SEEKING THE NEXT GROWTH

ANNUAL REPORT 2018

CONTENTS

CORPORATE PROFILE

EMS Energy Limited ("**Company**" or the "**Group**") is currently providing EPCM (Engineering, Procurement & Construction Management) – MOT sales in Vietnam through its subsidiary, Koastal International Pte Ltd ("**KIPL**"), an engineering solutions provider of energy supply chain solutions which designs, manufactures and installs engineering solutions and products such as drilling and well intervention systems.

On 28 September 2016, the Company along with its two subsidiaries, EMS Energy Solutions Pte Ltd ("**EES**") and Koastal Industries Pte Ltd ("**KIPL**"), applied to High Court for schemes of arrangement ("**SOA**"). The SOA of KIPL and EES were sanctioned by the High Court on 8 September 2017 and 31 July 2018 respectively. The Company has taken the necessary steps to proceed with the implementation of the SOA. Through the SOA, the Group aims to improve its financial position.

On 31 December 2018, the Group entered into a binding memorandum of understanding (the "**MOU**") with NVS Holdings Pte. Ltd. and Son Truong Co Ltd (the "**Vendors**") in relation to the proposed acquisition of 52.76% of the issued and paid-up share capital of Nosco Shipyard Joint Stock Company ("**Nosco**"). Nosco is incorporated in Vietnam and owns a 100-hectare industrial land with a 50-year lease, of which 50 hectares are currently used in the business of ships repairing, ships and other marine assets construction and recycling. The remaining 50 hectares of land is currently vacant and is authorised for expansion and other projects to support the industrial development. The aggregate consideration for the proposed acquisition is S$16.6 million and is expected to be satisfied by the allotment and issuance of approximately 11 billion new shares in the Company to the Vendors. The Board believes that this proposed acquisition would allow the Group to acquire a new business which could potentially resolve its financial and business viability issues.

EMS Energy Limited has been listed on the Catalist Board of the Singapore Exchange Securities Trading Limited since 2003.

SPONSOR'S STATEMENT

This annual report has been prepared by EMS Energy Limited (the "Company") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report. The contact person for the Sponsor is Mr Lan Kang Ming, Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of my fellow Board of Directors (the "**Board**") of EMS Energy Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), I wish to present to you the Annual Report for the financial year ended 31 December 2018 ("**FY2018**").

We had deconsolidated the accounts of Koastal Industries Pte Ltd ("**KIPL**") and its subsidiaries from the Group's results in financial year ended 31 December 2017 ("**FY2017**"). Our Group's FY2018 revenue only generates from the EPCM - MOT project in Vietnam.

Corresponding to the deconsolidation, the Group reported a lower revenue for FY2018 of S$0.5 million as compared to FY2017's S$6.7 million, mainly due to the reduction in project billings by KIPL for the project in Vietnam.

The Group continues its cost cutting measures in FY2018. Administrative expenses decreased by S$3.3 million or 49.1% to S$3.2 million for FY2018 compared to S$6.5 million for FY2017 mainly due to lower employee compensation arising from headcount reduction. Finance costs reduced to S$3.3 million for FY2018 from S$4.8 million for FY2017 mainly due to lower outstanding bank borrowings.

In FY2018, the Group made an allowance for impairment of amount due from deconsolidated subsidiaries of S$20.7 million. As a result, the Group's net loss was S$26.4 million for FY2018 as compared to a net profit of S$34.9 million for FY2017.

As at 31 December 2018, the Group was in a negative working capital position of S$109.0 million and a net liability position of S$98.1 million. Notwithstanding the above, the Board is of the view that the Group is able to operate as a going concern because the Management is confident to successfully implement the scheme of arrangement ("**SOA**") of the Company and EMS Energy Solutions Pte Ltd ("**EES**") to reduce the Company's liabilities. We are currently in the midst of implementing the SOA of the Company after the SOA was sanctioned by the High Court on 8 September 2017. The SOA for EES was sanctioned by the High Court on 31 July 2018, and EES has also commenced the process to implement the SOA for the restructuring of EES.

CHAIRMAN'S STATEMENT

In May 2018, we entered into a non-binding term sheet with Qian Investment Holding Pte Ltd ("**Qian**") as a potential investor to resume the construction work on the Tuas South Shipyard. However, in September 2018, Qian decided not to proceed with the proposed investment. We continue to actively pursue potential investors/partners to resume the construction work so as to commence operations as soon as possible.

On 31 December 2018, the Group entered into a binding memorandum of understanding (the "**MOU**") with NVS Holdings Pte. Ltd. and Son Truong Co Ltd (the "**Vendors**") in relation to the proposed acquisition of 52.76% of the issued and paid-up share capital of Nosco Shipyard Joint Stock Company ("**Nosco**"). Nosco is incorporated in Vietnam and owns a 100-hectare industrial land with a 50-year lease, of which 50 hectares are currently used in the business of ships repairing, ships and other marine assets construction and recycling. The remaining 50 hectares of land is currently vacant and is authorised for expansion and other projects to support the industrial development. The aggregate consideration for the proposed acquisition is S$16.6 million and is expected to be satisfied by the allotment and issuance of approximately 11 billion new shares in the Company to the Vendors. The Board believes that this proposed acquisition would allow the Group to acquire a new business which could potentially resolve its financial and business viability issues.

The Board and Management have been working hard to our debt restructuring and in working out our business revitalisation schemes. I look forward to the successful implementation of these proposals and plans, which can significantly improve our Group's financial position and operational performance.

On behalf of the Board, I would like to thank our customers, business partners, stakeholders, employees and shareholders for their support and contributions. We will continue to work hard to revitalise the Group and work towards resumption of trading of the Company's shares.

Ting Teck Jin
Executive Chairman and Chief Executive Officer

OPERATIONS AND FINANCIAL REVIEW

Overview

FY2018 was a year of consolidation for the Group as it proceeded with implementing the schemes of arrangement ("**SOA**") of the Company and EMS Energy Solutions Pte Ltd ("**EES**") which were sanctioned by the High Court on 8 Sep 2017 and on 31 Jul 2018 respectively.

The Group has in FY2017 deconsolidated the accounts of Koastal Industries Pte Ltd ("**KIPL**") and its subsidiaries from the Group's results. For FY2018, the Group's revenue came only from the project in Vietnam which commenced prior to the cessation of KIPL operations.

Financial Performance

The Group's revenue decreased to S$0.5 million for FY2018 from S$6.7 million for FY2017 mainly due to the reduction in project billings by KIPL for the project in Vietnam which commenced prior to the cessation of KIPL's operations in Sep 2016. Due to cessation of KIPL's operations, the project agreements previously signed under KIPL was novated to KIPL and revenue from these novation agreements has been recognized under KIPL.

Cost of sales decreased by 96.7% or S$9.8 million to S$0.3 million for FY2018 compared to S$10.1 million for FY2017, in tandem with the reduction in project billings by KIPL for the project in Vietnam. The Group managed to achieve a gross profit of S$0.1 million for FY2018 as compared to a gross loss of S$3.3 million for FY2017.

Other income decreased by S$4.0 million to S$0.5 million for FY2018 from S$4.5 million for FY2017 mainly due to the absence of foreign exchange gain recognized in FY2017. The foreign exchange gain was in relation to the revaluation of the amount due from/to the deconsolidated subsidiaries which is denominated in USD.

Administrative expenses decreased by S$3.3 million or 49.1% to S$3.2 million for FY2018 from S$6.5 million for FY2017 mainly due to lower employee compensation arising from headcount reduction as part of the cost cutting measures.

Depreciation decreased by S$0.1 million mainly due to the deconsolidation of the KIPL group and disposal of computers and workshop equipment in FY2018.

There were no distribution expenses and other expenses for FY2018 as compared to S$0.01 million and S$19.5 million respectively for FY2017. The absence of these expenses is due to the deconsolidation of the KIPL group. Further, there was an allowance of S$20.7 million made in FY2018 for amount due from KIPL group due to the deconsolidation.

Finance costs decreased by S$1.8 million or 36.9% to S$3.0 million for FY2018 from S$4.8 million for FY2017 due to lower outstanding bank borrowings as a result of repayment of bank loan during the year.

As a result of the above factors, the Group recorded a net loss attributed to equity holders of S$26.4 million for FY2018 as compared to a net profit of S$34.9 million for FY2017.

OPERATIONS AND FINANCIAL REVIEW

Cash Flow and Financial Position

Net cash used in operating activities was S$0.6 million for FY2018 compared to S$2.1 million for FY2017. The net cash used in operating activities for FY2018 was mainly due to operating loss of S$26.4 million after adjusting for non-cash items which included allowance for impairment of amount due from deconsolidated subsidiaries of S$20.7 million, allowance for doubtful debts of S$0.1 million, interest expense of S$3.0 million, fixed assets written off of S$0.1 million which was partially offset by and allowance for doubtful debts written back of S$0.1 million, foreign exchange gain S$0.3 million, decrease in inventories of S$0.5 million, decrease in trade and other receivables of S$0.1 million, increase in prepayment of S$1.1 million, decrease in trade and other payables of S$1.8 million and decrease of S$0.8 in advances from customers.

