920) |
| Deferred income tax liabilities                    |           |           |          |         |
| - To be settled after one year                     | 354,879   | 794,108   | _        |         |

Movement in deferred income tax liabilities/(assets) account is as follows:

|  | Group     |           | Com      | pany     |
|--|-----------|-----------|----------|----------|
|  | 2015      | 2015 2014 | 2015     | 2014     |
|  | \$        | \$        | \$       | \$       |
| Beginning of financial year                    | 421,179   | 418,157   | (7,920)  | 5,650    |
| Tax (credit)/charge to profit or loss (Note 9) | (380,024) | 3,022     | (8,780)  | (13,570) |
| End of financial year                          | 41,155    | 421,179   | (16,700) | (7,920)  |

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<br>tax<br>depreciation | tax      | Tax<br>losses | Total       |
|--------------------------------------|------------------------------------|----------|---------------|-------------|
|                                      | \$                                 | \$       | \$            | \$          |
| Group                                |                                    |          |               |             |
| 2015                                 |                                    |          |               |             |
| Beginning of financial year          | _                                  | (79,043) | (1,093,820)   | (1,172,863) |
| Charged to profit or loss            |                                    | 807      | 1,085,070     | 1,085,877   |
| End of financial year                | _                                  | (78,236) | (8,750)       | (86,986)    |
| 2014                                 |                                    |          |               |             |
| Beginning of financial year          | (73,660)                           | (19,138) | (97,800)      | (190,598)   |
| Charged/(credited) to profit or loss | 73,660                             | (59,905) | (996,020)     | (982,265)   |
| End of financial year                | _                                  | (79,043) | (1,093,820)   | (1,172,863) |

For the financial year ended 31 December 2015

### 24 DEFERRED INCOME TAX (CONT'D)

Deferred income tax liabilities

|                             | Accelerated<br>tax<br>depreciation | Provision          | Tax<br>losses | Total       |
|-----------------------------|------------------------------------|--------------------|---------------|-------------|
|                             | \$                                 | \$                 | \$            | \$          |
| Group                       |                                    |                    |               |             |
| 2015                        |                                    |                    |               |             |
| Beginning of financial year | 1,594,042                          | _                  | _             | 1,594,042   |
| Credited to profit or loss  | (1,465,901)                        | _                  | _             | (1,465,901) |
| End of financial year       | 128,141                            | _                  | _             | 128,141     |
| 2014                        |                                    |                    |               |             |
| Beginning of financial year | 645,983                            | (37,198)           | (30)          | 608,755     |
| Charged to profit or loss   | 948,059                            | 37,198             | 30            | 985,287     |
| End of financial year       | 1,594,042                          | _                  | _             | 1,594,042   |
|                             |                                    | Accelerated<br>tax |               |             |
|                             |                                    | depreciation       | Provision     | Total       |
|                             |                                    | \$                 | \$            | \$          |
| Company<br>2015             |                                    |                    |               |             |
| Beginning of financial year |                                    | 12,120             | (20,040)      | (7,920)     |
| Credited to profit or loss  |                                    | /= = / 6\          |               |             |
|                             |                                    | (7,760)            | (1,020)       | (8,780)     |
| End of financial year       |                                    | 4,360              | (1,020)       | (8,780)     |
| •                           |                                    |                    |               |             |
| End of financial year       |                                    |                    |               |             |
| End of financial year 2014  |                                    | 4,360              | (21,060)      | (16,700)    |

Deferred income tax liabilities of \$553,456 (2014: \$529,232) have not been recognised for the withholding and other taxes that will be payable on the earnings of certain overseas subsidiary corporations when remitted to the holding corporation. These unremitted earnings are permanently reinvested and amount to \$11,069,127 (2014: \$10,584,649) at the balance sheet date.

For the financial year ended 31 December 2015

### 24 DEFERRED INCOME TAX (CONT'D)

The Group has unutilised tax losses and unabsorbed capital allowances of approximately \$4,178,555 (2014: \$2,556,790) and \$2,605 (2014: \$6,635,116) respectively, available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with certain provision of the Singapore Income Tax Act. The tax losses and capital allowances have no expiry date.

The potential deferred tax assets of approximately \$2,302,818 (2014: \$1,636,103) have not been recognised in the financial statements in accordance with accounting policy stated in Note 2.14.

### 25 SHARE CAPITAL

|                                     | Group and     | Company    |
|-------------------------------------|---------------|------------|
|                                     | No of shares  | Amount     |
|                                     |               | \$         |
| 2015                                |               |            |
| Beginning of financial year         | 540,041,625   | 49,651,347 |
| Effect of share consolidation       | (405,031,219) | _          |
| End of financial year               | 135,010,406   | 49,651,347 |
| 2014                                |               |            |
| Beginning and end of financial year | 540,041,625   | 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.

On 27 August 2015, the Company has completed a share consolidation exercise to consolidate every four ordinary shares in the capital of the Company held by the shareholders into one consolidated share, so as to comply with the Minimum Trading Price ("MTP") requirement as implemented by the SGX-ST as an additional continuing listing requirement. The issued share capital of the Company as at 31 December 2015 comprises 135,010,406 consolidated shares, after disregarding any fraction of consolidated shares arising from the share consolidation exercise.

For the financial year ended 31 December 2015

### **26 OTHER RESERVES**

### (a) Composition

|                                       | Gro       | oup       | Comp    | oany |
|---------------------------------------|-----------|-----------|---------|------|
|                                       | 2015      | 2014      | 2015    | 2014 |
|                                       | \$        | \$        | \$      | \$   |
|                                       |           | Restated  |         |      |
| Currency translation reserve          | (415,076) | (350,532) | _       | _    |
| Equity component of convertible bonds | 163,297   | _         | 163,297 | _    |
| Premium paid on acquisition of non-   |           |           |         |      |
| controlling interests                 | (52,267)  | _         | _       |      |
|                                       | (304,046) | (350,532) | 163,297 | _    |

### (b) Movements

### (i) Currency translation reserve

|   | Group     |           |  |
|---|-----------|-----------|--|
| •   | 2015      | 2014      |  |
|   | \$        | \$        |  |
|   |           | Restated  |  |
| Currency translation reserve  |           |           |  |
| Beginning of financial year   | (350,532) | (475,008) |  |
| Net currency translation differences of financial statements of foreign subsidiary corporations | (64,544)  | 124,476   |  |
| End of financial year   | (415,076) | (350,532) |  |

Currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### (ii) Equity component of convertible bonds

|                                       | Group and Company |            |      |    |    |    |
|---------------------------------------|-------------------|------------|------|----|----|----|
|                                       | 2015 2014         | 2015<br>\$ | 2014 |    |    |    |
|                                       | \$                |            | \$   | \$ | \$ | \$ |
| Equity component of convertible bonds |                   |            |      |    |    |    |
| Beginning of financial year           | _                 | _          |      |    |    |    |
| Initial recognition (Note 22)         | 163,297           |            |      |    |    |    |
| End of financial year                 | 163,297           | _          |      |    |    |    |

For the financial year ended 31 December 2015

### 26 OTHER RESERVES (CONT'D)

- (b) Movements (cont'd)
  - (iii) Premium paid on acquisition of non-controlling interests

|  | Group    |      |      |
|--|----------|------|------|
|  | 2015     | 2015 | 2014 |
|  | \$       | \$   |      |
| Beginning of financial year  | _        | _    |      |
| Acquisition of additional equity interest in subsidiary corporations (Note 15) | (52,267) | _    |      |
| End of financial year  | (52,267) | _    |      |

Other reserves are non-distributable.

### 27 RETAINED PROFITS

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

|                             | Company   |           |  |
|-----------------------------|-----------|-----------|--|
|                             | 2015 2    | 2015 2014 |  |
|                             | \$        | \$        |  |
| Beginning of financial year | 2,404,427 | 2,723,465 |  |
| Net profit/(loss)           | 2,399,308 | (319,038) |  |
| End of financial year       | 4,803,735 | 2,404,427 |  |

### 28 CONTINGENT LIABILITIES

### <u>Financial guarantees</u>

The Company has issued corporate guarantees to banks for borrowings of certain subsidiary corporations. These bank borrowings amount to \$33,213,664 (2014: \$34,154,388). The fair values of the corporate guarantees have not been recognised in the financial statements of the Company as the amounts involved are not material to the Company and has no significant impact on the consolidated financial statements of the Group.

For the financial year ended 31 December 2015

### 29 COMMITMENTS

### (a) Capital commitments

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

|                               | Group     |         |
|-------------------------------|-----------|---------|
|                               | 2015 2014 | 2014    |
|                               | \$        | \$      |
| Property, plant and equipment | 7,164,014 | 370,975 |

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

The Group and the Company lease office premises and workers' accommodation from non-related parties under non-cancellable operating lease arrangements. These leases have varying terms, escalation clauses and renewal rights.

Operating lease payments recognised in the Group's profit or loss during the financial year amounted to \$1,672,715 (2014: \$1,892,777).

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

|                            | G          | Group      |        | oany   |
|----------------------------|------------|------------|--------|--------|
|                            | 2015       | 015 2014   | 2015   | 2014   |
|                            | \$         | \$         | \$     | \$     |
| Not later than one year    | 1,549,715  | 1,600,367  | 11,520 | 18,000 |
| Between one and five years | 4,974,023  | 5,569,193  | _      | _      |
| Later than five years      | 6,014,826  | 6,137,145  | _      | _      |
|                            | 12,538,564 | 13,306,705 | 11,520 | 18,000 |

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

The Group leases out 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.

For the financial year ended 31 December 2015

### 29 COMMITMENTS (CONT'D)

c) Operating lease commitments – where the Group is a lessor (cont'd)

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        |  |  |
|----------------------------|------------|--------------|--|--|
|                            | 2015       | 2014         |  |  |
|                            | \$         | \$           |  |  |
| Not later than one year    | 11,389,258 | 3 11,221,204 |  |  |
| Between one and five years | 13,429,878 | 3 23,076,052 |  |  |
|                            | 24,819,136 | 34,297,256   |  |  |

### 30 FINANCIAL RISK MANAGEMENT

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.

