



ANNUAL REPORT

2019

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report including the correctness of any of the statements or opinions made or reports contained in this annual report. The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

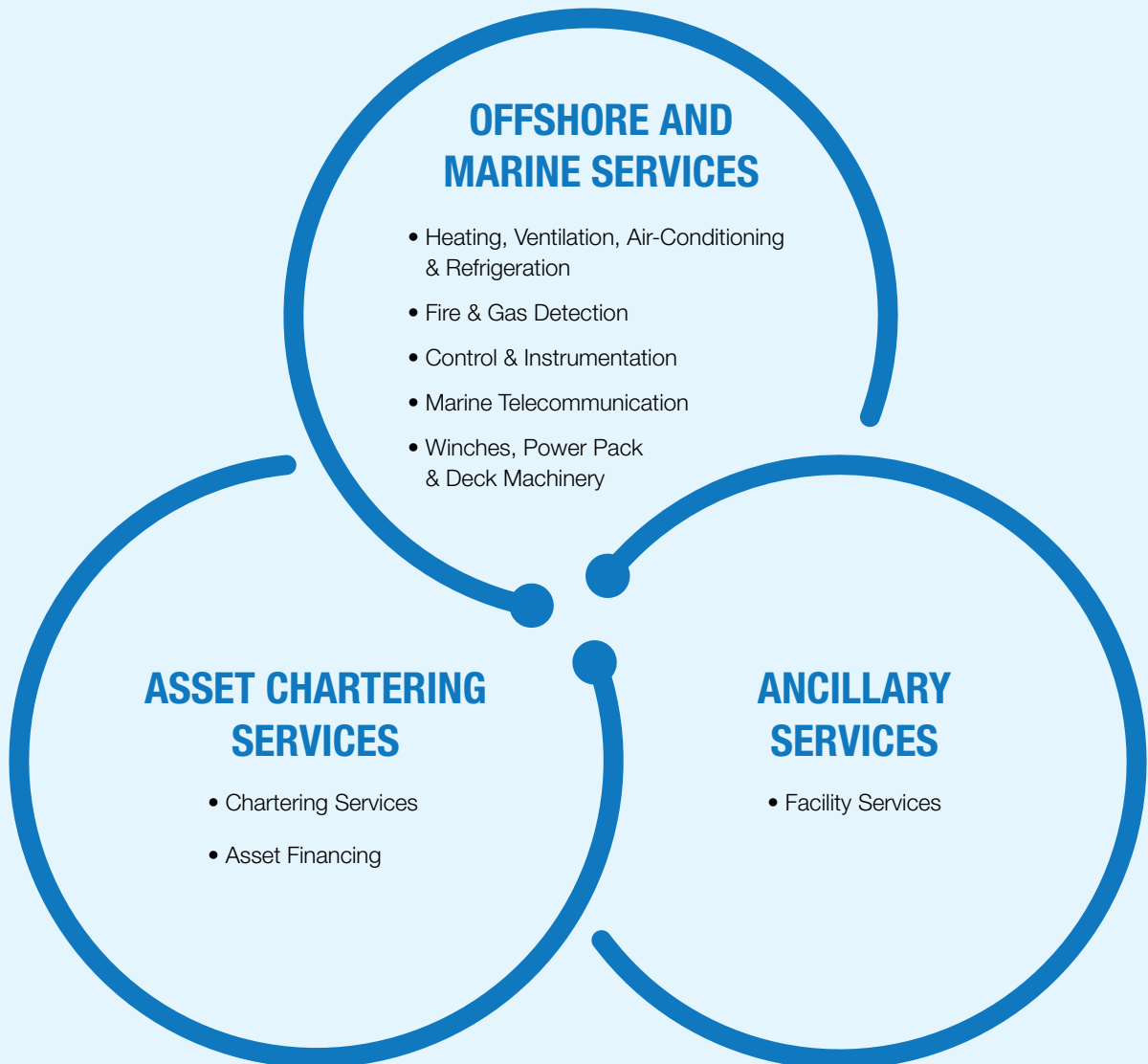
Our Business

Viking Offshore and Marine Limited is listed on the Catalist Board of Singapore Exchange and based in Singapore with a presence in the Asian region and customers all over the world. Further complementing our regional presence, we have a network of service agents spanning the globe. Through our wholly owned subsidiaries, Viking provides offshore and marine system solutions to yards, vessels owners and oil majors around the world. The strength of our products and solutions lies in our robust engineering designs, superior project delivery and many track records over the years.

Our deep engineering and systems know-how, coupled with our years of experience, allow us to adapt our system solution to be portable for onshore and non-oil and gas-centric applications. Increasingly, our system solutions are being accepted and popularised beyond our oil and gas, and offshore and marine customers.

To strengthen our business with more stable and predictable earning streams, we made a strategic move into asset management services. We are constantly on the lookout for attractively valued assets and chartering them to customers from the offshore and marine, and oil and gas industry. As our value proposition, we offer tailored and creative solutions and structures that allow our customers the use of assets for their operational needs and to accommodate their financial capacity.

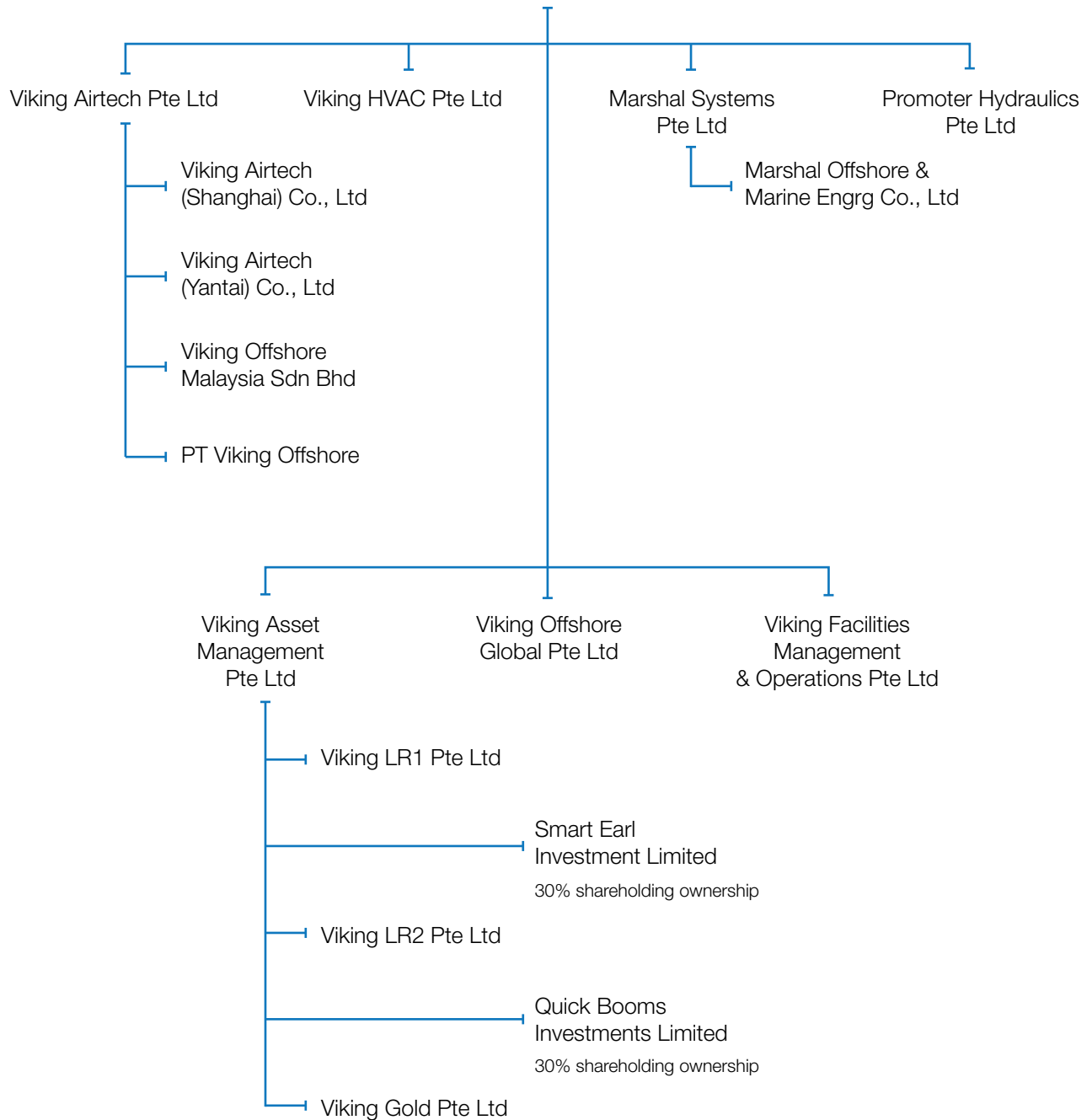
Viking's business is now cemented along two major pillars – offshore and marine services and asset chartering services.



Group Structure

Viking Offshore & Marine Limited

Listed on Singapore Exchange



Financial Summary

FINANCIAL PERFORMANCE (\$MILLION)

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------|-------|--------|--------|--------|--------|
| Revenue | 84.5 | 46.4 | 38.7 | 30.1 | 24 |
| Gross Profit | 23.9 | 18.8 | 15.4 | 11.5 | 8.4 |
| Gross Margin | 28% | 41% | 40% | 38% | 35% |
| Net Loss Before Tax | (9.9) | (17.1) | (13.5) | (28.2) | (32.1) |
| Net Loss After Tax | (9.4) | (15.9) | (13.2) | (28.0) | (32.0) |

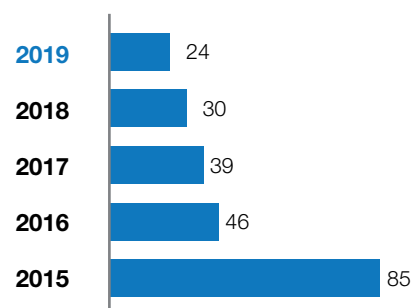
FINANCIAL POSITION (\$MILLION)

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------------------|-------|-------|-------|-------|--------|
| Total Assets | 171.4 | 146.5 | 130.1 | 101.8 | 73.8 |
| Total Liabilities | 81.0 | 71.6 | 65.2 | 64.8 | 69.0 |
| Shareholder's Equity | 90.4 | 74.9 | 64.9 | 37.0 | 4.8 |
| Net Current Assets/ (Liabilities) | 4.1 | 5.5 | 25.4 | 12.1 | (20.9) |
| Cash & Cash Equivalents | 7.5 | 4.7 | 6.1 | 3.6 | 2.4 |

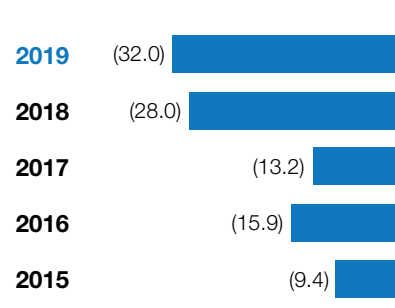
CASH FLOW (\$MILLION)

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------------|-------|-------|-------|-------|-------|
| Opening Cash Balance | 8.7 | 7.5 | 4.7 | 6.0 | 3.6 |
| Net Cash Flow From Operations | (6.7) | 2.6 | 3.0 | 2.0 | 0.2 |
| Net Cash Flow From Investing | (5.7) | (0.2) | - | - | - |
| Net Cash Flow From Financing | 10.8 | (5.2) | (1.6) | (4.6) | (1.4) |
| Ending Cash Balance | 7.5 | 4.7 | 6.1 | 3.6 | 2.4 |

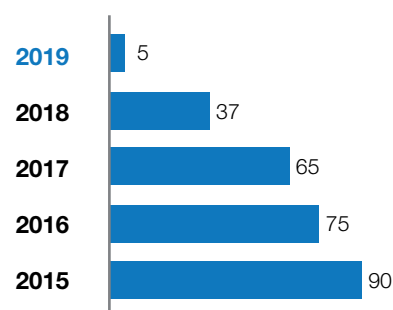
REVENUE (\$MILLION)



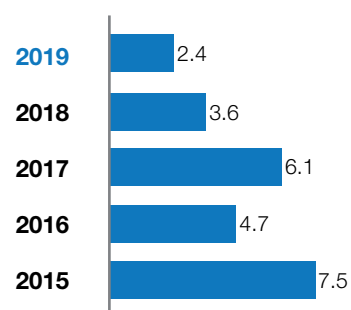
NET LOSS AFTER TAX (\$MILLION)



NET ASSETS (\$MILLION)



CASH AND EQUIVALENTS (\$MILLION)



Chairman and CEO's Report

Dear Shareholders

During the financial year ended 31 December ("FY") 2019, business conditions in the global offshore and marine industry remained difficult as a consequence of the prolonged market recovery, slow demand growth in the upstream and increasingly intense competitive pressures within the sector. Business sentiment was further dampened by continuing economic and geopolitical uncertainties worldwide.

To navigate this challenging business environment and sustain our business, our focus and direction for the year centred around:

- sustaining the Offshore and Marine Services business with a right-sized capacity and infrastructural support, and building up a stronger backlog and order book;
- maintaining liquidity for operational needs through prudent cost management and spending discipline;
- restructuring our financial debts and address creditors' concerns;
- seeking strategic investor(s) for fresh funds and business opportunities; and
- monetising our assets and improving receivables collection to unlock cashflow.

Operations Review

The seemingly gradual recovery in the industry has been sporadic and inconsistent. Without a clear industry outlook and direction, upstream demand continued to be weak and downstream flow-through lagging.

Offshore and Marine Services

With the newbuilds opportunity in the offshore sector significantly lacking, we focused our efforts on the marine vessel requirements and the supply of parts and services. This invariably resulted in a higher number of transactions of shorter tenure and smaller contract values, but of better margins. In addition, we were better able to manage the inherent risks associated with large end-to-end integration project works. While the profitability and risk profile of our Offshore and Marine Services have improved, the volume and value of the contracts were not able to cover the shortfalls in the newbuilds.

The shifts in sales order mix were also reflected in the geographical markets we serve. Lesser newbuilds in the

offshore sector impacting major countries of China and Singapore resulted in a corresponding decrease in revenue contribution from these markets. On a positive note, emerging markets are seeing increases and the overall geographical portfolio showed more balance and diversification. While our business mix reflects the industry patterns, we recognise the need to increase our order intake rates as well as to seek out larger project opportunities in order to raise business levels.

The changes to our business strategies and the low levels of business activity required the reduction and reallocation of our resources accordingly. We right-sized our business operations by rationalising our customer support requirements and our infrastructure and capacity. In order to meet the changing resource requirements without adverse impact to customer support, we re-missioned and reskilled our staff towards growth areas, outsourced support activities, and leveraged resources in more cost-effective locations.

We anticipate the difficult industry conditions to persist. To sustain and navigate our Offshore and Marine Services business through this period will necessitate us to relentlessly pursue higher order intake rates in parts and services areas, while selectively bidding on the limited new turnkey projects utilising the strong established track record we have built over the years.

Asset Management Services

Low levels of activity in oil and gas drilling and exploration continued to underpin the weak demand for offshore-related assets. As a result, the Group's drilling rig assets remained cold stacked and facing charter contract default from its charterers. Our focus in this segment primarily centred around the recovery of outstanding receivables from the charterers as well as being on the lookout for opportunities to monetise the assets.

Our favourable arbitration award in Singapore against the defaulted Chinese charterer of the land rigs has been recognised by the Beijing Chinese court and is currently undergoing enforcement procedures. We will endeavour to extract any amount and form of recovery against the assets of the defaulted Chinese charterer. In the enforcement process, one of the land rigs was judicially seized from the charterer's premise in 2019, after an arbitration between the charterer and their supplier in a Chinese court. The Group is currently seeking legal advice and recourse on this matter.

In a separate legal dispute with the owners of the chemical tankers which we contracted under a charter and sub-charter arrangement, we managed to reach an amicable settlement and have closed this protracted unpleasant chapter.

Chairman and CEO's Report

We expect this business segment to continue to face challenges, and we do not envisage making any major investments. We will focus instead on the recovery of outstanding receivables and on extracting value from the existing assets.

Corporate Restructuring

While we have endeavoured to weather the difficult operating conditions faced by the industry in the past few years, the situation became untenable for the Group in 2019. We were able to negotiate debt restructuring plans with some creditors but less successful with others. In this regard, the Group deliberated and decided that the best course of action was to subject itself to a court-supervised moratoria and restructuring process. This will allow the Group time and space to develop plans to address all the creditors' debt in an orderly and equitable process.

In June 2019, we filed an application for moratorium and restructuring under Section 211 of the Companies Act for Viking Offshore & Marine Limited and one of its subsidiaries. At the date of this report, these companies are still under the moratoria and efforts are underway to seek further extension of the moratoria. During this moratoria period, we were able to negotiate a joint conditional share placement agreement with two potential strategic investors. It is envisaged that the funds from these potential investors will be channelled towards a scheme of arrangement to address the affected creditors' debts.

While we envisage the scheme of arrangement may not satisfy the full face-value of the debts, we believe this solution to be the best possible outcome for the creditors under the present situation. We urge the creditors to give us time to complete the process and to give the proposal every opportunity to materialise when they are presented with it.

Financial Review

The Group's revenue decreased to S\$23.7 million in FY2019, as compared to S\$30.1 million in FY2018, mainly due to lack of revenue for the Asset Chartering Services coupled with the lower order book in the Offshore and Marine Services. No revenue was recognised for the Asset Chartering Services due to termination of contracts because of the charterer's default.

Gross profit decreased to S\$8.4 million in FY2019, in tandem with the decrease in revenue. The gross profit margin declined from 38% in FY2018 to 35% in FY2019, due to the lack of higher-margin Asset Chartering Services revenue in FY2019, as compared to that in FY2018. The weakened US Dollar against Singapore Dollars in 2019 resulted in the unrealised foreign exchange loss on translation of US Dollar denominated current

assets. This caused a decrease in other income to S\$0.4 million in FY2019, from S\$1.0 million in FY2018.

Total expenses, excluding one-off impairment charges, decreased year-on-year. This is a result of the prudent expense management efforts coupled with lower discretionary spending from lower business levels. The impairment charges mainly resulted from accounting for valuation of certain assets on the Balance Sheet; and were recorded in other operating expenses. These material items and their accounting effects were as follows:

1. impairment loss on goodwill of S\$6.3 million related to the acquisition of the Offshore and Marine Services businesses;
2. impairment loss on trade receivables of S\$4.3 million pertaining to the land rig charter contracts, due to collectability issue. Notwithstanding the impairment, the Group continues to pursue the enforcement of the favourable arbitration award against the charterer in China; and
3. impairment loss on inventories of S\$13.4 million pertaining to a land rig, slow moving stocks and work in progress. The land rig was impaired as it was judicially seized from the charterer's premises, after an arbitration between the charterer and its supplier in a Chinese court.

As a result of the above, the Group recorded a net loss after tax of S\$32.0 million. Further to this, the Group's net assets decreased to S\$4.8 million as at 31 December 2019.

The impairment losses explained earlier resulted in the corresponding reduction in non-current assets, trade receivables and inventories accordingly, in the Balance Sheet. While the major debts were subject to the moratoria and restructuring process, the interest charges continued to be accrued and this accounted for the increase in other payables. Timing of purchases and supplier payments further contributed to the balances.

The Group recorded net cash outflow for the year which resulted in reduction of cash balances at year-end, as compared to the prior year. While cashflow from operating activities was positive, this was offset by the larger cash outflow for repayments of loans and borrowings during the year.

Going Forward

The challenge confronting the Group is in the balancing act of its restructuring journey to address the competing interests of multiple stakeholder groups and maintaining the ongoing

Chairman and CEO's Report

offshore and marine businesses. This is now compounded by the ongoing oil price volatility affecting the industry as well as the outbreak of COVID-19 pandemic which will have a global economic impact.

Our goals remained unchanged – it is imperative for the Group to relentlessly work with the various creditors and potential investors so as to expeditiously emerge from the moratoria. Additionally, the operating business units need to manage through the difficult business climate with aggressive order intakes, improved productivity, and heightened cost management. We continue to maintain our faith to navigate our way out of this prolonged challenging business climate and our debt restructuring process, and to ultimately emerge with a renewed vigour and direction going forward.

On this note, we would like to thank our employees, suppliers, customers, and our creditors for their support and sacrifices through this difficult journey. This is especially relevant and more so for the creditors which are impacted by the moratoria, a group which is very crucial for our restructuring process. We will endeavour to present a scheme of arrangement that will be equitable and maximise the debt recovery rate for our creditors, and we look forward to their support when the time comes.

Thank you.

MR ANDY LIM

Chairman and Executive Director

MR NG YEAU CHONG

Chief Executive Officer and Executive Director

Board Members

ANDY LIM, 62

Chairman and Executive Director

Mr Lim was appointed Chairman and Executive Director of the Company on 15 June 2009. He is also the Founder and Chairman of private equity firm Tembusu Partners Pte Ltd, and Chairman of the MoneyWorld Group of Companies. His other board appointments include Board of Trustee for Honour Singapore and a member of the Home Affairs Uniformed Service Invest Board of Trustee. His past board appointments include President of Enterprise 50 Association, Chairman of Alpha Singapore and Council Member of the National Council for Anti-Drug Abuse. In 2016, Mr Lim was appointed Honorary Consul General to the Republic of Lithuania after serving as Honorary Consul for 12 years. Mr Lim holds an Engineering degree (First Class Honours) from Cambridge University and a Masters in Business Administration from University of California at Los Angeles (UCLA).

LOW JOOI KOK, 56

ceased as an Executive Director on 28 June 2019

Mr Low was appointed Chief Executive Officer and Executive Director of the Group on 26 April 2016. Mr Low relinquished his position as Chief Executive Officer on 30 April 2019. Mr Low previously held the positions of Chief Operating Officer and Chief Financial Officer of the Group, a role he has assumed since he joined the Group in March 2010. Mr Low has more than 25 years of commercial experience spanning sales, marketing and line-of-business executive management, financial and operations management. He was the Chief Financial Officer of IBM Singapore in 1998, and then Director of Business Partner Sales for ASEAN and South Asia till 2009. Prior to joining IBM, Mr Low was with Visa International, holding various appointments overseeing financial planning and management of strategic business investments for Visa within Asia-Pacific region. Mr Low holds a Master of Business Administration from Southern Illinois University, Carbondale and a Bachelor of Accounting degree from Nanyang Technological University of Singapore, and is a CPA.

NG YEAU CHONG, 53

Chief Executive Officer and Executive Director

Mr Ng was appointed Executive Director of the Company on 22 February 2018 and subsequently appointed Chief Executive Officer on 30 April 2019. Mr Ng joined the Group in August 2010 as the Chief Operating Officer of the Company and Managing Director of Promoter Hydraulics Pte Ltd. He subsequently relinquished these positions and was appointed Executive Director of Viking Airtech Pte Ltd in May 2012, and as Managing Director in January 2015. He stepped down as Managing Director of Viking Airtech Pte Ltd and was appointed Managing Director of Marshal Systems Private Limited in

October 2018. Mr Ng has more than 25 years of professional experience covering Sales & Marketing, Program Management, and Operations & Training in both public and private sectors. An Overseas Merit Scholar (SAF), Mr Ng was with the Republic of Singapore Navy for more than 10 years. Prior to joining the Group, he served as Asia Consulting Solution Director (Oracle Consulting Services, 2007-2010), Vice President (UOB, 2000-2007), and Assistant Head (Spring Singapore 1999-2000). Mr Ng holds a Master of Arts from University of Oxford and a MBA (Accountancy) from Nanyang Technological University. Mr Ng is a Certified Financial Analyst (CFA), and a Financial Risk Manager (FRM).

LEE SUAN HIANG, 69

Lead Independent Director

Mr Lee was appointed Independent Director of the Company on 16 April 2010. He had a varied career as Deputy Managing Director of the Economic Development Board and Chief Executive of SPRING Singapore, National Productivity Board, Singapore Institute of Standards and Industrial Research, National Arts Council and Real Estate Developers' Association of Singapore. He was also the Chairman of PSB Corporation, Deputy Chairman of the International Federation of Arts Councils and Cultural Agencies and Council Member of the International Standards Organisation. He is the current President of the EDB Society and a Fellow of the UK Chartered Management Institute, Chartered Institute of Marketing, and World Academy for Productivity Science and currently holds directorship appointments with several other private and public listed companies. Mr Lee was awarded the Public Administration (Gold) Medal in 1998, World SME Association Award in 2001, Japan External Trade Organisation Award in 2002 and Chevalier de l'Ordre des Arts et Lettres from France in 2010.

TAN WEE PENG KELVIN, 55

Independent Director

Mr Tan was appointed Independent Director of the Company on 25 June 2009. He has more than 20 years of professional experience including senior management positions at AETOS Security Management, PSA International, and Temasek Holdings, the last being the Managing Director of its Private Equity Funds Investment Unit. He was a consultant advising companies investing in China, and also served with the Singapore Police Force. Mr Tan is an Adjunct Associate Professor with the NUS Business School. A Local Merit Scholar (Police Service), Mr Tan holds a Bachelor in Accountancy (First Class Honours) and a Master in Business Administration from the National University of Singapore. He also attended the Programme for Management Development at Harvard Business School. Mr Tan currently holds directorship appointments and advisory positions with several other private and public-listed companies.

Board Members

PHUA SIOK GEK CYNTHIA, 61

Independent Director

Ms Phua was appointed as Independent Director of the Company on 1 June 2015. Ms Phua has over 30 years of experience in the real estate industry having held the position of Executive Vice President of Singbridge Corporate Pte Ltd, Executive Director of Retail Services in Knight Frank Pte Ltd, General Manager of the Real Estate Unit in NTUC FairPrice, Managing Director of SLF Management Services Pte Ltd and CEO of Bishan-Toa Payoh Town Council. Cynthia was involved in the overseas projects in Singbridge and in Knight Frank. At FairPrice, Cynthia headed the company's real estate investment, development, sourcing and management of the

retail spaces. Under Cynthia's leadership, FairPrice and Cheers expanded their footprint in Singapore from 103 to over 254 outlets island-wide. Between 2001 and 2011 Cynthia was also an elected Member of Parliament in the Aljunied Group Representation Constituency and Chairman of Aljunied Town Council. Cynthia holds a B. Sc (Estate Management) Honors from the National University of Singapore. She also attended the Advanced Management Programme in Harvard Business School. Cynthia currently is a management consultant and holds directorship and advisory appointments in other charitable and social organisations.