Net cash generated from investing activities was S$5.4 million for FY2018 compared to S$2.4 million for FY2017. The net cash generated from investing activities in FY2018 was due to the proceeds from the sale of the leasehold land and buildings located at 10 Tuas Avenue 11, which was completed on 23 March 2018. The property was disposed for a consideration of S$5.6 million, with partial proceeds of S$0.2 million received in FY2017.

Net cash used in financing activities for FY2018 was S$5.0 million compared to S$0.2 million for FY2017. The net cash used in financing activities for FY2018 was mainly due to repayment of borrowings.

As a result of the above factors, the Group's net cash and cash equivalents stood at S$0.1 million as at end FY2018.

With regard to the Group's financial position, the Group recorded an negative working capital position of S$109.0 million and net liability position of S$98.1 million as at FY2018. Comparatively, the Group recorded a negative working capital of S$82.8 million and net liability position of S$71.7 million as at FY2017.

FINANCIAL SUMMARY

AS AT 31 DECEMBER	FY2017	FY2018
Total Assets (S$'000)	38,658	12,629
Total Liabilities (S$'000)	110,389	110,775
Shareholders Equity (S$'000)	(71,731)	(98,146)
Gearing Ratio Total borrowings divided by shareholders' equity	n.m.	n.m.

AS AT 31 DECEMBER	FY2017	FY2018
Gain/(Loss) per ordinary share attributable to equity holders of the Company (Singapore cents)	7.78	(5.89)
Based on weighted average number of ordinary shares in issue	448,735,224	448,735,224
Net assets per share (Singapore cents)	(15.99)	(21.87)
Based on number of ordinary shares in issue as at year end	448,735,224	448,735,224

BOARD OF DIRECTORS

TING TECK JIN
Executive Chairman and Chief Executive Officer

Mr Ting, 51, joined the Board on 6 December 2006 as Executive Chairman and assumed the role of Chief Executive Officer on 19 June 2007.

Mr Ting is responsible for the strategic corporate direction and development of the Group. He also oversees business development and operations in his role as Director of EMS Energy Solutions Pte Ltd. Mr Ting is also Managing Director of Koastal International Pte Ltd.

Mr Ting has over 20 years of experience in the offshore and marine engineering industry. He spent a few years in Keppel Group's shipyard operations in Singapore and Vietnam before he founded Koastal Group in 1997. An engineer by training, Mr Ting holds a Bachelor of Engineering in Marine Technology (First Class Honours) degree from Newcastle University, United Kingdom.

LIM SIONG SHENG
Non-Executive and Lead Independent Director

Mr Lim, 68, joined the Board on 1 June 2008 as a Non-Executive and Independent Director. He was last re-elected on 30 April 2016.

Mr Lim is presently a director of the Shangyew Public Accounting Corporation where he is responsible for audit, tax, liquidation, consulting and accounting matters undertaken by the corporation and has over 30 years of experience in the related fields.

Mr Lim is a Fellow of the Association of Chartered Certified Accountants, United Kingdom, and a Fellow of the Institute of Singapore Chartered Accountants. He is also a Fellow of the Certified Public Accountant, Australia, and a Fellow of the Insolvency Practitioners Association of Singapore. In addition, Mr Lim also holds membership as an Accredited Tax Advisor (Income Tax & GST) in the Singapore Institute of Accredited Tax Professionals Limited (SIATP).

LIM POH BOON
Non-Executive and Independent Director

Mr Lim, 65, joined the Board on 1 June 2007 as Non-Executive and Non-Independent Director, and was re-designated as Independent Director since FY2012. He was last re-elected on 30 April 2016.

Mr Lim operates a Licensed Money Services business in Malaysia, Philippines and Hong Kong. He is also working on several Fintech projects in Indonesia and China on payment gateway and electronic commerce. He has vast experience in financial services as well as IT and corporate governance, compliance and risk management in various business sectors.

Mr Lim is currently the Committee member of the Chinese Chamber of Commerce in Batu Pahat, Johor, Malaysia; an associate member of the Malaysian Institute of Chemistry; a National Council Member and Deputy Chairman of Public Relations Committee of The Associated Chinese Chambers of Commerce and Industry of Malaysia; a National Council Member of Malaysian Association of Money Services Business; a Fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom; a Fellow of the Institute of Financial Accountants, United Kingdom; a Fellow of the Institute of Public Accountants, Australia; a senior associate member of the Australian and New Zealand Institute of Insurance and Finance; and a Full member of The Society of Technical Analysis, United Kingdom and Singapore.

Mr Lim holds a Bachelor's degree in Chemistry from Universiti Sains Malaysia and a MBA from Heriot-Watt University in Edinburgh, United Kingdom.

BOARD OF DIRECTORS

UNG GIM SEI
Non-Executive and Independent Director

Mr Ung, 79, joined the Board on 31 August 2007 as a Non-Executive and Independent Director. He was last re-elected on 31 October 2017. Mr Ung is currently a director of a U.S.-Singapore joint venture law firm, Duane Morris & Selvam LLP, specialising in the practice of Intellectual Property.

Prior to taking up law, Mr Ung started his career with key positions at Nanyang Siang Pau, Singapore Press Holdings and the Hong Kong Sing Tao Newspaper Group. He is the Vice President of the Singapore-China Friendship Association, the Aw Boon Haw Foundation (PRC), and Tan Kah Kee Foundation where he is also the Legal Advisor. Mr Ung is also currently the Independent Director of SGX-listed companies, namely Informatics Education Ltd and Chip Eng Seng Corporation Ltd.

Mr Ung holds a Bachelor of Arts in Economics degree from the National University of Singapore, a Common Professional Examination in Law from the UK, a Graduate Diploma in Singapore Law from the National University of Singapore and a Master of Law from the City University of Hong Kong.

EXECUTIVE OFFICER

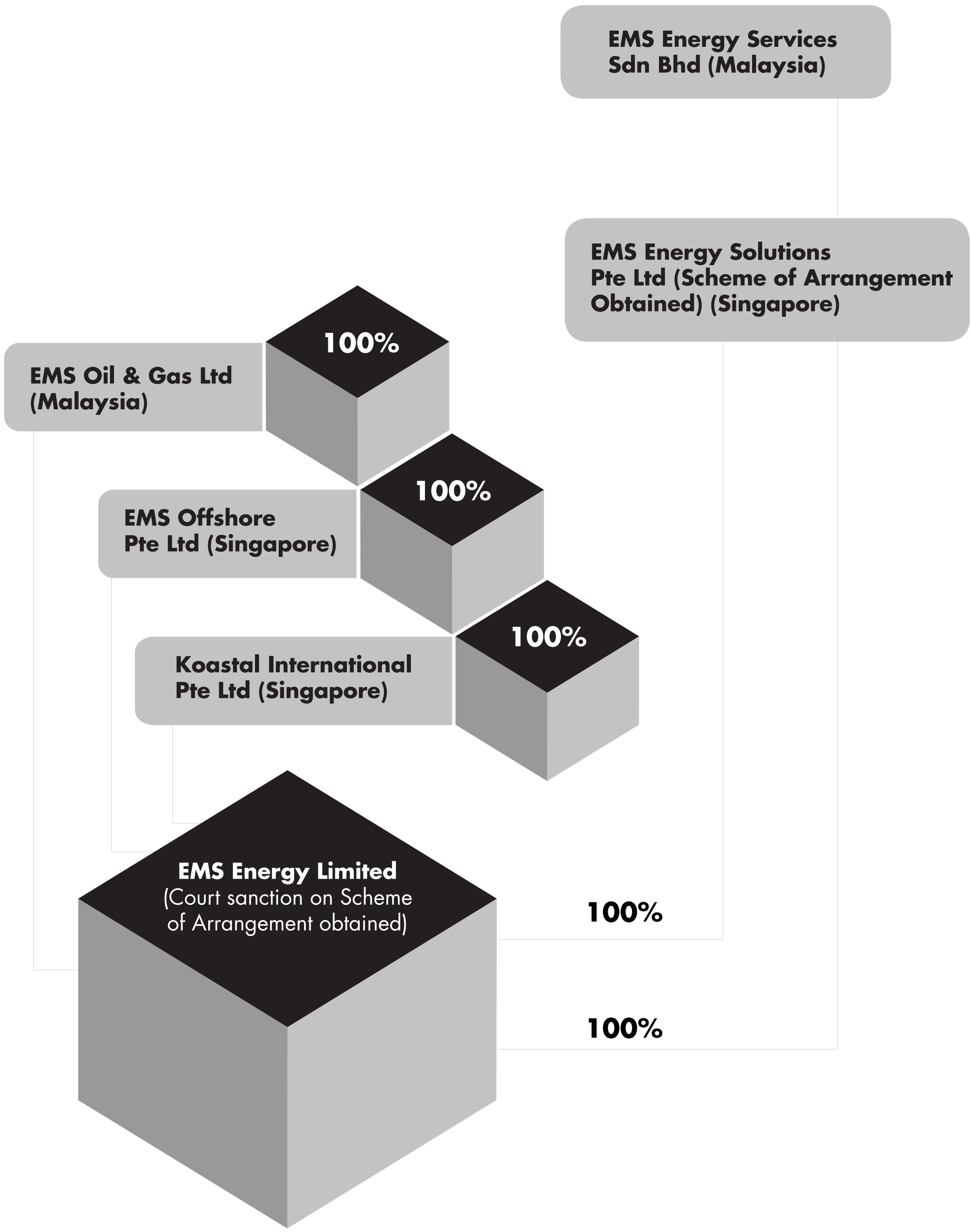
TING TECK JIN
Executive Chairman and Chief Executive Officer

Mr Ting, 51, joined the Board on 6 December 2006 as Executive Chairman and assumed the role of Chief Executive Officer on 19 June 2007.