For the financial year ended 31 December 2015

### 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### a) Market risk

### (i) Currency risk

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

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

|  | SGD<br>\$     | USD<br>\$    | IDR<br>\$   | Other<br>\$ | Total<br>\$   |
|--|---------------|--------------|-------------|-------------|---------------|
| At 31 December 2015  |               |              |             |             |               |
| Financial assets   |               |              |             |             |               |
| Cash and cash equivalents  | 4,221,263     | 742,037      | 526,292     | 12,555      | 5,502,147     |
| Trade and other receivables  | 31,871,883    | 6,222,523    | 6,652,032   | 1,767,774   | 46,514,212    |
| Receivables from   | (4.454.700    | 7// 005      | 0.700.005   | 00.500      | (7.05 ( 54.7  |
| subsidiary corporations  | 64,454,798    | 766,035      | 2,702,095   | 33,589      | 67,956,517    |
|  | 100,547,944   | 7,730,595    | 9,880,419   | 1,813,918   | 119,972,876   |
| Financial liabilities  |               |              |             |             |               |
| Borrowings   | (48,186,646)  | (13,166,057) | _           | (67,363)    | (61,420,066)  |
| Trade and other payables   | (21,705,984)  | (2,522,074)  | (4,622,755) | (138,924)   | (28,989,737)  |
| Payables to subsidiary corporations  | (64,454,798)  | (766,035)    | (2,702,095) | (33,589)    | (67,956,517)  |
|  | (134,347,428) | (16,454,166) | (7,324,850) | (239,876)   | (158,366,320) |
| Net financial (liabilities)/<br>assets Add: Net non-financial  | (33,799,484)  | (8,723,571)  | 2,555,569   | 1,574,042   | (38,393,444)  |
| assets/(liabilities)   | 118,149,063   | _            | (497,290)   | 63,858      | 117,715,531   |
| Currency profile including non-financial assets and liabilities  | 84,349,579    | (8,723,571)  | 2,058,279   | 1,637,900   | 79,322,187    |
| Currency exposure of<br>financial (liabilities)/<br>assets net of those<br>denominated in the<br>respective entities'<br>functional currencies | _             | (8,723,571)  | 2,058,279   | 1,637,900   | (5,027,392)   |

For the financial year ended 31 December 2015

### 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### a) <u>Market risk (cont'd)</u>

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

|  | SGD<br>\$     | USD<br>\$    | IDR<br>\$   | Other<br>\$ | Total<br>\$   |
|--|---------------|--------------|-------------|-------------|---------------|
| At 31 December 2014 (Restated)   |               |              |             |             |               |
| ,  |               |              |             |             |               |
| Financial assets   |               |              |             |             |               |
| Cash and cash equivalents  | 4,486,008     | 1,486,609    | 511,344     | 11,119      | 6,495,080     |
| Trade and other receivables  | 41,905,308    | 1,897,634    | 1,237,368   | 2,001,193   | 47,041,503    |
| Receivables from subsidiary corporations   | 100,783,389   | 5,446,831    | 904,885     | _           | 107,135,105   |
| '  | 147,174,705   | 8,831,074    | 2,653,597   | 2,012,312   | 160,671,688   |
| Financial liabilities  |               |              |             |             |               |
| Borrowings   | (41,361,753)  | (22,592,549) | _           | (119,617)   | (64,073,919)  |
| Trade and other payables   | (25,751,532)  | (1,328,678)  | (705,600)   | (203,599)   | (27,989,409)  |
| Payables to subsidiary corporations  | (100,783,389) | (5,446,831)  | (904,885)   | _           | (107,135,105) |
| ·  | (167,896,674) | (29,368,058) | (1,610,485) | (323,216)   | (199,198,433) |
| Net financial (liabilities)/ assets  | (20,721,969)  | (20,536,984) | 1,043,112   | 1,689,096   | (38,526,745)  |
| Add: Net non-financial assets/(liabilities)  | 119,176,665   | _            | (642,902)   | 106,232     | 118,639,995   |
| Currency profile including non-financial assets and liabilities  | 98,454,696    | (20,536,984) | 400,210     | 1,795,328   | 80,113,250    |
| Currency exposure of<br>financial (liabilities)/<br>assets net of those<br>denominated in the<br>respective entities'<br>functional currencies |               | (20,536,984) | 400,210     | 1,795,328   | (18,341,446)  |

For the financial year ended 31 December 2015

### 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### a) <u>Market risk (cont'd)</u>

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

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

| <b>←</b>     | <u> </u>   | <b></b>  | <b>←</b>   | <u> </u>   | <b></b>   |
|--------------|--|--|--|--|---|
| SGD<br>\$    | USD<br>\$  | Total<br>\$  | SGD<br>\$  | USD<br>\$  | Total<br>\$   |
|              |  |  |  |  |   |
| 88,131       | 15,006   | 103,137  | 159,322  | 15,603   | 174,925   |
| 69,742,493   | _  | 69,742,493   | 68,084,200   | _  | 68,084,200  |
| 69,830,624   | 15,006   | 69,845,630   | 68,243,522   | 15,603   | 68,259,125  |
|              |  |  |  |  |   |
| (19,715,263) | _  | (19,715,263)   | (17,313,807)   | _  | (17,313,807)  |
| (6,854,815)  | _  | (6,854,815)  | (10,499,547)   | _  | (10,499,547)  |
| (26,570,078) | _  | (26,570,078)   | (27,813,354)   | _  | (27,813,354)  |
| 43,260,546   | 15,006   | 43,275,552   | 40,430,168   | 15,603   | 40,445,771  |
| 11,342,827   | _  | 11,342,827   | 11,610,003   | _  | 11,610,003  |
| 54,603,373   | 15,006   | 54,618,379   | 52,040,171   | 15,603   | 52,055,774  |
|              | 15 006   | 15 004   |  | 15 603   | 15,603  |
|              | \$  88,131  69,742,493  69,830,624  (19,715,263)  (6,854,815) (26,570,078)  43,260,546  11,342,827 | \$GD \$ \$  88,131 15,006  69,742,493 — 69,830,624 15,006  (19,715,263) — (6,854,815) — (26,570,078) — 43,260,546 15,006  11,342,827 — | SGD<br>\$     USD<br>\$     Total<br>\$       88,131     15,006     103,137       69,742,493     —     69,742,493       69,830,624     15,006     69,845,630       (19,715,263)     —     (19,715,263)       (6,854,815)     —     (6,854,815)       (26,570,078)     —     (26,570,078)       43,260,546     15,006     43,275,552       11,342,827     —     11,342,827       54,603,373     15,006     54,618,379 | SGD         USD         Total         SGD           88,131         15,006         103,137         159,322           69,742,493         -         69,742,493         68,084,200           69,830,624         15,006         69,845,630         68,243,522           (19,715,263)         -         (19,715,263)         (17,313,807)           (6,854,815)         -         (6,854,815)         (10,499,547)           (26,570,078)         -         (26,570,078)         (27,813,354)           43,260,546         15,006         43,275,552         40,430,168           11,342,827         -         11,342,827         11,610,003           54,603,373         15,006         54,618,379         52,040,171 | SGD \$         USD \$         Total \$         SGD \$         USD \$           88,131         15,006         103,137         159,322         15,603           69,742,493         -         69,742,493         68,084,200         -           69,830,624         15,006         69,845,630         68,243,522         15,603           (19,715,263)         -         (19,715,263)         (17,313,807)         -           (6,854,815)         -         (6,854,815)         (10,499,547)         -           (26,570,078)         -         (26,570,078)         (27,813,354)         -           43,260,546         15,006         43,275,552         40,430,168         15,603           11,342,827         -         11,342,827         11,610,003         -           54,603,373         15,006         54,618,379         52,040,171         15,603 |

For the financial year ended 31 December 2015

### 30 FINANCIAL RISK MANAGEMENT (CONT'D)

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

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

If the IDR and USD change against the SGD by approximately 3% (2014: 2%) and approximately 7% (2014: 4%) 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:

|                 | Gro            | oup                    |
|-----------------|----------------|------------------------|
|                 | 2015           | 2014<br>Loss after tax |
|                 | Loss after tax |                        |
|                 | \$             | \$                     |
|                 |                | Restated               |
| IDR against SGD |                |                        |
| - Strengthened  | 55,415         | 6,643                  |
| – Weakened      | (55,415)       | (6,643)                |
| USD against SGD |                |                        |
| - Strengthened  | (506,839)      | (602,548)              |
| – Weakened      | 506,839        | 602,548                |

### (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.

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.

For the financial year ended 31 December 2015

### 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### a) <u>Market risk (cont'd)</u>

(ii) Interest rate risk (cont'd)

|   | Within 1 year | Within 2 to 5 years | More than 5<br>years<br>\$ | Total<br>\$         |
|---|---------------|---------------------|----------------------------|---------------------|
| Group   | '             |                     |                            |                     |
| 2015  |               |                     |                            |                     |
| Fixed rate  |               |                     |                            |                     |
| Finance lease liabilities   | 1,833,522     | 1,235,116           | 2,557                      | 3,071,195           |
| Convertible bonds   | _             | 4,860,972           | _                          | 4,860,972           |
| Bank borrowings   | 777,776       | 243,891             | _                          | 1,021,667           |
| Floating rate   |               |                     |                            |                     |
| Bank borrowings   | 25,543,039    | 20,812,247          | 2,710,855                  | 49,066,141          |
| Bank overdrafts   | 2,923,592     | _                   | _                          | 2,923,592           |
| Bills payable   | 2,949,602     | _                   | _                          | 2,949,602           |
| 2014<br>Fixed rate  |               |                     |                            |                     |
| Finance lease liabilities   | 1,363,457     | 1,091,399           | 8,795                      | 2,463,651           |
| Bank borrowings   | 902,778       | 1,097,500           | _                          | 2,000,278           |
| Floating rate   |               |                     |                            |                     |
| Bank borrowings   | 37,393,299    | 16,409,091          | 2,283,939                  | 56,086,329          |
| Bank overdrafts   | 3,375,475     | _                   | _                          | 3,375,475           |
| Bills payable   | 2,925,359     | _                   | _                          | 2,925,359           |
| Company 2015 Fixed rate Finance lease liabilities Convertible bonds | 16,250        | -<br>4,860,972      | -<br>-                     | 16,250<br>4,860,972 |
| Floating rate   |               |                     |                            |                     |
| Bank borrowings   | 11,756,646    | 1,498,428           | _                          | 13,255,074          |
| Bank overdraft  | 1,826,983     |                     | _                          | 1,826,983           |
| 2014  |               |                     |                            |                     |
| Fixed rate  |               |                     |                            |                     |
| Finance lease liabilities   | 32,500        | 16,255              | _                          | 48,755              |
| Floating rate   |               |                     |                            |                     |
| _   | 45.040.700    |                     |                            | 45.040.700          |
| Bank borrowings   | 15,019,628    | _                   | _                          | 15,019,628          |

For the financial year ended 31 December 2015

### 30 FINANCIAL RISK MANAGEMENT (CONT'D)

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

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

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

|                           | Grou            | Group                              |         | any                |
|---------------------------|-----------------|------------------------------------|---------|--------------------|
|                           | 100 bp Increase | 100 bp<br>100 bp Increase Decrease |         | 100 bp<br>Decrease |
|                           | \$              | \$                                 | \$      | \$                 |
| 2015                      |                 |                                    |         |                    |
| Floating rate Instruments |                 |                                    |         |                    |
| Singapore Dollar          | 364,792         | (364,792)                          | 130,111 | (130,111)          |
| United States Dollar      | 131,661         | (131,661)                          |         | _                  |
| 2014                      |                 |                                    |         |                    |
| Floating rate Instruments |                 |                                    |         |                    |
| Singapore Dollar          | 357,284         | (357,284)                          | 150,196 | (150,196)          |
| United States Dollar      | 225,925         | (225,925)                          | _       | _                  |

### b) <u>Credit risk</u>

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis through the application of credit approvals, credit limits and debt monitoring procedures. Where appropriate, the Company and its subsidiary corporations obtain guarantee from the customer or arrange netting agreements. For customer 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.

For the financial year ended 31 December 2015

### 30 FINANCIAL RISK MANAGEMENT (CONT'D)

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

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:

|  | Coi        | Company    |  |
|--|------------|------------|--|
|  | 2015       | 2014       |  |
|  | \$         | \$         |  |
| Corporate guarantees provided to banks on subsidiary corporations' |            |            |  |
| bank borrowings (Note 28)  | 33,213,664 | 34,154,388 |  |

The trade receivables of the Group comprise of 3 debtors (2014: 3 debtors) that individually represented 8 - 23% (2014: 10 - 20%) of the Group's trade receivables.