Executive Management

LAW REN KAI KENNETH, 36

Chief Financial Officer

Mr Law was appointed Chief Financial Officer in April 2016. Mr Law previously held the position of Group Financial Controller when he joined the Group in April 2015. Mr Law began his career in a professional service firm in London before joining a Big 4 accounting firm providing assurance services to public listed companies and multinational clients in various industries including healthcare, manufacturing, property development and banking. He was also involved in corporate exercises in relation to fund raising during his assurance tenure. He subsequently had a stint in an SME company as CFO and was responsible for the corporate affairs and finance function of the company. Mr Law holds a Bachelor of Science (Honours) degree in Accounting and Finance from the London School of Economics and Political Science and is an associate of the Institute of Chartered Accountants in England and Wales and associate member of the Institute of Singapore Chartered Accountants.

RAYMOND GOH TIAN CHOO, 42

Group General Manager, Viking Airtech Pte Ltd

Raymond Goh joined Viking Airtech Pte Ltd in 2002 and was appointed as Group General Manager since September 2018. Since joining, Raymond has been responsible for sales, marketing, tender, and procurement. Having spending 18 years working in the marine & offshore industry, Raymond's insights on the markets was instrumental in securing a number of large and complex onshore, offshore & marine projects in Singapore and abroad. Raymond also played an important role in setting up the operations of Viking Airtech in Malaysia, Indonesia, and Vietnam. Raymond holds a Masters in Business Administration from University of Adelaide, and has working experience at shipyards before joining Viking Airtech.

ANDY LIM, 62

Chairman and Executive Director

LOW JOOI KOK, 56

ceased as an Executive Director on 28 June 2019

NG YEAU CHONG, 53

Chief Executive Officer and Executive Director

Corporate Information

COMPANY REGISTRATION

Viking Offshore and Marine Limited
(listed on the Singapore Exchange)
Registration: 199307300M

REGISTERED OFFICE

Viking Offshore and Marine Limited
21 Kian Teck Road
Singapore 628773
Tel: (65) 6601 9500
Fax: (65) 6601 9600
Email: info@vikingom.com
Website: www.vikingom.com

BANKERS

United Overseas Bank Limited
Overseas-Chinese Banking
Corporation Limited
Malayan Banking Berhad
Standard Chartered Bank
Australia and New Zealand Banking
Group Limited
RHB Bank Berhad
Hong Leong Finance Limited

AUDITOR

Ernst & Young LLP
Public Accountants and Chartered
Accountants
One Raffles Quay
North Tower Level 18
Singapore 048583
Partner-In-Charge:
Vincent Toong Weng Sum
(wef financial year ended
31 December 2019)

COMPANY'S SPONSOR

ZICO Capital Pte. Ltd.
8 Robinson Road #09-00
ASO Building
Singapore 048544

SHARE REGISTRAR & SHARE TRANSFER OFFICE

M&C Services Pte Ltd
112 Robinson Road #05-01
Singapore 068902

BOARD OF DIRECTORS

Andy Lim
Chairman and Executive Director

Ng Yeau Chong
Chief Executive Officer and
Executive Director

Low Jooi Kok
ceased as an Executive Director on
28 June 2019

Lee Suan Hiang
Lead Independent Director

Tan Wee Peng Kelvin
Independent Director

Phua Siok Gek Cynthia
Independent Director

AUDIT COMMITTEE

Tan Wee Peng Kelvin (Chairman)
Lee Suan Hiang
Phua Siok Gek Cynthia

NOMINATING COMMITTEE

Lee Suan Hiang (Chairman)
Tan Wee Peng Kelvin
Phua Siok Gek Cynthia

REMUNERATION COMMITTEE

Phua Siok Gek Cynthia (Chairwoman)
Tan Wee Peng Kelvin
Lee Suan Hiang

ADVISORS

Bo Johansson
Ong Choo Guan

COMPANY SECRETARY

Lin Moi Heyang
Lotus Isabella Lim Mei Hua

Financial Review

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Corporate Governance Report

For the year ended 31 December 2019

The board of directors (the “**Board**” or “**Directors**”) of Viking Offshore and Marine Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) recognises the importance of corporate governance and is committed to ensuring the practices recommended in the Code of Corporate Governance 2018 issued in August 2018 (the “**Code**”) are practiced throughout the Group. The Company believes that good corporate governance provides the framework for an ethical and accountable corporate environment that will maximise long term shareholders’ value and protect the interests of shareholders.

This report outlines the Company’s corporate governance practices that were in place during the financial year ended 31 December (“**FY**”) 2019, with specific reference made to the Principles and the Provisions of the Code, which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”).

While it is always the objective of the Group to ensure all the Provisions of the Code are followed strictly, however, in view of the current lean cost structure and financial position of the Group as well as the ongoing debt and corporate restructuring exercises of the Group which involve interests of existing and incoming shareholders and various other stakeholders, there are situations and reasons where full compliance with the Provisions of the Code may not be feasible or may not be meaningful for the Group at this stage in time. In this regard, where there are areas of the current practices which deviate from the Provisions of the Code, appropriate explanations are provided accordingly, and how the practices the Company had adopted are consistent with the intent of the relevant Principle of the Code. The Company will continue to assess its needs and implement appropriate practices accordingly.

I. BOARD MATTERS

The Board’s Conduct of Affairs

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

Provision 1.1

Principal Duties of the Board

The Company is headed by an effective Board to lead and control its operations and affairs. The Board is entrusted with the responsibility for the overall management and corporate governance of the Group including establishing strategic objectives and providing entrepreneurial leadership.

In addition, the Board has an obligation to shareholders of the Company (“**Shareholders**”) and other stakeholders of the Company to safeguard their interests and the Company’s assets by establishing a framework of prudent and effective controls which enables risk to be assessed and managed.

To elaborate further; the Board has the responsibility to fulfil its role which includes the following:

1. Approve the corporate direction and strategy of the Company and monitor the performance of the management of the Company (“**Management**”);
2. Approve the nomination of Directors and appointment of key managerial personnel of the Group;
3. Approve the annual budget, major funding proposals and investment proposals of the Group, and ensure the necessary financial and human resources are in place for the Company to meet its objectives;

Corporate Governance Report

For the year ended 31 December 2019

4. Establish a framework of prudent and effective controls which enables risks to be properly assessed and managed, including safeguarding of Shareholders' interests and Group's assets;
5. Identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation;
6. Review the financial performance of the Group and necessary reporting compliance of the Group with all laws, rules and regulations;
7. Set Company's values and standards (including ethical standards) and ensure that obligations to Shareholders and other stakeholders are understood and met;
8. Assume responsibility for corporate governance of the Group; and
9. Consider sustainability issues, e.g. environmental and social factors, as part of the strategic formulation of the Group.

Code of Business Conduct and Ethics

The Company strives to uphold the highest levels of business conduct and integrity in all transactions and interactions. All Directors are expected to be cognizant of their statutory duties, and to discharge them objectively in the interest of the Company.

The Board has thus put in place a Code of Business Conduct and Ethics which serves to guide the Directors, officers and employees of the Group, on the areas of ethical risk and sets a framework where integrity and accountability are paramount. The Company is also committed to ensuring that its affairs are conducted with the highest standard of probity and in compliance with the law.

Directors are regarded as executive, non-executive and independent according to their differing roles, although all Directors have the same statutory duties. In FY2019, all Directors were reminded, and took note, of the different roles they have in the Company.

Conflict of Interests

The Board acts in good faith and in the best interests of the Company by exercising due care, skills and diligence, and avoiding conflicts of interest. The Directors are cognizant of their fiduciary duties at law. When a potential conflict of interest situation arises, the affected Director will recuse himself or herself from the discussion and decisions involving the areas of potential conflict, unless the Board is of the opinion that his or her participation is necessary. Where such participation is permitted, the conflicted Director excuses himself or herself for an appropriate period during the discussions to facilitate full and frank exchange by the other Directors, and shall in any event recuse himself or herself from the decision-making.

Pursuant to Section 156 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), each Director is to declare to the Company his or her interests (direct or indirect) in all transactions with the Company and provide details on the nature of such interests as soon as practicable after the relevant facts have come to his or her knowledge. On an annual basis, each Director is also required to submit details of his or her associates for the purpose of monitoring interested persons transactions.

Corporate Governance Report

For the year ended 31 December 2019

[Provision 1.2](#)

Director Competencies

All Directors have a good understanding of the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors).

While the duties imposed by law are the same for all Directors, a listed Board will generally have different classes of directors with different roles:

- **Executive Directors (EDs)** are members of Management who are involved in the day-to-day running of the business. They work closely with the Non-Executive Directors on the long-term sustainability and success of the businesses. They provide insights and recommendations on the Group's operations at the Board and Board Committees (as defined herein) meetings.
- **Non-Executive Directors (NEDs)** are Non-Executive Non-Independent Directors who do not participate in the business operations. They constructively challenge Management on its decisions and contribute to the development of the Group's strategic goals and policies. They participate in the review of Management's performance in achieving the strategic objectives as well as the appointment, assessment and remuneration of the Executive Directors and key personnel.
- **Independent Directors (IDs)** are Non-Executive Independent Directors who are unrelated to any of the Directors and deemed to be impartial by the Board. Independent Directors have similar duties as the Non-Executive Directors, with the additional responsibility of providing independent and objective advice and insights to the Board and Management.

Directors are expected to develop their competencies to effectively discharge their duties and are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense.

Appointment Letter

Newly appointed Directors will be provided a formal letter of appointment, explaining among other matters, the roles, obligations, duties and responsibilities, and the expectations of their contribution to the Company as a member of the Board.

Directors' Orientation and Training

The Company does not have a formal training program for the Directors but the Directors are continually and regularly updated on the Group's businesses and the regulatory and industry-specific environments in which the entities of the Group operate. Updates on relevant legal, regulatory and accounting developments may be in writing or disseminated by way of briefings or presentations. To get a better understanding of the Group's businesses, the Directors will also be given the opportunity to visit the Group's operational facilities and meet with Management.

All new Directors will undergo an orientation in order to be provided with background information about the Group's history, strategic direction and industry-specific knowledge, corporate functions and governance practices, as well as the expected duties of a Director of a listed company. The Company will also arrange for first-time Directors to attend relevant training in relation to the roles and responsibilities of a director of a listed company, organised by the Singapore Institute of Directors ("SID") as required under Rule 406(3)(a) of the Catalist Rules, as well as other courses relating to areas such as accounting, legal and industry specific knowledge as appropriate, organised by other training institutions. The training of Directors will be arranged and funded by the Company.

Corporate Governance Report

For the year ended 31 December 2019

The Company encourages the Directors to be members of the SID, and for them to receive regular journal updates and training from SID to stay abreast and be apprised of developments in financial, legal, regulatory requirements, and the business environment. The Company also encourages the Directors to attend training courses organised by the SID or other training institutions which are aimed at providing them with the latest updates on changes in relevant regulations, accounting standards, corporate governance practices and guidelines from the SGX-ST that affect the Group and/or the Directors in connection with their duties and responsibilities as a Director of a public listed company in Singapore, and such training will be funded by the Company.

All Directors are provided with regular updates on developments in financial reporting and governance standards, as well as changes in the relevant laws and regulations to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. New releases issued by the SGX-ST, Accounting and Corporate Regulatory Authority (“ACRA”) and other relevant regulatory bodies which are relevant to the Group and/or Directors are circulated to the Board. In addition, the Audit Committee Chairman, the external auditors and the Management will regularly keep the Board abreast of changes and development within the accounting and financial reporting areas.

[Provision 1.3](#)

Matters Requiring Board’s Approval

The Board has delegated the day-to-day operations of the Group to Management while reserving key matters for the Board’s approval. The Company has in place internal guidelines on matters which specifically require the Board’s decision or approval, which has been clearly communicated to Management, including but not limited to the following:

- (a) approval of announcements released via SGXNet, including financial results announcements;
- (b) approval of operating budgets, annual and interim reports, financial statements, Directors’ statement and annual reports;
- (c) dividend matters;
- (d) authorisation of banking facilities and corporate guarantees;
- (e) approval of change in corporate business strategy and direction;
- (f) appointment and cessation of Directors and key Management;
- (g) any matters relating to general meetings, Board and Board committees; and
- (h) approval of material investment and divestment proposals, acquisitions and disposals, and funding requirements.

In addition, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those prescribed limits to Board Committees and specific members of the key Management. Such delegation guidelines are reviewed on a regular basis and accordingly revised when necessary.

Corporate Governance Report

For the year ended 31 December 2019

[Provision 1.4](#)

Delegation by the Board

To assist the Board in the execution of its responsibilities and to provide independent oversight of Management, the Board has established a number of Board committees, namely the Audit Committee (the “**AC**”), the Nominating Committee (the “**NC**”) and the Remuneration Committee (the “**RC**”) (collectively, the “**Board Committees**”). Each of the Board Committees functions within clearly defined terms of references and operating procedures endorsed by the Board, which are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance, taking into consideration the changes in the governance and legal environment. The Board Committees will also review their terms of reference on a regular basis to ensure their continued relevance and the effectiveness of each Board Committee is also constantly reviewed by the Board. The composition and description of each Board Committee are set out in this report. Any change to the terms of reference for any Board Committee requires the specific written approval of the Board. The responsibilities and authority of the Board Committees set out in their respective terms of reference were revised for alignment with the Code.

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. The Board Committees report its activities regularly to the Board. Minutes of the Board Committees are regularly provided to the Board and are available to all Board members. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation by Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or senior Management to attend their meetings.

[Provision 1.5](#)

Board and Board Committees Meetings

The schedule of all the Board and Board Committees meetings as well as the annual general meeting of the Company (“**AGM**”) for the calendar year is jointly planned and decided by the Board members one quarter in advance. The Board meets at least once a quarter during the year and whenever warranted by particular circumstances. Ad-hoc and/or non-scheduled Board and/or Board Committees meetings may be convened to deliberate on urgent substantial matters. In addition to the scheduled meetings, the Board would have informal discussions on corporate events and/or actions, which would then be formally confirmed and approved by circulating resolutions in writing. The Board members also communicate frequently with Management to discuss the business operations of the Group.

The Company’s Constitution allows the Board meetings to be conducted by means of conference telephone, videoconferencing, audio visual, or other electronic means of communication by which all persons participating in the meeting can hear one another contemporaneously. Decisions of the Board and Board Committees may also be obtained through circular resolutions.

Corporate Governance Report

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The attendance of each Director at meetings of the Board and Board Committees during FY2019 as well as the frequency of such meetings held is set out in the table below:

| Attendance of Board Members | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|------------------------------------|--------------|------------------------|-----------------------------|-------------------------------|
| No. of Meetings | 4 | 4 | 1 | 1 |
| Mr Andy Lim | 4 / 4 | NA | NA | NA |
| Mr Ng Yeau Chong | 4 / 4 | NA | NA | NA |
| Mr Low Jooi Kok ⁽¹⁾ | 2 / 2 | NA | NA | NA |
| Mr Lee Suan Hiang | 4 / 4 | 4 / 4 | 1 / 1 | 1 / 1 |
| Mr Kelvin Tan Wee Peng | 4 / 4 | 4 / 4 | 1 / 1 | 1 / 1 |
| Ms Cynthia Phua Siok Gek | 4 / 4 | 4 / 4 | 1 / 1 | 1 / 1 |

Note 1: Ceased as an Executive Director on 28 June 2019.

If a Director is unable to attend a Board or Board Committees meeting, he/she will still receive all the papers and materials for discussion at that meeting. He/she will review them and advise the Chairman of the Board or the Board Committees of his/her views and comments on the matters to be discussed so that they can be conveyed to other members at the meeting.

Multiple Board Representations

All Directors are required to declare their board representations on an annual basis and as soon as practicable after the relevant facts have come to his or her knowledge. Where a Director has multiple board representations, and in considering the nomination of Directors for appointment, the NC will evaluate whether or not the Director is able to and has been adequately carrying out his or her duties as a Director, as well as sufficient time and attention are given to the affairs of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.

The NC has reviewed all the declarations from the Directors and is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company, as well as sufficient time and attention are given to the affairs of the Company, after taking into consideration each of the Directors' number of listed company board representations and other principal commitments in FY2019. In view of this, the Board does not limit the maximum number of listed company board representation its Board members may hold as long as each of the Board members is able to commit his or her time and attention to the affairs of the Company and adequately carrying out his or her duties as a Director. The Board believes that each individual Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, bearing in mind his or her other commitments. The Board and the NC will review the requirement to determine the maximum number of listed Board representations as and when they deem fit.

[Provision 1.6](#)

Access to Information

All Directors have unrestricted access to the Company's records and information. From time to time, they are furnished with complete, accurate and adequate information in a timely manner to enable them to be fully cognisant of the decisions and actions of Management.

Corporate Governance Report

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Detailed Board papers are prepared and circulated to the Directors before each Board meeting. The Board papers include sufficient information on financial, budgets, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at the Board meetings. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Managers who can provide additional insight into the matters at hand would be present at the relevant time during the Board meetings.

The Board receives quarterly financial performance results, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance as well as risks faced by the Group. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.

[Provision 1.7](#)

Access to Management and Company Secretary

The Directors have separate and independent access to Management and the Company Secretary, who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied, at all times through email, telephone and face-to-face meetings.

The Directors may also liaise with Management as and when required to seek additional information. Any additional materials or information requested by the Directors to make informed decisions is promptly furnished.

The Company Secretary assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committees meetings. The Company Secretary and/or their representatives attend all the Board and Board Committees meetings and prepares minutes of meetings. The appointment and removal of the Company Secretary is decided by the Board as a whole.

Independent Professional Advice

Should the Directors, whether as a group or individually, need independent professional advice in furtherance of their duties and responsibilities, the Company will appoint such professional adviser to render the appropriate professional advice. The cost of such professional advice will be borne by the Company.

[Board Composition and Guidance](#)

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

[Provision 2.1](#)

Director's Independence

The criterion for independence is based on the definition set out in the Code and Practice Guidance, and taking into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalyst Rules. The Board considers an "independent" Director as one who has no relationship with the Company, its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

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The NC, shall conduct an annual review to determine the independence of the Directors according to the Code and its Practice Guidance, as well as Rule 406(3)(d) of the Catalist Rules. In its review, the NC shall consider all nature of relationships and circumstances that could influence the judgement and decisions of the Directors before tabling its finding and recommendations to the Board for approval.

For FY2019, the Independent Directors, namely:

- Mr Lee Suan Hiang,
- Mr Kelvin Tan Wee Peng, and
- Ms Cynthia Phua Siok Gek,

have confirmed that they or their immediate family members do not have any relationship with the Company or any of its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company, and do not fall under any of the circumstances pursuant to Rule 406(3)(d) of the Catalist Rules.

Some of the Independent Directors own shares and warrants in the Company; however, each of their shareholdings and warrant holdings are minimal (representing less than 5.0% of the total issued shares in the Company) and the Independent Directors are not in a foreseeable situation that could compromise their independence of thought and decision. The Board, based on the review conducted by the NC, has determined that the said Directors are independent.

Duration of Independent Directors' Tenure

While the NC and the Board recognise that Independent Directors who may have served in such office for an aggregate period of more than nine (9) years may have developed relationships, *inter alia*, with the Company and/or Management, such Independent Directors would also have developed significant insights into the Group's businesses and operations and may be able to continue providing significant and valuable contributions to the Board. Where there are such Directors, the NC and the Board will review vigorously their continuing contributions and independence and may exercise its discretion to extend the tenure of these Directors where appropriate.

Two of the Independent Directors, namely Mr Lee Suan Hiang, and Mr Kelvin Tan Wee Peng, have served on the Board for more than nine (9) years. In view of this, the other Directors have been asked to particularly review and assess the continued independence of both Mr Lee Suan Hiang and Mr Kelvin Tan Wee Peng.

After due consideration and taking into account the views of the NC, the Board continues to regard Mr Lee Suan Hiang and Mr Kelvin Tan Wee Peng as independent notwithstanding the length of tenure of their service, after taking into consideration, *inter alia*, the guidelines for independence as provided for under the Code, the absence of potential conflicts of interest for the Independent Directors which may arise through, *inter alia*, a shareholding interest in the Company and/or business dealings directly or indirectly with the Group, and they have demonstrated independence in character and judgment, through, amongst others, their contributions to Board discussions and deliberations and ability and preparedness to exercise independent business judgment and/or decisions with the view to the best interests of the Company, without undue reliance, influence or consideration of the Group's interested parties such as the Chief Executive Officer ("CEO"), the other non-Independent Directors, controlling Shareholders and/or their associates.

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Notwithstanding the result of the assessment of independence of the Independent Directors, the Board decides to gradually move towards strict compliance of the rules. In order to balance the need to ensure independence of the Independent Directors and the Company's interest of minimising disruption to the Board, the Board decides to retain Mr Lee Suan Hiang and Mr Kelvin Tan Wee Peng as Independent Directors and to address their directorship status in the next cycle, before the next AGM. The Board will concurrently and actively seek out suitable candidates as part of its succession plan going forward.

[Provision 2.2](#)

Proportion of Independent Non-Executive Directors

In view that the Chairman is not an Independent Director, the Board comprises a majority of three (3) Directors (out of a five (5) member Board) who are Independent Directors.

[Provision 2.3](#)

Proportion of Non-Executive Directors

The Board comprises a majority of three (3) Directors (out of a five (5) member Board) who are Non-Executive Directors.

[Provision 2.4](#)

Board Composition and Size

As at the date of this report, the Board comprises the following five (5) Directors, two (2) of whom are Executive Directors and three (3) of whom are Non-Executive and Independent Directors:

Executive Directors

| | |
|------------------|---------------------------------|
| Mr Andy Lim | Executive Director and Chairman |
| Mr Ng Yeau Chong | Executive Director and CEO |

Non-Executive Directors

| | |
|--------------------------|---|
| Mr Lee Suan Hiang | Non-Executive and Lead Independent Director |
| Mr Kelvin Tan Wee Peng | Non-Executive and Independent Director |
| Ms Cynthia Phua Siok Gek | Non-Executive and Independent Director |

The Company conducts an annual review of the size and composition of the Board and Board Committees to ensure that both aspects continue to meet the needs of the Group in managing the businesses as well as maintaining a strong independent element within the composition of the Board and Board Committees. The Board will continuously review this with a view to enhance corporate governance practices in tandem to proposed changes to the Code.

The NC is of the view that the current size and composition of the Board and Board Committees are appropriate and conducive to the scope and nature of the Group's business, and for facilitating effective exchanges and decision making. The Board proactively seeks to maintain a balanced mix of experiences, competences, and attributes among the Directors, and this is reflected in the diversity of the composition of the Board and Board Committees in terms of background and competencies. Such experiences and competencies include finance and accounting, sales and marketing, strategic planning, investment management, relevant industry knowledge,

Corporate Governance Report

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entrepreneurial and management experience, familiarity with regulatory requirements and risk management. The Management is provided with full and direct access to the Board which also actively provides guidance and a broad range of views and perspectives.

Board Diversity

The Board's policy in identifying nominees for directorship is primarily to have an appropriate mix of expertise with complementary skills, core competencies and experience for facilitating effective decision making, regardless of gender. In recognition of the importance and value of gender diversity in the composition of the Board, the Company has a female Director on its Board for a number of years. Each Director has been appointed based on his or her skills, experience and knowledge, and is expected to bring forth his or her experience and expertise to the Board for the continuous development of the Group.

All Directors possess the right core competencies and diversity of experience that enable them to effectively contribute to the Board. Their varied experiences are particularly important in ensuring that the strategies proposed by Management are fully discussed and examined, taking into account the long-term interests of the Company, the Group and Shareholders.

Board Guidance

An effective and robust Board, whose members engage in open and constructive debate and challenge Management on its assumptions and proposals, is fundamental to good corporate governance. A Board should also aid in the development of strategic proposals and oversee effective implementation by Management to achieve set objectives.

The Directors, in particular the Non-Executive Directors, are kept informed of the Company's business and affairs as well as about the industry in which the Company operates in. This knowledge is essential for the Directors to engage in informed and constructive discussions. To ensure that Non-Executive Directors are well supported by accurate, complete and timely information, Non-Executive Directors have unrestricted access to Management. Besides receiving regular Board briefings on latest market developments and trends, and key business initiatives, periodic information papers, industry and market reports, the Non-Executive Directors are regularly briefed by Management on major decisions and prospective business deals.

[Provision 2.5](#)

Meeting of Independent Directors without Management

Although all Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and rigorously examined, assessing the performance of Management in meeting the agreed goals and objectives, as well as monitoring the reporting of performance.

The Independent Directors are encouraged to meet, without the presence of Management, so as to facilitate a more effective check on Management. During FY2019, the Independent Directors have met informally at least once without the presence of Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of Directors and key management personnel ("KMPs").

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Chairman and Chief Executive Officer

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

Provision 3.1

Separation of the Role of Chairman and CEO

The Chairman of the Board and the CEO should in principle be separate persons to maintain an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision making. There is a clear division of responsibilities, as set out in writing and agreed by the Board, between the leadership of the Board and Management responsible for managing the Group's business operations. For FY2019, the positions of the Chairman and the CEO are held by Mr Andy Lim and Mr Ng Yeau Chong respectively. The spouse of the CEO, Mr Ng Yeau Chong, is a cousin of the Chairman, Mr Andy Lim.

Provision 3.2

Role of Chairman and Chief Executive Officer

The Chairman is responsible for the effective functioning of the Board and exercises control over the quality, quantity and timeliness of information flow between the Board and Management and effective communication with Shareholders. In addition, the Chairman encourages constructive relations among the Directors and the Board's interaction with Management, as well as facilitates effective contribution of Non-Executive Directors. The Chairman's responsibilities in respect of the Board proceedings include:

- (a) in consultation with the CEO, setting the agenda (with the assistance of the Company Secretary and her representatives) and ensuring that adequate time is available for discussion of all agenda items, in particular, strategic issues;
- (b) ensuring that all agenda items are adequately and openly debated at the Board meetings;
- (c) ensuring that all Directors receive complete, adequate and timely information; and
- (d) assisting in ensuring that the Group complies with the Code and maintains high standards of corporate governance.