Mr Ting is responsible for the strategic corporate direction and development of the Group. He also oversees business development and operations in his role as Director of EMS Energy Solutions Pte Ltd. Mr Ting is also Managing Director of Koastal International Pte Ltd.

Mr Ting has over 20 years of experience in the offshore and marine engineering industry. He spent a few years in Keppel Group's shipyard operations in Singapore and Vietnam before he founded Koastal Group in 1997. An engineer by training, Mr Ting holds a Bachelor of Engineering in Marine Technology (First Class Honours) degree from Newcastle University, United Kingdom.

CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Ting Teck Jin
Executive Chairman and Chief Executive Officer

Mr Lim Siong Sheng
Non-Executive and Lead Independent Director

Mr Lim Poh Boon
Non-Executive and Independent Director

Mr Ung Gim Sei
Non-Executive and Independent Director

COMPANY SECRETARY

Ms Wee Woon Hong

REGISTERED OFFICE

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T +65 6261 5755
F +65 6261 5255

PRINCIPAL PLACE OF BUSINESS

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#02-57 German Centre
Singapore 609916

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S. Private Limited
8 Robinson Road,
#03-00 ASO Building,
Singapore 048544

AUDITORS

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

Partner in charge: Mr Philip Aw Vern Chun
(First Appointed in respect of financial year
ended 31 December 2018)

SOLICITORS

Rajah & Tann Singapore LLP

SPONSOR

UOB Kay Hian Private Limited
8 Anthony Road #01-01
Singapore 229957

CORPORATE GOVERNANCE

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2012 AND CATALIST RULES

The Board of Directors (the "**Board**") of EMS Energy Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

This corporate governance report, set out in tabular form, outlines the Company's corporate governance structures and practices that were in place during the financial year ended 31 December 2018 ("**FY2018**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

This report should be read in totality, instead of being read separately under each principle of the Code. The Board noted the revised Code of Corporate Governance issued on 6 August 2018 ("**Revised Code**"), which is only effective from the Company's financial year commencing 1 January 2019, and will endeavor to comply with the Revised Code once it is effective.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2018.

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3"><u>The Board's Conduct of Affairs</u></td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>
The Board has 4 Directors as follows:

<table>
<tr><th colspan="2">Composition of the Board</th></tr>
<tr><th>Name of Director</th><th>Designation</th></tr>
<tr><td>Mr Ting Teck Jin</td><td>Executive Chairman and Chief Executive Officer</td></tr>
<tr><td>Mr Lim Siong Sheng</td><td>Non-Executive and Lead Independent Director</td></tr>
<tr><td>Mr Lim Poh Boon</td><td>Non-Executive and Independent Director</td></tr>
<tr><td>Mr Ung Gim Sei</td><td>Non-Executive and Independent Director</td></tr>
</table>

The Group is led by an effective Board, which comprises one (1) Executive Director and three (3) Independent Directors. All of the Directors possess the core competencies and diversity of experience to effectively lead, control and contribute to the Group. The Board is collectively responsible for the success of the Group. The Board works with the management of the Company (the "Management") to achieve this. The Management remains accountable to the Board.

The principal functions of the Board include:

1. providing entrepreneurial leadership, setting strategic objectives and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;

2. setting, reviewing and approving key business goals and strategies, and financial plans and monitoring the organisational and the Management's performance;

3. establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

4. reviewing the adequacy and integrity of the Group's internal controls, risk management systems and financial reporting and compliance;

5. approving major investments and divestments, and funding proposals;
</td></tr>
</table>

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>6. setting the Group’s values and standards (including ethical standards); and

7. ensuring accurate, adequate and timely reporting to, and communication with shareholders such that obligations to shareholders and other stakeholders are understood and met.</td></tr>
<tr><td>1.2</td><td>All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.</td><td>All Directors exercise due diligence and independent judgement in dealing with business affairs of the Group and objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.</td></tr>
<tr><td>1.3</td><td>Has the Board delegated certain responsibilities to committees?

If yes, please provide details.</td><td>To assist in the execution of its responsibilities, the Board is supported by three (3) board committees; namely the Nominating Committee (the “NC”), the Remuneration Committee (the “RC”) and the Audit Committee & Risk Management Committee (“AC”) (collectively, the “Board Committees”). The compositions of the Board Committees are as follows:

<table>
<tr><th></th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td>Chairman</td><td>Mr Lim Siong Sheng</td><td>Mr Ung Gim Sei</td><td>Mr Ung Gim Sei</td></tr>
<tr><td>Member</td><td>Mr Lim Poh Boon</td><td>Mr Lim Siong Sheng</td><td>Mr Lim Siong Sheng</td></tr>
<tr><td>Member</td><td>Mr Ung Gim Sei</td><td>Mr Lim Poh Boon</td><td>Mr Lim Poh Boon</td></tr>
</table>
</td></tr>
<tr><td>1.4</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The Board meets regularly to review the Group’s key activities, business strategies, funding decisions, financial performance and to approve the release of quarterly and annual results of the Group in FY2018. When circumstances require, ad-hoc meetings are convened. All Directors objectively make decisions in the interests of the Group. The Directors are also regularly updated on the Group’s development via email correspondence facilitating participation and view-sharing. Board meetings are conducted in Singapore and regularly attended by Directors either in person or via telephone conference if they are unable to attend the meetings in person. The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings are disclosed in the table below.</td></tr>
</table>