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

|   | Group      |            | Con       | npany     |
|---|------------|------------|-----------|-----------|
|   | 2015       | 2014       | 2015      | 2014      |
|   | \$         | \$         | \$        | \$        |
| By geographical areas                       |            |            |           |           |
| - Singapore                                 | 17,750,418 | 19,190,240 | 1,162,572 | 978,146   |
| - Indonesia                                 | 7,128,155  | 10,521,295 | 591,388   | 591,388   |
| – Australia                                 | 1,006,311  | _          | _         | _         |
| - United Kingdom                            | 893,001    | _          | _         | _         |
| - China                                     | 730,950    | _          | _         | _         |
| - Others                                    | 608,749    | 235,855    | _         | -         |
|   | 28,117,584 | 29,947,390 | 1,753,960 | 1,569,534 |
| By types of customers                       |            |            |           |           |
| - Non-related parties                       | 25,267,475 | 26,521,636 | 1,810     | _         |
| - Related parties                           | 2,850,109  | 3,425,754  | _         | _         |
| <ul> <li>Subsidiary corporations</li> </ul> | _          | _          | 1,752,150 | 1,569,534 |
|   | 28,117,584 | 29,947,390 | 1,753,960 | 1,569,534 |

For the financial year ended 31 December 2015

### 30 FINANCIAL RISK MANAGEMENT (CONT'D)

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

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

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

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

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

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

|                     | G          | Group      |  |  |
|---------------------|------------|------------|--|--|
|                     | 2015       | 2014       |  |  |
|                     | \$         | \$         |  |  |
| Past due            |            |            |  |  |
| - Less than 30 days | 3,244,685  | 3,896,882  |  |  |
| - 30 to 60 days     | 3,353,954  | 2,731,286  |  |  |
| - 61 to 90 days     | 1,868,935  | 1,334,082  |  |  |
| - More than 91 days | 8,980,427  | 8,917,660  |  |  |
|                     | 17,448,001 | 16,879,910 |  |  |

For the financial year ended 31 December 2015

### 30 FINANCIAL RISK MANAGEMENT (CONT'D)

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

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

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

|  | Gr          | oup         |
|--|-------------|-------------|
|  | 2015        | 2014        |
|  | \$          | \$          |
| Past due 1 to 3 months                   | 2,258,376   | 1,662,171   |
| Past due over 3 months                   | 5,879,393   | 5,784,452   |
|  | 8,137,769   | 7,446,623   |
| Less: Estimated rebates/discount         | (2,381,077) | (2,641,740) |
|  | 5,756,692   | 4,804,883   |
| Less: Allowance for impairment (Note 12) | (1,101,282) | (813,075)   |
|  | 4,655,410   | 3,991,808   |
| Beginning of financial year              | 813,075     | 683,638     |
| Acquisition of a subsidiary corporation  | 72,000      | _           |
| Allowance made (Note 5)                  | 477,951     | 221,240     |
| Allowance utilised                       | (135,142)   | (6,531)     |
| Allowance written-back (Note 5)          | (126,602)   | (85,272)    |
| End of the financial year                | 1,101,282   | 813,075     |

### c) <u>Liquidity risk</u>

Prudent liquidity risk management implies maintaining sufficient cash and having an adequate amount of committed credit facilities (Note 21) to enable the Group to meet its normal operating commitments. The Group's objective is to maintain a balance through the use of bank borrowings, bank overdrafts and finance lease liabilities. As at balance sheet date, assets held by the Group for managing liquidity risks included cash and bank balances as disclosed in Note 11.

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.

For the financial year ended 31 December 2015

### 30 FINANCIAL RISK MANAGEMENT (CONT'D)

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

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

|                               | Less than<br>1 year | Between<br>1 to 5<br>years | Over 5<br>years |
|-------------------------------|---------------------|----------------------------|-----------------|
|                               | \$                  | \$                         | \$              |
| Group                         |                     |                            |                 |
| At 31 December 2015           |                     |                            |                 |
| Trade and other payables      | 28,989,737          | _                          | _               |
| Borrowings                    | 34,027,531          | 27,152,226                 | 2,713,412       |
| At 31 December 2014           |                     |                            |                 |
| Trade and other payables      | 27,989,409          | _                          | _               |
| Borrowings                    | 45,960,368          | 18,597,990                 | 2,292,734       |
|                               |                     |                            |                 |
|                               |                     | Between                    |                 |
|                               | Less than<br>1 year | 1 to 5<br>years            | Over 5<br>years |
|                               | \$                  | \$                         | \$              |
| Company                       |                     |                            |                 |
| At 31 December 2015           |                     |                            |                 |
| Trade and other payables      | 6,854,815           | _                          | _               |
| Borrowings                    | 13,599,879          | 6,359,400                  | _               |
| Financial guarantee contracts | 33,213,664          |                            |                 |
| At 31 December 2014           |                     |                            |                 |
| Trade and other payables      | 10,499,547          | _                          | _               |
| Borrowings                    | 17,297,557          | 16,255                     | _               |
| Financial guarantee contracts | 34,154,388          | _                          | _               |

For the financial year ended 31 December 2015

### 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### d) Capital risk

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

Management monitors capital based on a gearing ratio. The Group and the Company are also required by the banks to maintain certain gearing ratio. The Group's and the Company's strategies, which remain unchanged during the financial years ended 31 December 2015 and 31 December 2014, are to maintain a gearing ratio not exceeding 1.5 times of the tangible net worth.

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

|                                 | G           | roup        | Cor        | npany      |
|---------------------------------|-------------|-------------|------------|------------|
|                                 | 2015        | 2014        | 2015       | 2014       |
|                                 | \$          | \$          | \$         | \$         |
|                                 |             | Restated    |            |            |
| Net debt                        |             |             |            |            |
| Interest bearing borrowings     | 61,420,066  | 64,073,919  | 19,715,263 | 17,313,807 |
| Less: Cash and cash equivalents | (5,502,147) | (6,495,080) | (103,137)  | (174,925)  |
|                                 | 55,917,919  | 57,578,839  | 19,612,126 | 17,138,882 |
| Tangible net worth              |             |             |            |            |
| Shareholders' equity            | 79,322,187  | 80,113,250  | 54,618,379 | 52,055,774 |
| Less: Intangible assets         | (63,837)    | (63,837)    | _          | _          |
|                                 | 79,258,350  | 80,049,413  | 54,618,379 | 52,055,774 |
| Gearing ratio                   | 0.71        | 0.72        | 0.36       | 0.33       |

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

For the financial year ended 31 December 2015

### 30 FINANCIAL RISK MANAGEMENT (CONT'D)

### e) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

|   | G          | roup           | Сог        | mpany      |  |  |
|---|------------|----------------|------------|------------|--|--|
|   | 2015       | 2015 2014 2015 | 2014       |            |  |  |
|   | \$         | \$             | \$         | \$         |  |  |
|   |            | Restated       |            |            |  |  |
| Loans and receivables                   | 52,016,359 | 53,536,583     | 69,845,630 | 68,259,125 |  |  |
| Financial liabilities at amortised cost | 90,409,803 | 92,063,328     | 26,570,078 | 27,813,354 |  |  |

### 31 RELATED PARTY TRANSACTIONS

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

### a) Sale and purchase of goods and services

|   | Gr        | oup       |
|---|-----------|-----------|
|   | 2015      | 2014      |
|   | \$        | \$        |
| Sale of goods and/or services to related parties          | 6,867,882 | 8,237,374 |
| Purchase of material and/or services from related parties | 774,505   | 1,153,821 |

Outstanding balances at 31 December 2015, 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 12 and 18 respectively.

For the financial year ended 31 December 2015

### 31 RELATED PARTY TRANSACTIONS (CONT'D)

### b) Key management personnel compensation

Key management personnel compensation is as follows:

|  | G         | roup      |
|--|-----------|-----------|
|  | 2015      | 2014      |
|  | \$        | \$        |
| Wages and salaries   | 2,766,812 | 2,643,934 |
| Employer's contribution to defined contribution plans, including Central |           |           |
| Provident Fund   | 146,975   | 134,428   |
|  | 2,913,787 | 2,778,362 |
| Directors of the Company   | 1,802,670 | 1,549,151 |
| Executive officers of the Group  | 1,111,117 | 1,229,211 |
|  | 2,913,787 | 2,778,362 |

### 32 SEGMENT INFORMATION

### **Business segments**

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

### (a) Infrastructure Engineering

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

### (b) Corrosion Prevention

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

### (c) Supply and Distribution

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

For the financial year ended 31 December 2015

### 32 SEGMENT INFORMATION (CONT'D)

### (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.

# SEGMENT INFORMATION (CONT'D)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

|  | Infrastructure<br>Engineering | Corrosion<br>Prevention | Supply and Distribution | Shipping     | Others    | Total        |
|--|-------------------------------|-------------------------|-------------------------|--------------|-----------|--------------|
|  | \$                            | \$                      | \$                      | \$           | \$        | \$           |
| 2015   |                               |                         |                         |              |           |              |
| Total segment sales                            | 36,814,985                    | 38,507,818              | 15,412,126              | 10,561,948   | I         | 101,296,877  |
| Inter-segment sales                            | (4,284,602)                   | (10,173,014)            | (3,170,690)             | (107,000)    | I         | (17,735,306) |
| Sales to external customers                    | 32,530,383                    | 28,334,804              | 12,241,436              | 10,454,948   | I         | 83,561,571   |
| Results:                                       |                               |                         |                         |              |           |              |
| Segment results                                | (2,157,549)                   | 6,165,246               | 364,589                 | 325,342      | (105,818) | 4,591,810    |
| Interest expense                               | (986,857)                     | (931,043)               | (123,533)               | (675,059)    | I         | (3,016,492)  |
| Interest income                                | 1,074                         | 4,077                   | 1,155                   | 1,371        | I         | 7,677        |
| (Loss)/profit from operating segment           | (3,143,332)                   | 5,238,280               | 242,211                 | (648,346)    | (105,818) | 1,582,995    |
| Unallocated administrative expenses            |                               |                         |                         |              |           | (3,069,941)  |
| Loss before income tax                         |                               |                         |                         |              |           | (1,486,946)  |
| Income tax credit                              |                               |                         |                         |              |           | 234,373      |
| Net loss                                       |                               |                         |                         |              |           | (1,252,573)  |
| Loss attributable to non-controlling interests |                               |                         |                         |              |           | 1,346,888    |
|  |                               |                         |                         |              |           | 94,315       |
| Net loss includes:                             |                               |                         |                         |              |           |              |
| - Depreciation                                 | 3,225,446                     | 2,178,737               | 65,202                  | 4,290,387    | I         | 9,759,772    |
| Other information                              |                               |                         |                         |              |           |              |
| Segment assets                                 | 59,412,554                    | 31,706,265              | 11,188,354              | 70,099,444   | 788,007   | 173,194,624  |
| Segment assets include:-                       |                               |                         |                         |              |           |              |
| Additions to: Property, plant and equipment    | 6,541,522                     | 2,202,843               | ı                       | 1,162,461    | I         | 9,906,826    |
| Segment liabilities                            | (33,294,347)                  | (21,900,919)            | (6,754,517)             | (21,391,886) | (7,913)   | (83,349,582) |

# SEGMENT INFORMATION (CONT'D)

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# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

|  | Infrastructure<br>Engineering | Corrosion<br>Prevention | Supply and Distribution | Shipping     | Others   | Total        |
|--|-------------------------------|-------------------------|-------------------------|--------------|----------|--------------|
|  | \$                            | \$                      | \$                      | \$           | \$       | \$           |
| <b>2014</b> (Restated)                           |                               |                         |                         |              |          |              |
| Total segment sales                              | 20,692,531                    | 37,886,229              | 18,720,183              | 7,600,926    | I        | 84,899,869   |
| Inter-segment sales                              | (5,026,918)                   | (1,762,359)             | (4,186,031)             | I            | I        | (10,975,308) |
| Sales to external customers                      | 15,665,613                    | 36,123,870              | 14,534,152              | 7,600,926    | 1        | 73,924,561   |
| Results:   |                               |                         |                         |              |          |              |
| Segment results                                  | (4,262,408)                   | 6,661,631               | 494,970                 | (831,216)    | (57,045) | 2,005,932    |
| Interest expense                                 | (951,800)                     | (529,674)               | (157,757)               | (436,956)    | I        | (2,076,187)  |
| Interest income                                  | 4,562                         | 3,256                   | 1,653                   | 1,355        | I        | 10,826       |
| (Loss)/profit from operating segment             | (5,209,646)                   | 6,135,213               | 338,866                 | (1,266,817)  | (57,045) | (59,429)     |
| Unallocated administrative expenses              |                               |                         |                         |              |          | (3,449,349)  |
| Loss before income tax                           |                               |                         |                         |              |          | (3,508,778)  |
| Income tax expense                               |                               |                         |                         |              |          | (338,516)    |
| Net loss   |                               |                         |                         |              |          | (3,847,294)  |
| Profit attributable to non-controlling interests |                               |                         |                         |              |          | (166,080)    |
|  |                               |                         |                         |              |          | (4,013,374)  |
| Net loss includes:                               |                               |                         |                         |              |          |              |
| - Depreciation                                   | 3,745,454                     | 1,892,724               | 75,934                  | 3,269,578    | I        | 8,983,690    |
| Other information                                |                               |                         |                         |              |          |              |
| Segment assets                                   | 55,306,780                    | 39,012,757              | 11,145,027              | 69,095,528   | 845,146  | 175,405,238  |
| Segment assets include:-                         |                               |                         |                         |              |          |              |
| Additions to: Property, plant and equipment      | 593,607                       | 1,806,213               | 24,865                  | 4,944,318    | I        | 7,369,003    |
| Segment liabilities                              | (30,010,296)                  | (16,307,319)            | (8,140,269)             | (25,751,731) | (13,994) | (80,223,609) |