The CEO has full executive responsibilities in the business directions and operation efficiency of the Group. He oversees execution of the Group's corporate and business strategies and is responsible for the day-to-day running of the business. All major proposals and decisions made by the CEO are discussed and reviewed by the Chairman and the relevant Board Committees, and recommended to the Board for its consideration and approval. The performance and remuneration package of the CEO is reviewed periodically by the NC and the RC. As the majority of the members of the Board comprises Independent Directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Corporate Governance Report

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[Provision 3.3](#)

Lead Independent Director

The Board has a Lead Independent Director, Mr Lee Suan Hiang, to provide leadership in situations where the Chairman, who is not independent, is conflicted. The Lead Independent Director is a key member of the Board, representing the views of the Independent Directors and facilitating a two-way flow of information between Shareholders, the Chairman and the Board.

The Lead Independent Director's role may include chairing Board meetings in the absence of the Chairman, working with the Chairman in leading the Board, and providing a channel to Non-Executive Directors for confidential discussions on any concerns and to resolve conflicts of interest as and when necessary.

In addition, the Lead Independent Director may also help the NC conduct annual performance evaluation and development of succession plans for the Chairman and CEO and help the RC design and assess the Chairman's remuneration.

The Lead Independent Director makes himself available at all times when Shareholders have concerns and for which contact through the normal channels of the Chairman, the CEO or Management have failed to resolve or is inappropriate.

The Lead Independent Director also makes himself available to Shareholders at the Company's general meetings.

There were no query or request on any matters which requires the Lead Independent Director's attention received in FY2019.

Independent Director Meetings in Absence of Other Directors

Where necessary, the Lead Independent Director shall lead the meetings among the Independent Directors without the presence of other Directors. The Lead Independent Director shall provide feedback to the Chairman of the Board after such meetings, if it is necessary.

[Board Membership](#)

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

[Provision 4.1](#)

Roles and Duties of Nominating Committee

The Board established the NC with written terms of reference which clearly set out its authority and duties, and reports to the Board directly. The terms of reference of the NC, which was revised and adopted for alignment with the Code and the Catalist Rules, sets out its duties and responsibilities. Amongst them, the NC is responsible for:

1. regularly and strategically reviewing the structure, size and composition (including the skills, gender, age, qualification, experience and diversity) of the Board and Board Committees;
2. identifying and nominating candidates to fill Board vacancies as they occur;

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3. requesting nominated candidates to disclose any existing or expected future business interests that may lead to a conflict of interest. This disclosure is to be included in any recommendations to the Board;
4. sending the newly-appointed Director a formal appointment letter which clearly sets out his or her roles and responsibilities, authority, and the Board's expectations in respect of his or her time commitment as a Director of the Company;
5. determining the orientation programs for new Directors, and recommending opportunities for the continued training and professional development of the Directors;
6. recommending the membership of the Board Committees to the Board;
7. reviewing the independent status of Non-Executive Directors (in accordance with Catalist Rules 406(3)(d)(i), (ii), and (iii), and Provision 2.1 of the Code) and that of the Alternate Director, if applicable, annually, or when necessary, along with issues of conflict of interest;
8. developing the performance evaluation framework for the Board, the Board Committees and individual Directors and propose objective performance criteria for the Board, the Board Committees and individual Directors;
9. recommending that the Board removes or reappoints a Non-Executive Director at the end of his or her term, and recommend the Directors to be re-elected under the provisions of the Company's Constitution on the policy of retirement by rotation. In making these recommendations, the NC should consider the Director's performance, commitment and his or her ability to continue contributing to the Board;
10. reviewing other directorships held by each Director and decide whether or not a Director is able to carry out, and has been adequately carrying out, his or her duties as a Director;
11. reviewing and ensure that there is a clear division of responsibilities between the Chairman and CEO of the Company in place;
12. reviewing the Board with its succession plans for the Board Chairman, Directors, CEO and KMPs of the Company;
13. keeping up to date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Company and the industry in which it operates; and
14. undertaking such other functions and duties as may be required by the Board under the Code, statute or the Catalist Rules (where applicable).

[Provision 4.2](#)

Nominating Committee Composition

As at the date of this report, the NC comprises the following three (3) members, all of whom, including the NC Chairman, are Non-Executive and Independent Directors:

| | |
|--------------------------|----------|
| Mr Lee Suan Hiang | Chairman |
| Mr Kelvin Tan Wee Peng | Member |
| Ms Cynthia Phua Siok Gek | Member |

Corporate Governance Report

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The composition of the NC is in compliance with the Code which requires the majority of the NC members, including the NC Chairman, to be independent.

The Lead Independent Director, Mr Lee Suan Hiang, is the NC Chairman.

[Provision 4.3](#)

Nomination and Selection of Directors

Where a vacancy arises pursuant to an expansion of the Board or such other circumstances as they may occur, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The search for a suitable candidate is drawn from the contacts and networks of existing Directors. The NC can also approach relevant institutions such as the SID, professional organisations or business federations to source for a suitable candidate. New Directors will be appointed by way of a Board resolution, after the NC makes the necessary recommendation to the Board and the Board approves such appointment.

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new Directors, amongst others, to consider succession planning and refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

When an existing Director chooses to retire or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new Director. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy.

Re-election of Directors

The Company's Constitution provides that:

- at each AGM, at least one-third of the Directors for the time being shall retire from office by rotation and submit themselves for re-election, provided that all Directors shall retire from office at least once every three (3) years. Rule 720(4) of the Catalist Rules also provides that all Directors must submit themselves for re-nomination and re-appointment at least once every three (3) years.
- the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself or herself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment or have been in office for the three (3) years since their last election. Between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by the drawing of lots. A retiring Director shall be eligible for re-election.
- the Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director but the total number of Directors shall not at any time exceed the maximum number (if any) fixed by the Company's Constitution. Any Director so appointed shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

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Pursuant to the Company's Constitution, Mr Ng Yeau Chong and Mr Kelvin Tan Wee Peng will retire as Directors of the Company at the forthcoming AGM. The NC and the Board will evaluate their eligibility and suitability for re-election taking into consideration, *inter alia*, their skills, experience, performance and their contribution of guidance and time to the Board. Additionally, the NC and Board will also evaluate the continued independence of Mr Kelvin Tan Wee Peng with regards to his appointment as Independent Director and respective Board committee membership. Mr Ng Yeau Chong and Mr Kelvin Tan Wee Peng, being the retiring Directors, have abstained from deciding on their own nomination.

Pursuant to Rule 720(5) of the Catalist Rules, information relating to the retiring Directors as set out in Appendix 7F of the Catalist Rules will be disclosed in the Notice to Annual General Meeting to be issued in due course.

Alternate Director

Currently, there are no Alternate Director appointed to the Board and/or the various Board Committees, and there have not had such requirement in the past nor the Board foresees a need for such arrangement. In the event that should such a need arises in the future, the NC and the Board may consider and approve such appointment on an ad-hoc basis, subject to a complete review of the suitability of the proposed candidate for the Alternate Director.

[Provision 4.4](#)

Continuous Review of Directors' Independence

The Company has put in place a process to ensure the continuous monitoring of the independence of the Directors whereby the Directors must immediately report any changes in their external appointments that could affect their independence on the Board.

The NC reviews the independence of each Director annually in accordance with the definition of independence as set out in the Code and Practice Guidance, and taking into consideration whether the Directors fall under any circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Independent Directors have submitted their confirmation of independence annually for the NC's review. In respect of the Company's current Independent Directors, namely;

- Mr Lee Suan Hiang;
- Mr Kelvin Tan Wee Peng; and
- Ms Cynthia Phua Siok Gek,

the Board, based on the review conducted by the NC, is of the view that they are independent, taking into account the circumstances set forth in the Code, Rule 406(3)(d) of the Catalist Rules and any other salient factors. For FY2019, the Independent Directors have also confirmed their independence in accordance with the Code and Rule 406(3)(d) of the Catalist Rules.

[Provision 4.5](#)

Directors' Time Commitments

In addition to the current procedures for the review of the attendance records and analysis of directorships, a policy has also been put in place for Directors to notify the Board of any changes in their external appointments. This would allow the Director to review his or her time commitments with the proposed new appointment and in the case of an Independent Director, to also ensure that his or her independence would not be affected.

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As time requirements of each director are subjective, the NC and the Board have decided not to fix a maximum limit on the number of listed company board representations a Director can hold. The NC and the Board consider that the multiple listed company board representations held presently by the Directors do not impede their respective performance in carrying out their duties as a Director to the Company.

The NC and the Board have reviewed each Director's other listed company board representations and their principal commitments. The NC and the Board took into account the results of the assessment of the effectiveness of the individual Director, the level of commitment required of the Director's other listed company board representations and principal commitments, and the respective Directors' actual conduct and participation during the Board and Board Committee meetings, including availability and attendance at regular scheduled meetings and ad-hoc meetings, in making the determination, and are satisfied that all the Directors have been able to and have adequately carried out their duties as a Director of the Company notwithstanding their multiple listed company board representations and other principal commitments.

The members of the Board and the details of their other listed company board representations and principal commitments as at the date of this report, are set out in Appendix A of this report.

Information of the interests of the Directors who held office at the end of the financial year in shares, debentures and share options in the Company and its related corporations (other than the wholly-owned subsidiaries) are set out in the Directors' Statement of this annual report.

Board Performance

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

Provisions 5.1 and 5.2

Performance Criteria

The Board, through the NC, has used its best effort to ensure that Directors appointed to the Board and Board Committees, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each Director, with his or her special contributions, brings the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

The NC, together with the Board, has established a performance evaluation framework for the Board, Board Committees and individual Directors, proposed performance criteria and assist in the conduct of the evaluation, analyses the findings and reports the results to the Board. In addition, there exists a formal process setting out the performance criteria for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each individual Directors to the effectiveness of the Board to align with the applicable principles and provisions set out in the Code.

The performance criteria which has been adopted include the adequacy and timeliness of information provided to the Board and the Board Committees, adequacy of process for monitoring and reviewing Management's performance, timeliness and adequacy of disclosures and communications with Shareholders and other stakeholders. In addition, the NC will have regard to whether a Director has adequate time and attention to devote to the Company, in the case of Directors with multiple listed company board representations and other principal commitments.

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A peer to peer review was adopted by the Board in addition to evaluating the performance of the Board and the Board Committees as a whole. The performance of all Directors, including the Chairman, were individually reviewed by their fellow Directors, taking into consideration, *inter alia*, the Director's competencies, commitment, contributions and performance at Board and Board Committee meetings and discussions, including attendance, preparedness, participation and candour.

Annually, the NC will lead the Board effectiveness review through an open face-to-face meeting where each predetermined attribute and criteria is discussed and challenged rigorously to reach a consensus on the assessment. Each of the attributes will be scored and instances are cited to demonstrate and substantiate against each attribute score as evidential support. Quantitative and qualitative factors are considered in developing the attributes which include areas of evaluation with respect to Board functions, Board meetings, Board structure and communication. In addition, the Board is also measured on its effectiveness in formulating strategic plans for the Management and monitoring the progress and performance against the set objectives. The Board Committees are also evaluated for their effectiveness against their respective terms of reference.

The NC has, without the engagement of external facilitator, assessed the Board and Board Committees overall performance to-date and is of the view that the performance and effectiveness of the Board as a whole and Board Committees were satisfactory in FY2019.

Based on the summary of the evaluation together with the feedback and recommendations from the respective individual Directors, the NC is satisfied that each of the individual Directors had met its performance objective in FY2019.

II. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Provision 6.1

Roles and Duties of Remuneration Committee

The Board established the RC with written terms of reference which clearly set out its authority and duties, and reports to the Board directly. The terms of reference of the RC, which was revised and adopted for alignment with the Code and Catalist Rules, sets out its duties and responsibilities. Amongst them, the RC is responsible for:

1. determining the Company's remuneration policies. In doing so, it should also consider the Company's risk appetite and ensure that the policies are aligned to long-term goals;
2. ensuring that the level and structure of remuneration of the Board and KMPs are appropriate and proportionate to the sustained performance and value creation of the Company;
3. setting the remuneration policy for Directors (both Executive Directors and Non-Executive Directors) and KMPs;
4. recommending proposed Non-Executive Directors' fees for Shareholders' approval;

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5. monitoring the level and structure of remuneration for KMPs relative to the internal and external peers and competitors;
6. ensuring that the remuneration of the Non-Executive Directors is appropriate to the level of contribution;
7. reviewing the remuneration of employees related to the Directors, CEO or substantial Shareholders, if any, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;
8. reviewing the ongoing appropriateness and relevance of the Company's remuneration policy (including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind are covered) and other benefit programmes (where appropriate);
9. obtaining reliable, up-to-date information on the remuneration practices of other companies and the relevant market benchmarks through the appointment of external consultants;
10. overseeing any major changes in employee benefits or remuneration structures;
11. reviewing the design of all long-term and short-term incentive schemes for approval by the Board and Shareholders;
12. ensuring that the contractual terms and any termination payments are fair to the individual and the Company. Poor performance should not be rewarded;
13. setting performance measures and determining targets for any performance-related pay schemes operated by the Company;
14. ensuring that a significant and appropriate proportion of Executive Directors' and KMPs' remuneration is structured so as to link rewards to corporate and individual performance;
15. working and liaising, as necessary, with all other Board Committees on any other matters connected with remuneration matters; and
16. undertaking such other functions and duties as may be required by the Board under the Code, statute or the Catalist Rules (where applicable).

The RC reviews the performance objectives (including weightage between quantitative financial performance figures as well as qualitative business development and management attributes). Directors' fees are set according to the remuneration framework. All Independent Directors are paid Directors' fees, subject to approval of the Shareholders at the AGMs.

The RC may, from time to time, and where necessary or required, seek advice from external consultants in designing the remuneration framework and policies, and fixing the remuneration packages of individual Directors and Management of the Company. This is to ensure that competitive compensation and progressive policies, with appropriate mix of short and long term incentives, are in place to attract, retain and motivate competent and committed Management.

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[Provision 6.2](#)

Remuneration Committee Composition

As at the date of this report, the RC comprises the following three (3) members, all of whom, including the RC Chairman, are Non-Executive and Independent Directors:

| | |
|--------------------------|----------|
| Ms Cynthia Phua Siok Gek | Chairman |
| Mr Lee Suan Hiang | Member |
| Mr Kelvin Tan Wee Peng | Member |

The composition of the RC is in compliance with the Code which requires all members of the RC to be non-executive directors and the majority of whom, including the RC Chairman, to be independent.

[Provision 6.3](#)

Remuneration Packages and Framework

The RC reviews and recommends to the Board the remuneration packages or policies for the Executive Directors/CEO and the KMPs based on the performance of the Group, the individual Director and the KMPs. No Director individually decides or is involved in the determination of his or her own remuneration. The RC's recommendations are submitted for endorsement by the Board.

The RC will also review the Company's obligations under the employment contracts entered into with the Executive Directors and KMPs that would arise in the event of termination of these employment contracts. This is to ensure that such employment contracts contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

[Provision 6.4](#)

Engagement of Remuneration Consultants

The RC has access to advice from the internal human resource department and, if necessary, may seek external expert advice of which the expenses will be borne by the Company. No external expert was engaged by the Company in FY2019.

[Level and Mix of Remuneration](#)

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

[Provisions 7.1 and 7.3](#)

Remuneration of Executive Directors and KMPs

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and to attract, retain and motivate Directors and KMPs. The remuneration packages take into account the performance of the Group, the individual Directors and individual KMPs.

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The Executive Directors do not receive Directors' fees. The remuneration packages of Mr Andy Lim, Executive Director and Chairman of the Company, and Mr Ng Yeau Chong, Executive Director and CEO of the Company, are reviewed and recommended to the Board by the RC, and endorsed by the Board. Having reviewed the individual remuneration package and considered the financial condition of the Company, the RC is of the view and acknowledged that the Company is not in a financially capable position to achieve market competitiveness. Further reviews and adjustment to the remuneration packages may be made in the future when the situation and condition permits.

[Provision 7.2](#)

Remuneration of Non-Executive Directors

The remuneration of Independent Directors takes into account their level and quality of contribution and their respective responsibilities, including Board Committees' appointment holder, attendance and time spent at Board and/or Board Committee meetings. Independent Directors are paid a basic fixed fee for their participation at the Board level; and those who serve on the respective Board Committees are paid additional fees for such services. The Directors' fees are pro-rated according to their appointment and retirement date for the year, where applicable. No Director decides his own fees.

To ensure competitiveness, the Company conducts periodic reviews of Directors' remuneration to benchmark its Directors' fees against the amounts paid by other comparable listed companies. Directors' fees for the year are made in accordance to the remuneration framework that has been reviewed and recommended by the RC in the past. There is no change to the current remuneration framework and fee structure. No Director is involved in deciding his or her own remuneration. The Independent Directors have not been compensated to the extent that their independence is compromised.

It remains the practice of the Company to pay Directors' fees throughout the year during the Directors' respective tenure of service. In this regard, the Company will be seeking Shareholders' approval at the forthcoming AGM of the Company, for the payment of Directors' fees proposed for the financial year ending 31 December 2020.

For better alignment with Shareholders' interest, Directors and KMPs of the Company are encouraged to purchase the Company's shares from the open market and to hold such shares on a long term basis, subject to their compliance with applicable laws and regulations. Independent Directors may purchase and hold Company's shares provided their independence remain uncompromised during the period and at any point in time. All shareholdings of the Company's shares by Directors and KMPs will be declared in a timely manner and fully disclosed in compliance with regulations and reporting requirements.

[Disclosure on Remuneration](#)

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

[Provision 8.1](#)

Remuneration Policy and Criteria

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

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An annual review of the compensation is carried out by the RC to ensure that the remuneration of the Executive Directors and KMPs commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Directors (together with other KMPs) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

Disclosure on Remuneration of Directors and CEO

A breakdown showing the level and mix of the remuneration payable to each individual Director for FY2019 is as follows:

| Name of Director | Directors' | | | | | Total (%) |
|--------------------------------|------------|------------|-----------|---------------|------------|-----------|
| | Fee (%) | Salary (%) | Bonus (%) | Allowance (%) | Shares (%) | |
| Below S\$250,000 | | | | | | |
| Mr Andy Lim ⁽¹⁾ | - | 100 | - | - | - | 100 |
| Mr Low Jooi Kok ⁽²⁾ | - | 100 | - | - | - | 100 |
| Mr Ng Yeau Chong | - | 97 | - | 3 | - | 100 |
| Mr Lee Suan Hiang | 100 | - | - | - | - | 100 |
| Mr Kelvin Tan Wee Peng | 100 | - | - | - | - | 100 |
| Ms Cynthia Phua Siok Gek | 100 | - | - | - | - | 100 |

Notes:

- (1) A substantial Shareholder.
- (2) Ceased as an Executive Director on 28 June 2019.

Disclosure on Remuneration of Key Management Personnel

A breakdown of the remuneration bands payable to the top three (3) KMPs ⁽¹⁾ (who are not Directors or the CEO) for FY2019, is as follows:

| Name of Key Management Personnel | Directors' | | | | | Total (%) |
|----------------------------------|------------|------------|-----------|---------------|------------|-----------|
| | Fee (%) | Salary (%) | Bonus (%) | Allowance (%) | Shares (%) | |
| Below S\$250,000 | | | | | | |
| Mr Kenneth Law Ren Kai | - | 93 | - | 7 | - | 100 |
| Mr Raymond Goh | - | 96 | - | 4 | - | 100 |
| Mr Ong Choo Guan | 77 | - | - | 23 | - | 100 |

Note 1: The Group had only three (3) KMPs in FY2019.

The aggregate total remuneration paid to the top three (3) KMPs (who are not Directors or the CEO) is approximately S\$0.25 million (2018 - S\$0.41 million) for FY2019.

None of the KMPs is a substantial Shareholder or is an immediate family member of a Director or the CEO or a substantial Shareholder.

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The RC will review the remuneration of the Directors and the KMPs from time to time. All Directors and KMPs are remunerated on an earned basis and there were no termination, retirement and post-employment benefits granted during FY2019.

Save as disclosed above, the Code recommends that:

- (a) the Company should fully disclose the amount and breakdown of remuneration of each individual Director and the CEO on a named basis; and
- (b) the Company should disclose the details of the remuneration of employees who are substantial Shareholders, or are immediate family members of a Director or the CEO or a substantial Shareholder, in incremental bands of S\$100,000.

The Board has decided not to disclose the aforementioned details as recommended by the Code, given the competitive business environment and possible negative impact on the Group's business interest, the disclosure of such detailed remuneration could have an adverse effect on working relationships and contributions to the operations of the Group.

After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide Shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code.

[Provision 8.2](#)

Disclosure on Remuneration of Employees who are Substantial Shareholders, or are Immediate Family Members of a Director, the CEO or a Substantial Shareholder

Saved as disclosed above under Provision 8.1 – Disclosure on Remuneration of Directors and CEO, there were no employees who are substantial Shareholders, or are immediate family members of a Director, the CEO or a substantial Shareholder, and whose remuneration exceeded S\$100,000 during FY2019.

[Provision 8.3](#)

Details of Share-Based Remuneration Incentive Plans

The RC also administers the Company's share-based remuneration incentive plans; namely, the Viking Long Term Incentive Plan (the "**VL TIP**"), and the Viking Offshore and Marine Limited Share Option Scheme (the "**VOM Scheme**"). The VLTIP and VOM Scheme comply with the relevant rules as set out in Chapter 8 of the Catalyst Rules. Through the VLTIP and VOM Scheme, the Company aims to foster a greater ownership culture within the Group by directly aligning the interests and rewards of key executives with the interest of the Shareholders, and to participate and share in the Group's growth and success.

Under the terms of the VOM Scheme and VLTIP, all employees of the Group companies are eligible to participate in the incentive plans. The Company plans to use these incentive plans towards the remuneration mix of senior Management and senior executives. This will afford the Company greater flexibility and effectiveness in designing compensation packages in its efforts to attract, motivate and retain valued talented senior Management and senior executives and to also reward them for the performance of the Company and that of the individual.

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While the Company intends to use the VOM Scheme towards efforts to retain talented senior Management and senior executives, the VLTIP is geared towards motivating senior Management and senior executives towards achievement of target-based performance objectives. The VLTIP targets senior Management in key positions who shoulder the responsibility of the Company's performance as well as influence the growth and performance of the Company through high performance. It also serves as motivation to key senior Management in delivering high performance and aligning to enhancing longer term Shareholders' value.

Under the VLTIP, most of the grant of share awards will be conditional upon the achievement of pre-determined and agreed performance targets for the year for the individuals or collective group of individuals. These share awards represent individual's right to receive fully-paid shares of the Company when and if their predetermined conditions have been met. The number of shares to be released will vary with the achievement level of the individual employee.

In using the VOM Scheme towards the retention of talented employees, the grant of options is made based on the retention value assessed on the individual on whom the options were granted. There are no predetermined performance targets on which the grant is conditional upon, these options are expected to vest after twelve (12) months and exercisable within sixty (60) months from date of grant.

The RC is of the opinion that the current share scheme, including the vesting period and exercise conditions is in line with the remuneration and incentive framework for the directors and key management personnel. The RC will evaluate the use of vesting schedules, whereby only a portion of the benefits can be exercised each year, as and when appropriate.

The Directors and KMPs are encouraged to keep their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.

The maximum number of Company's shares which can be released under the combined limits of both the VLTIP and VOM Scheme will not exceed ten percent (10%) of the issued share capital of the Company.

During FY2019, no share awards or options under the VLTIP and VOM Scheme respectively was granted by the Company.

Further details of the VLTIP and VOM Scheme which include, size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant and vesting schedule are disclosed in the Directors' Statement and the notes to financial statements of this annual report.

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III. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

[Provision 9.1](#)

Nature and Extent of Risks

The Board acknowledges that it is responsible for establishing, maintaining and reviewing the effectiveness of the Company's overall internal control framework. The Board also recognises that an effective internal control system will not preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Company has put in place risk management and internal control systems, including financial, operational, compliance and information technology controls, which are detailed in formal instructions, standard operating procedures and financial authority limits policies. The Board has determined the Group's levels of risk tolerance and risk policies and oversees Management in the design, implementation and monitoring of the risk management and internal control systems. The Board also monitors the Group's risks through the AC, internal and external auditors.

The Group has in place an Enterprise Risk Management Framework to manage its exposure to risks that are associated with the conduct of its business. The Board will continue its risk assessment, which is an on-going process, with a view to improve the Group's internal control system.

[Provision 9.2](#)

Assurance from the Chief Executive Officer, Chief Financial Officer and Key Management Personnel

The Board and the AC review, with the assistance of the internal and external auditors, the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems.

The Board has received written assurance from the CEO and the Chief Financial Officer ("CFO") that, as at 31 December 2019, the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances. The Board has also received written assurance from the CEO, the CFO and the relevant KMPs that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place were adequate and effective as at 31 December 2019 to address the risks that the Group considers relevant and material to its business operations.

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, as well as the said assurances set out above, the Board is satisfied and the AC concurs with the Board that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2019 to address the risks that the Group considers relevant and material to its business operations.

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The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board notes that no system of internal controls and risk management systems can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Management will continue to review and strengthen the Group's control environment and devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

Audit Committee

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

Provision 10.1

Roles and Duties of the Audit Committee

On behalf of the Board, AC undertakes the monitoring and review of the system of internal controls. Amongst others, the primary responsibilities of the AC are to assist the Board in providing oversight over the Company's performance in areas of internal controls, financial and accounting practices, operational and compliance controls, and corporate and financial risk management. Significant findings are reported to the Board and recommended remedial plans are implemented towards improving overall controls and risk management environment of the Company.