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>
In FY2018, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.
<table>
<tr><th></th><th colspan="2">Board</th><th colspan="2">Audit Committee & Risk Management Committee</th><th colspan="2">Remuneration Committee</th><th colspan="2">Nominating Committee</th></tr>
<tr><th></th><th colspan="2">No. of Meetings</th><th colspan="2">No. of Meetings</th><th colspan="2">No. of Meetings</th><th colspan="2">No. of Meetings</th></tr>
<tr><th>Name</th><th>Held</th><th>Attended</th><th>Held</th><th>Attended</th><th>Held</th><th>Attended</th><th>Held</th><th>Attended</th></tr>
<tr><td>Ting Teck Jin</td><td>5</td><td>5</td><td>5</td><td>5^</td><td>1</td><td>1^</td><td>1</td><td>1^</td></tr>
<tr><td>Lim Poh Boon</td><td>5</td><td>4</td><td>5</td><td>4</td><td>1</td><td>1</td><td>1</td><td>1</td></tr>
<tr><td>Ung Gim Sei</td><td>5</td><td>5</td><td>5</td><td>5</td><td>1</td><td>1</td><td>1</td><td>1</td></tr>
<tr><td>Lim Siong Sheng</td><td>5</td><td>5</td><td>5</td><td>5</td><td>1</td><td>1</td><td>1</td><td>1</td></tr>
</table>
^ Attendance by invitation
</td></tr>
<tr><td>1.5</td><td>What are the types of material transactions which require approval from the Board?</td><td>
The Company has adopted internal guidelines setting forth matters that require Board's approval.
The types of material transactions that require Board's approval under such guidelines are listed below:
a. Approval of financial statements' announcements;
b. Approval of interested parties' transactions or matters involving a conflict of interest for a substantial shareholder or Director;
c. Declaration of interim dividends and proposal of final dividends;
d. Convening of shareholders' meetings;
e. Approval of corporate strategy, corporate plans and budgets;
f. Authorisation of merger and acquisition or disposal transactions;
g. Approval of share issuance;
h. Authorisation of major funding, investment or divestment transactions; and
i. Any decision likely to have a material impact on the Group from any perspective, including but not limited to, financial, operational, strategic or reputational.
</td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.6	(a) Are new Directors givenformal training? If not, please explain why.	The Company has in place an orientation program to ensure that new Directors are familiar with the Group's business and governance practices, and training for first-time Directors in areas such as accounting, legal and industry-specific knowledge. For new Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training courses organised by the Singapore Institute of Directors ("**SID**") or other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties. Corporate materials and documents such as the latest Annual Report, minutes of recent Board meetings, and the Constitution of the Company will also be given to him or her to facilitate his or her understanding of the structure and operations of the Group.
	(b) What are the types of information and training provided to (i)new Directors and (ii) existing Directors to keep them up-to-date?	All Directors are updated regularly concerning any changes in corporate governance, company policies, risk management, financial reporting standards, relevant new laws, regulations and changing commercial risks. Directors are encouraged to attend, at the Company's expense, relevant and useful training or seminars conducted by external organisations. News releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority which are relevant to the Directors are circulated to the Board. The Directors were briefed regularly by the Company's auditors on the key changes to the Singapore Financial Reporting Standards. The Directors had been updated on the changes to the Singapore Financial Reporting Standards International which are effective for annual periods beginning after 1 January 2019. The Chief Executive Officer ("**CEO**") also updates the Board at each meeting on business and strategic development spertaining to the Group's business. The Company also encourages Directors to regularly attend training courses organised by SID or other training institutions in connection with their duties as Directors.
1.7	Upon appointment of each director, has the company provided a formal letter to the director, setting out the director's duties and obligations?	Upon appointment of each Director, the Company provides a formal letter to such Director, setting out his or her duties and obligations upon appointment.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Guideline 2.1 of the Code is met as the Independent Directors make up 75% of the Board. The Board comprises one (1) Executive Chairman and CEO, namely Mr Ting Teck Jin, and three (3) Independent Directors, namely Mr Ung Gim Sei, Mr Lim Siong Sheng and Mr Lim Poh Boon. Key information regarding the Directors is set out in the section on "Board of Directors" of this Annual Report. In view that the Executive Chairman and the CEO is the same person, the Company has complied with Guideline 2.2 of the Code requiring at least half the Board to comprise of Independent Directors. The NC is of the view that the current Board, with Independent Directors making up more than half of the Board, has a strong and independent element to exercise objective judgement on corporate affairs independently from the Management. The NC is also of the view that no individual or small group of individuals dominates the Board's decision-making process. For good corporate governance, Mr Lim Siong Sheng has been appointed as the Lead Independent Director of the Company with effect from 3 May 2016. As the Lead Independent Director, he is available to address the concerns of the shareholders of the Company and when contact through the normal channels to the Chairman and CEO have failed to satisfactorily resolve their concerns or when such contact is inappropriate.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The independence of each Independent Director has been and will be reviewed annually (and as and when circumstances require) by the NC, with reference to the guidelines as set out in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of the Director's independent business judgement of the conduct of the Group's affairs. Each of the Independent Directors has completed an independent director's declaration form and confirmed his independence. The NC has reviewed the independence of the Independent Directors for FY2018 and is of the view that Mr Ung Gim Sei, Mr Lim Siong Sheng and Mr Lim Poh Boon are independent as determined according to the guidelines provided in the Code.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	The Independent Directors do not have any relationship as stated in the Code that would otherwise deem him not to be independent.
2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	All the Independent Directors have served on the Board for more than nine years from the date of their first appointment. Noting that Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng, who first joined the Board on 1 June 2007, 31 August 2007 and 1 June 2008 respectively, have served on the Board for more than nine years from the date of their first appointment, the NC and the Board have assessed their independence through rigorous review. Each of the Independent Directors had abstained from the discussions pertaining to the rigorous review of their independence. Taking into account the views of the NC, the Board concurs that each of Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng continues to demonstrate strong independence in judgement in the discharge of his responsibilities as a Director of the Company, and continues to debate issues, express individual opinions and objectively analyse and challenge the Management. In addition, in view of their respective in-depth understanding of business and operations of the Group, in tandem with their individual wealth of experience in their areas of expertise, each of Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng contributes valuably to the Group with much appreciated experience and knowledge. Taking into account the above factors, and having also weighed the need for Board refreshment against tenure for relative benefit, the Board has determined that each of Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng continues to be considered an Independent Director.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
2.5	Has the Board examine its size and decide on what it considers an appropriate size for the Board, which facilitates effective decision making?	The NC and the Board have examined the Board's size and are of the view that the Board is of an appropriate size which facilitates effective decision making taking into account the scope and nature of the operations of the Group and the wide spectrum of skill and knowledge of the Directors. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.
2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	The NC periodically reviews the existing attributes and competencies of the Board to have an appropriate mix of members with complementary skills, core competencies and experience that could effectively contribute to the Group, regardless of gender.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	The Board is of the view that the current board composition offers a good balance and diversity of skills, experience, knowledge of the Group and core competencies in various areas such as accounting and finance, business and management and law as follows:-

	Number of Directors	Proportion of Board (%)
Core Competencies		
Accounting or finance	3	75
Business management	4	100
Legal or corporate governance	4	100
Relevant industry knowledge or experience	4	100
Strategic planning experience	4	100
Customer based experience or knowledge	4	100
Gender		
Male	4	100
Female	0	0

Please refer to pages 07 and 08 of the Annual Report for further details regarding the Directors' background and experience.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board has taken the following steps to maintain or enhance its balance and diversity: ● An annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the effectiveness of the Board; and ● An annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors. Although currently there is no female Director appointed to the Board, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the NC's consideration.
2.7	How have the non-executive directors: (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance?	Non-Executive Directors are constantly in touch with the Management to provide advice and guidance on strategic issues and on matters for which their expertise will be constructive to the Group. At the meetings of the Board and the Board Committees, Non-Executive Directors also constantly request for and receive updates on the performance, goals, targets and projects of the Group, provide feedback on the proposals from the Management and oversee the effective implementation by the Management to achieve set objectives. To ensure that the Independent Directors are well supported by accurate, complete and timely information, they have unrestricted access to the Management, and have sufficient time and resources to discharge their oversight functions effectively.
2.8 3.4	Have the Non-Executive Directors/Independent Directors met in the absence of key management personnel in the last financial year?	The Independent Directors had met at least once in the absence of key management personnel in FY2018.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Chairman and Chief Executive Officer		
3.1 3.2	Are the duties between Chairman and CEO segregated?	According to Guideline 3.1 of the Code, the Chairman and the CEO should in principle be separate persons. The Board is of the view that the Group has built up a cohesive management team. The CEO together with the key management personnel have full executive responsibilities over the business directions and operational decisions. The CEO is responsible to the Board for all corporate governance procedures to be implemented by the Group and to ensure conformance by the Management to such practices. Currently, the Board comprises four (4) Directors, three (3) of whom are Independent Directors and led by Mr Lim Siong Sheng. The Executive Chairman and CEO is Mr Ting Teck Jin. His responsibilities include:- 1. leading the Board to ensure effectiveness on all aspects of its role and setting its agenda; 2. ensuring that the Directors receive accurate, timely and clear information; 3. ensuring effective communication with shareholders; 4. encouraging constructive relations within the Board and between the Board and the Management; 5. facilitating the effective contribution of Non-Executive Directors in particular; and 6. promoting high standards of corporate governance. Taking into account the size, scope and current financial position of the Group, the roles of the Chairman and CEO are not separated as the Board is of the view that there is adequate accountability and transparency within the Group.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Board Membership		
4.1 4.2	What are the duties of the NC?	The NC has written terms of reference that describe the responsibilities of its members. The responsibilities of the NC are, amongst others, as follows:- a. to recommend to the Board on all Board appointments; b. to review and recommend to the Board annually, the Board's structure, size and composition; c. to identify and make recommendations to the Board for Directors' retirement, re-election and re-nomination at each annual general meeting of the Company ("**AGM**"), having regard to each Director's contribution and performance; d. to oversee the Board and key management personnel's succession planning; e. to determine the criteria (in particular, taking into account a Director's independence and competing commitments) to identify candidates and review nominations for the appointment of Directors to the Board; f. to determine annually if a Director is independent; and g. to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval. Succession planning is also an important part of the governance process. The NC reviews the appointment of key management personnel and conducts annual review of their remuneration, performance and development plans. As part of this annual review, the successors to the key management personnel (whenever necessary) are identified, and development plans instituted for them. The Company has put in place a structured succession programme to prepare a team of future leaders for the Group's long-term sustainability.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Board has determined that the maximum number of listed company board representations which any Director may hold is three (3). When a Director has multiple board representations, he or she ensures that sufficient time and attention is given to the affairs of each company. All Directors are required to declare their board representations. The NC determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his or her duties as a Director of the Company.
	(b) If a maximum has not been determined, what are the reasons?	Not applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	The considerations in assessing the capacity of Directors include the following: ● Expected and/or competing time commitments of Directors; ● Geographical location of Directors; ● Size and composition of the Board; and ● Nature and scope of the Group's operations and size.
	(d) Have the Directors adequately discharged their duties?	The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2018.
4.5	Are there alternate Directors?	The Company does not have any alternate Directors.
4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	The Company believes that Board renewal must be an on-going process to ensure good governance and cater to the changing needs of the Company and business. The Company's Constitution requires at least one-third of its Directors to retire from office by rotation and be subject to re-nomination and re-election by shareholders at every AGM. No Director stays in office for more than three (3) years without being re-elected by shareholders. In the selection and nomination for new Directors, the NC identifies the key attributes that an incoming Director should have, based on existing or new requirements of the Group. After endorsement by the Board, the NC taps on the resources of the Directors' personal contacts for recommendations of potential candidates. Executive recruitment agencies may also be appointed to assist in the search process where necessary. Interviews are then set up with the shortlisted candidates for the NC to assess them before a decision is made.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		New Directors can be appointed by way of a Board resolution, after the NC has approved their nominations. Such new Directors shall submit themselves for re-election at the next AGM of the Company. The role of the NC also includes the responsibility of reviewing the re-nomination of Directors who retire by rotation, taking into consideration the Director's integrity, independence mindedness, contribution and performance (such as attendance, participation, preparedness and candour) and any other factors as may be determined by the NC. The Board recognises the contribution of its Independent Directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its Independent Directors so as to be able to retain the services of the Directors as necessary. The NC has recommended to the Board that Mr Ting Teck Jin and Mr Lim Siong Sheng be nominated for re-election at the upcoming AGM. In making the recommendation, the NC had considered the Director's contribution to the Group. The Director's profile is presented in the "Board of Directors" section of this Annual Report. Mr Ting Teck Jin will, upon re-election as a Director, remain as the Executive Chairman and Chief Executive Officer of the Company. Mr Lim Siong Sheng will, upon re-election as a Director, remain as the Non-Executive and Lead Independent Director and Chairman of AC and a member of the NC and RC. The Board considers Mr Lim Siong Sheng to be independent for the purposes of Rule 704(7) of the Catalist Rules. Please refer to Additional Information on Directors Seeking Re-election on the last page of this report for detailed information required pursuant to Rule 720(5) of Catalist Rules. Each member of the NC has abstained from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director of the Company. In the event any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter. Mr Lim Siong Sheng has abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his own performance or re-election as a Director.