For the financial year ended 31 December 2015

### 32 SEGMENT INFORMATION (CONT'D)

### (a) Reconciliation

### (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:

|  | 2015        | 2014        |
|--|-------------|-------------|
|  | \$          | \$          |
|  |             | Restated    |
| Segment assets for reportable segments | 172,406,617 | 174,560,092 |
| Other segment assets                   | 788,007     | 845,146     |
|  | 173,194,624 | 175,405,238 |

### (ii) Segment liabilities

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

Segment liabilities are reconciled to total liabilities as follows:

|   | 2015       | 2014       |
|---|------------|------------|
|   | \$         | \$         |
| Segment liabilities for reportable segments | 83,341,669 | 80,209,615 |
| Other segment liabilities                   | 7,913      | 13,994     |
| Unallocated:                                |            |            |
| Borrowings                                  | 10,522,855 | 15,068,379 |
|   | 93,872,437 | 95,291,988 |

For the financial year ended 31 December 2015

### 32 SEGMENT INFORMATION (CONT'D)

### (b) Geographical information

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

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

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

|           | Re         | venue      | Non-cu      | rrent assets |
|-----------|------------|------------|-------------|--------------|
|           | 2015       | 2014       | 2015        | 2014         |
|           | \$         | \$         | \$          | \$           |
|           |            | Restated   |             | Restated     |
| Singapore | 51,897,989 | 42,015,068 | 43,217,669  | 41,045,209   |
| Indonesia | 17,647,488 | 23,512,923 | 45,208,068  | 50,030,699   |
| Others    | 14,016,094 | 8,396,570  | 16,805,622  | 17,390,508   |
|           | 83,561,571 | 73,924,561 | 105,231,359 | 108,466,416  |

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

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

Revenue from external customers are derived from all reportable segments as disclosed in Note 4.

Revenue from a major customer amounted to \$12,056,165 (2014: \$3,798,082), arising from sales by infrastructure engineering segment.

Revenue from another major customer amounted to \$10,861,183 (2014: \$12,049,632), arising from sales by the corrosion prevention segment.

For the financial year ended 31 December 2015

### 33 BUSINESS COMBINATION

On 1 January 2015, the Group acquired control of International Offshore Equipments Pte. Ltd. ("IOE") through its wholly-owned subsidiary corporation, Asian Sealand Engineering Pte. Ltd. ("ASE"). ASE subscribed for 316,200 new ordinary shares (representing 51% equity interest) in the capital of IOE. The remaining 49% share capital of IOE is owned equally by two individuals who are not related to any of the directors or substantial shareholders of the Company. The principal activities of IOE are that of provision of design, manufacture, and fabricate offshore equipment and ship parts. As a result of the acquisition, the Group is expected to expand its Infrastructure Engineering division's scope of services to customers on provision of value added supply and services on manufacturing of deck equipment and pedestal cranes.

The Group has elected to measure the non-controlling interests at the non-controlling interests' proportionate share of IOE's identifiable net assets.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interests recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

### (a) Purchase consideration

The total purchase consideration of \$316,200 is settled in full in the form of 316,200 new ordinary shares (representing 51% equity interest) in the capital of IOE.

### (b) Effect on cash flows of the Group

|  | <b>*</b> |
|--|----------|
| Cash paid (as above)   | _        |
| Less: cash and cash equivalents in subsidiary corporation acquired | (39,417) |
| Cash inflow on acquisition   | (39,417) |

For the financial year ended 31 December 2015

### 33 BUSINESS COMBINATION (CONT'D)

### (c) Identifiable assets acquired and liabilities assumed

|  | At fair value |
|--|---------------|
|  | \$            |
| Cash and cash equivalents                  | 39,417        |
| Property, plant and equipment (Note 17)    | 97,610        |
| Trade and other receivables (Note d)       | 2,449,260     |
| Inventories                                | 84,402        |
| Total assets                               | 2,670,689     |
| Trade and other payables                   | (1,740,871)   |
| Borrowings                                 | (626,018)     |
| Total liabilities                          | (2,366,889)   |
| Total identifiable net assets              | 303,800       |
| Less: Non-controlling interests            | (303,800)     |
| Consideration transferred for the business |               |

### (d) Acquired receivables

Trade and other receivables acquired comprise of trade receivables, amount due from customers on construction contracts and other debtors with fair values of \$680,300, \$565,141 and \$1,203,819 respectively. The gross contractual amount for trade receivables due is \$1,144,386, of which \$464,086 is expected to be uncollectible. Other debtors relate to amount due from two non-controlling interests arising from pre-acquisition adjustment. The two non-controlling interests have acknowledged all liabilities due to IOE.

### (e) Goodwill

No goodwill was recognised as the fair value of the identifiable net assets acquired was equivalent to the purchase consideration.

### (f) Revenue and loss contribution

The acquired business contributed revenue of \$7,304,473 and net loss of \$1,532,258 to the Group from the period from 1 January 2015 to 31 December 2015.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

#### 34 PRIOR YEAR ADJUSTMENTS

Prior to 1 January 2015, the functional currency of the Group's subsidiary corporations, Ocean Eight Shipping Pte. Ltd. ("OE") was SGD and they have presented their financial statements in SGD.

Following management's assessment of the appropriate functional currency of OES and OE during the period, OES and OE changed their functional currency to USD as it is more reflective of the economic effects of the underlying transactions, events and conditions of OES and OE. This reflects the fact that the sales, purchases and borrowings of OES and OE were transacted significantly in USD since the financial year ended 31 December 2011.

The Group has accounted for the change in functional currency of OES and OE retrospectively from the financial year ended 31 December 2011. Accordingly, certain comparative amounts were restated.

The effects of the change in functional currency on the consolidated financial statements of the Group are as follows:

|  | As previously reported | Adjustments | As restated  |
|--|------------------------|-------------|--------------|
|  | \$                     | \$          | \$           |
| Consolidated statement of comprehensive income for the financial year ended 31 December 2014 |                        |             |              |
| Revenue  | 75,631,090             | (1,706,529) | 73,924,561   |
| Cost of sales  | (61,510,629)           | 1,623,263   | (59,887,366) |
| Gross profit   | 14,120,461             | (83,266)    | 14,037,195   |
| Other gains – net  | 624,745                | 1,155,102   | 1,779,847    |
| Expenses   |                        |             |              |
| – Selling and distribution   | (1,997,305)            | 1           | (1,997,304)  |
| - Administrative   | (15,329,630)           | 77,301      | (15,252,329) |
| - Finance  | (2,365,707)            | 289,520     | (2,076,187)  |
| Loss before income tax   | (4,947,436)            | 1,438,658   | (3,508,778)  |
| Income tax expense   | (338,516)              | _           | (338,516)    |
| Net loss   | (5,285,952)            | 1,438,658   | (3,847,294)  |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 34 PRIOR YEAR ADJUSTMENTS (CONT'D)