The Board established the AC with written terms of reference which clearly set out its authority and duties, and reports to the Board directly. The terms of reference of the AC, which was revised and adopted for alignment with the Code and the Catalist Rules, sets out its duties and responsibilities. Amongst them, the AC is responsible for:

1. reviewing the financial reporting issues and judgements so as to ensure the integrity of financial statements, and of announcements on the Company's financial performance and recommend changes;
2. overseeing and reviewing the adequacy and effectiveness of the Company's risk management function;
3. overseeing Management in establishing the risk management framework of the Company;
4. reviewing and reporting to the Board at least annually on the adequacy and effectiveness of the Company's risk management and internal controls;
5. reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;
6. reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
7. recommending to the Board the appointment, reappointment and removal of the external auditors, and its remuneration and terms of engagement;
8. ensuring that the Company complies with the requisite laws and regulation;
9. ensuring that the Company has programmes and policies in place to identify and prevent fraud;

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10. overseeing the establishment and operation of the whistleblowing process in the Company;
11. reviewing all interested person transactions and related party transactions; and
12. undertaking such other functions and duties as may be required by the Board under the Code, statute or the Catalist Rules (where applicable).

The AC has explicit authority to investigate any matters within its terms of reference. The AC also has full access to, and the co-operation of, Management and full discretion to invite any Director or senior management to attend its meetings. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly. The AC is kept abreast by the external auditors of changes to accounting standards, Catalist Rules and other regulations which could have an impact on the Group's business and financial statements.

[Provisions 10.2 and 10.3](#)

Audit Committee Composition

As at the date of this report, the AC comprises the following three (3) members, all of whom, including the AC Chairman, are Non-Executive and Independent Directors:

| | |
|--------------------------|----------|
| Mr Kelvin Tan Wee Peng | Chairman |
| Mr Lee Suan Hiang | Member |
| Ms Cynthia Phua Siok Gek | Member |

The composition of the AC is in compliance with the Code which requires all members of the AC to be non-executive directors and the majority of whom, including the AC Chairman, to be independent.

The Board is of the view that the members of the AC are appropriately qualified and possess recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities. No former partner or Director of the Company's existing auditing firm is a member of the AC and the members of AC also confirmed that they have no financial interest in the auditing firm.

[Provision 10.4](#)

Internal Audit Function

The Board recognises that it has the responsibility to maintain a system of internal control processes to safeguard Shareholders' investments and the Group's business and assets. Periodic review and testing of the system of internal controls is an important exercise to ensure that the control mechanism in place is working in the intended manner for which it is designed for. While the importance of working internal controls cannot be discounted, the Board also recognises that the size of the Group may not warrant and it will not be a cost-effective or efficient solution to have an internal audit function and team within the organisational setup.

Accordingly, the Group will achieve the objective of an internal audit function through engaging an outside reputable independent professional accounting firm to perform an internal audit on the business operations. The Group will ensure that the internal auditor meets or exceeds the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The scope of the internal audit as well as the terms of engagement are determined by the AC. The internal auditor has unrestricted access to all the Group's documents, records, properties and personnel, including access to the AC, and has the appropriate standing within the Group. All such internal audit

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reports, including findings and recommendations, are communicated to the AC for review and concurrence, with Management provided with similar report for implementation and follow-up actions. Key audit findings and recommendations are tabled for discussion at the AC meetings, and the timeliness and progress of implementing the corrective or improvement actions are measured and reported.

The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The AC reviews at least annually the internal audit report and approves the annual internal audit plans to ensure the independence, adequacy and effectiveness of this outsourced internal audit function. The AC will implement the changes when the Group's operations and size grows to a point whereby a staffed internal audit team will be required. Considering the above condition and solution, the AC and the Board are reasonably assured that the objective of an internal audit function can and is achieved through a balanced and measured manner.

The internal audit for FY2018 was completed at the end of 2018, and during 2019, the Group implemented the improved processes and measures as recommended by the internal auditors. In June 2019, the Group underwent a debt restructuring and moratoria exercise which affected the implementation/roll out of the FY2019 internal audit. The Group will resume the internal audit plan in FY2020. Given the low business activity level coupled with the consistent internal audits performed prior to FY2019 and the results thereof, the AC and the Board are of the opinion that the risks are mitigated with close management supervision.

External Audit Function

The AC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors. It always seeks to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money professional services. The AC also recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors. The re-appointment of the external auditors is always subject to Shareholders' approval at the AGM.

Ernst & Young LLP ("EY") has been re-appointed as the external auditors of the Company at the last AGM. For FY2019, there has been a change in the audit engagement partner due to rotation policy of the audit firm. To maintain independence, the Company does not engage EY for any other corporate services and there were no non-audit fees paid to EY in FY2019.

In reviewing the nomination of EY for re-appointment for FY2020, the AC has considered the adequacy of the resources, experience and competence of EY, and has taken into account the Audit Quality Indicators relating to EY firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members in handling the audit. The Board also considered the audit team's ability to work in a cooperative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed timelines.

On the basis of the above, the AC and the Board are satisfied with the standard and quality of work performed by EY and have recommended the nomination of EY for re-appointment as external auditors of the Company for the ensuing year be tabled for Shareholders' approval at the forthcoming AGM.

For FY2019, the Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of audit firms for the Group. The AC and the Board are satisfied with the standards and the effectiveness of the audits performed by the independent external auditors of the subsidiaries and significant associated companies (if any) of the Group, other than those of the Company.

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[Provision 10.5](#)

Meeting Auditors without the Management

In performing its functions, the AC and Management meet with the external and internal auditors to discuss and evaluate the internal controls of the Group and review the overall scope of both external and internal audits. The AC also meets regularly with Management, the CFO, and external and internal auditors to keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Group's financial statements.

At least once a year and as and when required, the AC meets with the external and internal auditors without the presence of Management, to review any matters that might be raised privately. The AC has separately met with the external and internal auditors once in the absence of Management for FY2019.

Whistle Blowing Policy

The Company has in place a whistle blowing policy where employees of the Company may raise concerns about possible corporate improprieties in matters of financial reporting or other matters in confidence. To ensure an independent investigation of such matters and appropriate follow-up action is taken, all whistle blowing reports are sent to the AC Chairman and/or members who are also Independent Directors.

Details of the whistle blowing policy and arrangements have been made available to all employees. In addition, on a quarterly basis, the Corporate Secretary and the AC will perform a simulation test to ensure that the channels of communication for the whistle blowing reporting process remain functional.

Audit Committee Activities

In FY2019, the AC had, among others, carried out the following activities:

- (a) reviewed the quarterly and full-year financial statements announcements of the Group, and recommended to the Board for approval and release to the SGX-ST via SGXNet;
- (b) reviewed the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- (c) reviewed IPTs of the Group;
- (d) reviewed and approved the annual audit plan of the external auditors;
- (e) reviewed the independence of the external auditors;
- (f) reviewed the annual re-appointment of the external auditors and determined their remuneration, and made a recommendation for the Board's approval; and
- (g) met with the external auditors once without the presence of Management.

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IV. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

[Provision 11.1](#)

Shareholders' Participation in General Meetings

The Board welcomes the view of Shareholders on matters affecting the Company, whether at Shareholders' meetings or on an *ad hoc* basis. The Board encourages active Shareholders' participation in general meetings, including AGMs and extraordinary general meetings ("**EGMs**"). It believes that general meetings are an opportune forum and suitable platform for Shareholders and the Board and Management of the Company to engage in active exchange of ideas. In addition, the Company holds such Shareholders' meetings onsite at its premises in order to provide Shareholders with greater opportunity to understand and appreciate the Company's business operations.

For general meetings, the Company sends its annual report(s), circular(s) and Notice of AGM/EGM (where applicable) to all Shareholders. The Notice of AGM/EGM will also be published in either The Straits Times or The Business Times newspapers and will be made available on SGXNet and the Company's corporate website.

At general meetings of the Company, Shareholders have the opportunity to raise questions to the Board and Management, and clarify with them any issues they may have relating to the resolutions to be passed.

The Company conducts the voting for all resolutions by poll at all general meetings for greater transparency in the voting process.

[Provision 11.2](#)

Conduct of Resolutions and Voting

The resolutions tabled at the general meetings are on each substantially separate issue, unless the issues are interdependent and linked so as to form one significant proposal. If a scenario arises where the resolutions are inter-conditional, it is the Company's current intention to explain the reasons and material implications in the notice of meeting.

The Company typically ensures that there are separate resolutions at general meetings on each distinct issue. Detailed information on each item in the AGM/EGM agenda is provided in the explanatory notes to the Notice of AGM/EGM in the annual report.

Corporate Governance Report

For the year ended 31 December 2019

[Provision 11.3](#)

Interaction with Shareholders

At general meetings of the Company, Shareholders are given the opportunity to raise questions to the Directors and Management relating to the Company's business or performance, and clarify with them any issues they may have relating to the resolutions to be passed. Management, as well as the respective chairperson of the Board, AC, RC and NC will be present and available to address all comments or queries raised by Shareholders at general meetings of the Company. The external auditors of the Company are also present at the AGM to address Shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report.

All Directors, the Management and the external auditors were present at the last AGM held on 28 June 2019 to address comments and queries raised by Shareholders. All Directors will endeavour to be present at the Company's forthcoming AGM to address Shareholders' questions, if any.

Save for the last AGM, there were no other general meetings of the Company held during FY2019.

[Provision 11.4](#)

Absentia Voting

The Company has decided, for the time being, not to implement voting in absentia through mail, electronic mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

[Provision 11.5](#)

Minutes of General Meetings

The proceeding of each of the general meetings will be properly recorded and prepared by the Company Secretary or her representative, including substantial or relevant comments or queries from Shareholders relating to the agenda of the general meetings and responses from the Board and Management. All minutes of the general meetings will be available on the Company's corporate website.

[Provision 11.6](#)

Dividend Policy

The Company currently does not have a fixed dividend policy. Any future dividends that the Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as other factors deemed relevant by the Board:

- (a) the level of the Group's cash and retained earnings;
- (b) the Group's actual and projected financial performance;
- (c) the Group's projected levels of capital expenditure and other investment plans;
- (d) the dividend yield of similar-sized companies with similar growth listed on the Catalist board of the SGX-ST; and
- (e) restrictions on payment of dividends imposed on the Company by the Group's financing arrangements or legal and contractual obligations (if any).

Corporate Governance Report

For the year ended 31 December 2019

In view of the Group's loss-making position for FY2019 and that the Group is undergoing court sanctioned restructuring, the Board has not recommended any dividends for FY2019.

Engagement with Shareholders

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

[Provisions 12.1, 12.2 and 12.3](#)

Investor Relations Practices

The Company does not have an Investor Relations Policy in place. However, the Board's policy is that all Shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNet on an immediate basis, in line with the Group's disclosure obligations pursuant to the Catalist Rules and the Companies Act. There is no dedicated investor relations team in place as the Board was of the view that the current communication channels are sufficient and cost-effective.

Disclosures of Information

The Company believes in timely and accurate dissemination of information to its Shareholders. The Board makes every effort to comply with continuous disclosure obligations of the Company under the Catalist Rules and the Companies Act. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable.

Communication to Shareholders is normally made through:

- (a) annual reports that are prepared and issued to all Shareholders;
- (b) annual and quarterly financial statements announcements containing a summary of the financial information and affairs of the Group for the period;
- (c) notices and explanatory memoranda for general meetings;
- (d) disclosures to the SGX-ST via SGXNet; and
- (e) press/media releases.

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

Outside of the financial announcement periods, when necessary and appropriate, the Chairman and/ or the CEO will meet all stakeholders, Shareholders, analysts and media who wish to seek a better understanding of the Group's operations.

Corporate Governance Report

For the year ended 31 December 2019

Dialogue with Shareholders

The AGM is the principal forum for dialogue with Shareholders. The Company recognises the value of feedback from Shareholders. During the general meetings, Shareholders are given ample time and opportunities to air their views and concerns. All the Directors will endeavour to attend the AGMs and EGMs, and Shareholders will be given the chance to share their thoughts and ideas or ask questions relating to the resolutions to be passed or on other corporate and business issues.

V. MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

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

[Provisions 13.1 and 13.2](#)

Stakeholders' Engagement

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

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly able to impact the Group's business and operations. Five (5) stakeholders' groups have been identified through an assessment of their significance to the business operations. They are namely, customers, shareholders, employees, suppliers and regulators.

The Company and the Group have undertaken a process to determine the environmental, social and governance factors for the Group, which important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

Detailed approach to the stakeholder engagement and materiality assessment (including commitments, key areas of focus and activities) are disclosed under the Sustainability Report for FY2019 of the Company, which was released on 29 May 2020 on SGXNet and the Company's corporate website.

[Provision 13.3](#)

Corporate Website

To promote regular, effective and fair communication with Shareholders, the Company maintains a corporate website at <http://www.vikingom.com> through which Shareholders are able to access up-to-date information on the Group. The website provides annual reports, financial information, stock information, profiles of the Group, and contact details of the investor relations of the Group.

Corporate Governance Report

For the year ended 31 December 2019

VI. INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are conducted at arms' length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

All interested person transactions are subject to review by the AC to ensure compliance with established procedures.

The Company has not obtained a general mandate from its Shareholders in respect of interested person transactions for FY2019. The aggregate value of interested person transactions entered into during FY2019 is as follows:

| Name of Interested Person | Nature of Relationship | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Catalist Rules) | Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S\$100,000) |
|---------------------------|--|--|--|
| Mr Andy Lim | Chairman and Executive Director, and a controlling Shareholder | S\$1,190,758 ^{(1), (2)} | - |

Notes:

- (1) The interested person transaction relates mainly to financial assistance provided by companies which are controlled by Mr Andy Lim to the Company's subsidiaries in support of funding requirements for specific transactions and purposes.
- (2) Viking LR2 Pte Ltd (the "LR2"), a wholly-owned subsidiary of Viking Asset Management Pte Ltd which in turn is wholly-owned by the Company, entered into a loan agreement with Tembusu Growth Fund II Ltd ("Tembusu") whereby Tembusu granted a 2-year term loan to LR2 up to an aggregate amount of S\$6 million ("Loan"). Mr Andy Lim is also a director and shareholder of Tembusu Partners Pte Ltd (being the investment vehicle and fund manager of Tembusu). Accordingly, the Company is of the view that Tembusu should be deemed an associate of Mr Andy Lim and thus an "interested person" of the Company for the purposes of Chapter 9 of the Catalist Rules. The interest on the Loan shall be at the rate of 5% per annum and payable every 6-monthly period. LR2 shall repay the loan in full after 24 months from the First Drawdown Date (the "Maturity Date") by way of paying to Tembusu such amount representing an internal rate of return of 15% per annum on the Loan (less all interest which have been paid prior to the Maturity Date). The First Drawdown Date is in December 2014. The Maturity Date was extended for 6 months to June 2017 on similar terms and subsequently a portion of the Loan amounting to S\$4 million was agreed to be extended to April 2018. As at 31 December 2019, the Loan remains outstanding, and is secured via a corporate guarantee provided by the Company.

Corporate Governance Report

For the year ended 31 December 2019

VII. MATERIAL CONTRACTS

The Company has entered into an agreement with the Executive Director and CEO, Mr Ng Yeau Chong, for an incentive fee of 3% on the amount of monies secured from any investor transaction which he is instrumental in securing. This agreement was made prior to Mr Ng Yeau Chong's appointment as CEO of the Company, and was approved by the Board. In FY2019 and as at the date of this report, no payment of the aforementioned incentive fee was made by the Company to Mr Ng Yeau Chong.

Save as disclosed above, and in the section entitled "Interested Person Transactions", and the Directors' Statement and Financial Statements, there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling Shareholder which are either still subsisting as at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

VIII. DEALINGS IN SECURITIES

The Company has complied with Rule 1204(19) of the Catalist Rules in relation to the best practices on dealings in the securities:

- (a) The Company had devised and adopted its own internal compliance code to provide guidance to its Directors and officers with regards to dealings by the Company, its Directors and its officers in its securities, as well as to set out the implications on insider trading;
- (b) Directors and officers of the Company are discouraged from dealing in the Company's securities on short-term considerations; and
- (c) The Company, its Directors and its officers are prohibited from dealing in the Company's securities (i) during the periods commencing two (2) weeks before the announcement of the Company's quarterly financial statements and one (1) month before the announcement of the Company's full year financial statements, and ending on the date of the announcement of the relevant financial results; and (ii) if they are in possession of unpublished price-sensitive information of the Group.

In addition, the Directors and Management are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

IX. NON-SPONSORSHIP FEES

With effect from 31 October 2019, ZICO Capital Pte. Ltd. was appointed as the Company's Sponsor in place of CIMB Bank Berhad.

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsorship fees payable or paid to the Company's Sponsor, CIMB Bank Berhad or ZICO Capital Pte. Ltd., for FY2019.

Appendix A: Listed Company Directorships and Principal Commitments

As at the date of this report, the members of the Board and their details are set out below:-

| Name of Director | Date of last re-election/ appointment | Nature of appointment | Designation/ Board Committee served | Academic and professional qualifications | Directorships or Chairmanships in other listed companies and other principal commitments |
|------------------|---------------------------------------|-----------------------|---|--|--|
| Andy Lim | 30 April 2018 | Executive | <ul style="list-style-type: none"> Chairman | <ul style="list-style-type: none"> Master in Business Administration, University of California at Los Angeles Bachelor Degree in Engineering, University of Cambridge, United Kingdom (1st Class Honours) | <p><u>Present Directorships</u></p> <ul style="list-style-type: none"> Independent Director, Top Glove Corporation Berhad <p><u>Other Principal Commitments</u></p> <ul style="list-style-type: none"> Chairman, Tembusu Partners Pte Ltd Chairman, MoneyWorld Asia Pte Ltd |
| Ng Yeau Chong | 30 April 2018 | Executive | <ul style="list-style-type: none"> Chief Executive Officer | <ul style="list-style-type: none"> Master in Business Administration (Accounting), Nanyang Technological University Master of Arts (Oxford University, UK) CFA Institute Chartered Financial Analyst (CFA) Certification Global Association of Risk Professional (GARP) Financial Risk Manager (FRM) Certification | <p><u>Present Directorships</u></p> <p>Nil</p> <p><u>Other Principal Commitments</u></p> <p>Nil</p> |

Appendix A: Listed Company Directorships and Principal Commitments

| Name of Director | Date of last re-election/ appointment | Nature of appointment | Designation/ Board Committee served | Academic and professional qualifications | Directorships or Chairmanships in other listed companies and other principal commitments |
|---------------------|---------------------------------------|-------------------------------|--|---|--|
| Lee Suan Hiang | 28 June 2019 | Non-Executive and Independent | <ul style="list-style-type: none"> Lead Independent Director Chairman, Nominating Committee Member, Remuneration Committee Member, Audit Committee | <ul style="list-style-type: none"> BA (Hons) Industrial Design (Engineering) Fellow, Singapore Institute of Directors Fellow, Chartered Management Institute, UK Fellow of the Chartered Institute of Marketing, UK | <p><u>Present Directorships</u></p> <ul style="list-style-type: none"> Anacle Systems Ltd Perennial Real Estate Holdings Ltd MindChamps Preschool Ltd <p><u>Other Principal Commitments</u></p> <ul style="list-style-type: none"> Director, Orchid Leisure Enterprise Pte. Ltd. Director, Pasir Ris Resort Pte Ltd Director, LASALLE College of the Arts Limited Director, Global Cultural Alliance Limited Director, Singapore Institute of Directors Director, Catholic Foundation Limited |
| Kelvin Tan Wee Peng | 27 April 2017 | Non-Executive and Independent | <ul style="list-style-type: none"> Chairman, Audit Committee Member, Nominating Committee Member, Remuneration Committee | <ul style="list-style-type: none"> Bachelor in Accountancy (1st Class Honours) Master in Business Administration | <p><u>Present Directorships</u></p> <ul style="list-style-type: none"> USP Group Limited Global Investments Limited Unusual Limited Eagle Hospitality Reit Management Pte Ltd Eagle Hospitality Business Trust Management Pte Ltd IREIT Global Group Pte Ltd Sabana Real Estate Investment Management Pte Ltd <p><u>Other Principal Commitments</u></p> <p>Adjunct Associate Professor, NUS Business School</p> |

Appendix A: Listed Company Directorships and Principal Commitments

| Name of Director | Date of last re-election/ appointment | Nature of appointment | Designation/ Board Committee served | Academic and professional qualifications | Directorships or Chairmanships in other listed companies and other principal commitments |
|-----------------------|---------------------------------------|-------------------------------|---|--|---|
| Cynthia Phua Siok Gek | 30 April 2018 | Non-Executive and Independent | <ul style="list-style-type: none"> • Chairman, Remuneration Committee • Member, Nominating Committee • Member, Audit Committee | <ul style="list-style-type: none"> • Bachelor of Science, Estate Management (2nd Class Upper Honours) • Advanced Management Program (2001), Harvard Business School | <p><u>Present Directorships</u></p> <ul style="list-style-type: none"> • Nil <p><u>Other Principal Commitments</u></p> <ul style="list-style-type: none"> • Management Consultant, UGS Energy Pte Ltd |

Directors' Statement

The directors hereby present their statement to the members together with the audited consolidated financial statements of Viking Offshore and Marine Limited (the “Company”) and its subsidiaries (collectively, the “Group”) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

1. Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement, based on the factors as described in Note 2.1 to the financial statements, the Directors have prepared these financial statements on a going concern basis as they are of the view that there are reasonable grounds to believe that the Company will be able restructure its major debts and subsequently pay its debts as and when they fall due.

2. Directors

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

Lim Andy
Ng Yeau Chong
Lee Suan Hiang
Tan Wee Peng Kelvin
Phua Siok Gek, Cynthia

3. Arrangements to enable directors to acquire shares, debentures and warrants

Except as described in the paragraph below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares, debentures or warrants of the Company or any other body corporate.

Directors' Statement

4. Directors' interests in shares, debentures and warrants

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

| Name of director | Direct Interest | | | Deemed Interest | | |
|---------------------------------------|------------------------------------|------------------------------|--------------------|------------------------------------|------------------------------|--------------------|
| | At the beginning of financial year | At the end of financial year | At 21 January 2020 | At the beginning of financial year | At the end of financial year | At 21 January 2020 |
| <i>Ordinary shares of the Company</i> | | | | | | |
| Lim Andy | 243,643,120 | 243,643,120 | 243,643,120 | 29,400,000 | 29,400,000 | 29,400,000 |
| Lee Suan Hiang | 3,570,000 | 3,570,000 | 3,570,000 | - | - | - |
| Ng Yeau Chong | 1,540,000 | 1,540,000 | 1,540,000 | - | - | - |
| Tan Wee Peng Kelvin | 2,000,000 | 2,000,000 | 2,000,000 | - | - | - |
| <i>Share options of the Company</i> | | | | | | |
| Lim Andy | - | - | - | - | - | - |
| Lee Suan Hiang | - | - | - | - | - | - |
| Tan Wee Peng Kelvin | - | - | - | - | - | - |
| <i>Warrants</i> | | | | | | |
| Lim Andy | 34,806,160 | 34,806,160 | 34,806,160 | 8,103,389 | 8,103,389 | 8,103,389 |
| Lee Suan Hiang | 510,000 | 510,000 | 510,000 | - | - | - |
| Tan Wee Peng Kelvin | 325,000 | 325,000 | 325,000 | - | - | - |
| Ng Yeau Chong | 220,000 | 220,000 | 220,000 | - | - | - |

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Directors' Statement

5. Options

There were no share options granted to or exercised by the directors and employees of the Company and its subsidiaries during the financial year pursuant to the VOM Scheme.

6. Viking Long Term Incentive Plan

The Viking Long Term Incentive Plan (the "VLTIP") was approved by the shareholders at an extraordinary general meeting held on 15 December 2011 and is administered by the Committee. Persons eligible to participate in the VLTIP are selected by Group Employees (including Group Executive Directors) and Group Non-Executive Directors at the absolute discretion of the Committee.

The awards under the VLTIP (the "Awards") give the right to a participant to receive fully-paid ordinary shares free of charge, upon the participant achieving the prescribed performance targets and upon expiry of the prescribed vesting period.

The performance targets to be set shall take into account both the medium-term to long-term corporate objectives of the Group and the individual performance of the participant and will be aimed at sustaining long-term growth. The corporate objectives shall cover market competitiveness, business growth and productivity growth. In addition, the participant's length of service with the Group, achievement of past performance targets, value-add to the Group's performance and development and overall enhancement to shareholder value, amongst others, will be taken into account.

No Awards were granted during the financial year.

7. Warrants

At the end of the financial year, details of the outstanding warrants are as follows:

| Date of issue | Warrants outstanding at 1.1.2019 | Warrants issued | Warrants exercised | Warrants expired | Warrants outstanding at 31.12.2019 | Date of expiration |
|----------------------|---|----------------------------|-------------------------------|-----------------------------|---|-------------------------------|
| 3.07.2017 | 97,491,109 | – | – | – | 97,491,109 | 2.07.2022 |

On 3 July 2017, the Company allotted and issued 194,982,219 new ordinary shares ("Right Shares 2") at an issue price of \$0.018 for each Right Share 2, 13,727,831 additional Warrants 1 and 97,491,109 free detachable warrants ("Warrants 2") pursuant to a renounceable and non-underwritten right cum warrants issue. Each Warrant 2 carries the right to subscribe for two new ordinary share in the capital of the Company at an exercise price of \$0.025 for each new ordinary share and is exercisable during a five year period from the date of issue.

Directors' Statement

8. Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Review the audit plans of the internal and external auditors of the Group and the Company and ensure the adequacy of the Group's system of accounting controls and the Group and the co-operation given by the Company's management to the external and internal auditors;
- Review the quarterly, half-yearly and annual financial statements and the auditors' report on the annual financial statements of the Group and the Company before submitting to the Board of Directors; such reviews will also include the review of the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Group's financial performance;
- Review and report to the Board at least annually, with the management and the internal auditor on the adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls, and risk management policies and systems established by the management;
- Review the adequacy and effectiveness of the Group's internal audit function; including the audit plans for the year;
- Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Review the cost effectiveness and the independence and objectivity of the external auditor;
- Review the nature and extent of non-audit services provided by the external auditor;
- Review the currency of the whistle-blowing policies and the reported incidents, including the appropriate investigations and ensuring appropriate follow-up actions, where necessary;
- Make recommendations to the Board on the proposals to the shareholders on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor; and
- Review interested person transactions in accordance with the requirements of the listing rules of the Singapore Exchange.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Directors' Statement

9. Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Lim Andy
Director

Ng Yeau Chong
Director

2 June 2020

Independent Auditor's Report

For the financial year ended 31 December 2019

Independent auditor's report to the members of Viking Offshore and Marine Limited

Report on the audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Viking Offshore and Marine Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The Group incurred a net loss after tax of \$31,988,976 for the financial year ended 31 December 2019, and as at that date, the Group's and the Company's current liabilities exceeded its current assets by \$20,907,749 and \$28,187,195 respectively. As at 31 December 2019, the Group's total borrowings amounting to \$33,077,822 were in default and were classified as current liabilities, and exceeded its cash and bank balances of \$2,364,347 as at 31 December 2019.