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr>
<td>4.7</td>
<td>Please provide the following key information regarding the Directors'.

● academic and professional qualifications;

● Shareholding in the Company and its related corporation;

● Board committees served on (as a member or chairman), date of first appointment and last re-appointment as a director;

● Directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments;

● Indicate which directors are executive, non-executive or considered by the NC to be independent; and

● The names of the directors submitted for appointment or re-appointment should also be accompanied by such details and information to enableshareholders to make informed decisions.</td>
<td>
<table>
<tr><th>Director</th><th>Academic and professional qualifications</th><th>Shareholding in the Company and its related corporations</th><th>Board committees served on (as a member or chairman)</th></tr>
<tr><td>Ting Teck Jin</td><td rowspan="4">Key information on the Directors' academic and professional qualifications can be found on pages 07 to 08 of this Annual Report.</td><td>Interested in 356,949,960 ordinary shares (79.54% of the total number of ordinary shares) in the Company</td><td></td></tr>
<tr><td>Lim Poh Boon</td><td>Interested in 1,333,333 ordinary shares (0.3% of the total number of ordinary shares) in the Company</td><td>Member of the AC, NC and RC</td></tr>
<tr><td>Ung Gim Sei</td><td>Nil</td><td>Chairman of the NC and RC, Member of the AC</td></tr>
<tr><td>Lim Siong Sheng</td><td>Nil</td><td>Chairman of the AC, Member of the NC and RC</td></tr>
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<table>
<tr><th>Director</th><th>Current Directorships in listed companies (other than the Company)</th><th>Past Directorships in listed companies (preceding three years)</th><th>Date of initial appointment</th><th>Date of last re-election</th><th>Other principal commitments</th></tr>
<tr><td>Ting Teck Jin</td><td>Nil</td><td>Nil</td><td>6 December 2006</td><td>N/A</td><td>Nil</td></tr>
<tr><td>Lim Poh Boon</td><td>Nil</td><td>Nil</td><td>1 June 2007</td><td>29 June 2018</td><td>Financial Services</td></tr>
<tr><td>Ung Gim Sei</td><td>Chip Eng Seng Corporation Ltd.</td><td>Informatics Education Ltd.</td><td>31 August 2007</td><td>31 October 2017</td><td>Director of Selvam LLC</td></tr>
<tr><td>Lim Siong Sheng</td><td>Nil</td><td>Nil</td><td>1 June 2008</td><td>30 April 2016</td><td>Director ofthe Shangyew Public Accounting Corporation</td></tr>
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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		Director who is seeking re-appointment at the forthcoming AGM to be held on 30 April 2019 is stated in the Notice of AGM set out on pages 141 to 144 of this Annual Report.
Board Performance		
5.1 5.2 5.3	What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?	The NC endeavours to ensure that Directors appointed to the Board possess the relevant necessary background, experience and knowledge, and bring to the Board independent and objective perspectives for balanced and well-considered decisions to be made. The NC undertakes a formal review of the effectiveness of the Board as a whole, the Board Committees and the contribution by each Director to the effectiveness of the Board on a yearly basis with input from the other Board members and the NC Chairman. The NC adopted a formal policy to evaluate the Board's performance. The performance criteria are not changed from year to year except when deemed necessary and justifiable and include the following: i. timely guidance to the Management; ii. attendance at Board/Board Committee meetings; iii. participation at Board/ Board Committee meetings; iv. commitment to Board activities; v. Board performance in discharging principle functions; vi. Board Committee performance; vii. independence of Directors; and viii. appropriate complement of skill, experience and expertise on the Board. Where the performance criteria are deemed necessary to be changed, the onus should be on the Board to justify this decision. The NC evaluates the Board's performance as a whole, which takes into consideration the Board's conduct of meetings, maintenance of independence, board accountability, communication with the Management, etc.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		The NC also assesses the performance of individual Directors based on their attendance record at the meetings of the Board and Board Committees, their quality of participation at meetings as well as any special contributions. The Chairman acts on the results of the performance evaluation and, where appropriate and in consultation with the NC, proposes new members be appointed to the Board or seeks the resignation of Directors.
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	For the year under review, the NC assessed the effectiveness of the Board, the Board Committees and the contribution of each individual Director to the effectiveness of the Board. The Board's performance was measured by its ability to support the Management especially in times of crisis, and to steer the Company towards profitability and the achievement of strategic and long-term objectives set by the Board. All Directors are requested to complete a board evaluation questionnaire designed to seek their view on various aspects of the Board performance as described above. Some factors taken into consideration by the NC include value of contribution to the development of strategy, availability at Board meetings (as well as informal contribution via email and telephone), interactive skills, degree of preparedness, industry and the business knowledge and experience each Director possesses which are crucial to the Group's business. No external facilitator was used in the evaluation process in FY2018.
	(b) Has the Board met its performance objectives?	The NC has assessed the performance of the current Board's overall performance during the financial year under review, and is of the view that the Board had met its performance objectives.

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Access to Information</u></td></tr>
<tr><td>6.1
6.2
10.3</td><td>What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</td><td>All Directors receive adequate and timely information prior to any Board meeting and on an on-going basis to provide contextual information and to enable the Directors to obtain further information, where necessary, in order to be properly briefed before any meeting. Such information provided to the Directors include background and explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and interim financial statements. In respect of budgets, any material variance between the projects and actual results are also disclosed and explained.

In order to aid the discharge of duties by the Board, the Management provided operational reports and management accounts on quarterly basis in FY2018. The Board is able to request for any information from the Management at any point in time to satisfy its needs. Draft agendas for Board and Board Committee meetings are circulated in advance to the respective Chairmen, in order for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda.