| S         S         S           Consolidated statement of comprehensive income for the financial year ended 31 December 2014 (cont'd)           Other comprehensive income, net of tax:           Items that may be reclassified subsequently to profit or loss:           Currency translation differences arising from consolidation – gains Total comprehensive loss         20,764         161,149         181,913           (5,265,188)         1,599,807         (3,665,381)           (Loss)/profit attributable to:           Equity holder of the company         (5,020,435)         1,007,061         (4,013,374)           Non-controlling interests         (265,517)         431,597         166,080           Total comprehensive (loss)/income attributable to:           Equity holders of the Company         (5,08,764)         1,119,866         (3,888,898)           Non-controlling interests         (256,424)         479,941         223,517           (5,265,188)         1,599,807         (3,665,381)           Loss per share attributable to equity holders of the Company (cents per share)         (29,083)         (2.04)         (2.97)           Diluted         (0,93)         (2.04)         (2.97)           Conso  |   | As previously reported Adjustment |           | As restated |  |
|--|---|-----------------------------------|-----------|-------------|--|
| Company   Comp |   | \$                                | \$        | \$          |  |
| Currency translation differences arising from consolidation – gains   20,764   161,149   181,913   170   1 | ·   |                                   |           |             |  |
| Currency translation differences arising from consolidation – gains         20,764         161,149         181,913           Total comprehensive loss         (5,265,188)         1,599,807         3,665,381           (Loss)/profit attributable to:         Equity holder of the company         (5,020,435)         1,007,061         (4,013,374)           Non-controlling interests         (265,517)         431,597         166,080           Equity holders of the Company         (5,008,764)         1,119,866         3,888,898           Non-controlling interests         (256,424)         479,941         223,517           Equity holders of the Company         (5,085,188)         1,599,807         (3,665,381)           Loss per share attributable to equity holders of the Company (cents per share)         20,603,388         1,599,807         (3,665,381)           Company (cents per share)         (0.93)         (2.04)         (2.97)           Diluted         (0.93)         (2.04)         (2.97)           Company (cents per share)         (0.93)         (2.04)         (2.97)           Consolidated balance sheet as at 3 1         (0.93)         (2.04)         (2.97)           Consolidated balance sheet as at 3 1         (0.93) <th< td=""><td>Other comprehensive income, net of tax:</td><td></td><td></td><td></td></th<>  | Other comprehensive income, net of tax:                             |                                   |           |             |  |
| Total comprehensive loss   (5,265,188)   1,599,807   (3,665,381)     Closs)/profit attributable to:  | Items that may be reclassified subsequently to profit or loss:      |                                   |           |             |  |
| Closs  profit attributable to:   Equity holder of the company   (5,020,435)   1,007,061   (4,013,374)   (5,285,952)   1,438,658   (3,847,294)   (5,285,952)   1,438,658   (3,847,294)   (5,285,952)   1,438,658   (3,847,294)   (5,285,952)   1,438,658   (3,847,294)   (5,285,952)   1,438,658   (3,847,294)   (5,285,952)   1,438,658   (3,847,294)   (5,285,952)   1,438,658   (3,847,294)   (5,285,952)   1,438,658   (3,847,294)   (5,285,952)   1,438,658   (3,847,294)   (5,285,952)   1,438,658   (3,847,294)   (5,285,952)   1,438,658   (3,847,294)   (5,285,952)   1,438,658   (3,847,294)   (5,285,952)   (5,265,188)   1,198,668   (3,888,898)   (3,888,898)   (3,847,294)   (5,265,188)   1,599,807   (3,665,381)   (5,265,188)   1,599,807   (3,665,381)   (5,265,188)   1,599,807   (3,665,381)   (5,265,188)   1,599,807   (3,665,381)   (2,97)   (2, | Currency translation differences arising from consolidation – gains | 20,764                            | 161,149   | 181,913     |  |
| Equity holder of the company         (5,020,435)         1,007,061         (4,013,374)           Non-controlling interests         (265,517)         431,597         166,080           (5,285,952)         1,438,658         (3,847,294)           Total comprehensive (loss)/income attributable to:           Equity holders of the Company         (5,008,764)         1,119,866         (3,888,898)           Non-controlling interests         (256,424)         479,941         223,517           (5,265,188)         1,599,807         (3,665,381)           Loss per share attributable to equity holders of the Company (cents per share)         (0.93)         (2.04)         (2.97)           Basic         (0.93)         (2.04)         (2.97)           Consolidated balance sheet as at 31 December 2014         1,500,195         108,402,579           Consolidated balance sheet as at 31 December 2014         1,500,195         108,402,579           Other reserves         (395,650)         45,118         (350,532)           Retained profits         2,441,934         450,058         2,891,992           Consolidated balance sheet as at 1 January 2014         109,802,463         (99,612)         109,702,851           Chroperty, plant and equipment         109,802,463         (99,612)         109,702,851   | Total comprehensive loss  | (5,265,188)                       | 1,599,807 | (3,665,381) |  |
| Equity holder of the company         (5,020,435)         1,007,061         (4,013,374)           Non-controlling interests         (265,517)         431,597         166,080           (5,285,952)         1,438,658         (3,847,294)           Total comprehensive (loss)/income attributable to:           Equity holders of the Company         (5,008,764)         1,119,866         (3,888,898)           Non-controlling interests         (256,424)         479,941         223,517           (5,265,188)         1,599,807         (3,665,381)           Loss per share attributable to equity holders of the Company (cents per share)         (0,93)         (2.04)         (2.97)           Basic         (0,93)         (2.04)         (2.97)           Consolidated balance sheet as at 31 December 2014         1,500,195         108,402,579           Consolidated balance sheet as at 31 December 2014         1,500,195         108,402,579           Other reserves         (395,650)         45,118         (350,532)           Retained profits         2,441,934         450,058         2,891,992           Consolidated balance sheet as at 1 January 2014         109,802,463         (99,612)         109,702,851           Property, plant and equipment         109,802,463         (99,612)         109,702,851  | (Loss)/profit attributable to:                                      |                                   |           |             |  |
| (5,285,952) 1,438,658 (3,847,294)   Total comprehensive (loss)/income attributable to:   Equity holders of the Company (5,008,764) 1,119,866 (3,888,898)   Non-controlling interests (256,424) 479,941 223,517 (5,265,188) 1,599,807 (3,665,381)   Company (cents per share)   Company (cents per share)   Company (cents per share)   Consolidated balance sheet as at 31 December 2014   Consolidated balance sheet as at 31 December 2015   Consolidated balance sheet as at 1 January 2014   Consolidated balance sheet as at 31 January 2014   Consolidated balance sheet as 31 January 2014   Consolidated statement of cash flows for the financial year ended 31 December 2015   Consolidated statement of cash flows for the financial year ended 31 December 2015   Consolidated statement of cash flows for the financial year ended 31 December 2015   Consolidated statement of cash flows for the financial year ended 31 December 2015   Consolidated statement of cash flows for the financial year ended 31 December 2015   Consolidated statement of cash flows for the financial year ended 31 December 2015   Consolidated statement of cash flows for the financial year ended 31 December 2015   Consolidated statement of cash flows for the financial year ended 31 December 2015   Consolidated statement of cash flows for the financial year ended 31 December 2015   Consolidated Statement of cash flows for  |   | (5,020,435)                       | 1,007,061 | (4,013,374) |  |
| Total comprehensive (loss)/income attributable to:           Equity holders of the Company         (5,008,764)         1,119,866         (3,888,898)           Non-controlling interests         (256,424)         479,941         223,517           (5,265,188)         1,599,807         (3,665,381)           Loss per share attributable to equity holders of the Company (cents per share)           - Basic         (0,93)         (2.04)         (2.97)           - Diluted         (0,93)         (2.04)         (2.97)           Consolidated balance sheet as at 31 December 2014           Property, plant and equipment         106,902,384         1,500,195         108,402,579           Other reserves         (395,650)         45,118         (350,532)           Retained profits         26,915,424         1,005,019         27,920,443           Non-controlling interests         2,441,934         450,058         2,891,992           Consolidated balance sheet as at 1 January 2014           Property, plant and equipment         109,802,463         (99,612)         109,702,851           Other reserves         (407,321)         (67,687)         (475,008)           Retained profits         31,935,859         (2,042)         31,933,817   | • •   | (265,517)                         | 431,597   | 166,080     |  |
| Equity holders of the Company         (5,008,764)         1,119,866         (3,888,898)           Non-controlling interests         (256,424)         479,941         223,517           (5,265,188)         1,599,807         (3,665,381)           Loss per share attributable to equity holders of the Company (cents per share)         5,265,188         1,599,807         (3,665,381)           Basic         (0,93)         (2.04)         (2.97)           Diluted         (0,93)         (2.04)         (2.97)           Consolidated balance sheet as at 31 December 2014         106,902,384         1,500,195         108,402,579           Other reserves         (395,650)         45,118         (350,532)           Retained profits         26,915,424         1,005,019         27,920,443           Non-controlling interests         2,441,934         450,058         2,891,992           Consolidated balance sheet as at 1 January 2014         109,802,463         (99,612)         109,702,851           Other reserves         (407,321)         (67,687)         (475,008)           Retained profits         31,935,859         (2,042)         31,933,817           Non-controlling interests         2,600,358         (29,883)         2,570,475           Consolidated statement of cash flows for the fina   |   | (5,285,952)                       | 1,438,658 | (3,847,294) |  |
| Equity holders of the Company         (5,008,764)         1,119,866         (3,888,898)           Non-controlling interests         (256,424)         479,941         223,517           (5,265,188)         1,599,807         (3,665,381)           Loss per share attributable to equity holders of the Company (cents per share)         5,265,188         1,599,807         (3,665,381)           Basic         (0,93)         (2.04)         (2.97)           Diluted         (0,93)         (2.04)         (2.97)           Consolidated balance sheet as at 31 December 2014         106,902,384         1,500,195         108,402,579           Other reserves         (395,650)         45,118         (350,532)           Retained profits         26,915,424         1,005,019         27,920,443           Non-controlling interests         2,441,934         450,058         2,891,992           Consolidated balance sheet as at 1 January 2014         109,802,463         (99,612)         109,702,851           Other reserves         (407,321)         (67,687)         (475,008)           Retained profits         31,935,859         (2,042)         31,933,817           Non-controlling interests         2,600,358         (29,883)         2,570,475           Consolidated statement of cash flows for the fina   | Total comprehensive (loss)/income attributable to:                  |                                   |           |             |  |
| Non-controlling interests         (256,424)         479,941         223,517           (5,265,188)         1,599,807         (3,665,381)           Loss per share attributable to equity holders of the Company (cents per share)           - Basic         (0.93)         (2.04)         (2.97)           - Diluted         (0.93)         (2.04)         (2.97)           Consolidated balance sheet as at 31 December 2014           Property, plant and equipment         106,902,384         1,500,195         108,402,579           Other reserves         (395,650)         45,118         (350,532)           Retained profits         26,915,424         1,005,019         27,920,443           Non-controlling interests         2,441,934         450,058         2,891,992           Consolidated balance sheet as at 1 January 2014           Property, plant and equipment         109,802,463         (99,612)         109,702,851           Other reserves         (407,321)         (67,687)         (475,008)           Retained profits         31,935,859         (2,042)         31,933,817           Non-controlling interests         2,600,358         (29,883)         2,570,475           Consolidated statement of cash flows for the financial year ended 31 December 2015  |   | (5,008,764)                       | 1,119,866 | (3,888,898) |  |
| (5,265,188)   1,599,807   (3,665,381)     Loss per share attributable to equity holders of the Company (cents per share)   | • •   |                                   |           |             |  |
| Company (cents per share)  |   |                                   |           |             |  |
| Diluted   (0.93) (2.04) (2.97)   |   |                                   |           |             |  |
| Consolidated balance sheet as at 31 December 2014         Property, plant and equipment       106,902,384       1,500,195       108,402,579         Other reserves       (395,650)       45,118       (350,532)         Retained profits       26,915,424       1,005,019       27,920,443         Non-controlling interests       2,441,934       450,058       2,891,992         Consolidated balance sheet as at 1 January 2014         Property, plant and equipment       109,802,463       (99,612)       109,702,851         Other reserves       (407,321)       (67,687)       (475,008)         Retained profits       31,935,859       (2,042)       31,933,817         Non-controlling interests       2,600,358       (29,883)       2,570,475         Consolidated statement of cash flows for the financial year ended 31 December 2015         Net cash flows generated from operating activities       5,581,230       (213,032)       5,368,198  | - Basic   | (0.93)                            | (2.04)    | (2.97)      |  |
| 31 December 2014         Property, plant and equipment       106,902,384       1,500,195       108,402,579         Other reserves       (395,650)       45,118       (350,532)         Retained profits       26,915,424       1,005,019       27,920,443         Non-controlling interests       2,441,934       450,058       2,891,992         Consolidated balance sheet as at 1 January 2014         Property, plant and equipment       109,802,463       (99,612)       109,702,851         Other reserves       (407,321)       (67,687)       (475,008)         Retained profits       31,935,859       (2,042)       31,933,817         Non-controlling interests       2,600,358       (29,883)       2,570,475         Consolidated statement of cash flows for the financial year ended 31 December 2015         Net cash flows generated from operating activities       5,581,230       (213,032)       5,368,198   | - Diluted   | (0.93)                            | (2.04)    | (2.97)      |  |
| Other reserves       (395,650)       45,118       (350,532)         Retained profits       26,915,424       1,005,019       27,920,443         Non-controlling interests       2,441,934       450,058       2,891,992         Consolidated balance sheet as at 1 January 2014         Property, plant and equipment       109,802,463       (99,612)       109,702,851         Other reserves       (407,321)       (67,687)       (475,008)         Retained profits       31,935,859       (2,042)       31,933,817         Non-controlling interests       2,600,358       (29,883)       2,570,475         Consolidated statement of cash flows for the financial year ended 31 December 2015         Net cash flows generated from operating activities       5,581,230       (213,032)       5,368,198  |   |                                   |           |             |  |
| Retained profits         26,915,424         1,005,019         27,920,443           Non-controlling interests         2,441,934         450,058         2,891,992           Consolidated balance sheet as at 1 January 2014           Property, plant and equipment         109,802,463         (99,612)         109,702,851           Other reserves         (407,321)         (67,687)         (475,008)           Retained profits         31,935,859         (2,042)         31,933,817           Non-controlling interests         2,600,358         (29,883)         2,570,475           Consolidated statement of cash flows for the financial year ended 31 December 2015           Net cash flows generated from operating activities         5,581,230         (213,032)         5,368,198  | Property, plant and equipment                                       | 106,902,384                       | 1,500,195 | 108,402,579 |  |
| Non-controlling interests         2,441,934         450,058         2,891,992           Consolidated balance sheet as at 1 January 2014           Property, plant and equipment         109,802,463         (99,612)         109,702,851           Other reserves         (407,321)         (67,687)         (475,008)           Retained profits         31,935,859         (2,042)         31,933,817           Non-controlling interests         2,600,358         (29,883)         2,570,475           Consolidated statement of cash flows for the financial year ended 31 December 2015           Net cash flows generated from operating activities         5,581,230         (213,032)         5,368,198   | Other reserves  | (395,650)                         | 45,118    | (350,532)   |  |
| Consolidated balance sheet as at 1 January 2014         Property, plant and equipment       109,802,463       (99,612)       109,702,851         Other reserves       (407,321)       (67,687)       (475,008)         Retained profits       31,935,859       (2,042)       31,933,817         Non-controlling interests       2,600,358       (29,883)       2,570,475         Consolidated statement of cash flows for the financial year ended 31 December 2015         Net cash flows generated from operating activities       5,581,230       (213,032)       5,368,198   | Retained profits  | 26,915,424                        | 1,005,019 | 27,920,443  |  |
| Property, plant and equipment       109,802,463       (99,612)       109,702,851         Other reserves       (407,321)       (67,687)       (475,008)         Retained profits       31,935,859       (2,042)       31,933,817         Non-controlling interests       2,600,358       (29,883)       2,570,475         Consolidated statement of cash flows for the financial year ended 31 December 2015         Net cash flows generated from operating activities       5,581,230       (213,032)       5,368,198   | Non-controlling interests   | 2,441,934                         | 450,058   | 2,891,992   |  |
| Other reserves         (407,321)         (67,687)         (475,008)           Retained profits         31,935,859         (2,042)         31,933,817           Non-controlling interests         2,600,358         (29,883)         2,570,475           Consolidated statement of cash flows for the financial year ended 31 December 2015           Net cash flows generated from operating activities         5,581,230         (213,032)         5,368,198  | Consolidated balance sheet as at 1 January 2014                     |                                   |           |             |  |
| Retained profits         31,935,859         (2,042)         31,933,817           Non-controlling interests         2,600,358         (29,883)         2,570,475           Consolidated statement of cash flows for the financial year ended 31 December 2015           Net cash flows generated from operating activities         5,581,230         (213,032)         5,368,198  | Property, plant and equipment                                       | 109,802,463                       | (99,612)  | 109,702,851 |  |
| Retained profits         31,935,859         (2,042)         31,933,817           Non-controlling interests         2,600,358         (29,883)         2,570,475           Consolidated statement of cash flows for the financial year ended 31 December 2015           Net cash flows generated from operating activities         5,581,230         (213,032)         5,368,198  | Other reserves  | (407,321)                         | (67,687)  | (475,008)   |  |
| Consolidated statement of cash flows for the financial year ended 31 December 2015  Net cash flows generated from operating activities 5,581,230 (213,032) 5,368,198   | Retained profits  | 31,935,859                        | (2,042)   | 31,933,817  |  |
| ended 31 December 2015  Net cash flows generated from operating activities 5,581,230 (213,032) 5,368,198   | Non-controlling interests   | 2,600,358                         | (29,883)  | 2,570,475   |  |
|  | -   |                                   |           |             |  |
| Net cash flows used in investing activities (4 571 927) 213 032 (4 358 895)  | Net cash flows generated from operating activities                  | 5,581,230                         | (213,032) | 5,368,198   |  |
| 1,01 1,721   | Net cash flows used in investing activities                         | (4,571,927)                       | 213,032   | (4,358,895) |  |