Further, as disclosed in Note 2.1 to the financial statements, the Company and a subsidiary have commenced a court-supervised process to reorganise its liabilities and the High Court of the Republic of Singapore has granted a moratorium against enforcement actions and legal proceedings by creditors against the Company and the subsidiary pursuant to section 211B and section 211C respectively of the Companies Act, Chapter 50.. The moratorium has been extended until 17 June 2020 or until further ordered.

These conditions and events indicate the existence of material uncertainties which may cast significant doubt on the abilities of the Group and the Company to continue as going concerns.

The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 2.1 to the financial statements. However, based on the information available to us, we have not been able to obtain sufficient audit evidence to satisfy ourselves as to the appropriateness of the use of the going concern assumption in the preparation of the financial statements.

The carrying values of the assets as recorded on the balance sheets of the Group and the Company as at 31 December 2019 have been determined based on their continuation as going concern and recovery in the normal course of business. If the going concern assumption is not appropriate and the financial statements were prepared on a realisation basis, the carrying values of assets and liabilities may be materially different from that currently recorded in the balance sheets. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets.

Independent Auditor's Report

For the financial year ended 31 December 2019

Independent auditor's report to the members of Viking Offshore and Marine Limited

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

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 the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Vincent Toong Weng Sum.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
2 June 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

| | Note | 2019 \$ | 2018 \$ |
|---|------|--------------|--------------|
| Revenue | 4 | 23,693,844 | 30,146,108 |
| Cost of sales | | (15,294,359) | (18,606,363) |
| Gross profit | | 8,399,485 | 11,539,745 |
| Other items of income | | | |
| Other income | 5 | 385,985 | 957,126 |
| Finance income | 8 | 14,431 | 12,504 |
| Other items of expense | | | |
| Marketing and distribution expenses | | (304,949) | (168,595) |
| Administrative expenses | | (9,186,764) | (10,325,552) |
| Other operating expenses | 6(a) | (23,719,650) | (8,861,788) |
| Impairment losses on financial assets, net | 6(c) | (4,305,489) | (2,487,184) |
| Finance costs | 8 | (3,419,771) | (3,508,404) |
| Share of results of associates, net of tax | | - | (15,402,872) |
| Loss before tax | 6 | (32,136,722) | (28,245,020) |
| Taxation | 9 | 147,746 | 196,863 |
| Loss for the year, net of tax | | (31,988,976) | (28,048,157) |
| Other comprehensive income: | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Foreign currency translation | | (176,310) | 157,885 |
| Other comprehensive income for the year, net of tax | | (176,310) | 157,885 |
| Total comprehensive income for the year | | (32,165,286) | (27,890,272) |
| Loss attributable to: | | | |
| Owners of the Company, net of tax | | (31,978,210) | (28,048,157) |
| Non-controlling interest | | (10,766) | - |
| | | (31,988,976) | (28,048,157) |
| Total comprehensive income attributable to: | | | |
| Owners of the Company, net of tax | | (32,154,520) | (27,890,272) |
| Non-controlling interest | | (10,766) | - |
| | | (32,165,286) | (27,890,272) |
| Loss per share (cents per share) | | | |
| - Basic | 10 | (2.91) | (2.55) |
| - Diluted | 10 | (2.91) | (2.55) |

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

Balance sheets

As at 31 December 2019

| | Note | Group | | Company | |
|--|-------|--------------|--------------|---------------|--------------|
| | | 2019 \$ | 2018 \$ | 2019 \$ | 2018 \$ |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 19,426,840 | 21,336,316 | 947 | 2,327 |
| Intangible assets | 12 | 7,207,258 | 13,510,266 | – | – |
| Right-of-use asset | 13 | 1,440,772 | – | – | – |
| Investment in subsidiaries | 14 | – | – | 29,505,120 | 54,111,085 |
| Investment in associates | 15 | – | – | – | – |
| Quoted equity investments | 16 | 40,324 | 50,409 | 40,324 | 50,409 |
| Deferred tax assets | 9 | – | 5,531 | – | – |
| | | 28,115,194 | 34,902,522 | 29,546,391 | 54,163,821 |
| Current assets | | | | | |
| Inventories | 17 | 13,137,110 | 28,299,319 | – | – |
| Trade receivables | 18 | 24,116,978 | 27,271,747 | – | – |
| Prepayments | | 39,188 | 76,319 | 14,287 | 36,525 |
| Other receivables and deposits | 19 | 1,223,580 | 1,063,226 | 66,660 | 43,469 |
| Contract assets | 20 | 4,835,593 | 6,597,236 | – | – |
| Finance lease receivables | | – | – | – | – |
| Due from subsidiaries (non-trade) | 24 | – | – | 36,467 | 18,226,601 |
| Cash and cash equivalents | 21 | 2,364,347 | 3,603,944 | 25,078 | 49,747 |
| | | 45,716,796 | 66,911,791 | 142,492 | 18,356,342 |
| Current liabilities | | | | | |
| Trade payables | 22 | 5,666,459 | 3,118,350 | – | – |
| Contract liabilities | 20 | 2,899,078 | 2,843,292 | – | – |
| Other payables and accruals | 23 | 24,908,421 | 23,896,483 | 997,332 | 747,270 |
| Tax payable | | 11,126 | 4,694 | – | – |
| Due to subsidiaries (non-trade) | 24 | – | – | 27,332,355 | 28,525,932 |
| Lease liabilities | 13 | 61,639 | 25,690 | – | – |
| Loans and borrowings | 25 | 25,922,398 | 17,884,392 | – | 160,081 |
| Redeemable exchangeable bonds | 26 | 7,155,424 | 7,080,834 | – | – |
| | | 66,624,545 | 54,853,735 | 28,329,687 | 29,433,283 |
| Net current (liabilities)/assets | | (20,907,749) | 12,058,056 | (28,187,195) | (11,076,941) |
| Non-current liabilities | | | | | |
| Deferred tax liabilities | 9 | 885,246 | 1,049,255 | – | – |
| Lease liabilities | 13 | 1,473,694 | 15,373 | – | – |
| Loans and borrowings | 25 | – | 8,882,159 | – | – |
| | | 2,358,940 | 9,946,787 | – | – |
| Net assets | | 4,848,505 | 37,013,791 | 1,359,196 | 43,086,880 |
| Equity | | | | | |
| Share capital | 27(a) | 102,604,532 | 102,604,532 | 102,604,532 | 102,604,532 |
| Treasury shares | 27(b) | (527,775) | (527,775) | (527,775) | (527,775) |
| Reserves | | (97,217,486) | (65,062,966) | (100,717,561) | (58,989,877) |
| Equity attributable to equity holders of the parent | | | | | |
| | | 4,859,271 | 37,013,791 | 1,359,196 | 43,086,880 |
| Non-controlling interest | | (10,766) | – | – | – |
| Total equity | | 4,848,505 | 37,013,791 | 1,359,196 | 43,086,880 |

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

Statements of Changes in Equity

For the year ended 31 December 2019

| 2019 Group | Note | Attributable to owners of the Company | | | | | Equity attributable to owners of the Company, total | Non- controlling interest | Total equity |
|--|-------|---------------------------------------|------------------------------------|------------------------|--------------------------------|-------------------|--|---------------------------------|--------------|
| | | Share capital (Note 27(a)) | Treasury shares (Note 27(b)) | Accumulated profits | Other reserves (Note 28) | Total reserves | | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| As at 1 January 2019 | | 102,604,532 | (527,775) | (63,832,791) | (1,230,175) | (65,062,966) | 37,013,791 | - | 37,013,791 |
| Loss for the year | | - | - | (31,978,210) | - | (31,978,210) | (31,978,210) | (10,766) | (31,988,976) |
| <u>Other comprehensive income</u> | | | | | | | | | |
| Foreign currency translation | 28(a) | - | - | - | (176,310) | (176,310) | (176,310) | - | (176,310) |
| Other comprehensive income for the year, net of tax | | - | - | - | (176,310) | (176,310) | (176,310) | - | (176,310) |
| Total comprehensive income for the year | | - | - | (31,978,210) | (176,310) | (32,154,520) | (32,154,520) | (10,766) | (32,165,286) |
| At 31 December 2019 | | 102,604,532 | (527,775) | (95,811,001) | (1,406,485) | (97,217,486) | 4,859,271 | (10,766) | 4,848,505 |

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

Statements of Changes in Equity

For the year ended 31 December 2019

| 2018 Group | Note | Attributable to owners of the Company | | | | Total equity | |
|--|-------|---------------------------------------|---------------------------------------|---------------------------|-----------------------------------|--------------|----------------------|
| | | Share capital (Note 27(a)) \$ | Treasury shares (Note 27(b)) \$ | Accumulated profits \$ | Other reserves (Note 28) \$ | | Total reserves \$ |
| Opening balance at 1 January 2018 (FRS framework) | | 102,604,532 | (527,775) | (37,586,628) | 413,934 | (37,172,694) | 64,904,063 |
| Cumulative effects of adopting SFRS(l) | | - | - | 1,801,994 | (1,801,994) | - | - |
| Opening balance at 1 January 2018 (SFRS(l) framework) | | 102,604,532 | (527,775) | (35,784,634) | (1,388,060) | (37,172,694) | 64,904,063 |
| Loss for the year | | - | - | (28,048,157) | - | (28,048,157) | (28,048,157) |
| <u>Other comprehensive income</u> | | | | | | | |
| Foreign currency translation | 28(a) | - | - | - | 157,885 | 157,885 | 157,885 |
| Other comprehensive income for the year, net of tax | | - | - | - | 157,885 | 157,885 | 157,885 |
| Total comprehensive income for the year | | - | - | (28,048,157) | 157,885 | (27,890,272) | (27,890,272) |
| At 31 December 2018 | | 102,604,532 | (527,775) | (63,832,791) | (1,230,175) | (65,062,966) | 37,013,791 |

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

Statements of Changes in Equity

For the year ended 31 December 2019

| 2019 Company | Attributable to owners of the Company | | | | | Total equity |
|--|---------------------------------------|---------------------------------------|---------------------------|-----------------------------------|----------------------|--------------|
| | Share capital (Note 27(a)) \$ | Treasury shares (Note 27(b)) \$ | Accumulated profits \$ | Other reserves (Note 28) \$ | Total reserves \$ | \$ |
| At 1 January 2019 | 102,604,532 | (527,775) | (59,103,933) | 114,056 | (58,989,877) | 43,086,880 |
| Loss for the year, representing total comprehensive income for the year | - | - | (41,727,684) | - | (41,727,684) | (41,727,684) |
| At 31 December 2019 | 102,604,532 | (527,775) | (100,831,617) | 114,056 | (100,717,561) | 1,359,196 |
| 2018 Company | | | | | | |
| At 1 January 2018 | 102,604,532 | (527,775) | (46,451,620) | 114,056 | (46,337,564) | 55,739,193 |
| Loss for the year, representing total comprehensive income for the year | - | - | (12,652,313) | - | (12,652,313) | (12,652,313) |
| At 31 December 2018 | 102,604,532 | (527,775) | (59,103,933) | 114,056 | (58,989,877) | 43,086,880 |

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

Consolidated Cash Flow Statement

For the year ended 31 December 2019

| | Note | 2019 \$ | 2018 \$ |
|---|---------|--------------|--------------|
| Cash flows from operating activities | | | |
| Loss before taxation | | (32,136,722) | (28,245,020) |
| Adjustments for: | | | |
| Amortisation of intangible assets | 6(a) | 16,984 | 19,201 |
| Depreciation of property, plant and equipment | 6(a) | 1,881,066 | 2,101,598 |
| Depreciation of right-of-use assets | 6(a) | 119,167 | – |
| Impairment loss on contract asset | 6(a) | 160,705 | – |
| Impairment loss on trade receivables | 6(c) | 4,305,489 | 2,487,184 |
| Gain on disposal of plant and equipment | 5 | (161) | (2,974) |
| Write back of allowance for doubtful debt | 5 | (99,597) | (50,032) |
| Interest expense | 8 | 3,419,771 | 3,508,404 |
| Interest income | 8 | (14,431) | (12,504) |
| Inventories written down | 6(a) | 13,439,052 | 6,785,945 |
| Inventories written off | 6(a) | 1,407,752 | – |
| Share of results of associates, net of tax | | – | 15,402,872 |
| Impairment loss on goodwill | 6(a) | 6,285,774 | – |
| Unrealised exchange loss/(gain) | | 79,082 | (633,431) |
| Fair value loss/(gain) on quoted equity investments | 6(a); 5 | 10,085 | (44,324) |
| Operating cashflows before working capital changes | | (1,125,984) | 1,316,919 |
| Changes in working capital: | | | |
| Inventories | | 315,406 | 4,911,402 |
| Trade receivables | | (1,046,393) | (6,830,276) |
| Other receivables, deposits and prepayments | | (109,618) | 916,514 |
| Contract assets | | 1,600,938 | 269,582 |
| Finance lease receivables | | – | 155,503 |
| Trade payables | | 2,545,260 | (456,206) |
| Other payables and accruals | | (2,069,395) | 2,606,095 |
| Contract liabilities | | 83,621 | (879,731) |
| Cash flows from operations | | 193,835 | 2,009,802 |
| Interest received | | 14,431 | 12,504 |
| Income taxes paid | | (11,112) | (28,482) |
| Net cash flows generated from operating activities | | 197,154 | 1,993,824 |

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

Consolidated Cash Flow Statement

For the year ended 31 December 2019

| | Note | 2019 \$ | 2018 \$ |
|--|------|-------------|-------------|
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 11 | (15,514) | (126,420) |
| Proceeds from disposal of property, plant and equipment | | 43,211 | 6,354 |
| Net proceeds from quoted equity investments | | – | 159,817 |
| Cash flows from investing activities | | 27,697 | 39,751 |
| Cash flows from financing activities | | | |
| Interest paid | | (262,249) | (2,088,220) |
| Payment of principal portion of lease liabilities | | (301,905) | (28,007) |
| Proceeds from bank borrowings | | – | 750,000 |
| Repayment of bank borrowings | | (844,153) | (3,216,225) |
| Cash flows used in financing activities | | (1,408,307) | (4,582,452) |
| Net decrease in cash and cash equivalents | | (1,183,456) | (2,548,877) |
| Effects of exchange rate changes on cash and cash equivalents | | (56,141) | 102,164 |
| Cash and cash equivalents at beginning of year | | 3,603,944 | 6,050,657 |
| Cash and cash equivalents at end of year | 21 | 2,364,347 | 3,603,944 |

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

1. Corporate information

Viking Offshore and Marine Limited (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 21 Kian Teck Road, Singapore 628773.

The principal activities of the Company are the provision of management and other services to related companies and investment holding. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I”).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$).

Going concern

The Group incurred a net loss of \$31,988,976 (2018: \$28,048,157) during the financial year ended 31 December 2019 and as at that date, the Group’s and the Company’s current liabilities exceeded its current assets by \$20,907,749 and \$28,187,195 respectively (As at 31 December 2018, the Group’s current assets exceeded its current liabilities by \$12,058,056 whereas for the Company, its current liabilities exceeded its current assets by \$11,076,941). As at 31 December 2019, the Group’s total borrowings (made up of loans and borrowings and redeemable exchangeable bonds) amounted to \$33,077,822 (2018: \$24,965,226) were classified as current liabilities. The Group’s total borrowings that are due for repayment in the next 12 months exceeded its cash and bank balances of \$2,364,347 (2018: \$3,603,944) as at 31 December 2019.

Further, the Company and a subsidiary have commenced a court-supervised process to reorganise its liabilities and the High Court of the Republic of Singapore has granted a moratorium against enforcement actions and legal proceedings by creditors against the Company and the subsidiary pursuant to section 211B and section 211C respectively of the Companies Act, Chapter 50.. The moratorium has been extended until 17 June 2020 or until further ordered.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Going concern (cont'd)

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2019 is still appropriate after taking into consideration the following assumptions and measures:

- (a) As disclosed in Note 36, the Company will seek a further extension of the moratoria. The Group intends to pursue the restructuring by way of scheme of arrangement to be proposed between the relevant entities of the Group and its creditors under Section 210 of the Companies Act (the "Scheme"). The Directors are of the view that the Group and the Company will be able to successfully complete the Scheme to enable the Group to meet its liabilities as and when they fall due;
- (b) On 10 January 2020, the Company has entered into a conditional placement agreement ("Placement Agreement") with Ruddin Advisory Limited and Blue Ocean Capital Partners Pte. Ltd., in relation to a proposed placement of shares in the Company ("Proposed Placement") for an aggregate consideration of \$5,000,000 in cash.

This Proposed Placement will provide funds to the Company to, amongst others, facilitate the restructuring of its debts and liabilities as part of the Scheme and working capital of the Group. The Proposed Placement is subject to, among others, approval from the shareholders at an extraordinary general meeting, agreement with Maybank for the settlement/ re-financing of the outstanding loans as well as the finalisation of the Scheme;

- (c) The Group is taking active steps in respect of certain properties and assets divestment plan to pare down its borrowings;
- (d) The Group expects that it will generate adequate cash flows from operations to repay its trade-related debt obligations as and when they fall due; and
- (e) As disclosed in Note 36, the Group continues to pursue the enforcement of the favourable arbitration award in China against the assets of the defendant.

The Board of Directors are of the view that the Group and the Company will be able to successfully complete the financial restructuring exercise and accordingly, the Board of Directors are of the opinion that the use of going concern assumption in preparing the accompanying financial statements is appropriate.

The carrying values of the assets as recorded on the balance sheets of the Group and the Company as at 31 December 2019 have been determined based on their continuation as going concern and recovery in the normal course of business. If the going concern assumption is not appropriate and the financial statements were prepared on a realisation basis, the carrying values of assets and liabilities may be materially different from that currently recorded in the balance sheets. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

The Group applied SFRS(I) 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

SFRS(I) 16 Leases

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

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

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The effect of adoption SFRS(I) 16 as at 1 January 2019 on the Group is an increase in both the right-of-use assets and lease liabilities by \$1,559,939.

The Group has a lease contract for its leasehold land. Before the adoption of SFRS(I) 16, the Group had, at the inception date, classified the lease an operating lease.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance lease

The Group did not change the initial carrying amount of recognised assets and liabilities at the date of initial application for lease previously classifies as finance lease. The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

SFRS(I) 16 Leases (cont'd)

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

| | Group \$ |
|--|--------------------|
| Operating lease commitments as at 31 December 2018 | 3,878,600 |
| Less: | |
| Commitments relating to short-term leases | <u>(267,156)</u> |
| Lease commitments exclude short-term leases and leases of low value assets | 3,611,444 |
| Discounting | <u>(2,051,505)</u> |
| Lease liabilities as a result of the initial application of SFRS(I) 16 as at 1 January 2019 | 1,559,939 |
| Add: Present value of leases previously classified as finance lease liabilities as at 31 December 2018 | <u>41,063</u> |
| Lease liabilities as at 1 January 2019 | <u>1,601,002</u> |

The weighted average incremental borrowing rate as at 1 January 2019 is 15.6%.

As at 1 January 2019, 'Right-of-use assets' and 'Lease liabilities' were recognised and presented separately in the statement of financial position.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

| Description | Effective for annual periods beginning on or after |
|--|--|
| Amendments to References of the Conceptual Framework in SFRS(I) Standard | 1 January 2020 |
| Amendments to Illustrative Examples, Implementation Guidance and SFRS(I) Standards | 1 January 2020 |
| Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: <i>Interest Rate Benchmark Reform</i> | 1 January 2020 |
| Amendments to SFRS(I) 3: <i>Definition of a Business</i> | 1 January 2020 |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: <i>Definition of Material</i> | 1 January 2020 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Date to be determined |

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(b) Business combinations and goodwill

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations and goodwill (cont'd)

- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

| | | |
|------------------------------------|---|---------------|
| Leasehold buildings | – | 24 years |
| Computers and office equipment | – | 1 to 8 years |
| Renovation, furniture and fixtures | – | 3 to 10 years |
| Motor vehicles | – | 5 to 10 years |
| Machinery | – | 5 to 10 years |

Assets under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.7 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or 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. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

(i) *Customer relationships*

Customer relationships were acquired in business combination and relate to relationships with both local and overseas shipyards and are amortised over their useful lives ranging 5 to 10 years.

(ii) *Software*

An acquired software is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributed cost of preparing the asset for its intended use. These costs are amortised to the profit or loss using the straight-line method over their estimated useful lives of 10 years. The remaining amortisation period of software is 1 year (2018: 2 years).

(iii) *Club membership*

Club membership was acquired separately and is amortised on a straight line basis over its finite useful life of 28 years. The remaining amortisation period of club membership is 15 years (2018: 16 years).

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.10 Associates (cont'd)

Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.11 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Amortised cost

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

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.11 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) *Financial liabilities at amortised cost*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.12 *Impairment of financial assets*

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.12 Impairment of financial assets (cont'd)

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average for one of the subsidiary and first-in first-out basis for the rest of the Group.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.15 Provisions (cont'd)

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.16 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 Redeemable exchangeable bonds

Redeemable exchangeable bonds with conversion option are accounted for as financial liability with an embedded equity conversion derivative based on the terms of the contract.

On issuance of redeemable exchangeable bonds, the embedded option is recognised at its fair value as derivative liability with subsequent changes in fair value recognised in profit or loss.

The remainder of the proceeds is allocated to the liability component that is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are de-recognised with a corresponding recognition of share capital.

2.18 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore and China companies in the Group make contributions to the defined contribution pension schemes in the respective countries. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.18 Employee benefits (cont'd)

(c) Employee equity compensation plans

Employees of the Group receive remuneration in the form of share options and share awards as consideration for services rendered. The cost of these equity-settled share-based payment transactions with employees is measured by reference to the fair value of the options and awards at the date on which the options and awards are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share-based payment reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options and awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The employee share-based payment reserve is transferred to retained earnings upon expiry of the share option or share award.

2.19 Leases

(a) As lessee

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

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| | | |
|----------------|---|----------------------|
| Leasehold land | – | Remaining lease term |
|----------------|---|----------------------|

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

The right-of-use assets are also subject to impairment. The accounting policy for impairment of non-financial assets is set out in Note 2.8.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.19 Leases (cont'd)

(a) As lessee (cont'd)

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

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

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.20 Revenue

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

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

(a) *Sale of goods*

Revenue from sale of goods is recognized upon the satisfaction of performance obligation when goods are delivered to the customer.

(b) *Project revenue*

The Group principally operates fixed price contracts. Revenue is recognized when control over the products has been transferred to the customer over time, by reference to the stage of completion of the contract activity at end of reporting period (the percentage of completion method).

In applying the percentage of completion method, revenue recognized corresponds to the total project revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated cost to complete.

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.20 Revenue (cont'd)

(c) Rendering of services

Revenue from rendering of services is recognized upon satisfaction of performance obligation when services are rendered.

(d) Rental income from equipment and industrial space

Rental income from operating leases on equipment and industrial space is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(e) Chartering services

Revenue from rendering of chartering services is recognised on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

(f) Management fee

Management fee income is recognised as and when the management services are rendered.

(g) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(h) Interest income

Interest income is recognised using the effective interest method.

2.21 Taxation

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.21 Taxation (cont'd)

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.21 Taxation (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 Share capital and share issuance expenses

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

2.24 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.25 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised in profit or loss over the periods necessary to match them on a systematic basis, to the costs, which it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Notes to the Financial Statements

For the financial year ended 31 December 2019

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) *Judgements made in applying accounting policies*

Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

(b) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Revenue recognition from projects

The Group recognises project revenue by when control over the products has been transferred to the customer over time, by reference to the stage of completion of the contract activity at end of reporting period (the percentage of completion method). The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of contract assets and contract liabilities at the end of each reporting period are disclosed in Note 20 to the financial statements. If the estimated total contract cost had been 5% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been \$1,509,510 (2018: \$3,452,030) lower and \$1,942,689 (2018: \$1,811,953) higher respectively.

(ii) Impairment of goodwill and investment in subsidiaries

As disclosed in Notes 12 and 14 to the financial statements, the recoverable amounts of the cash generating units which goodwill and costs of investment in subsidiaries have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Notes 12 and 14 to the financial statements.

The carrying amounts of the goodwill and investment in subsidiaries as at 31 December 2019 are \$7,162,522 (2018: \$13,448,296) and \$29,505,120 (2018: \$54,111,085) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2019

3. Significant accounting judgements and estimates (cont'd)

(b) *Key sources of estimation uncertainty (cont'd)*

(iii) [Provision for expected credit losses of trade receivables and contract assets](#)

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Notes 18 and 20.

The carrying amount of trade receivables and contract assets as at 31 December 2019 are \$24,116,978 and \$4,835,593 (2018: \$27,271,747 and \$6,597,236) respectively.

(iv) [Allowance for inventory obsolescence](#)

Allowance for inventory obsolescence is estimated based on the best available facts and circumstances, including but not limited to, the inventories own physical conditions, their market selling prices, and estimated costs to be incurred for their sales. The allowances are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Company's inventories at the end of the reporting period is disclosed in Note 17 to the financial statements.

(v) [Lease liabilities](#)

The Group is not able to readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (e.g. when leases are not in the subsidiary's functional currency). The Group uses existing debt borrowing rates of the respective Group's entities as its incremental borrowing rate. The information about the Group's leases is disclosed in Note 13.