Information provided to the Independent Directors are set out below:-

<table>
<tr><th></th><th>Information</th><th>Frequency</th></tr>
<tr><td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Quarterly</td></tr>
<tr><td>2.</td><td>Updates to the Group's operations and the markets in which the Group operates in</td><td>Quarterly</td></tr>
<tr><td>3.</td><td>Budgets and/or forecasts (with variance analysis), management accounts (with financial ratio analysis), and external auditors report(s)</td><td>Annually</td></tr>
<tr><td>4.</td><td>Reports on on-going or planned corporate actions</td><td>Quarterly</td></tr>
<tr><td>5.</td><td>Shareholding statistics</td><td>Annually</td></tr>
<tr><td>6.</td><td>Updates on the Group's financial situation</td><td>Quarterly</td></tr>
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CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
6.3 6.4	What is the role of the Company Secretary?	All Directors have separate and independent access to the key management personnel and the Company Secretary at all times. Under the direction of the Executive Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and Board Committees and between the key management personnel and Non-Executive Directors and advising the Board on all governance matters. The Company Secretary attends all meetings of the Board and Board Committees and ensures that Board procedures, applicable rules and regulations are followed. The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole.
6.5	Is there a procedure for directors, either individually or as a group, to take independent professional advice, if necessary?	Should Directors, whether as a group or individually, need independent professional advice, the Company will appoint a professional advisor selected by the group or the individual to render the appropriate professional advice. The cost of such professional advice will be borne by the Company.
REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1 7.2 7.4	What is the role of the RC?	The function of the RC is to review the procedure for developing the remuneration policy of the Executive Director(s) of the Company, to establish the remuneration packages of individual Directors and to provide a greater degree of objectivity and transparency in the setting of remuneration. No Director is involved in the decision for his own remuneration. The responsibilities of the RC are set out in the written terms of reference and include, amongst others: a. to recommend to the Board a framework of remuneration for the Executive Director(s) of the Group (where applicable), all aspects of remuneration such as Directors' fees, salaries, allowance, bonuses, options, share-based incentives and awards, and benefits-in-kind and to submit all such recommendations for endorsement by the entire Board; b. to determine the remuneration packages and terms of employment for each Executive Director; and c. to review the remuneration of key management personnel.

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		The RC has access to internal and external expert and/or professional advice on human resource and remuneration of all Directors, amongst other matters, whenever there is a need for such consultation.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2018.
Level and Mix of Remuneration		
8.1	What are the measures for assessing the performance of executive directors and key management personnel?	The RC ensures that the levels of remuneration for all Directors are appropriate to attract, retain and motivate them to run the Group successfully and in this respect, the RC avoids paying more than necessary. In its deliberations, the RC takes into consideration industry practices, practices of comparable companies and norms in compensation and employment in addition to the Company's performance and the performance of the individual Directors. However, any comparisons of practices within the industry and with comparable companies are done with caution in view of the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance. A significant proportion of the Executive Director's remuneration is structured to link rewards to corporate and individual performance. Therefore the performance of the Executive Director is measured by the achievement of corporate and individual performance targets. The RC is of the view that such measurements are appropriate and meaningful. The performance-related elements of remuneration are designed to align interests of the Executive Director with those of shareholders. The Executive Director has a service agreement with a fixed appointment period that the RC reviews, in particular its termination provisions. The service agreement is not excessively long and does not contain onerous removal clauses. In the event of early termination, the Executive Director or the Company may terminate the service agreement by giving to the other party not less than three (3) months' notice in writing, or in lieu of notice, payment of an amount equivalent to three (3) months' salary based on the Executive Director's last drawn salary. Compensation is fair and the RC avoids rewarding poor performance.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
8.2	Are there long-term incentive schemes for Executive Directors and key management personnel?	For long-term incentive schemes, the Group operates the "EMS Energy Performance Share Plan" (the "**EPSP**") and "EMS Energy Employee Share Option Scheme" (the "ESOS") for its Directors and employees. The Company has adopted the EPSP and ESOS which were approved by the shareholders at the Company's Extraordinary General Meeting dated 22 August 2009 and will lapse on 21 August 2019. The EPSP and ESOS are administered by the RC. <u>EPSP</u> The EPSP provides an opportunity for employees of the Group who have contributed to the growth and performance of the Group (including Executive and Non-Executive Directors) and who satisfy the eligibility criteria as set out under the rules of the EPSP, to reward them with participation in the equity of the Company. Controlling shareholders of the Company and their associates are also eligible to participate in the EPSP. The total number of ordinary shares in the capital of the Company ("**Shares**") over which the RC may grant awards under the EPSP ("**Performance Shares**") on any date, when added to the number of Shares, over which shares, options or awards are granted under any other share schemes of the Company, i.e. the ESOS, shall not exceed 15% of the number of the total issued Shares on the day immediately preceding the date on which the awards shall be granted. Subject to prevailing legislation and rules of the Catalist Rules, the Company, in its sole and absolute discretion, will deliver Performance Shares to the participants upon vesting of their awards by way of an issue and allotment of new Shares or delivery of existing Shares to the participant. <u>ESOS</u> The ESOS provides an opportunity for employees of the Group who have contributed to the growth and performance of the Group (including Executive and Non-Executive Directors) and who satisfy the eligibility criteria as set out under the rules of the ESOS, to participate in the equity of the Company. Controlling shareholders of the Company and their associates are also eligible to participate in the ESOS. The total number of Shares over which the RC may grant options under the ESOS ("**Options**") on any date, when added to the number of Shares issued and issuable in respect of all Options, shall not exceed 15% of the number of the issued Shares on the day immediately preceding the date on which the Options shall be granted. Under the rules of the ESOS, the Options that are

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		granted may have exercise prices that are, at the RC's discretion, set at the price ("**Market Price**") equal to the average of the last dealt prices for the Shares on Catalist for the five (5) consecutive market days immediately preceding the relevant date of grant of the relevant Option, or (provided that shareholders' approval is obtained in a separate resolution) at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price may be exercisable at any time by the participant after the first anniversary of the date of grant of that Option while Options granted at a discount to the Market Price may only be exercised after the second anniversary from the date of grant of the Option. Options granted under the ESOS will have a life span of ten years except in the case of Options granted to Non-Executive Directors and Independent Directors where the exercise period may not exceed five (5) years from the date of grant or such earlier date as may be determined by the RC. Further details on the EPSP and ESOS can be found in the Directors' Report in this Annual Report.
8.3	How is the remuneration for Non-Executive Directors determined?	The remuneration of each Non-Executive Director is determined by his contribution to the Company, taking into account factors such as effort and time spent as well as his responsibilities on the Board. The Non-Executive Directors are not overcompensated to the extent that their independence may be compromised. The directors' fees of the Non-Executive Directors are endorsed by the RC and recommended by the Board for approval at the AGM.
8.4	Are there any contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company?	Having reviewed and considered the performance-related elements of remuneration of the Executive Director and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim bonuses or other incentive components (such as Performance Share and/ or Options) of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. However, the RC will consider the same in the next review of Executive Director's and key management personnel's service agreements.

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Disclosure on Remuneration</u></td></tr>
<tr><td>9</td><td>What is the Company's remuneration policy?</td><td>The Company adopts a formal procedure in setting the remuneration packages of individual Directors, taking into account pay and employment conditions of comparable companies in the same or similar industries, as well as the Group's relative performance and the performance of individual Directors.</td></tr>
<tr><td>9.1
9.2</td><td>Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>Breakdown of the Directors' remuneration for FY2018
<table>
<tr><th>Name of Directors</th><th>Remuneration</th><th>Salary %</th><th>Bonus %</th><th>Directors' fee %</th><th>Stock-based remuneration %</th><th>Total %</th></tr>
<tr><td>Mr Ting Teck Jin</td><td>S$250,000 to S$500,000</td><td>97.80%</td><td>2.20%(1)</td><td>–</td><td>–</td><td>100%</td></tr>
<tr><td>Mr Lim Poh Boon</td><td>Below S$250,000</td><td>–</td><td>–</td><td>100%</td><td>–</td><td>100%</td></tr>
<tr><td>Mr Ung Gim Sei</td><td>Below S$250,000</td><td>–</td><td>–</td><td>100%</td><td>–</td><td>100%</td></tr>
<tr><td>Mr Lim Siong Sheng</td><td>Below S$250,000</td><td>–</td><td>–</td><td>100%</td><td>–</td><td>100%</td></tr>
</table>
Note (1): This amount relates to the annual wage supplement under the employment contract.

The aggregate total remuneration paid to the Company's Independent Directors (Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng) is S$135,000.

For competitive reasons, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of each individual Director's remuneration.</td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Not Applicable as there are no key executives in FY2018 and as at the date of this Annual Report.
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	Not Applicable as there are no key executives in FY2018 and as at the date of this Annual Report. There were no termination, retirement and post-employment benefits granted to Directors and the CEO in FY2018.
9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	The Company did not have any employee who is an immediate family member of any Director and whose remuneration exceeded S$50,000 during the financial year under review.
9.5	Please provide details of the employee share scheme(s).	Details of the EPSP and ESOS have been provided above under Guideline 8.2.