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

#### 35 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 or later periods and which the Group has not early adopted:

- Amendments to FRS 27: Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 107: Financial Instruments: Disclosures (effective for annual periods beginning on or after 1
  January 2016)
- Amendment to FRS 19: Employee Benefits (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or
  Joint Venture (the mandatory effective date of this amendment had been revised from 1 January 2016 to a date
  to be determined by the Accounting Standards Council in December 2015 via Amendments to Effective Date of
  Amendments to FRS 110 and FRS 28).
- Amendments to FRS 1: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016)
- FRS 115: Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)
- FRS 109: Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

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

#### 36 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 21 March 2016.

# USE OF PROCEEDS FROM ISSUE OF CONVERTIBLE BONDS ("BONDS")

On 27 April 2015, the Company issued convertible bonds with a nominal value of \$5 million bearing interest rate at 8% per annum. All or any parts 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.

| Gross Proceeds from covertible bonds Less: expenses Net Proceeds                                 | 5,000,000<br>(100,000)<br>4,900,000 |
|--|-------------------------------------|
| As at the date of this report, the total proceeds of \$5 million were fully utilized as follows: |                                     |
| <u>Use of Proceeds</u>   |                                     |
| Repayment of short term bank borrowings     Working capital purposes for the Group               | 2,450,000                           |
| a) Suppliers   | 1,250,000                           |
| b) Service Contractors   | 1,200,000                           |
| Total  | 4,900,000                           |

## SHAREHOLDING STATISTICS

as at 16 March 2016

 Issued and fully paid
 : \$\$50,127,342.00

 Number of shares
 : 135,010,406

Number of Treasury Shares 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 16 March 2016, 44.06% 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                 | 14                  | 0.72   | 600           | _      |
| 100 - 1,000            | 105                 | 5.44   | 65,900        | 0.05   |
| 1,001 - 10,000         | 1,025               | 53.14  | 5,064,425     | 3.75   |
| 10,001 - 1,000,000     | 770                 | 39.92  | 40,167,075    | 29.75  |
| 1,000,001 and above    | 15                  | 0.78   | 89,712,406    | 66.45  |
|                        | 1,929               | 100.00 | 135,010,406   | 100.00 |

#### **TOP 20 SHAREHOLDERS**

| No. | Name of Shareholder                        | No. of Shares | %     |
|-----|--|---------------|-------|
| 1   | DDW-PAXOCEAN ASIA PTE LTD                  | 23,368,706    | 17.31 |
| 2   | CHAN KWAN BIAN                             | 20,384,575    | 15.10 |
| 3   | CHUA BENG KUANG                            | 9,066,875     | 6.71  |
| 4   | CHUA MENG HUA                              | 8,829,875     | 6.54  |
| 5   | CHUA BENG HOCK                             | 6,329,875     | 4.69  |
| 6   | CHUA BENG YONG                             | 6,329,875     | 4.69  |
| 7   | YEO CHUNG SUN                              | 3,250,000     | 2.41  |
| 8   | MAYBANK KIM ENG SECURITIES PTE LTD         | 2,578,575     | 1.91  |
| 9   | OCBC SECURITIES PRIVATE LTD                | 1,690,350     | 1.25  |
| 10  | LIM CHEE SAN                               | 1,656,000     | 1.23  |
| 11  | TAY YEW CHONG                              | 1,521,250     | 1.13  |
| 12  | RAFFLES NOMINEES (PTE) LTD                 | 1,317,825     | 0.98  |
| 13  | CIMB SECURITIES (S) PTE LTD                | 1,160,325     | 0.86  |
| 14  | CHUA WUI WUI                               | 1,125,000     | 0.83  |
| 15  | MORGAN STANLEY ASIA (S) SECURITIES PTE LTD | 1,103,300     | 0.82  |
| 16  | UNITED OVERSEAS BANK NOMINEES PTE LTD      | 921,050       | 0.68  |
| 17  | DBS NOMINEES PTE LTD                       | 898,800       | 0.66  |
| 18  | CHANG THIAM HUI                            | 850,000       | 0.63  |
| 19  | UOB KAY HIAN PTE LTD                       | 716,000       | 0.53  |
| 20  | CHUAH LAM SIANG                            | 700,000       | 0.52  |
|     |  | 93,798,256    | 69.48 |

## SHAREHOLDING STATISTICS

as at 16 March 2016

#### SUBSTANTIAL SHAREHOLDERS

|                                   | Direct Interest  |       | Deemed Interest  |       |  |
|-----------------------------------|------------------|-------|------------------|-------|--|
|                                   | Number of Shares | %     | Number of Shares | %     |  |
| Chua Beng Kuang                   | 9,066,875        | 6.71  | _                | _     |  |
| Chua Meng Hua                     | 8,829,875        | 6.54  | _                | _     |  |
| DDW-PaxOcean Asia Pte. Ltd.       | 23,772,006       | 17.61 | _                | _     |  |
| PaxOcean Holdings Pte. Ltd. (1)   | _                | _     | 23,772,006       | 17.61 |  |
| Kuok (Singapore) Limited (2)      | _                | _     | 23,772,006       | 17.61 |  |
| Drydocks World LLC (3)            | _                | _     | 23,772,006       | 17.61 |  |
| Drydocks & Maritime World LLC (4) | _                | _     | 23,772,006       | 17.61 |  |
| Dubai World Holdings Limited (5)  | _                | _     | 23,772,006       | 17.61 |  |
| Chan Kwan Bian                    | 20,384,575       | 15.10 | _                | _     |  |

#### Notes:

- PaxOcean Holdings Pte. Ltd. has a 67% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, PaxOcean Holdings Pte. Ltd. is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- (2) Kuok (Singapore) Limited is the holding company of PaxOcean Holdings Pte. Ltd. PaxOcean Holdings Pte. Ltd. has a 67% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, Kuok (Singapore) Limited is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- Drydocks World LLC has a 33% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, Drydocks World LLC is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- (4) Drydocks & Maritime World LLC is the shareholder of Drydocks World LLC. Drydocks World LLC has a 33% stake in DDW-PaxOcean Asia Pte. Ltd..

  Therefore, Drydocks & Maritime World LLC is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- Dubai World Holdings Limited is the shareholder of Drydocks & Maritime World LLC. Drydocks & Maritime World LLC is the shareholder of Drydocks World LLC. Drydocks World LLC has a 33% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, Dubai World Holdings Limited is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.

**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 Thursday, 28 April 2016 at 11.00 a.m., for the purpose of transacting the following businesses:-

#### AS ORDINARY BUSINESS

- To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended (Resolution 1)
   31 December 2015 together with the Auditors' Report thereon.
- 2. To re-elect Mr Chua Beng Kuang as a Director retiring pursuant to Regulation 107 of the Company's **(Resolution 2)** Constitution.
- 3. To re-elect Mr Goh Chee Wee as a Director retiring pursuant to Regulation 107 of the Company's (Resolution 3) Constitution.

[See Explanatory Note 1]

- 4. To approve the payment of Directors' fees of S\$106,900 (2014: S\$103,900) for the financial year (**Resolution 4**) ended 31 December 2015.
- 5. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to **(Resolution 5)** authorise the Directors to fix their remuneration.

#### **AS SPECIAL BUSINESS**

6. 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 6)

"That pursuant to Section 161 of the Companies Act, Cap. 50, and the listing rules of the Singapore Exchange Securities Trading Limited, 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 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 of the Company (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of awards outstanding or subsisting at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or on the date by which the next AGM is required by law to be held, whichever is the earlier."

[See Explanatory Note 2]

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

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

(Resolution 7)

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

[See Explanatory Note 3]

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

## Renewal of Shareholders' Mandate for Interested Person Transactions

(Resolution 8)

"That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into any of the transactions falling within the types of interested person transactions set out in the addendum to this Annual Report dated 11 April 2016 (the "Addendum") with any party who is of the class of interested persons described in Addendum provided that such transactions are on normal commercial terms, not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such interested person transactions (the "Shareholders' Mandate");
- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company, and
- (c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution."

[See Explanatory Note 4]

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

BY ORDER OF THE BOARD

Wee Woon Hong Srikanth Rayaprolu Company Secretaries

Singapore

11 April 2016

#### Notes:

- (i) A member of the Company entitled to attend and vote at the above meeting may appoint not more than two proxies to attend and vote instead of him.
- (ii) Where a member appoints two 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.
- (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:

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

#### **Explanatory notes:**

- 1. Mr Goh Chee Wee will, upon re-election as a Director, remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees of the Company, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual.
- 2. The proposed Ordinary Resolution 6, if passed, will authorise the Directors of the Company to issue shares up to 50% of the Company's issued share capital, 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.
- 3. The proposed Ordinary Resolution 7, if passed, will empower the Directors to offer and grant awards under BKM PSP (as from time to time amended, modified or supplemented), which was approved at the extraordinary general meeting of the Company on 27 April 2009, and to allot and issue shares in the capital of the Company, pursuant to the vesting of the awards under BKM PSP provided that the aggregate number of Shares to be issued under BKM PSP, when aggregated with Shares to be issued under any other existing share schemes of the Company, does not exceed 15 per cent. of the total number of issued Shares excluding treasury shares of the Company for the time being.
- 4. The proposed Ordinary Resolution 8, if passed, will authorise the interested person transactions as described in the Addendum and recurring in the year and will empower the Directors of the Company, from the date of this Annual General Meeting until the date the next Annual General Meeting is to be held or is required by law to be held, whichever is the earlier, to do all acts necessary to give effect to the Shareholders' Mandate. The rationale for and categories of interested person transactions pursuant to the Shareholders' Mandate are set out in greater detail in the Addendum accompanying this Notice.