Notes to the Financial Statements

For the financial year ended 31 December 2019

| 4. Revenue | | (a) Disaggregation of revenue | | Offshore and marine | | Corporate | | Chartering services | | Total revenue | |
|--|--|-------------------------------|-------------------|---------------------|------------------|-----------|------------------|---------------------|----------|-------------------|-------------------|
| | | | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Segments | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Group | | | | | | | | | | | |
| Primary geographical markets | | | | | | | | | | | |
| Australia | | 6,676 | 544,252 | - | - | - | - | - | - | 6,676 | 544,252 |
| Europe | | 1,763,203 | 401,613 | - | - | - | - | - | - | 1,763,203 | 401,613 |
| Indonesia | | 1,846,075 | 4,958,678 | - | - | - | - | - | - | 1,846,075 | 4,958,678 |
| Malaysia | | 1,682,847 | 1,459,012 | - | - | - | - | - | - | 1,682,847 | 1,459,012 |
| Middle East | | 1,120,386 | 700,276 | - | - | - | - | - | - | 1,120,386 | 700,276 |
| People's Republic of China | | 1,693,716 | 2,712,603 | - | - | - | 2,481,060 | - | - | 1,693,716 | 5,193,663 |
| Singapore | | 13,551,202 | 13,818,092 | 1,265,315 | 1,177,841 | - | - | - | - | 14,816,517 | 14,995,933 |
| Vietnam | | 202,036 | 698,358 | - | - | - | - | - | - | 202,036 | 698,358 |
| Others | | 562,388 | 1,194,323 | - | - | - | - | - | - | 562,388 | 1,194,323 |
| | | 22,428,529 | 26,487,207 | 1,265,315 | 1,177,841 | - | 2,481,060 | - | - | 23,693,844 | 30,146,108 |
| Major service lines | | | | | | | | | | | |
| Sale of goods | | 4,741,054 | 4,740,577 | - | - | - | - | - | - | 4,741,054 | 4,740,577 |
| Project revenue | | 13,631,332 | 15,839,077 | - | - | - | - | - | - | 13,631,332 | 15,839,077 |
| Rendering services | | 4,056,143 | 5,907,553 | - | - | - | - | - | - | 4,056,143 | 5,907,553 |
| Chartering services | | - | - | - | - | - | 2,481,060 | - | - | - | 2,481,060 |
| Rental of industrial space | | - | - | 1,265,315 | 1,177,841 | - | - | - | - | 1,265,315 | 1,177,841 |
| | | 22,428,529 | 26,487,207 | 1,265,315 | 1,177,841 | - | 2,481,060 | - | - | 23,693,844 | 30,146,108 |
| Timing of transfer of goods or services | | | | | | | | | | | |
| At a point in time | | 4,741,054 | 4,740,577 | - | - | - | - | - | - | 4,741,054 | 4,740,577 |
| Over time | | 17,687,475 | 21,746,630 | 1,265,315 | 1,177,841 | - | 2,481,060 | - | - | 18,952,790 | 25,405,531 |
| | | 22,428,529 | 26,487,207 | 1,265,315 | 1,177,841 | - | 2,481,060 | - | - | 23,693,844 | 30,146,108 |

Notes to the Financial Statements

For the financial year ended 31 December 2019

4. Revenue (cont'd)

(b) Recognition of project revenue over time

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

The determination of total budgeted costs, progress towards completion, variation orders and claims and remaining costs to completion for each contract requires significant management judgement and estimation. Management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its other similar projects, analysed by different geographical areas for the past years.

5. Other income

| | Group | |
|--|----------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Government grants | 15,882 | 75,090 |
| Foreign exchange gain, net | – | 472,430 |
| Gain on disposal of plant and equipment | 161 | 2,974 |
| Rental income | 16,600 | 7,065 |
| Sale of scrap material | 4,652 | 9,154 |
| Recharge of utilities | 205,534 | 173,643 |
| Fair value gain on quoted equity investments | – | 44,324 |
| Write back of allowance for doubtful debts | 99,597 | 50,032 |
| Others | 43,559 | 122,414 |
| | <u>385,985</u> | <u>957,126</u> |

Notes to the Financial Statements

For the financial year ended 31 December 2019

6. Loss before tax

The following items have been included in arriving at loss before tax:

| | Group | |
|--|------------|-----------|
| | 2019 | 2018 |
| | \$ | \$ |
| (a) <i>Other operating expenses include:</i> | | |
| Depreciation of property, plant and equipment | 1,881,066 | 2,101,598 |
| Depreciation of right-of-use assets | 119,167 | – |
| Amortisation of intangible assets | 16,984 | 19,201 |
| Inventories written down | 13,439,052 | 6,785,945 |
| Inventories written off | 1,407,752 | – |
| Fair value loss on quoted equity investments | 10,085 | – |
| Impairment loss on contract asset | 160,705 | – |
| Impairment loss on goodwill | 6,285,774 | – |
| Foreign exchange loss, net | 68,923 | – |
| Write-off of advances to suppliers | 337,024 | – |
| | <hr/> | <hr/> |
| (b) <i>Other disclosure items:</i> | | |
| Audit fees paid to: | | |
| - Auditors of the Company | 142,250 | 142,450 |
| - Other auditors | 13,255 | 13,329 |
| Non-audit fees paid to: | | |
| - Other auditors | – | 64,686 |
| Employee benefits expense (Note 7) | 5,675,366 | 7,123,497 |
| Operating lease expenses relating to short-term leases (Note 13) | 281,798 | 604,833 |
| | <hr/> | <hr/> |
| (c) <i>Impairment loss on financial assets, net:</i> | | |
| Impairment loss on trade receivables, net | 4,305,489 | 2,487,184 |
| | <hr/> | <hr/> |

7. Employee benefits

| | Group | |
|--------------------------------------|-----------|-----------|
| | 2019 | 2018 |
| | \$ | \$ |
| Salaries and bonuses | 4,534,401 | 5,660,181 |
| Central Provident Fund contributions | 704,165 | 898,905 |
| Other short-term benefits | 436,800 | 564,411 |
| | <hr/> | <hr/> |
| | 5,675,366 | 7,123,497 |

These include the amount shown as key management personnel compensation in Note 29(b).

Notes to the Financial Statements

For the financial year ended 31 December 2019

8. Finance income/(costs)

| | Group | |
|------------------------|--------|--------|
| | 2019 | 2018 |
| | \$ | \$ |
| Finance income: | | |
| Interest income on: | | |
| - fixed deposits | 14,431 | 12,504 |

| | Group | |
|---------------------------------|------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Finance costs: | | |
| Interest expense on: | | |
| - loans and borrowings | 2,326,671 | 2,558,381 |
| - finance lease obligations | - | 1,869 |
| - redeemable exchangeable bonds | 856,864 | 948,154 |
| - lease liabilities | 236,236 | - |
| | <u>3,419,771</u> | <u>3,508,404</u> |

9. Taxation

The major components of income tax credit for the years ended 31 December 2019 and 2018 are:

| | Group | |
|--|------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Current income tax: | | |
| - current year | 16,856 | 27,794 |
| Deferred income tax: | | |
| - movement of temporary differences | (148,339) | (224,657) |
| - over provision in respect of previous years | (16,263) | - |
| Income tax credit recognised in profit or loss | <u>(147,746)</u> | <u>(196,863)</u> |

Notes to the Financial Statements

For the financial year ended 31 December 2019

9. Taxation (cont'd)

The reconciliation between tax credit and the product of accounting loss multiplied by the applicable corporate tax rates for the years ended 31 December 2019 and 2018 are as follows:

| | Group | |
|--|------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Accounting loss before tax | (32,136,722) | (28,245,020) |
| Tax at 17% (2018: 17%) | (5,463,243) | (4,801,653) |
| Adjustments: | | |
| Non-deductible expenses | 4,704,631 | 5,207,865 |
| Income not subject to tax | (15,152) | (526,049) |
| Deferred tax assets not recognised | 903,109 | 167,040 |
| Utilisation of previously unrecognised deferred tax assets | (273,689) | (146,186) |
| Tax effect of fair value adjustments | (128,081) | (224,657) |
| Over provision of deferred income tax in respect of previous years | (16,263) | – |
| Effect of different tax rates in different countries | 109,428 | 46,206 |
| Others | 31,514 | 80,571 |
| Income tax credit recognised in profit or loss | <u>(147,746)</u> | <u>(196,863)</u> |

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately \$20,806,560 (2018: \$14,850,463) available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which certain subsidiaries operate. The tax losses have no expiry date.

Unrecognised temporary differences relating to investment in subsidiaries

At the end of the reporting period, no deferred tax liability (2018: \$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to approximately \$670,000 (2018: \$1,790,000). The deferred tax liability is estimated to be approximately \$110,000 (2018: \$300,000).

Notes to the Financial Statements

For the financial year ended 31 December 2019

9. Taxation (cont'd)

Deferred taxation

Deferred taxation relates to the following:

| Group | Consolidated balance sheet | | Consolidated statement of comprehensive income | |
|---|----------------------------|--------------------|--|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| Deferred tax asset | | | | |
| Provisions | - | 5,531 | 5,531 | (14,047) |
| <i>Total deferred tax asset</i> | <u>-</u> | <u>5,531</u> | | |
| Deferred tax liabilities | | | | |
| Differences in depreciation | (15,095) | (51,023) | (35,928) | - |
| Fair value adjustments on acquisition of subsidiaries | (870,151) | (998,232) | (128,081) | (224,657) |
| Exchange differences | - | - | (6,124) | 14,047 |
| <i>Total deferred tax liabilities</i> | <u>(885,246)</u> | <u>(1,049,255)</u> | | |
| Deferred income tax | | | <u>(164,602)</u> | <u>(224,657)</u> |

10. Loss per share

Basic loss per share are calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share are calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the existing warrants, share options, share awards and redeemable exchangeable bonds of the Company into ordinary shares.

The following tables reflect the profit or loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

| | Group | |
|--|----------------------|----------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Net loss attributable to owners of the Company | <u>(31,978,210)</u> | <u>(28,048,157)</u> |
| | | |
| | Number of shares | |
| | 2019 | 2018 |
| Weighted average number of ordinary shares for basic loss per share computation* | <u>1,098,719,574</u> | <u>1,098,719,574</u> |
| Weighted average number of ordinary shares diluted loss per share computation* | <u>1,098,719,574</u> | <u>1,098,719,574</u> |

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

Notes to the Financial Statements

For the financial year ended 31 December 2019

10. Loss per share (cont'd)

As at year end, there is Nil (2018: Nil) share options granted to employees under the existing employee share option plans and warrants of 97,491,109 (2018: 97,491,109), have not been included in the calculation of diluted loss per share because they are anti-dilutive.

11. Property, plant and equipment

| Group | Leasehold buildings | Computers and office equipment | Renovation, furniture and fixtures | Motor vehicles | Machinery | Total |
|---|----------------------------|---------------------------------------|---|-----------------------|------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | |
| At 1.1.2018 | 29,628,946 | 2,062,167 | 1,884,566 | 399,081 | 2,022,401 | 35,997,161 |
| Additions | – | 108,485 | 1,835 | 16,100 | – | 126,420 |
| Disposals | – | (8,510) | – | – | (8,629) | (17,139) |
| Written off | – | (2,420) | – | – | – | (2,420) |
| Exchange difference | – | (6,589) | (3,403) | (4,732) | (6,347) | (21,071) |
| At 31.12.2018 | 29,628,946 | 2,153,133 | 1,882,998 | 410,449 | 2,007,425 | 36,082,951 |
| Additions | – | 15,514 | – | – | – | 15,514 |
| Disposals | – | (49,773) | – | – | – | (49,773) |
| Exchange difference | – | (6,390) | (1,039) | (3,735) | (4,502) | (15,666) |
| At 31.12.2019 | 29,628,946 | 2,112,484 | 1,881,959 | 406,714 | 2,002,923 | 36,033,026 |
| Accumulated depreciation and impairment loss | | | | | | |
| At 1.1.2018 | 7,373,545 | 1,828,852 | 1,617,373 | 348,309 | 1,512,634 | 12,680,713 |
| Charge for the year | 1,568,801 | 155,145 | 161,035 | 18,953 | 197,664 | 2,101,598 |
| Disposals | – | (8,510) | – | – | (5,249) | (13,759) |
| Written off | – | (2,420) | – | – | – | (2,420) |
| Exchange difference | – | (6,766) | (3,115) | (4,675) | (4,941) | (19,497) |
| At 31.12.2018 | 8,942,346 | 1,966,301 | 1,775,293 | 362,587 | 1,700,108 | 14,746,635 |
| Charge for the year | 1,568,801 | 86,067 | 63,480 | 20,564 | 142,154 | 1,881,066 |
| Disposals | – | (6,723) | – | – | – | (6,723) |
| Exchange difference | – | (5,089) | (1,735) | (3,693) | (4,275) | (14,792) |
| At 31.12.2019 | 10,511,147 | 2,040,556 | 1,837,038 | 379,458 | 1,837,987 | 16,606,186 |
| Net carrying amount | | | | | | |
| At 31.12.2019 | 19,117,799 | 71,928 | 44,921 | 27,256 | 164,936 | 19,426,840 |
| At 31.12.2018 | 20,686,600 | 186,832 | 107,705 | 47,862 | 307,317 | 21,336,316 |

Notes to the Financial Statements

For the financial year ended 31 December 2019

11. Property, plant and equipment (cont'd)

| Company | Computers and office equipment | Renovation, furniture and fixtures | Total |
|--|---|---|--------------|
| | \$ | \$ | \$ |
| Cost | | | |
| At 1.1.2017 and 31.12.2017 | 223,695 | 11,238 | 234,933 |
| Additions | 2,268 | – | 2,268 |
| At 31.12.2018, 1.1.2019 and 31.12.2019 | 225,963 | 11,238 | 237,201 |
| Accumulated depreciation | | | |
| At 1.1.2018 | 219,154 | 11,238 | 230,392 |
| Charge for the year | 4,482 | – | 4,482 |
| At 31.12.2018 | 223,636 | 11,238 | 234,874 |
| Charge for the year | 1,380 | – | 1,380 |
| At 31.12.2019 | 225,016 | 11,238 | 236,254 |
| Net carrying amount | | | |
| At 31.12.2019 | 947 | – | 947 |
| At 31.12.2018 | 2,327 | – | 2,327 |

Cash payments of \$15,514 (2018: \$126,420) were made to purchase property, plant and equipment.

The carrying amount of office equipment held by the Group under finance leases as at 31 December 2019 was \$15,724 (2018: \$43,663).

Leased motor vehicles are pledged as security for the related finance lease obligations.

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold properties with carrying amount of \$19,117,799 (2018: \$20,686,600) are mortgaged to secure the Group's loans and borrowings (Note 26).

Notes to the Financial Statements

For the financial year ended 31 December 2019

12. Intangible assets

| | Goodwill | Customer relationships | Software | Club membership | Total |
|--|------------|------------------------|----------|-----------------|------------|
| | \$ | \$ | \$ | \$ | \$ |
| Group | | | | | |
| Cost | | | | | |
| At 1.1.2018 | 29,721,296 | 9,648,000 | 161,760 | 70,000 | 39,601,056 |
| Exchange differences | - | - | (5,127) | - | (5,127) |
| At 31.12.2018 | 29,721,296 | 9,648,000 | 156,633 | 70,000 | 39,595,929 |
| Exchange differences | - | - | (4,175) | - | (4,175) |
| At 31.12.2019 | 29,721,296 | 9,648,000 | 152,458 | 70,000 | 39,591,754 |
| Accumulated amortisation and impairment | | | | | |
| At 1.1.2018 | 16,273,000 | 9,648,000 | 122,963 | 27,653 | 26,071,616 |
| Amortisation | - | - | 16,710 | 2,491 | 19,201 |
| Exchange differences | - | - | (5,154) | - | (5,154) |
| At 31.12.2018 | 16,273,000 | 9,648,000 | 134,519 | 30,144 | 26,085,663 |
| Amortisation | - | - | 14,493 | 2,491 | 16,984 |
| Impairment | 6,285,774 | - | - | - | 6,285,774 |
| Exchange differences | - | - | (3,925) | - | (3,925) |
| At 31.12.2019 | 22,558,774 | 9,648,000 | 145,087 | 32,635 | 32,384,496 |
| Net carrying amount | | | | | |
| At 31.12.2019 | 7,162,522 | - | 7,371 | 37,365 | 7,207,258 |
| At 31.12.2018 | 13,448,296 | - | 22,114 | 39,856 | 13,510,266 |

Customer relationships

The economic useful lives of customer relationships as determined by the Group are disclosed in Note 2.7. Customer relationships have been fully impaired in the prior years.

Impairment testing of goodwill and customer relationships

Goodwill arising from business combinations has been allocated to two cash-generating units ("CGU") for impairment testing as follows:

- Offshore and Marine Heating, Ventilation and Air-Conditioning segment ("O&M HVAC")
- Offshore and Marine Telecommunication segment ("O&M Tele")

Notes to the Financial Statements

For the financial year ended 31 December 2019

12. Intangible assets (cont'd)

Impairment testing of goodwill and customer relationships (cont'd)

The carrying amounts of goodwill allocated to each CGU are as follows:

| | O&M HVAC \$ | O&M Tele \$ | Total \$ |
|-------------------|----------------|----------------|-------------|
| 31.12.2019 | | | |
| Goodwill | 3,173,574 | 3,988,948 | 7,162,522 |
| 31.12.2018 | | | |
| Goodwill | 4,603,918 | 8,844,378 | 13,448,296 |

The recoverable amounts of the CGUs have been determined based on value in use calculations which are based on cash flow projections from financial budgets approved by management covering a 5-year period. The pre-tax discount rate applied to the 5-year cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the 5-year period are as follows:

| | 2019 | | 2018 | |
|------------------------|----------|----------|----------|----------|
| | O&M HVAC | O&M Tele | O&M HVAC | O&M Tele |
| Long-term growth rates | 1.0% | 1.0% | 1.0% | 1.0% |
| Pre-tax discount rates | 9.5% | 9.5% | 9.5% | 9.5% |

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

Long-term growth rate – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (“WACC”) based on the capital asset pricing model.

Sensitivity to changes in assumptions

For O&M HVAC CGU, the carrying amount exceeds the estimated recoverable amount by approximately \$1,430,344 (2018: the estimated recoverable amount exceeds its carrying amount by \$7,665,000) and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumptions for the recoverable amount is discussed below:

Long-term growth rates - Management recognises that the growth rates could yield a reasonably possible alternative to the estimated long-term growth rate of 1.0% (2018: 1.0%). A reduction of 0.5% (2018: 0.5%) in the long-term growth rate would result in further impairment of approximately \$310,000 (2018: \$492,000).

Notes to the Financial Statements

For the financial year ended 31 December 2019

12. Intangible assets (cont'd)

Sensitivity to changes in assumptions (cont'd)

Pre-tax discount rates - Management recognises that the pre-tax discount rates at 9.5% (2018: 9.5%). An increase of 1% (2018: 1%) in the pre-tax discount rates would result in further impairment of approximately \$880,000 (2018: \$1,806,000).

For O&M Tele CGU, the carrying amount exceeds the estimated recoverable amount by approximately \$4,855,430 (2018: the estimated recoverable amount exceeds its carrying amount by \$3,541,000) and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumptions for the recoverable amount is discussed below:

Long-term growth rates - Management recognises that the growth rates could yield a reasonably possible alternative to the estimated long-term growth rate of 1.0% (2018: 1.0%). A reduction of 0.5% (2018: 0.5%) in the long-term growth rate would result in further impairment of approximately \$240,000 (2018: \$740,000).

Pre-tax discount rates - Management recognises that the pre-tax discount rates at 9.5% (2018: 9.5%). An increase of 1% (2018: 1%) in the pre-tax discount rates would result in further impairment of approximately \$670,000 (2018: \$1,890,000).

13. Leases

As a lessee

The Group has a lease contract for leasehold land. The lease of the land has remaining lease term of 13 years. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'leases of low-value assets' recognition exemptions for these leases.

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

| | Leasehold land |
|--|-----------------------|
| | \$ |
| Group | |
| Cost: | |
| On adoption of SFRS(I) 16, under modified retrospective approach at 1 January 2019 | 1,559,939 |
| At 31 December 2019 | <u>1,559,939</u> |
| Accumulated depreciation: | |
| At 1 January 2019 | - |
| Charge for the year | 119,167 |
| At 31 December 2019 | <u>119,167</u> |
| Net book value: | |
| At 31 December 2019 | <u>1,440,772</u> |

Notes to the Financial Statements

For the financial year ended 31 December 2019

13. Leases (cont'd)

As a lessee (cont'd)

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

| | 2019 | 2018 |
|--|------------------|------------------|
| | \$ | \$ |
| Group | | |
| Present value: | | |
| Amounts due for settlement within 12 months | 61,639 | 25,690 |
| Amounts due for settlement after 12 months | 1,473,694 | 15,373 |
| | <u>1,535,333</u> | <u>41,063</u> |
| Maturity analysis (gross amount): | | |
| Not later than 1 year | 291,759 | 303,422 |
| Later than 1 year and not later than 5 years | 1,380,170 | 1,396,076 |
| Later than 5 years | 1,679,207 | 1,955,241 |
| | <u>3,351,136</u> | <u>3,654,739</u> |
| | | 2019 |
| | | \$ |
| Group | | |
| On adoption of SFRS(l) 16, under modified retrospective approach at 1 January 2019 | | 1,559,939 |
| Accretion of interest | | 236,236 |
| Payments | | (276,034) |
| As at 31 December | | <u>1,520,141</u> |

The following are the amounts recognised in profit or loss:

| | 2019 |
|--|----------------|
| | \$ |
| Depreciation expense of right-of-use assets | 119,167 |
| Interest expense on leases liabilities | 236,236 |
| Expense relating to short-term leases | 281,798 |
| Total amount recognised in profit or loss | <u>637,201</u> |

The Group had total cash outflows for leases of \$276,034 (2018: \$276,034). The Group does not have any non-cash additions to right-of-use assets and lease liabilities in 2019 and 2018.

Notes to the Financial Statements

For the financial year ended 31 December 2019

13. Leases (cont'd)

As a lessor

The Group has entered into commercial leases on certain office property. These non-cancellable leases have remaining lease terms of between 9 months to 1 year (2018: 9 months to 2 years).

Minimum rental receivables recognised as an income in profit or loss for the financial year ended 31 December 2019 amounted to \$1,265,315 (2018: \$1,433,101).

Future minimum rental receivables under non-cancellable operating leases are as follows:

| | Group | |
|--------------------------|-----------|---------|
| | 2019 | 2018 |
| | \$ | \$ |
| - Not later than 1 year | 1,056,330 | 379,160 |
| - 1 year through 5 years | 263,640 | 302,390 |
| | 1,319,970 | 681,550 |

14. Investment in subsidiaries

| | Company | |
|-------------------------|--------------|--------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Shares, at cost | 101,824,965 | 101,824,965 |
| Less: Impairment losses | (72,319,845) | (47,713,880) |
| | 29,505,120 | 54,111,085 |

The Group and the Company has the following subsidiaries:

| Name of company | Country of incorporation | Principal activities | Proportion (%) of ownership interest | |
|-----------------------------------|--------------------------|---|--------------------------------------|------|
| | | | 2019 | 2018 |
| | | | % | % |
| <i>Held by the Company</i> | | | | |
| Viking Offshore Global Pte. Ltd.* | Singapore | Investment holding | 100 | 100 |
| Viking HVAC Pte Ltd* | Singapore | Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems | 100 | 100 |

Notes to the Financial Statements

For the financial year ended 31 December 2019

14. Investment in subsidiaries (cont'd)

| Name of company | Country of incorporation | Principal activities | Proportion (%) of ownership interest | |
|---|----------------------------|---|--------------------------------------|------|
| | | | 2019 | 2018 |
| | | | % | % |
| <i>Held by the Company (cont'd)</i> | | | | |
| Promoter Hydraulics Pte Ltd* | Singapore | Manufacture and repair of marine engines and ship parts; retail and rental of marine equipment, marine accessories and parts | 100 | 100 |
| Viking Airtech Pte Ltd* | Singapore | Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems | 100 | 100 |
| Marshal Systems Pte Ltd* | Singapore | Contractors for electronic and electrical engineering works | 100 | 100 |
| Viking Facilities Management & Operations Pte. Ltd.* | Singapore | Facilities management | 100 | 100 |
| Viking Asset Management Pte. Ltd.* | Singapore | Investment holding | 100 | 100 |
| <i>Held through Viking Asset Management Pte. Ltd.</i> | | | | |
| Viking LR1 Pte Ltd* | Singapore | Ownership and charter of assets | 100 | 100 |
| Viking LR2 Pte Ltd* | Singapore | Ownership and charter of assets | 100 | 100 |
| Viking Gold Pte Ltd* | Singapore | Ownership and charter of assets | 100 | 100 |
| <i>Held through Viking Airtech Pte Ltd</i> | | | | |
| Viking Airtech (Yantai) Co., Ltd ** | People's Republic of China | Marine air conditioning, manufacture, installation & design of marine refrigerating equipment maritime HVAC & R | 100 | 100 |

Notes to the Financial Statements

For the financial year ended 31 December 2019

14. Investment in subsidiaries (cont'd)

| Name of company | Country of incorporation | Principal activities | Proportion (%) of ownership interest | |
|---|----------------------------|---|--------------------------------------|------|
| | | | 2019 | 2018 |
| | | | % | % |
| <i>Held through Viking Airtech Pte Ltd (cont'd)</i> | | | | |
| Viking Offshore Malaysia Sdn Bhd ** | Malaysia | Specialises in marine & offshore turkey HVAC & R systems | 100 | 100 |
| Viking Airtech (Shanghai) Co., Ltd** | People's Republic of China | Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems | 49 | 100 |
| PT Viking Offshore** | Indonesia | Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems | 100 | 100 |
| <i>Held through Marshal Systems Pte Ltd</i> | | | | |
| Marshal Offshore and Marine Engrg Co., Ltd ** | People's Republic of China | Contractors for electronic and electrical engineering works | 100 | 100 |

* Audited by Ernst & Young LLP, Singapore.

** Audited by other firms of auditors. The subsidiaries are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.

In 2019, the Company disposed 51% of its shareholding in Viking Airtech (Shanghai) Co., Ltd to a third party. As at 31 December 2019, the Group has continued to consolidate Viking Airtech (Shanghai) Co., Ltd. as management has assessed that it still has control over the entity.

Notes to the Financial Statements

For the financial year ended 31 December 2019

14. Investment in subsidiaries (cont'd)

Impairment testing of investment in subsidiaries

During the financial year, the Company recognised an impairment loss of \$24,605,965 (2018: \$11,236,440) as the recoverable amounts of subsidiaries are lower than the carrying amounts of investment in subsidiaries.