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.6	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	The remuneration received by the Executive Director and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2018. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation consists of performance bonuses and is determined based on the Group's profit and other non-financial qualitative factors.
	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	The performance conditions used to determine the entitlement of the Executive Director and key management personnel under short-term incentive scheme (such as bonuses) and long term incentive scheme (such as the EPSP and ESOS) comprise of qualitative and quantitative conditions. Examples of quantitative conditions are target revenue, target profit, sales growth and years of service. Examples of qualitative conditions are on-the-job performance, leadership, teamwork, etc. The performance conditions are set by the RC. The inclusion of the performance conditions in the service agreement of the Executive Director and key management personnel is done in a review conducted prior to the renewal of the service agreement of the Executive Director and key management personnel.
	(c) Were all of these performance conditions met? If not, what were the reasons?	The RC has reviewed and is of the view that the performance conditions of the Executive Director and key management personnel were not met for FY2018 in view of the Group's financial situation in FY2018.
ACCOUNTABILITY AND AUDIT		
Accountability		
10.1 10.2	The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.	The Board believes that it should promote best practices and present a balanced and comprehensible assessment of the Group's performance, position and prospects, which extends to interim and price sensitive public reports, as a means to build an excellent business for our shareholders as the Board is accountable to shareholders for the Company and the Group's performance. The Board is mindful of its obligations to provide timely and fair disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is either first publicly released before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		issued within the mandatory period. The Board also provides reports to regulators when required. The Management provides the Board with quarterly management accounts that present a balanced and understandable assessment of the Group's performance, position and prospects.
Risk Management and Internal Controls		
11.1	The Board should determine the Company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.	The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk. The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.
11.2 11.4	The Board should, at least annually, review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.	The Board reviewed the adequacy of the Group's risk management framework and systems and conducted dialogue sessions with the Management to understand the process to identify, assess, manage and monitor risks within the Group. **The Management's Responsibility in Risk Management** The Management is responsible for designing, implementing and monitoring the risk management and internal control systems in accordance with the policies on risk management and internal controls. The Management is responsible for day to day monitoring of these risks and highlighting significant events arising thereon to the AC and the Board. **Key Contracts/ Projects Execution Risk** Currently, the Group's core businesses comprised of the following two reportable segments: (1) Marine and Offshore ("EPCM-MOT") – Engineering, Procurement and Construction Management – Trading of equipment

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		(2) Water treatment ("EPCM-WT") The EPCM – Marine and Offshore and trading segment are involved in providing engineering, procurement, construction and management, custom fabrication, maintenance and repair, trading of marine and offshore equipment to mainly the marine and offshore oil & gas companies. The EPCM - water treatment segment is involved in environmental-related technical services for pollution management, water and waste. Some of the Group's larger EPCM projects may stretch to two (2) or even three (3) years with milestone payments, resulting in the heightened role of cash flow management in such projects. Unexpected delays in project delivery during execution or delay in customers' payment of any such key long-term contracts may have an adverse effect on the financial condition and results of operations of the Group. The Group has taken the necessary approach to mitigate this risk by securing project financing for its larger EPCM projects, ensuring adequate bank facilities to support its execution of projects, and tight monitoring of its collections from customers. The Group would continue to pursue diversification strategies to strengthen its operations and financial position. **Product Liability Risk** During the year, the Management has reviewed and deemed adequate its insurance coverage against common fire, industrial, machinery, building, third party liability risks and so forth. With its range of offshore products, the Management is assessing its potential product liability risks, and suitable insurance coverage for such product liability. The Board believes that such insurance coverage of product liability will manage the Group's exposure to such risks. **Financial risks** The nature of the Group's businesses and activities exposes the Group to market risks (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group has a system of controls in place to ensure an acceptable balance between the cost of risks occurring and the cost of managing such risks. The steps taken by the Group to manage its exposure to financial risks are set out in the Financial Report on pages 123 to 128 of the Notes to the Financial Statements in this Annual Report.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		Annual Review of the Group's Risk Management and Internal Control Systems The Board with the assistance of the AC has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems over financial, operational, compliance and information technology risks. The assessment considered issues dealt with in reports reviewed by the Board during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for FY2018. The Company's scheme of arrangement under Section 210 of the Companies Act (Chapter 50) of Singapore (the "**Companies Act**") for the purposes of implementing and facilitating the restructuring of the Group's debt obligations and liabilities was duly approved on 28 July 2018 and subsequently sanctioned by the High Court on 8 September 2018. The Company has been actively working on the submission of a resumption proposal to resume trading of the Company's shares. On 8 March 2019, the Company received a letter from SGX that it has no objection to granting the Company a further extension of time of up to 30 June 2019 for the Company to submit resumption proposal to resume trading of Company's shares. Notwithstanding the current difficulties, the Management continues to oversee the affairs of the Group (including periodic reporting requirements pursuant to Rule 704(22) of the Catalist Rules). The Board's annual assessment for FY2018 in particular considered: a. the changes since the last annual assessment in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment; b. the scope and quality of the Management's ongoing monitoring of risks and the system of internal controls and the work of its internal audit function and other providers of assurance;

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		c. the extent and frequency of the communication of the results of the monitoring to the AC; and d. the incidence of significant internal controls weaknesses that were identified during the previous financial year.
11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	Based on the internal controls established and maintained by the Group, work performed by the external auditors and reviews performed by the Management, the Board with the concurrence of the AC is of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls as well as risk management systems were adequate and effective for FY2018.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	The Board has received assurance from the CEO: (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are effective in FY2018. The Company has not received the above assurance from CFO as the Company is in the process of seeking for a suitable candidate to fill the position of CFO. During this period, the finance operation is under the supervision of the CEO.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
11.4	The Board may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.	The Board will consider the need to establish a separate Board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the Group's risk management framework and policies should the need arises. Currently, the responsibility of overseeing the Group's risk management framework and policies rests with the AC.
Audit Committee		
12.1 12.3 12.4	What is the role of the AC?	The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and reasonable resources to enable it to discharge its functions properly, as well as full access to and co-operation by the Directors and key management personnel and discretion to invite any of them to attend its meeting. The Board ensures that the members of the AC are appropriately qualified to discharge their responsibilities. The AC holds periodic meetings and reviews primarily the following: (a) the audit plan of the Group's external auditors; (b) the external auditors' reports; (c) the co-operation given by our officers to the external auditors; (d) the effectiveness of the Group's internal audit function; (e) the scope and results of the audit procedures and their cost effectiveness; (f) the financial statements of the Company and the Group, especially any significant financial reporting issues and judgements so as to ensure their integrity, before submission to the Board; (g) all formal announcements relating to the Group's financial performance; (h) the independence and objectivity of the external auditors on an annual basis;

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		(i) the remuneration and terms of engagement of the external auditors; (j) nomination, re-nomination and removal of external auditors for appointment; (k) the adequacy and effectiveness of the Group's internal controls; (l) the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, and by such amendments made thereto from time to time; (m) interested person transactions; and (n) capital expenditure transactions. The AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, failure of internal controls or infringement of any Singapore laws, rules or regulations which have or are likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the AC in respect of matters in which he is interested.
12.2	Are the members of the AC appropriately qualified to discharge its responsibilities?	Mr Lim Siong Sheng, the Lead Independent Director, is the Chairman of the AC. The AC comprises two (2) other Independent Directors, Mr Ung Gim Sei and Mr Lim Poh Boon. At least two (2) members of the AC, Mr Lim Siong Sheng and Mr Lim Poh Boon have the appropriate accounting or related financial management expertise and experience.
12.5	Has the AC met with the auditors in the absence of key management personnel?	During the financial year under review, the AC met up with the external auditors once without the presence of the Management.
12.6	Has the AC reviewed the independence of the external auditors?	The AC assesses the independence of the external auditors annually. The AC has reviewed the non-audit services rendered by the external auditors for FY2018 as well as the fees paid, and is satisfied that the independence of the external auditors have not been impaired. The AC has recommended Messrs BDO LLP for re-appointment as auditors of the Company at the forthcoming AGM.