## **ADDENDUM**

Dated 11 April 2016

This Addendum is circulated to Shareholders of Beng Kuang Marine Limited (the "Company") together with the Company's Annual Report. Its purpose is to explain to Shareholders the rationale and provide information to the Shareholders for proposed renewal of the Shareholders' Mandate for Interested Person Transactions to be tabled at the Annual General Meeting to be held on 28 April 2016 at 11.00 a.m. at 55 Shipyard Road, Singapore 628141. The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

If you are in any doubt as to the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately. If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Notice of Annual General Meeting and the enclosed Proxy Form to the purchaser or the transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Addendum.



## **BENG KUANG MARINE LIMITED**

(Incorporated in the Republic of Singapore) (Company Registration Number: 199400196M)

#### **ADDENDUM**

in relation to

THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

#### **DEFINITIONS**

In this Addendum, the following definitions apply throughout unless otherwise stated:-

"Act" : The Companies Act (Chapter 50) of Singapore

"AGM" : The annual general meeting of the Company

"Board" or "Directors" : The directors of the Company as at the date of this Addendum

"CDP" : The Central Depository (Pte) Limited of Singapore

"Company" : Beng Kuang Marine Limited

"Controlling Shareholder" : A person who has an interest in the Shares of an aggregate of not less than 15%

of the total votes attached to all the Shares, or in fact exercises control over the

Company

"DDW-PA" : DDW-PaxOcean Asia Pte. Ltd. (formerly known as Drydocks World-Southeast Asia

Pte. Limited)

"DDW LLC" : Drydocks World LLC

"DDW LLC Group" : Drydocks World LLC and its existing subsidiaries and associated companies,

together with any of their respective future subsidiaries which may be newly set up

or to be acquired by them from time to time

"DPSPL" : DDW-PaxOcean Shipyard Pte. Ltd. (formerly known as Drydocks World – Singapore

Pte. Ltd.)

"Group" : The Company and its subsidiaries

"Hwah Hong" : Hwah Hong Transportation Pte. Ltd.

"Interested Person" : A director, chief executive officer or controlling shareholder of the listed company or

an associate of such director, chief executive officer or controlling shareholder

"Interested Person Transaction" : Transactions proposed to be entered into between the Group and any interested

person

"KSL" : Kuok (Singapore) Limited

"Latest Practicable Date" : 16 March 2016, being the latest practicable date prior to the printing of this

Addendum

"Listing Manual" : The listing manual of the SGX-ST

"NTA" : Net tangible assets

"PaxOcean" : PaxOcean Holdings Pte. Ltd. (formerly known as PaxOcean Shilbuilding Pte. Ltd.)

"Securities Account" : Securities account maintained by a Depositor with CDP

"SGX-ST" : Singapore Exchange Securities Trading Limited

"Shares" : Ordinary shares in the capital of the Company

"Shareholders" : Registered holders of Shares, except that where the registered holder is CDP, the

term "Shareholders" shall, where the context admits, mean the Depositors whose

Securities Accounts are credited with Shares

"Shareholders' Mandate" : The shareholders' general mandate pursuant to Chapter 9 permitting the Company, its subsidiaries and associated companies or any of them, to enter into certain

types of recurrent transactions of a revenue or trading nature necessary for dayto-day operations with specific classes of Interested Persons, which was approved by Shareholders at the extraordinary general meeting held on 7 August 2013 and

renewed at the AGM held on 28 April 2015

"Substantial Shareholder" : A person who owns directly or indirectly 5% or more of the total share capital in the

Company or in a company, as the case may be

"S\$" or "\$" and "cents" : Singapore dollars and cents, respectively

"%" or "per cent" : Per centum or percentage

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the same meanings ascribed to them respectively in 81SF of Securities and Futures Act (Chapter 289) of Singapore or any statutory modification thereof, as the case may be.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

Any reference in this Addendum to any enactment is a reference to that enactment as for the time being amended or reenacted. Any word defined under the Act, the Listing Manual or any modification thereof and not otherwise defined in this Addendum shall have the same meaning assigned to it under the Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Addendum is made by reference to Singapore time unless otherwise stated.

#### **BENG KUANG MARINE LIMITED**

(Incorporated in the Republic of Singapore) (Company Registration Number: 199400196M)

| Directors                                 | Registered Office |
|---|-------------------|
| Mr Chua Beng Kuang (Executive Chairman)   | 55 Shipyard Road  |
| Mr Chua Meng Hua (Managing Director)      | Singapore 628141  |
| Mr Yong Thiam Fook (Executive Director)   |                   |
| Mr Kwek Kok Beng (Non-Executive Director) |                   |
| Mr Goh Chee Wee (Independent Director)    |                   |
| Dr Wong Chiang Yin (Independent Director) | 11 April 2016     |
|   |                   |

To: The Shareholders of Beng Kuang Marine Limited

Dear Sir/Madam

#### 1. INTRODUCTION

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its unlisted subsidiaries or unlisted associated companies proposes to enter with an interested person of the listed company. An "interested person" is defined as a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations which may be carried out with the listed company's interested persons, but not the purchase or sale of assets, undertakings or businesses provided such transactions are entered into at arm's length basis and on normal commercial terms and are not prejudicial to the interests of the listed company and its minority shareholders.

The current Shareholders' Mandate, which was last renewed by the Shareholders during the AGM held on 28 April 2015, will continue to be in force until the forthcoming AGM. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the forthcoming AGM.

The purpose of this Addendum is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval to renew the Shareholders' Mandate at the forthcoming AGM which is scheduled to be held on 28 April 2016.

General information relating to Chapter 9 of the Listing Manual, including the meanings of terms such as "interested person", "associate", "associated company" and "controlling shareholder", are set out in the annexure of this Addendum.

#### 2. SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

### 2.1 Categories of Interested Persons

The renewed Shareholders' Mandate will apply to the transactions (as defined below) with:-

(a) KSL, its existing subsidiaries and associated companies together with any of their respective future subsidiaries and associated companies which may be newly set up or to be acquired by them from time to time (collectively, "Kuok Group");

- (b) DDW LLC, its existing subsidiaries and associated companies, including DPMPL and its subsidiaries and DPSPL and its subsidiaries, together with any of their respective future subsidiaries which may be newly set up or to be acquired by them from time to time (collectively, "DDW LLC Group"); and
- (c) Hwah Hong.

Prior to the Acquisition (as defined below), DDW LLC owned the entire issued share capital of DDW-PA. DDW-PA is the Company's Controlling Shareholder, which holds approximately 17.3% of the issued share capital of the Company as at the Latest Practicable Date.

DDW LLC and PaxOcean had on 26 September 2012 entered into a shareholders' agreement in respect of DDW-PA and its subsidiaries, pursuant to which, PaxOcean acquired and subscribed for 67% of the shareholding interest of DDW-PA while 33% shareholding interest remained with DDW LLC (the "Acquisition").

By virtue of PaxOcean's effective interest of 67% in DDW-PA, PaxOcean, together with its holding company, KSL and their respective subsidiaries and associated companies are deemed as Interested Persons of the BKM Group for the purpose of Chapter 9 of the Listing Manual. By virtue of DDW LLC's effective interest of 33% in DDW-PA, DDW LLC Group remained as an Interested Person of the Group for the purpose of Chapter 9 of the Listing Manual.

Mr Chua Beng Hock, who is an Executive Officer of the Group and the brother of Mr Chua Beng Kuang (Executive Chairman), Mr Chua Meng Hua (Managing Director) and Mr Chua Beng Yong (Executive Officer), has an equity interest of approximately 65% in Hwah Hong as at the Latest Practicable Date. Accordingly, Hwah Hong is deemed as an Interested Person of the Company for the purposes of Chapter 9 of the Listing Manual.

Transactions with the Kuok Group, the DDW LLC Group, Hwah Hong or any other Interested Person of the Group that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

#### 2.2 Categories of Interested Persons Transactions

The interested Person Transactions with the Kuok Group, the DDW LLC Group and/or Hwah Hong which will be covered by the Shareholders' Mandate ("Mandate Transactions") include the following:

- (a) the provision of corrosion prevention services and infrastructure engineering services to the Kuok Group and the DDW LLC Group;
- (b) the engagement of services and sub-contract work from the Kuok Group and the DDW LLC Group to fulfill the contractual commitments relating to the infrastructure engineering projects including but not limited to pipe fabrication services and steel welding services, and the purchase of items necessary from the Kuok Group and the DDW LLC Group to carry out such work including, but not limited to, steel materials, angle bars and electrodes;
- (c) the supply of hardware equipment and tools (such as electrode holders, welding cables, wire brushes) and other consumables (such as electrodes and gloves) to the Kuok Group and the DDW LLC Group;
- (d) the engagement of sea transportation services from the Kuok Group and the DDW LLC Group;
- (e) the engagement of lorry and crane services from Hwah Hong; and
- (f) the hire of heavy lift or specialised marine vessels from the Kuok Group.

The Shareholders' Mandate will not cover any Mandate Transaction that is below \$\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions. Interested Person Transactions entered or to be entered into by the Group that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

#### 2.3 Rationale for and Benefits of the Shareholders' Mandate

The Mandate Transactions are entered into or are to be entered into by the Group in its ordinary course of business. The Mandate Transactions are recurring transactions which are likely to occur with some degree of frequency and may arise at any time and from time to time. The Directors are of the view that it will be beneficial to the Group to transact with the Kuok Group, the DDW LLC Group and/or Hwah Hong. It is intended that the Mandate Transactions shall continue in the future as long as the Kuok Group, the DDW LLC Group and/or Hwah Hong (as the case may be) are Interested Persons of the Group and so long as the transactions are at arm's length basis and on normal commercial terms and are not prejudicial to the Company and the minority Shareholders.

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to announce and/or convene separate general meetings on each occasion in order to seek Shareholders' prior approval for the entry by the Group into Mandate Transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficiency, and allow resources and time of the Group to be focused towards other corporate and business opportunities.

The Shareholders' Mandate is intended to facilitate the Mandate Transactions, provided that they are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the Company and the minority Shareholders.

#### 2.4 Review Procedures for Mandate Transactions

To ensure that Mandate Transactions are undertaken at arm's length basis and on normal commercial terms and are consistent with the Group's usual business practices and policies, which are generally no more favourable to the Kuok Group, the DDW LLC Group and/or Hwah Hong than those extended to unrelated third parties, we will adopt the specific guidelines and procedures as set out below:-

- (i) All Mandate Transactions of which are S\$100,000 and above in value shall not be entered into unless the terms are determined as follows:
  - (a) In relation to the sale of products to the Kuok Group and the DDW LLC Group, the selling price or fee shall not be more favourable to the Kuok Group and the DDW LLC Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship and potential for future repeated business;
  - (b) In relation to the supply of services to the Kuok Group and the DDW LLC Group, the fee shall not be more favourable to the Kuok Group and the DDW LLC Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors as mentioned in (a) above and additional factors such as the type of facilities available and material requirements; and
  - (c) In relation to the purchase of items and the engagement of services or hire of marine vessels from the Kuok Group and the DDW LLC Group and/or Hwah Hong, the Group shall obtain two other quotations from non-Interested Persons for comparison. The purchase price or fee shall not be less favourable to the Group than the most competitive price or fee of the other quotations from non-Interested Persons. In determining the most competitive price or fee, non-price factors such as quality, delivery time, credit terms granted and track record will be taken into account.