The recoverable amounts of the subsidiaries have been determined based on value in use calculations which are based on cash flow projections from financial budgets approved by management covering a 5-year period. The pre-tax discount rate applied to the 5-year cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the 5-year period are as follows:

| | 2019 | 2018 |
|------------------------|------|------|
| Long-term growth rates | 1.0% | 1.0% |
| Pre-tax discount rates | 9.5% | 9.5% |

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

Long-term growth rates – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the subsidiaries.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each subsidiary, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and derived from its weighted average cost of capital based on the capital asset pricing model.

Sensitivity to changes in assumptions

For the cost of investment in subsidiaries, the carrying amounts exceeded their estimated recoverable amounts by approximately \$24,605,965 (2018: \$11,236,440) and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumption for the recoverable amount is discussed below:

Long-term growth rates – A reduction of 0.5% (2018: 0.5%) in the long-term growth rate would result in a further impairment of approximately \$599,000 (2018: \$769,251).

Pre-tax discount rates – An increase of 1.0% (2018: 1.0%) in the pre-tax discount rate would result in a further impairment of approximately \$1,724,000 (2018: \$2,594,345).

Notes to the Financial Statements

For the financial year ended 31 December 2019

15. Investment in associates

| | Group | |
|------------------------------------|--------------|--------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Unquoted equity shares, at cost | 15,408,641 | 15,408,641 |
| Share of post-acquisition reserves | (5,769) | (5,769) |
| Impairment losses | (15,402,872) | (15,402,872) |
| | - | - |

Details of the associates are as follows:

| Name of company | Country of incorporation | Principal activities | Proportion (%) of ownership interest | |
|----------------------------------|--------------------------|---------------------------------|--------------------------------------|------|
| | | | 2019 | 2018 |
| | | | % | % |
| <u>Held through a subsidiary</u> | | | | |
| Smart Earl Investment Limited* | Republic of Seychelles | Ownership and charter of assets | 30 | 30 |
| Quick Booms Investments Limited* | British Virgin Islands | Ownership and charter of assets | 30 | 30 |

* Not required to be audited by its country of incorporation

The activities of the associates are strategic to the Group activities.

Impairment testing

The recoverable amounts for its investment in associates were assessed and compared against the carrying amounts, and an impairment loss of \$15,402,872 was recorded in 2018.

As at end of financial year, the investment in associates are fully impaired and are immaterial to the Group. As such, the summarised financial information in respect of Smart Earl Investment Limited and Quick Booms Investments Limited are not disclosed.

Notes to the Financial Statements

For the financial year ended 31 December 2019

16. Quoted equity investments

Financial instruments

| | Group | |
|---|--------|--------|
| | 2019 | 2018 |
| | \$ | \$ |
| <i>At fair value through profit or loss</i> | | |
| Equity shares (quoted) | 40,324 | 50,409 |
| Net carrying amount | | |
| Non-current | 40,324 | 50,409 |

17. Inventories

| | Group | |
|---|-------------------|-------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Balance sheets: | | |
| Raw materials | 1,158,064 | 1,643,282 |
| Work-in-progress | 1,716,026 | 3,266,225 |
| Finished goods | 10,263,020 | 23,389,812 |
| | <u>13,137,110</u> | <u>28,299,319</u> |
| Statement of comprehensive income: | | |
| Inventories recognised as an expense in cost of sales | 9,768,654 | 10,868,131 |
| Inclusive of the following charge: | | |
| - Inventories written down | 13,439,052 | 6,785,945 |
| - Inventories written off | <u>1,407,752</u> | <u>-</u> |

Included in finished goods as at 31 December 2019 are two land rigs (2018: two) amounting to \$9,016,056 (2018: \$21,811,808), held by the Group for resale, following the termination of the Bareboat Charter Agreements in 2017 and 2018.

18. Trade receivables

| | Group | |
|-------------------|-------------------|-------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Trade receivables | <u>24,116,978</u> | <u>27,271,747</u> |

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Notes to the Financial Statements

For the financial year ended 31 December 2019

18. Trade receivables (cont'd)

Included in trade receivables are amounts due from customers pertaining to the past charter of the land rigs. As at 31 December 2019, the carrying amounts of these trade receivables, net of allowance for expected credit losses, was \$16,604,744 (2018: \$20,896,524). Further, as at 31 December 2019, the Group has other payables and deposits due to these customers amounting to \$16,567,171 (2018: \$16,817,950) (Note 23). Both parties do not have an arrangement to settle the amount due to or from each other on a net basis, but the Group has the right to set off the amount due to or from each other in the case of default.

Trade receivables denominated in foreign currencies are as follows:

| | Group | |
|----------------------|------------|------------|
| | 2019 | 2018 |
| | \$ | \$ |
| United States Dollar | 18,939,364 | 22,008,822 |
| Chinese Renminbi | 42,977 | 199,899 |
| Malaysian Ringgit | 316,661 | 179,110 |
| Indonesian Rupiah | 507,914 | 364,689 |

Expected credit losses

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

| | 2019 | | | 2018 | | |
|------------------------------|----------------------|--------------------------------------|--------------------|----------------------|--------------------------------------|-------------------|
| | Trade receivables | Other receivables and deposits | Contract assets | Trade receivables | Other receivables and deposits | Contract asset |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Group | | | | | | |
| At 1 January | 13,615,991 | 75,780 | – | 11,293,729 | 75,780 | – |
| Charge for the year | 4,305,489 | – | 160,705 | 2,487,184 | – | – |
| Exchange differences | (194,295) | – | – | (114,890) | – | – |
| Written off | (201,037) | – | – | – | – | – |
| Written back | (99,597) | – | – | (50,032) | – | – |
| At 31 December | 17,426,551 | 75,780 | 160,705 | 13,615,991 | 75,780 | – |
| Company | | | | | | |
| At 1 January and 31 December | – | 70,000 | – | – | 70,000 | – |

Notes to the Financial Statements

For the financial year ended 31 December 2019

19. Other receivables and deposits

| | Group | | Company | |
|--------------------------------|------------------|------------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| Deposits | 539,266 | 486,775 | 50,000 | – |
| Advances to employees | 29,929 | 34,788 | – | – |
| Advances to suppliers | 183,183 | 397,459 | – | – |
| Other receivables | 546,982 | 219,984 | 86,660 | 113,469 |
| Less: Allowance for impairment | (75,780) | (75,780) | (70,000) | (70,000) |
| | <u>1,223,580</u> | <u>1,063,226</u> | <u>66,660</u> | <u>43,469</u> |

Other receivables are non-interest bearing and are generally on 30 to 90 days' terms.

20. Contract assets and contract liabilities

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

| | Group | |
|----------------------|------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Contract assets | 4,835,593 | 6,597,236 |
| Contract liabilities | (2,899,078) | (2,843,292) |
| | <u>1,936,515</u> | <u>3,753,944</u> |

Included in contract liabilities are advances from customers amounting to \$441,577 as at 31 December 2019 (2018: \$469,412).

The Group has recognised impairment losses on receivables amounting to \$160,705 (2018: nil) arising from contracts with customer. Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed on reporting date for project revenue. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for project revenue.

Contract liabilities are recognised as revenue as the Group performs under the contract.

Revenue recognised in relation to contract liabilities

| | Group | |
|---|------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Revenue recognised in current period that was included in the contract liability balance at the beginning of the period | | |
| - Project revenue | <u>1,985,851</u> | <u>3,930,955</u> |

Notes to the Financial Statements

For the financial year ended 31 December 2019

21. Cash and cash equivalents

| | Group | | Company | |
|------------------------|------------------|------------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| Cash and bank balances | 2,147,732 | 3,321,362 | 25,078 | 49,747 |
| Short term deposit | 216,615 | 282,582 | – | – |
| | <u>2,364,347</u> | <u>3,603,944</u> | <u>25,078</u> | <u>49,747</u> |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are placed for twelve months and earn interest rate. The weighted average effective interest rates as at 31 December 2019 for the Group were 2.10% to 3.6% (2018: 2.1% to 3.6%).

Cash and cash equivalents denominated in foreign currencies are as follows:

| | Group | |
|----------------------|----------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| United States Dollar | 593,413 | 1,927,945 |
| Chinese Renminbi | 66,308 | 99,269 |
| Malaysian Ringgit | 186,046 | 42,349 |
| Euro | 2,068 | 12,869 |
| Indonesian Rupiah | <u>181,690</u> | <u>510,728</u> |

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

| | Group | |
|---------------------------|------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Cash and bank balances | 2,147,732 | 3,321,362 |
| Short term deposit | 216,615 | 282,582 |
| Cash and cash equivalents | <u>2,364,347</u> | <u>3,603,944</u> |

Notes to the Financial Statements

For the financial year ended 31 December 2019

22. Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Trade payables denominated in foreign currencies are as follows:

| | Group | |
|----------------------|---------|---------|
| | 2019 | 2018 |
| | \$ | \$ |
| United States Dollar | 846,502 | 260,024 |
| Euro | 435,434 | 91,901 |
| Chinese Renminbi | 801,161 | 114,670 |
| Malaysia Ringgit | 209,638 | 52,115 |
| Indonesia Rupiah | 306,912 | 128,652 |

23. Other payables and accruals

| | Group | | Company | |
|----------------------------|------------|------------|---------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| Accrued operating expenses | 3,065,237 | 3,791,174 | 482,538 | 308,889 |
| Accrued interest | 2,847,043 | 408,961 | – | – |
| Customers' deposits | 5,562,099 | 6,130,958 | – | – |
| Other payables | 13,293,142 | 13,424,490 | 514,794 | 438,381 |
| Rental deposits received | 140,900 | 140,900 | – | – |
| | 24,908,421 | 23,896,483 | 997,332 | 747,270 |

Except as disclosed below, other payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Included in customers' deposits are amounts of \$5,382,720 (2018: \$5,452,952) pertaining to the past charters of the land rigs.

Included in other payables are amounts of \$11,184,451 (2018: \$11,364,998) and \$865,009 (2018: \$778,762) due respectively to a customer in relation to the purchase of a land rig (sale and lease back arrange), and a loan from Chairman which carried interest at 12.0% per annum. The loan has been in default since FY2018.

24. Due from/(to) subsidiaries (non-trade)

Amounts due from/(to) subsidiaries are unsecured, non-interest bearing, are repayable on demand and are expected to be settled in cash.

Notes to the Financial Statements

For the financial year ended 31 December 2019

25. Loans and borrowings

| | Group | | Company | |
|--|-------------------|-------------------|----------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| Current liabilities | | | | |
| Short-term loan | – | 43,000 | – | – |
| Revolving loans | 6,486,974 | 6,500,000 | – | – |
| Current portion of long-term loans | | | | |
| - Term loan (Type A) | – | 117,081 | – | 160,081 |
| - Term loans (Type B) | 9,099,757 | 1,915,719 | – | – |
| Related party loan | 6,501,044 | 6,500,853 | – | – |
| Third party loans | 2,160,000 | 2,160,000 | – | – |
| Bridging loan | 1,674,623 | 647,739 | – | – |
| | <u>25,922,398</u> | <u>17,884,392</u> | <u>–</u> | <u>160,081</u> |
| Non-current liabilities | | | | |
| Non-current portion of long term loans | | | | |
| - Term loans (Type B) | – | 7,216,379 | – | – |
| Bridging loan | – | 1,665,780 | – | – |
| | <u>–</u> | <u>8,882,159</u> | <u>–</u> | <u>–</u> |

- (i) Short-term loan carried interest at 5.10% (2018: 5.10%) per annum and was fully repaid in 2019. The loan was secured by personal guarantee from Chairman.
- (ii) Revolving loans carry interest at rates ranging from 3.80% to 10.25% (2018: 2.70% to 3.85%) per annum and are repayable on demand. The loans are secured by a first legal mortgage on subsidiaries leasehold property (Note 11) and corporate guarantees from the Company.
- (iii) Term loan (Type A) carried interest at 4.00% (2018: ranging from 3.75% to 4.00%) per annum and was fully repaid in 2019. The loan was secured by corporate guarantees from the Company.
- (iv) Term loans (Type B) carry interest at rates ranging from 3.50% to 5.83% (2018: 1.98% to 3.40%) per annum and are repayable between 2021 and 2022. The loans are secured by a first legal mortgage on a subsidiary's leasehold properties (Note 11) and by corporate guarantees from the Company.
- (v) Related party loan (Tembusu) carries interest at 15.00% (2018: 5.00%) per annum. The loan has been in default since 2018. The loan is secured by a corporate guarantee from the Company.
- (vi) Third party loans carry interest at rates ranging from 8.00% to 8.50% (2018: 8.00% to 8.50%) per annum. The loans are in default as at the end of the reporting period. The loans are secured by corporate guarantees from the Company. The Group accrued an additional interest of \$44,361 for the default.
- (vii) Bridging loans carry interest at 6.25% (2018: 6.25%) per annum and are repayable between 2019 and 2022. The loans are secured by a first legal mortgage on a subsidiary's leasehold properties (Note 11) and by corporate guarantees from the Company.

Notes to the Financial Statements

For the financial year ended 31 December 2019

25. Loans and borrowings (cont'd)

The carrying amount of loans and borrowings and redeemable exchange bonds (Note 26), in default at the end of the reporting period is \$33,077,822.

Defaults and breach of loan covenant

As at 31 December 2019, the Group's revolving loans, term loans (Type B), related party loan, third party loans and bridging loan amounting to \$25,922,398 were in default. Further, the Group has breached a bank covenant in relation to a revolving loan from its banker. The subsidiary did not fulfil the requirement to maintain its tangible net worth of more than \$6,000,000.

Subsequent to year-end, in February 2020, one of the revolving loans due from a subsidiary, amounting to \$359,994, was fully repaid.

A reconciliation of liabilities arising from financing activities is as follows:

| | 31.12.2018 | Cash flows | Non-cash changes | 31.12.2019 |
|---|-------------------|--------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Loans | | | | |
| - Current | 17,884,392 | (205,257) | 8,243,263 | 25,922,398 |
| - Non-current | 8,882,159 | (638,896) | (8,243,263) | - |
| Lease liabilities | | | | |
| - Current (include effects of adoption of SFRS(I) 16) | 65,488 | (286,532) | 282,683 | 61,639 |
| - Non-current (include effects of adoption of SFRS(I) 16) | 1,535,514 | (15,373) | (46,447) | 1,473,694 |
| Redeemable exchangeable bonds | | | | |
| - Current | 7,080,834 | - | 74,590 | 7,155,424 |
| | <u>35,448,387</u> | <u>(1,146,058)</u> | <u>310,826</u> | <u>34,613,155</u> |

| | 31.12.2017 | Cash flows | Non-cash changes | 31.12.2018 |
|--------------------------------------|-------------------|--------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Loans | | | | |
| - Current | 17,548,255 | (2,447,525) | 2,783,662 | 17,884,392 |
| - Non-current | 11,633,663 | (18,700) | (2,732,804) | 8,882,159 |
| Lease liabilities | | | | |
| - Current | 28,000 | (2,310) | - | 25,690 |
| - Non-current | 41,070 | (25,697) | - | 15,373 |
| Redeemable exchangeable bonds | | | | |
| - Current | 6,303,302 | - | 777,532 | 7,080,834 |
| | <u>35,554,290</u> | <u>(2,494,232)</u> | <u>828,390</u> | <u>33,888,448</u> |

The 'non-cash changes' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time and accretion of interests.

Notes to the Financial Statements

For the financial year ended 31 December 2019

26. Redeemable exchangeable bonds

Bond 1

In 2014, the Group, together with its wholly owned subsidiary, issued redeemable exchangeable bonds in the principal amount of \$12,450,000 to an investor.

In 2017, the Group extended the maturity date of the remaining portion in the principal amount of \$2,000,000 for a further 6 months to 7 May 2018 with the investor through a supplemental agreement.

Bond 2

In 2016, the Group, together with its wholly owned subsidiary, issued redeemable exchangeable bonds in the principal amount of \$3,000,000 to an investor, repayable at maturity date, which is two years from the date of issue. The terms are identical to Bond 1.

Both bonds carry a simple interest of 5% per annum payable semi-annually and an internal rate of return of 15% per annum on the principal amount, together with any accrued and unpaid interest, repayable at maturity date.

The investors may at their absolute discretion request in writing for the Group to redeem all the bonds then outstanding at the redemption price if, prior to the maturity date, (i) an event of default occurs (unless waived by the investor) or (ii) where the Group fails to obtain certain approvals within the prescribed periods.

Upon the occurrence of an event of default or the failure to obtain certain approvals within the prescribed periods, the Group shall pay an amount giving the investors an interest of 12% per annum on the principal amount, together with any accrued and unpaid interest. The Group has accrued interest amounting to \$74,380 after default.

The investors have the option to exchange any part of the bonds (including any accrued and unpaid interest) for shares of the Company at any time prior to the maturity date, at 10% discount to the 30-trading day average volume weighted average price of the shares of the Company for each share. The Group is currently in negotiation with the bondholders to both the bonds.

As the final date to exercise the redemption and exchangeable options have lapsed, the bonds no longer contain option features.

As at 31 December 2019, the bonds are in default.

Notes to the Financial Statements

For the financial year ended 31 December 2019

26. Redeemable exchangeable bonds (cont'd)

The carrying amount of the liability component of the bonds at the end of the reporting period is arrived at as follows:

| | Bond 1 \$ | Bond 2 \$ | Total \$ |
|--|--------------|--------------|-------------|
| Group | | | |
| 2019 | | | |
| Total face value | 12,450,000 | 3,000,000 | 15,450,000 |
| Derivative liability component | (1,712,331) | - | (1,712,331) |
| Liability component at initial recognition | 10,737,669 | 3,000,000 | 13,737,669 |
| Add: Accumulated amortisation of discount | | | |
| - Opening balance at 1 January | 4,721,919 | 691,342 | 5,413,261 |
| - Accumulated interest | 74,590 | - | 74,590 |
| - Closing balance at 31 December | 4,796,509 | 691,342 | 5,487,851 |
| Less: | | | |
| - Issuance of shares pursuant to conversion of the bonds | (4,591,918) | - | (4,591,918) |
| - Redemption of bonds | (7,478,178) | - | (7,478,178) |
| Liability component at the end of the reporting period | | | |
| - Current | 3,464,082 | 3,691,342 | 7,155,424 |
| Group | | | |
| 2018 | | | |
| Total face value | 12,450,000 | 3,000,000 | 15,450,000 |
| Derivative liability component | (1,712,331) | - | (1,712,331) |
| Liability component at initial recognition | 10,737,669 | 3,000,000 | 13,737,669 |
| Add: Accumulated amortisation of discount | | | |
| - Opening balance at 1 January | 4,292,706 | 343,023 | 4,635,729 |
| - Amortisation of discount during the financial year | 182,889 | 290,207 | 473,096 |
| - Accumulated interest | 246,324 | 58,112 | 304,436 |
| - Closing balance at 31 December | 4,721,919 | 691,342 | 5,413,261 |
| Less: Issuance of shares pursuant to conversion of bonds | (4,591,918) | - | (4,591,918) |
| Less: Redemption of bonds | (7,478,178) | - | (7,478,178) |
| Liability component at the end of the reporting period | | | |
| - Current | 3,389,492 | 3,691,342 | 7,080,834 |

Notes to the Financial Statements

For the financial year ended 31 December 2019

27. Share capital and treasury shares

(a) Share capital

| | Group and Company | | | |
|--|-------------------|-------------|---------------|-------------|
| | 2019 | | 2018 | |
| | No. of shares | \$ | No. of shares | \$ |
| Issued and fully paid ordinary shares | | | | |
| At 1 January and 31 December | 1,106,681,074 | 102,604,532 | 1,106,681,074 | 102,604,532 |

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

(b) Treasury shares

| | Group and Company | | | |
|------------------------------|-------------------|-----------|---------------|-----------|
| | 2019 | | 2018 | |
| | No. of shares | \$ | No. of shares | \$ |
| At 1 January and 31 December | (7,961,500) | (527,775) | (7,961,500) | (527,775) |

Treasury shares relate to ordinary shares of the Company that is held by the Company.

28. Other reserves

| | Group | | Company | |
|--|-------------|-------------|---------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| Foreign currency translation reserve (a) | (1,520,541) | (1,344,231) | – | – |
| Capital reserve (b) | 114,056 | 114,056 | 114,056 | 114,056 |
| Total other reserves | (1,406,485) | (1,230,175) | 114,056 | 114,056 |

(a) Foreign currency translation reserve

The foreign currency translation reserve relates to exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

| | Group | |
|------------------------------------|-------------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| At 1 January | (1,344,231) | (1,502,116) |
| Net effect of exchange differences | (176,310) | 157,885 |
| At 31 December | (1,520,541) | (1,344,231) |

Notes to the Financial Statements

For the financial year ended 31 December 2019

28. Other reserves (cont'd)

(b) Capital reserve

Capital reserve relates to the gain on reissuance of treasury shares.

| | Group | | Company | |
|------------------------------|---------|---------|---------|---------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| At 1 January and 31 December | 114,056 | 114,056 | 114,056 | 114,056 |

29. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions with related parties took place at terms agreed between the parties during the financial year:

| | Group | | Company | |
|--|-------------|-------------|----------|----------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| Income/(Expenses) | | | | |
| Management fee income from subsidiaries | - | - | 570,000 | - |
| Rental of office premise from a subsidiary | - | - | (73,164) | (73,164) |
| Finance cost from a related party | (1,082,452) | (1,581,345) | - | - |
| Finance cost from Chairman | (81,416) | (50,741) | - | - |
| | | | | |
| | Group | | Company | |
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| Loan from a related party (Note 25) | 6,501,044 | 6,500,853 | - | - |
| Loan from Chairman (Note 23) | 865,009 | 778,762 | - | - |

Notes to the Financial Statements

For the financial year ended 31 December 2019

29. Related party transactions (cont'd)

(b) Compensation of key management personnel

| | Group | |
|---|----------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Short-term employee benefits | 496,760 | 868,666 |
| Central Provident Fund contributions | 46,540 | 53,446 |
| Total compensation paid to key management personnel | <u>543,300</u> | <u>922,112</u> |
| Comprise amounts paid to: | | |
| - Directors of the Company | 292,260 | 511,090 |
| - Other key management personnel | 251,040 | 411,022 |
| | <u>543,300</u> | <u>922,112</u> |

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

30. Commitments and contingencies

Guarantees

As at 31 December 2019, the Company has provided corporate guarantees totalling \$21,943,448 (2018: \$23,567,548) to financial institutions in respect of credit facilities utilised by the subsidiaries.

31. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Notes to the Financial Statements

For the financial year ended 31 December 2019

31. Fair value of assets and liabilities (cont'd)

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

The following table shows an analysis of financial instruments measured at fair value at the end of the reporting period:

| | Quoted prices in active markets for identical instruments (Level 1) \$ | Significant observable inputs other than quoted prices (Level 2) \$ | Significant unobservable inputs (Level 3) \$ | Total \$ |
|--|--|---|--|---------------|
| Group | | | | |
| 2019 | | | | |
| Assets measured at fair value | | | | |
| Financial assets: | | | | |
| Equity securities through profit or loss | | | | |
| - Quoted equity instruments (Note 16) | 40,324 | - | - | 40,324 |
| Financial assets as at 31 December 2019 | <u>40,324</u> | <u>-</u> | <u>-</u> | <u>40,324</u> |
| 2018 | | | | |
| Assets measured at fair value | | | | |
| Financial assets: | | | | |
| Equity securities through profit or loss | | | | |
| - Quoted equity instruments (Note 16) | 50,409 | - | - | 50,409 |
| Financial assets as at 31 December 2018 | <u>50,409</u> | <u>-</u> | <u>-</u> | <u>50,409</u> |

(c) *Trade receivables, other receivables and deposits, amounts due to/ from subsidiaries, cash and cash equivalents, trade payables, other payables and accruals, loans and borrowings, and redeemable exchangeable bonds*

The carrying amount of these financial assets and financial liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Notes to the Financial Statements

For the financial year ended 31 December 2019

32. Classification of financial assets and liabilities

Financial assets

| | Group | | Company | |
|--|-------------------|-------------------|----------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| Fair value through profit or loss | | | | |
| Quoted equity investments | 40,324 | 50,409 | 40,324 | 50,409 |
| Amortised cost | | | | |
| Trade receivables | 24,116,978 | 27,271,747 | – | – |
| Other receivables and deposits | 1,010,468 | 630,979 | 66,660 | 43,469 |
| Due from subsidiaries (non-trade) | – | – | 36,467 | 18,226,601 |
| Cash and cash equivalents | 2,364,347 | 3,603,944 | 25,078 | 49,747 |
| | <u>27,491,793</u> | <u>31,506,670</u> | <u>128,205</u> | <u>18,319,817</u> |

Financial liabilities

Financial liabilities at amortised cost

| | | | | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| Trade payables | 5,666,459 | 3,118,350 | – | – |
| Other payables and accruals | 24,908,421 | 23,896,483 | 997,332 | 747,270 |
| Loans and borrowings | 25,922,398 | 26,766,551 | – | 160,081 |
| Due to subsidiaries (non-trade) | – | – | 27,332,355 | 28,525,932 |
| Redeemable exchangeable bonds | 7,155,424 | 7,080,834 | – | – |
| Lease liabilities | 1,535,333 | 41,063 | – | – |
| | <u>65,188,035</u> | <u>60,903,281</u> | <u>28,329,687</u> | <u>29,433,283</u> |

33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, liquidity risk, foreign currency risk and market price risk. The Board of Directors reviews and agrees on policies and procedures for the management of these risks, which are executed by the Board of Directors. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and contract assets. For other financial assets (including quoted equity investments and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Notes to the Financial Statements

For the financial year ended 31 December 2019

33. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Management.

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

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information, which includes the following indicators:

- Internal credit rating
- External rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

Notes to the Financial Statements

For the financial year ended 31 December 2019

33. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses.

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region.

The expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Information regarding the gross carrying amounts and loss allowance movement of trade receivables and contract assets are disclosed in Note 18 and Note 20 respectively.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels. The Group does not apply hedge accounting.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk are represented by:

- The carrying amount of each class of financial assets recognised in the balance sheets.
- A nominal amount of \$21,943,448 (2018: \$23,567,548) relating to corporate guarantees provided by the Group to financial institutions in respect of credit facilities utilised by the subsidiaries.

Notes to the Financial Statements

For the financial year ended 31 December 2019

33. Financial risk management objectives and policies (cont'd)

(a) Credit risk (Cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents and derivatives are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are impaired is disclosed in Notes 18 and 19.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

| | 2019 | | 2018 | |
|-----------------------------|-------------------|-------------|-------------------|-------------|
| | \$ | % of total | \$ | % of total |
| Group | | | | |
| Trade receivables | | | | |
| By country: | | | | |
| Singapore | 4,462,993 | 19% | 4,040,914 | 15% |
| People's Republic of China | 5,258,326 | 22% | 9,572,838 | 35% |
| United Kingdom | 12,433,074 | 52% | 12,158,881 | 44% |
| Indonesia | 915,556 | 4% | 835,226 | 3% |
| Malaysia | 691,245 | 2% | 182,592 | 1% |
| Vietnam | – | * | 8,719 | * |
| Others | 355,784 | 1% | 472,577 | 2% |
| | <u>24,116,978</u> | <u>100%</u> | <u>27,271,747</u> | <u>100%</u> |
| By industry sectors: | | | | |
| Corporate | 337,977 | 1% | 255,732 | 1% |
| Offshore and marine | 7,174,257 | 30% | 6,119,491 | 22% |
| Chartering services | 16,604,744 | 69% | 20,896,524 | 77% |
| | <u>24,116,978</u> | <u>100%</u> | <u>27,271,747</u> | <u>100%</u> |

* denotes less than 1%

At the end of the reporting period, approximately 75% (2018: 80%) of the Group's trade receivables were due from five (2018: five) major customers.

Notes to the Financial Statements

For the financial year ended 31 December 2019

33. Financial risk management objectives and policies (cont'd)

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 (2018: 50) basis points lower/higher with all other variables held constant, the Group's loss before tax would have been \$165,389 lower/higher (2018: \$167,824 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a lower volatility as in prior years.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with their different bankers. At the end of the reporting period, approximately 100% (2018: 67%) of the Group's loans and borrowings (Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

Notes to the Financial Statements

For the financial year ended 31 December 2019

33. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

| | 1 year or less \$ | 1 to 5 years \$ | After 5 years \$ | Total \$ |
|--|-------------------------|-----------------------|------------------------|---------------------|
| Group | | | | |
| 2019 | | | | |
| Financial assets: | | | | |
| Quoted equity investments | – | – | 40,324 | 40,324 |
| Trade receivables | 24,116,978 | – | – | 24,116,978 |
| Other receivables and deposits | 1,010,468 | – | – | 1,010,468 |
| Cash and cash equivalents | 2,364,347 | – | – | 2,364,347 |
| Total undiscounted financial assets | <u>27,491,793</u> | <u>–</u> | <u>40,324</u> | <u>27,532,117</u> |
| Financial liabilities: | | | | |
| Trade payables | 5,666,459 | – | – | 5,666,459 |
| Other payables and accruals | 24,908,421 | – | – | 24,908,421 |
| Lease liabilities | 291,759 | 1,380,170 | 1,679,207 | 3,351,136 |
| Loans and borrowings | 25,922,398 | – | – | 25,922,398 |
| Redeemable exchangeable bonds | 7,155,424 | – | – | 7,155,424 |
| Total undiscounted financial liabilities | <u>63,944,461</u> | <u>1,380,170</u> | <u>1,679,207</u> | <u>67,003,838</u> |
| Total net undiscounted financial liabilities | <u>(36,452,668)</u> | <u>(1,380,170)</u> | <u>(1,638,883)</u> | <u>(39,471,721)</u> |

Notes to the Financial Statements

For the financial year ended 31 December 2019

33. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

| | 1 year or less \$ | 1 to 5 years \$ | After 5 years \$ | Total \$ |
|--|-------------------------|-----------------------|------------------------|--------------|
| Group | | | | |
| 2018 | | | | |
| Financial assets: | | | | |
| Quoted equity investments | – | – | 50,409 | 50,409 |
| Trade receivables | 27,271,747 | – | – | 27,271,747 |
| Other receivables and deposits | 630,979 | – | – | 630,979 |
| Cash and cash equivalents | 3,603,944 | – | – | 3,603,944 |
| Total undiscounted financial assets | 31,506,670 | – | 50,409 | 31,557,079 |
| Financial liabilities: | | | | |
| Trade payables | 3,118,350 | – | – | 3,118,350 |
| Other payables and accruals | 23,896,483 | – | – | 23,896,483 |
| Lease liabilities | 27,395 | 15,906 | – | 43,301 |
| Loans and borrowings | 18,216,720 | 7,525,133 | 1,926,949 | 27,668,802 |
| Redeemable exchangeable bonds | 7,080,834 | – | – | 7,080,834 |
| Total undiscounted financial liabilities | 52,339,782 | 7,541,039 | 1,926,949 | 61,807,770 |
| Total net undiscounted financial liabilities | (20,833,112) | (7,541,039) | (1,876,540) | (30,250,691) |

Notes to the Financial Statements

For the financial year ended 31 December 2019

33. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

| | 1 year or less \$ | 1 to 5 years \$ | After 5 years \$ | Total \$ |
|---|-------------------------|-----------------------|------------------------|--------------|
| Company | | | | |
| 2019 | | | | |
| Financial assets: | | | | |
| Quoted equity investments | – | – | 40,324 | 40,324 |
| Other receivables and deposits | 66,660 | – | – | 66,660 |
| Due from subsidiaries (non-trade) | 36,467 | – | – | 36,467 |
| Cash and cash equivalents | 25,078 | – | – | 25,078 |
| Total undiscounted financial assets | 128,205 | – | 40,324 | 168,529 |
| Financial liabilities: | | | | |
| Other payables | 997,332 | – | – | 997,332 |
| Due to subsidiaries (non-trade) | 27,332,355 | – | – | 27,332,355 |
| Total undiscounted financial liabilities | 28,329,687 | – | – | 28,329,687 |
| Total net undiscounted financial (liabilities)/assets | (28,201,482) | – | 40,324 | (28,161,158) |
| 2018 | | | | |
| Financial assets: | | | | |
| Quoted equity investments | – | – | 50,409 | 50,409 |
| Other receivables and deposits | 43,469 | – | – | 43,469 |
| Due from subsidiaries (non-trade) | 18,226,601 | – | – | 18,226,601 |
| Cash and cash equivalents | 49,747 | – | – | 49,747 |
| Total undiscounted financial assets | 18,319,817 | – | 50,409 | 18,370,226 |
| Financial liabilities: | | | | |
| Other payables | 747,270 | – | – | 747,270 |
| Due to subsidiaries (non-trade) | 28,525,932 | – | – | 28,525,932 |
| Loans and borrowings | 162,698 | – | – | 162,698 |
| Total undiscounted financial liabilities | 29,435,900 | – | – | 29,435,900 |
| Total net undiscounted financial (liabilities)/assets | (11,116,083) | – | 50,409 | (11,065,674) |

Notes to the Financial Statements

For the financial year ended 31 December 2019

33. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Chinese Renminbi (RMB) and Malaysian Ringgit (MYR). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately 37% (2018: 63%) of the Group's sales are denominated in foreign currencies whilst almost 46% (2018: 30%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group also hold cash and short-term deposits denominated in foreign currency for working capital purposes. At the end of the reporting period, such foreign currency balance is in Indonesian Rupiah.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, the People's Republic of China (PRC), Indonesia, Republic of Seychelles and British Virgin Islands. The Group's net investments in Malaysia, the PRC and Indonesia are not hedged as currency positions in Malaysian Ringgit, RMB, Indonesian Rupiah and USD are considered to be long-term in nature.

[Sensitivity analysis for foreign currency risk](#)

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the SGD USD, RMB, Euro and MYR exchange rates against the respective functional currencies of the group entities, with all other variables held constant.

| | | Group | |
|------|------------------------------|--------------------------------|-------------|
| | | Increase/ (decrease) in | |
| | | loss before tax | |
| | | 2019 | 2018 |
| | | \$ | \$ |
| SGD | - strengthened 5% (2018: 5%) | (863,327) | (682,035) |
| | - weakened 5% (2018: 5%) | 863,327 | 682,035 |
| USD | - strengthened 5% (2018: 5%) | 101,731 | 136,300 |
| | - weakened 5% (2018: 5%) | (101,731) | (136,300) |
| RMB | - strengthened 5% (2018: 5%) | (21,386) | 21,009 |
| | - weakened 5% (2018: 5%) | 21,386 | (21,009) |
| Euro | - strengthened 5% (2018: 5%) | (21,668) | (3,952) |
| | - weakened 5% (2018: 5%) | 21,668 | 3,952 |
| MYR | - strengthened 5% (2018: 5%) | 14,724 | 7,252 |
| | - weakened 5% (2018: 5%) | (14,724) | (7,252) |

Notes to the Financial Statements

For the financial year ended 31 December 2019

33. Financial risk management objectives and policies (cont'd)

(e) *Market price risk*

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its quoted equity investments. These investments are quoted on the SGX-ST in Singapore and are classified as available-for-sale financial assets.

The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility as determined by the Board of Directors. All investments are approved by the Board of Directors.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the Straits Times Index (STI) had been 5% (2018: 5%) higher/lower with all other variables held constant, the Group's loss before tax would have been approximately \$2,000 (2018: \$3,000) lower/higher, arising as a result of an increase/decrease in the fair value of equity instruments classified as fair value through profit or loss.

34. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018. The Group is not subject to any externally imposed capital requirements.

Notes to the Financial Statements

For the financial year ended 31 December 2019

34. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables and other liabilities based on contractual undiscounted repayment obligation less cash and cash equivalents. Capital includes equity attributable to the owners of the Company less the fair value adjustment reserve.

| | Group | |
|--|-------------------|-------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Total debt | 63,652,702 | 60,862,218 |
| Less: Cash and cash equivalents (Note 21) | (2,364,347) | (3,603,944) |
| Net debt | <u>61,288,355</u> | <u>57,258,274</u> |
| Equity attributable to the owners of the Company | 4,859,271 | 37,013,791 |
| Total capital | <u>4,859,271</u> | <u>37,013,791</u> |
| Capital and net debt | <u>66,147,626</u> | <u>94,272,065</u> |
| Gearing ratio | <u>93%</u> | <u>61%</u> |

35. Segmental information

For management purposes, the Group is organised into business units based on their products and services, and has three operating segments, namely, the Offshore and Marine segment, Chartering Services segment and the Corporate segment.

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 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. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Notes to the Financial Statements

For the financial year ended 31 December 2019

35. Segmental information (cont'd)

| | Offshore and Marine | | Chartering Services | | Corporate | | Adjustments and eliminations | | Notes | Per consolidated financial statements | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------------|-------------------|-------|---------------------------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | | 2019 | 2018 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | \$ | \$ |
| Revenue: | | | | | | | | | | | |
| External customers | 22,428,529 | 26,487,207 | - | 2,481,060 | 1,265,315 | 1,177,841 | - | - | | 23,693,844 | 30,146,108 |
| Inter-segment | - | - | - | - | 1,725,616 | 1,260,447 | (1,725,616) | (1,260,447) | A | - | - |
| Total revenue | 22,428,529 | 26,487,207 | - | 2,481,060 | 2,990,931 | 2,438,288 | (1,725,616) | (1,260,447) | | 23,693,844 | 30,146,108 |
| Results: | | | | | | | | | | | |
| Interest income | 14,399 | 12,441 | 32 | 31 | - | 32 | - | - | | 14,431 | 12,504 |
| Depreciation and amortisation | 244,330 | 377,889 | - | - | 1,298,785 | 1,270,463 | 474,102 | 472,447 | | 2,017,217 | 2,120,799 |
| Share of associate result | - | - | - | 15,408,814 | - | - | - | (5,942) | | - | 15,402,872 |
| Impairment of non-financial assets | 2,328,416 | 81,783 | 12,514,824 | 6,030,992 | - | 1,010,816 | 6,289,338 | 673,170 | | 21,132,578 | 7,796,761 |
| Other non-cash expenses | 282,308 | 6,124 | 4,023,181 | 2,481,060 | - | - | - | - | B | 4,305,489 | 2,487,184 |
| Segment (loss)/profit | (9,887,507) | (1,182,616) | (19,434,103) | (24,080,628) | (2,534,777) | (2,527,378) | (280,335) | (454,398) | | (32,136,722) | (28,245,020) |
| Assets: | | | | | | | | | | | |
| Additions to non-current assets | 15,514 | 124,152 | - | - | - | 2,268 | - | - | C | 15,514 | 126,420 |
| Segment assets | 26,081,557 | 53,587,008 | 57,419,120 | 54,022,401 | 47,748,364 | 82,155,213 | (57,417,051) | (87,955,840) | D | 73,831,990 | 101,808,782 |
| Segment liabilities | (17,580,128) | (15,347,752) | (89,876,544) | (59,037,872) | (34,601,779) | (15,846,033) | 99,893,736 | 53,251,634 | E | (42,164,715) | (36,980,023) |

Notes to the Financial Statements

For the financial year ended 31 December 2019

35. Segmental information (cont'd)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

- A Inter-segment revenues are eliminated on consolidation.
- B Other non-cash expenses consist share-based payments, inventories written-down, provisions, and impairment of financial assets as presented in the respective notes to the financial statements.
- C Additions to non-current assets consist of additions to property, plant and equipment, intangible assets and investment in quoted and unquoted equities.
- D The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheets:

| | 2019 | 2018 |
|----------------------|--------------|--------------|
| | \$ | \$ |
| Deferred tax assets | – | 5,531 |
| Inter-segment assets | (57,417,051) | (87,955,840) |

- E The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated balance sheets:

| | 2019 | 2018 |
|---------------------------|--------------|--------------|
| | \$ | \$ |
| Deferred tax liabilities | 885,246 | 1,049,255 |
| Tax payable | 11,126 | 4,694 |
| Loans and borrowings | 25,922,398 | 26,766,551 |
| Inter-segment liabilities | (99,893,736) | (53,251,634) |

Notes to the Financial Statements

For the financial year ended 31 December 2019

35. Segmental information (cont'd)

Geographical information

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

| | Revenues | | Non-current assets | |
|----------------------------|-------------------|-------------------|--------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| Australia | 6,676 | 544,252 | – | – |
| Europe | 1,763,203 | 401,613 | – | – |
| Indonesia | 1,846,075 | 4,958,678 | 3,535 | 5,035 |
| Malaysia | 1,682,847 | 1,459,012 | 6,447 | 14,208 |
| Middle East | 1,120,386 | 700,276 | – | – |
| People's Republic of China | 1,693,716 | 5,193,663 | 26,649 | 57,464 |
| Singapore | 14,816,517 | 14,995,933 | 28,038,239 | 34,769,875 |
| Vietnam | 202,036 | 698,358 | – | – |
| Others | 562,388 | 1,194,323 | – | – |
| | <u>23,693,844</u> | <u>30,146,108</u> | <u>28,074,870</u> | <u>34,846,582</u> |

Non-current assets information presented above consist of property, plant and equipment, right-of-use asset and intangible assets as presented in the consolidated balance sheets.

Information about major customers

Revenue from three (2018: three) customers amounting to \$ 7,376,603 (2018: \$7,910,286) arise from project revenue by the offshore and marine segment (2018: offshore and marine segment).

36. Events occurring after the reporting period

- (a) On 10 July 2019, the High Court of the Republic of Singapore (the "Court") has granted the Company and an entity of the Group moratoria under section 211 of the Companies Act until 12 December 2019. On 20 November 2019, the Company applied for an extension of the moratoria and was granted extension to 12 April 2020 or a later date so ordered by the Court.

On 24 March 2020, the Company applied for a further 4 months extension from 12 April 2020. The hearing of such an extension is fixed for the 17 June 2020, which automatically extend the moratoria until the hearing date. The Company will seek a further extension of the moratoria by another four months. The Group intends to pursue the restructuring by way of scheme of arrangement to be proposed between the relevant entities of the Group and its creditors under Section 210 of the Companies Act (the "Scheme").

Notes to the Financial Statements

For the financial year ended 31 December 2019

36. Events occurring after the reporting period (cont'd)

- (b) On 10 January 2020, the Company has entered into a conditional placement agreement (“Placement Agreement”) with Ruddin Advisory Limited and Blue Ocean Capital Partners Pte. Ltd., in relation to a proposed placement of shares in the Company (“Proposed Placement”) for an aggregate consideration of \$5,000,000 in cash.

This Proposed Placement will provide funds to the Company to, amongst others, facilitate the restructuring of its debts and liabilities as part of the Scheme and working capital of the Group. The Proposed Placement is subject to, among others, approval from the shareholders at an extraordinary general meeting, agreement with Maybank for the settlement/ re-financing of the outstanding loans as well as the finalisation of the scheme of arrangement.

- (c) On 24 February 2020, the hearing in the High Court of Singapore of an application commenced by Maybank Singapore Limited (“Maybank”) against three of the Company’s wholly-owned subsidiaries, namely Viking Facilities Management & Operations Pte Ltd (“VFMO”), Viking Airtech Pte Ltd and Marshal Systems Pte Ltd, was adjourned to 26 June 2020. The Company intends to apply for a reschedule of the hearing to a date after the moratoria extension discussed in (a) above.

The application was in respect of banking facilities extended by Maybank to the subsidiaries. Maybank is seeking, amongst other things, repayment of the relevant sum and vacant possession of the properties mortgaged by VFMO to Maybank as security for the banking facilities.

- (d) On 21 November 2019, the Beijing intermediary court granted an application by the Company’s subsidiaries Viking LR1 Pte Ltd and Viking LR2 Pte Ltd (“VLR”) to recognise the arbitration award against Beijing Forpetro Sino-Rig Co Ltd (“Forpetro”). On 14 February 2020, VLR further filed application for enforcement of award against the assets of Forpetro, including amongst others; the freezing, seizure and subsequent disposal of the assets, pending the fixing of the hearing date by the Beijing intermediary court. This application of enforcement of arbitration award relates to the charter payment default by the charterer, Forpetro.

- (e) The emergence of Coronavirus (“COVID-19”) since early 2020 has brought about uncertainties to the Group’s operating environment and is expected to impact the business of the Group. The extent of the impact of the COVID-19 outbreak on the financial performance of the Company and its subsidiaries will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the overall economy, all of which are highly uncertain and cannot be predicted. As such, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Group in 2020.

37. Authorisation of financial statements

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 2 June 2020.

Shareholding Statistics

As at 8 June 2020

| | | |
|-----------------|---|--|
| Class of shares | - | Ordinary shares |
| Voting rights | - | On a show of hands, one vote for each member |
| | - | On a poll : one vote for each ordinary share |

Analysis of Shareholdings

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|-----------------------|---------------------|---------------|----------------------|---------------|
| 1 - 99 | 162 | 6.77 | 2,517 | 0.00 |
| 100 - 1,000 | 123 | 5.14 | 66,185 | 0.01 |
| 1,001 - 10,000 | 286 | 11.95 | 1,682,473 | 0.15 |
| 10,001 - 1,000,000 | 1,725 | 72.05 | 228,687,345 | 20.66 |
| 1,000,001 and above | 98 | 4.09 | 876,242,554 | 79.18 |
| | 2,394 | 100.00 | 1,106,681,074 | 100.00 |

There are no subsidiary holdings held as at 8 June 2020.

Based on information available to the Company as at 8 June 2020, approximately 59.4% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited is complied with.

Top 20 Shareholders

| S/No. | Name of Shareholder | No. of Shares Held | %* |
|-------|--|--------------------|--------------|
| 1 | Lim Andy | 243,106,880 | 22.13 |
| 2 | DBS Nominees Pte Ltd | 94,596,052 | 8.61 |
| 3 | DBS Vickers Securities (S) Pte Ltd | 86,594,200 | 7.88 |
| 4 | Luminor Pacific Fund 1 Ltd | 50,253,656 | 4.57 |
| 5 | Lim Chee San | 39,000,000 | 3.55 |
| 6 | Associated Leisure International Pte Ltd | 29,400,000 | 2.68 |
| 7 | Ong Choo Guan | 26,480,000 | 2.41 |
| 8 | Maybank Kim Eng Securities Pte. Ltd. | 25,196,300 | 2.29 |
| 9 | Yeo Seng Buck | 23,963,100 | 2.18 |
| 10 | Terry Tan Soon Lee @ Huiiri Amita | 17,166,050 | 1.56 |
| 11 | OCBC Securities Private Ltd | 13,678,647 | 1.24 |
| 12 | Phillip Securities Pte Ltd | 11,708,953 | 1.07 |
| 13 | Tan Weiren Vincent (Chen Weiren Vincent) | 9,662,000 | 0.88 |
| 14 | United Overseas Bank Nominees Pte Ltd | 7,911,650 | 0.72 |
| 15 | Xue Chunxia | 7,344,000 | 0.67 |
| 16 | GKE Corporation Limited | 6,300,000 | 0.57 |
| 17 | Raffles Nominees (Pte) Limited | 5,948,200 | 0.54 |
| 18 | Wong Poh Hwa @ Kwai Seng | 5,500,000 | 0.50 |
| 19 | Chan Kwan Bian | 5,335,400 | 0.49 |
| 20 | UOB Kay Hian Pte Ltd | 5,061,810 | 0.46 |
| | | 714,206,898 | 65.00 |

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 8 June 2020 of 1,098,719,574 shares (which excludes 7,961,500 shares which are held as treasury shares representing approximately 0.72% of the total number of issued shares excluding treasury shares).

Shareholding Statistics

As at 8 June 2020

Substantial Shareholders as at 8 June 2020

| Name | Number of shares registered in the name of substantial shareholders | Number of shares in which the substantial shareholder is deemed to have an interest | Total | %* |
|--|---|---|-------------|-------|
| Andy Lim ⁽¹⁾ | 243,643,120 | 29,400,000 | 273,043,120 | 24.85 |
| Viking Engineering Pte Ltd ⁽²⁾ | 85,989,200 | - | 85,989,200 | 7.83 |
| Johansson Bo Robert ⁽³⁾ | - | 85,989,200 | 85,989,200 | 7.83 |
| Sune Gustaf Sigvard Andersson ⁽³⁾ | - | 85,989,200 | 85,989,200 | 7.83 |
| Tan Boy Tee ⁽⁴⁾ | 80,000,000 | - | 80,000,000 | 7.28 |

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 8 June 2020 of 1,098,719,574 shares (which excludes 7,961,500 shares which are held as treasury shares representing approximately 0.72% of the total number of issued shares excluding treasury shares).

Notes:

- (1) Mr Andy Lim has a direct interest in 243,643,120 shares, of which 243,106,880 shares are registered in his own name and 536,240 shares are registered and held through the following Nominees:

| Nominees | Shares |
|-------------------------------|---------|
| United Overseas Bank Nominees | 536,240 |

Mr Andy Lim is further deemed interested in the 29,400,000 shares held by Associated Leisure International Pte Ltd whereby he holds a 99% shareholding interest.

- (2) Viking Engineering Pte Ltd has a direct interest in 85,989,200 shares which are registered and held through DBS Vickers Securities (Singapore) Pte Ltd.
- (3) Mr Johansson Bo Robert and Mr Sune Gustaf Sigvard Andersson are the substantial shareholders (50% each) of Viking Engineering Pte Ltd and are deemed interested in the 85,989,200 shares held by Viking Engineering Pte Ltd.
- (4) Mr Tan Boy Tee has a direct interest in 80,000,000 shares which are registered and held through DBS Nominees Pte Ltd.

Warrantholding Statistics

As at 8 June 2020

WARRANTS - W220701

Warrantholding Statistics as at 8 June 2020

| Size of Shareholdings | No. of Warrantholders | % | No. of Warrants | % |
|-----------------------|-----------------------|---------------|-------------------|---------------|
| 1 - 99 | 15 | 4.06 | 557 | 0.00 |
| 100 - 1,000 | 19 | 5.15 | 10,477 | 0.01 |
| 1,001 - 10,000 | 78 | 21.14 | 462,594 | 0.47 |
| 10,001 - 1,000,000 | 245 | 66.40 | 30,415,461 | 31.20 |
| 1,000,001 and above | 12 | 3.25 | 66,602,020 | 68.32 |
| | 369 | 100.00 | 97,491,109 | 100.00 |

Top 20 Warrantholders

| S/No. | Name of Warrantholder | No. of Warrants Held | %* |
|-------|--|----------------------|--------------|
| 1 | Lim Andy | 28,443,840 | 29.18 |
| 2 | Phillip Securities Pte Ltd | 10,290,280 | 10.55 |
| 3 | Chua Eng Hong | 6,882,500 | 7.06 |
| 4 | Associated Leisure International Pte Ltd | 4,200,000 | 4.31 |
| 5 | Chan Kok Khoon | 3,191,500 | 3.27 |
| 6 | Pang Nyuk Lin | 3,000,000 | 3.08 |
| 7 | Maybank Kim Eng Securities Pte. Ltd. | 2,906,000 | 2.98 |
| 8 | Goh Jun Yi Irving (Wu Junyi Irving) | 1,625,900 | 1.67 |
| 9 | Tan Weiren Vincent (Chen Weiren Vincent) | 1,612,000 | 1.65 |
| 10 | Pwee Gin Leong | 1,600,000 | 1.64 |
| 11 | Kek Sin Hwa (Guo Xinhua) | 1,450,000 | 1.49 |
| 12 | GKE Corporation Limited | 1,400,000 | 1.44 |
| 13 | Soh Kay Meng | 1,000,000 | 1.03 |
| 14 | DBS Nominees Pte Ltd | 872,696 | 0.89 |
| 15 | Fan Baoqi | 800,000 | 0.82 |
| 16 | Chan Kwan Bian | 762,200 | 0.78 |
| 17 | Tay Yew Chong | 750,000 | 0.77 |
| 18 | Kong Kok Peng | 650,000 | 0.67 |
| 19 | Cheong Thiam Tee | 620,000 | 0.64 |
| 20 | Lee Kang Wee | 600,100 | 0.61 |
| | | 72,657,016 | 74.53 |



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