- (ii) In the event that it is not possible for external quotations to be obtained (for instance, if there is no unrelated third party who is able to provide the same products or perform the same function) or there are no relevant successful sales of products or services to unrelated third party customers for the comparison, the Group will adopt the following procedures to determine whether the prices or fees offered by or to the Kuok Group, the DDW LLC Group and/or Hwah Hong are in accordance with the industry norms, at arm's length basis and on normal commercial terms:-
  - (a) For purchases of products and/or engagement of services from the Kuok Group, the DDW LLC Group and/or Hwah Hong, the purchase price must be no less favourable to the Group than that charged by the Kuok Group, DDW LLC Group and/or Hwah Hong to their other unrelated customers after taking into consideration other non-price factors such as quality, delivery time, track record, and credit terms granted. We will obtain from the Kuok Group, the DDW LLC Group, Hwah Hong and elsewhere, the necessary evidence to satisfy ourselves that the basis set out herein have been adhered to in the purchases from them. We will also consider the cost and benefits of such transactions to the Group; and
  - (b) For sale of products and services to the Kuok Group and the DDW LLC Group, the price charged by the Group shall be determined in accordance with the Group's usual business practices and consistent with the Group's profit margin to be obtained by the Group for the same or substantially the same products and services after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship, type of working facilities and equipment available, scope of supply of materials and potential for future repeat business.
- (iii) In addition, the following review and approval procedures will be implemented by the Group:-
  - (a) Any Mandate Transaction which equals or exceeds more than S\$100,000 but less than or equal to 3% of the Group's latest audited NTA in value will be reviewed and approved by either a Director, the Financial Controller or an Executive Officer of the Group (each of whom shall not be an Interested Person in respect of the particular transaction) prior to entering into the transaction; and
  - (b) Any Mandate Transaction which exceeds 3% of the Group's latest audited NTA in value will be reviewed and approved by the Audit Committee prior to entering into the transaction.
- (iv) The Group has also implemented the following procedures for the identification of Interested Persons and the recording of Interested Person Transactions (including the Mandate Transactions):-
  - (a) The Company will maintain a list of Interested Persons (which is to be updated immediately if there are any changes), and disclose the list to relevant key personnel of each subsidiary to enable identification of Interested Persons. The master list of Interested Persons which is maintained shall be reviewed on at least a quarterly basis; and
  - (b) The Company will maintain a register of transactions carried out with Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into).
- (v) The Audit Committee will review the Interested Person Transactions on at least a quarterly basis as part of its standard procedures while examining the adequacy of the Group's internal controls including those relating to Interested Person Transactions. The Board will also ensure that all disclosures, approvals and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.
- (vi) In the event that the Chief Financial Officer, Executive Officer, Director or a member of the Audit Committee (where applicable) is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction. The Board will also ensure that all disclosure requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

(vii) The Audit Committee shall review from time to time the above guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that Mandate Transactions are conducted at arm's length basis and on normal commercial terms and are not prejudicial to the Company and the minority Shareholders. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the guidelines and procedures as stated above are inappropriate or are not sufficient to ensure that the Mandate Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to the Company and the minority Shareholders, the Company will (pursuant to the Listing Manual) revert to Shareholders for a fresh mandate based on new guidelines and procedures.

#### 2.5 Audit Committee's Statements

- (a) The independent Directors from the Audit Committee have reviewed the terms of the Shareholders' Mandate and are satisfied that the review procedures for the Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that the Interested Person Transactions will be made with the relevant categories of Interested Persons at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Independent Directors from the Audit Committee confirm that the methods and procedures for determining the transaction prices have not changed since the last Shareholders' approval which took place on 28 April 2015.
- (b) If, during the periodic reviews by the Audit Committee, the Independent Directors from the Audit Committee are of the view that the established guidelines and procedures are not sufficient to ensure that the Interested Person Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with the Interested Persons.

### 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the capital of the Company as at the Latest Practicable Date are as follows:-

|   | Direct In  | terest | Deemed Interest |       |
|---|------------|--------|-----------------|-------|
|   | Number of  |        | Number of       |       |
|   | Shares     | %      | Shares          | %     |
| Directors                                       |            |        |                 |       |
| Chua Beng Kuang                                 | 9,066,875  | 6.72   | _               | _     |
| Chua Meng Hua                                   | 8,829,875  | 6.54   | _               | _     |
| Yong Thiam Fook                                 | 64,000     | 0.05   | _               | _     |
| Kwek Kok Beng                                   | _          | _      | _               | _     |
| Goh Chee Wee                                    | _          | _      | _               | _     |
| Dr Wong Chiang Yin                              | 25,000     | 0.02   | _               | _     |
| Substantial Shareholders (other than Directors) |            |        |                 |       |
| Chan Kwan Bian                                  | 20,384,575 | 15.10  | _               | _     |
| DDW-PaxOcean Asia Pte. Ltd.                     | 23,368,706 | 17.31  | _               | _     |
| PaxOcean Holdings Pte. Ltd (1)                  | _          | _      | 23,368,706      | 17.31 |
| Kuok (Singapore) Limited (2)                    | _          | _      | 23,368,706      | 17.31 |
| Drydocks World LLC (3)                          |            |        | 23,368,706      | 17.31 |
| Drydocks & Maritime World LLC (4)               | _          | _      | 23,368,706      | 17.31 |
| Dubai World Holdings Limited (5)                | _          | _      | 23,368,706      | 17.31 |

#### Notes:

- PaxOcean Holdings Pte. Ltd. has a 67% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, PaxOcean Holdings Pte. Ltd. is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- (2) Kuok (Singapore) Limited is the holding company of PaxOcean Holdings Pte. Ltd. PaxOcean Holdings Pte. Ltd. has a 67% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, Kuok (Singapore) Limited is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- Drydocks World LLC has a 33% stake in DDW-PaxOcean Asia Pte. Ltd. Therefore, Drydocks World LLC is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- Drydocks & Maritime World LLC is the shareholder of Drydocks World LLC. Drydocks World LLC has a 33% stake in DDW-PaxOcean Asia Pte. Ltd. Therefore, Drydocks & Maritime World LLC is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- Dubai World Holdings Limited is the shareholder of Drydocks & Maritime World LLC. Drydocks & Maritime World LLC is the shareholder of Drydocks World LLC. Drydocks World LLC has a 33% stake in DDW-PaxOcean Asia Pte. Ltd. Therefore, Dubai World Holdings Limited is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.

In the event that any of the above Directors and Substantial Shareholders is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction.

#### 4. APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the Shareholders' Mandate is sought at the AGM. The resolution relating to the proposed renewal of the Shareholders' Mandate is contained in the Notice of AGM as Ordinary Resolution 8.

As Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions, each of the interested persons referred to in paragraph 2.1 of this Addendum together with their associates who are shareholders of the Company shall abstain from voting in respect of Ordinary Resolution 8 at the AGM to be held on 28 April 2016.

#### 5. DIRECTORS' RECOMMENDATION

The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Mr Yong Thiam Fook, Mr Goh Chee Wee and Dr Wong Chiang Yin (the "Independent Directors"). The Independent Directors are of the opinion that the entry into the Interested Person Transactions by the Group in the ordinary course of business will enhance the efficiency of the Group and is in the best interests of the Company. For reasons set out in paragraph 2.3 of this Addendum, the Independent Directors recommend that Shareholders vote in favour of Ordinary Resolution 8, being the resolution relating to the proposed renewal of the Shareholders' Mandate at the forthcoming AGM.

#### 6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors who collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Addendum constitutes full and true disclosure of all material facts about the proposed renewal of Shareholders' Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Addendum misleading. Where information in this Addendum has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Addendum in its proper form and context.

#### 7. INSPECTION OF DOCUMENTS

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2014 and 31 December 2015 are available for inspection at the registered office of the Company at during normal business hours from the date of the Addendum up to the date of AGM.

Yours faithfully
For and on behalf of the Board of Directors

Chua Beng Kuang Executive Chairman

#### GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

#### **SCOPE**

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries (other than a subsidiary that is listed on an approved stock exchange) or associated companies (other than an associated company that is listed on an approved stock exchange or over which the listed group and/or its interested person(s) has no control) proposes to enter into a counter-party who is an interested person of the listed company.

#### **DEFINITIONS**

An "interested person" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

An "associate" means:-

- (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:-
  - (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or it's a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

An "associated company" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.

A "controlling shareholder" means a person who holds (directly or indirectly) 15% or more of the nominal amount of all voting shares in the listed company or one who in fact exercises control over its listed company.

#### **GENERAL REQUIREMENTS**

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement, or, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated NTA), are reached or exceeded. In particular, shareholders' approval is required where:

(a) the value of such transaction is equal to or exceeds 5% of the latest audited consolidated NTA of the group; or

(b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 5% of the latest audited consolidated NTA of the group. However, a transaction which has been approved by shareholders, or is the subject approved by shareholders, need not be included in any subsequent aggregation.

Immediate announcement of a transaction is required where:

- (a) the value of such transaction is equal to or exceeds 3% of the latest audited consolidated NTA of the group, or
- (b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 3% of the latest audited consolidated NTA of the group.

The above requirements for immediate announcement and for shareholders' approval do not apply to any transaction below \$100,000.

#### **GENERAL MANDATE**

A listed company may seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.





## BENG KUANG MARINE LIMITED

(Registration No.: 199400196M) (Incorporated in the Republic of Singapore)

| 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

| Pro   | xy Form  |                      | member is deemed to h<br>terms set out in the Not | ave accepted | and agreed to the pe | rsonal data privacy |
|-------|--|----------------------|---|--------------|----------------------|---------------------|
| ANNU  | IAL GENERAL MEETING  | L                    |   |              |                      |                     |
| I/We* | (Name) N   | RIC/Passport/Cor     | npany Registrati                                  | on No.*_     |                      |                     |
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| being | a shareholder/shareholders of <b>BENG KUANG</b>  | i MARINE LIMITE      | <b>D</b> (the "Compar                             | ny") herek   | y appoint:           |                     |
| Nam   | 9  | NRIC/Passpor         | t Number  | Prop         | ortion of Sha        | reholdings          |
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| and/o | · *  |                      |   | l            |                      |                     |
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|       | Please tick here if more than two proxies will intermediaries such as banks and capital mature olutions put to the vote at the AGM shall be decreased. | arkets services lice | nce holders whi                                   |              |                      |                     |
| 140.  | Resolu   | 10113                |   |              | Votes For **         | Votes               |
|       |  |                      |   |              |                      | Against**           |
| 1.    | Adoption of Directors' Report and Audited A December 2015  | Accounts for the f   | inancial year end                                 | ded 31       |                      |                     |
| 2.    | Re-election of Mr Chua Beng Kuang as a Dir   | rector               |   |              |                      |                     |
| 3.    | Re-election of Mr Goh Chee Wee as a Direct   |                      |   |              |                      |                     |
| 4.    | Approval of Directors' Fees for the financial  | year ended 31 De     | ecember 2015                                      |              |                      |                     |
| 5.    | Re-appointment of Messrs Nexia TS Public A authorise the Directors to fix their remunerate   |                      | oration as Audito                                 | ors and      |                      |                     |
| 6.    | Authority to allot and issue of shares   |                      |   |              |                      |                     |
| 7.    | Authority to grant awards and to allot and is  | ssue shares under    | BKM PSP   |              |                      |                     |
| 8.    | Renewal of Shareholders' Mandate for Intere  | ested Person Tran    | sactions  |              |                      |                     |
| **    | Delete accordingly<br>f you wish to exercise all your votes "For" or "<br>natively, please indicate the number of votes a                              |                      | indicate with a t                                 | ick (√) wit  | hin the box pr       | ovided. Alter       |
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|       |  |                      |   | Tota         | l Number of St       | nares held          |



Signature(s) of Shareholder(s)/or Common Seal of Corporate Shareholder

#### 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 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 entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
- 3. 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. 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.
- 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 meeting.
- 5. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
- 6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of 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, Cap. 50.
- 9. 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 meeting, as certified by the Depository to the Company.





## BENG KUANG MARINE LIMITED

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