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td>(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</td><td>The aggregate amount of fees paid for the external auditors of the Group for FY2018 was:
<table><tr><th></th><th>S$</th></tr><tr><td>Audit fees</td><td>48,000</td></tr><tr><td>Non-audit fees</td><td>Nil</td></tr><tr><td>Total fees</td><td>48,000</td></tr></table></td></tr>
<tr><td></td><td>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the external auditors.</td><td>The AC noted that there is no non-audit services rendered to the Group by the external auditors in FY2018 and is satisfied that the independence of the external auditors had not been impaired.</td></tr>
<tr><td>12.7</td><td>Does the Company have a whistle-blowing policy?</td><td>The Company has a "Whistle-Blowing" policy in place which provides a well-defined and accessible channel for staff of the Group through which the staff may, in confidence, raise concerns about possible fraudulent activities, malpractices or improprieties in matters of financial reporting or other matters in a responsible and effective manner ("Complaints"). The staff of the Group may approach (a) his or her direct line manager, operation manager or the Company's Directors; or (b) the AC directly (via email or phone call) to raise his or her Complaints. Arrangements for independent investigation of such matters and appropriate follow up actions were also provided for in the "Whistle-Blowing" policy. There were no reports of whistle blowing received in FY2018.</td></tr>
<tr><td>12.8</td><td>What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?</td><td>The members of the AC sit on multiple boards of private companies and hence, have the necessary accounting and financial expertise to deal with the matters that come before them. The AC is kept updated from time to time on any changes to the accounting and financial reporting standards by the external auditors. The members of the AC will also attend courses and seminars to keep abreast of changes to accounting standards and other issues which may have a direct impact on financial statements, as and when necessary.</td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
12.9	Are any of the members of the AC (i) a former partner or director of the Company's existing auditing firm or auditing corporation within the previous 12 months and (ii) hold any financial interest in the auditing firm or auditing corporation?	None of the members of the AC (i) is a former partner or director of the Group's existing auditing firm or auditing corporation within the previous 12 months and/or (ii) holds any financial interest in the auditing firm or auditing corporation.
<u>Internal Audit</u>		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	The Group did not engage an external professional firm to perform internal audit review in FY2018 as there was minimal business activity in view of the ongoing restructuring exercise. The Group will assess the need to resume internal audit review by external professional firm once the restructuring of the debt obligations and liabilities of the Group are completed. However, the Board and the AC have reviewed the adequacy of the Group's internal controls that address financial, operational, compliance and information technology risks. As part of the annual statutory audit of the financial statements, the external auditors will highlight any material weaknesses in financial controls over the areas that are significant to the audit. Such material internal control weakness noted during their audit and recommendations, if any, are reported to the AC. The AC will follow up on the actions taken by the Management in response to the recommendations made by the external auditors.
Shareholders' Rights		
14.1	The Company should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares.	The Board believes in regular, effective, fair and timely disclosure of material information to its shareholders to enhance the standard of corporate governance. To be in line with the provisions of the Catalist Rules and the Companies Act, the Board's policy requires that all shareholders are equally and in a timely manner informed of all major developments that impact the Company or the Group. It is also the Board's policy that all corporate news, strategies and announcements be promptly disseminated through the SGXNET, including press releases, annual reports and other various media. If there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. The Company constantly ensure that all information disclosed is as descriptive, detailed and forthcoming as possible such that boilerplate disclosures are avoided.

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Guideline	Code and/or Guide Description	Company's Compliance or Explanation
14.2	The Company should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders.	The Board supports the Code's principle to encourage shareholders' participation. Shareholders are encouraged to attend, to participate effectively and to vote in the general meetings of the Company and to stay informed of the Company's strategy and goals, to ensure a high level of accountability. Notice of the general meeting is despatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 working days before the meeting. Shareholders may vote in person or by proxy. The Board welcomes questions from shareholders who wish to raise issues either informally or formally before or at the general meeting. The Chairpersons of the Board and Board Committees, and the external auditors, are normally available at the meeting to answer questions relating to the general meetings, work of their committees, conduct of audit and the preparation and content of the auditors' report. Separate resolutions are provided at general meetings on each separate issue and the 'bundling' of resolutions is avoided unless they are interdependent and linked so as to form one significant proposal and unless the Company explains the reasons and material implications.
14.3	The Company should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.	Members of the Company are generally able to appoint one (1) or two (2) proxies to attend and vote in the general meetings of the shareholders instead of the member. With effect from 3 January 2016, the Companies Act was amended to allow certain members, defined as "relevant intermediary" to appoint more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
15.1	Does the Company have an investor relations policy?	Presently, the Company does not have an investor policy or protocol in place.
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	The Company firmly believes in high standards of transparent corporate disclosure by disclosing to its stakeholders, including its shareholders the relevant information on a timely basis through SGXNET. The Company does not practise selective disclosure. Price sensitive information is first publicly released through SGXNET, either before the Company meets with any investors or analysts. Shareholders are also kept informed of all important developments concerning the Company through press releases, annual reports and various other announcements made whenever necessary. The general meetings of shareholders are the principal forum for dialogue with shareholders. During such general meetings, shareholders are given ample time and opportunities to air their views and concerns, as well as ask questions relating to the resolutions to be passed or on other corporate and business issues. Presently, the financial and corporate communications with the Company's shareholders are handled by the Management.
15.5	Does the Company have a dividend policy?	The Company does not have a dividend policy. Nonetheless, the Management will review, inter alia, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration. The Board would also consider establishing a dividend policy at the appropriate time.
	Is the Company paying dividends for the financial year? If not, please explain why.	The Board has not declared or recommended dividend for FY2018 as the Company was not profitable in FY2018.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	Under the Constitution of the Company, a shareholder may vote in person or appoint a proxy or proxies to vote in his stead in accordance with the process as explained in Guideline 14.3. The Company requires all Directors (including the respective Chairman of the Board Committees) to be present at all general meetings of shareholders, unless in the case of exigencies. The external auditors are also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. All resolutions are put to vote by poll. Shareholders will be briefed on the rules, including poll voting procedures that govern general meetings of shareholders. The Company will make an announcement on the detailed results showing the numbers of votes cast for and against each resolution and the respective percentages via SGXNET after the conclusion of the general meeting. All minutes of general meetings will be made available to shareholders upon their request.

COMPLIANCE WITH APPLICABLE CATALIST RULES

Catalist Rule	Rule Description	Company's Compliance or Explanation
711A	Sustainability Report	The Company will issue its Sustainability Report by 31 May 2019 for FY2018 and will upload it on SGXNet.
712, 715 or 716	Appointment of auditors	The Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to its external auditors.
1204(8)	Material contracts	Save as announced on SGXNET, there was no material contract entered into by the Group involving the interest of the CEO, any Directors or controlling shareholders, which are either still subsisting at the end of FY2018, or if not then subsisting, which were entered into since the end of the previous financial year.

CORPORATE GOVERNANCE

Catalist Rule	Rule Description	Company's Compliance or Explanation
1204(10)	Confirmation of adequacy of internal controls	The Board and the AC are of the opinion that the Group's internal controls are adequate and effective to address financial, operational, compliance and information technology risks in FY2018 based on the following: ● internal controls and the risk management system established by the Group; ● work performed by the external auditors; ● assurance from the CEO. The Company is in the process of seeking for a suitable candidate to fill the position of CFO. During this period, the finance operation is under the supervision of the CEO (see Guideline 11.3(b)); and ● reviews done by the various Board Committees and key management personnel. Please refer to Guideline 11.3 above.
1204(10C)	AC's comment on Internal Audit Function	The Group did not engage an external professional firm to perform internal audit review in FY2018 as there was minimal business activity in view of the ongoing restructuring exercise. The AC and the Group will assess the need to resume internal audit review by external professional firm once the restructuring of the debt obligations and liabilities of the Group are completed.
1204(17)	Interested persons transaction ("**IPT**")	The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's IPTs. The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. There were no IPTs with value more than S$100,000 transacted during FY2018.

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Catalist Rule	Rule Description	Company's Compliance or Explanation
1204(19)	Dealing in securities	The Company has adopted an internal policy which prohibits the Directors and officers of the Group from dealing in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and officers of the Group are prohibited from dealing in the Company's securities during the period commencing two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full year financial statements respectively, and ending on the date of the announcement of the relevant results.
		The Company, its Directors and officers of the Group are also reminded to observe the insider trading laws at all times even when dealing in securities within permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.
1204(21)	Non-sponsor fees	The Continuing Sponsor of the Company is UOB Kay Hian Private Limited ("UOB Kay Hian"). There was no non-sponsor fees paid to UOB Kay Hian (and its affiliates) for FY2018.

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TABLE A – ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Ting Teck Jin and Mr Lim Siong Sheng are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 30 April 2019 ("**AGM**") (collectively, the "Retiring Directors" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the information relating to the Retiring Directors as set out in Appendix 7F to the Catalist Rules of the SGX-ST is set out below:

	Ting Teck Jin	**Lim Siong Sheng**
Date of appointment	6 December 2006	1 June 2008
Date of last re-appointment (if applicable)	Not Applicable	30 April 2016
Age	51	68
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Ting Teck Jin' s performance as an Executive Chairman and Chief Executive Officer of the Company.	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Lim Siong Sheng's performance as the Non-Executive and Lead Independent Director and Chairman of the Audit Committee and Member of Nominating and Remuneration Committees of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Responsible for the strategic corporate direction and development of the Group.	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Chief Executive Officer	Non-Executive and Lead Independent Director, Chairman of the Audit Committee and Member of Nominating and Remuneration Committees
Professional qualifications	Key information on the Directors' academic and professional qualifications can be found on pages 07 to 08 of this Annual Report (the Directors' CV)	Key information on the Directors' academic and professional qualifications can be found on pages 07 to 08 of this Annual Report (the Directors' CV)
Working experience and occupation(s) during the past 10 years	Key information on the Directors' academic and professional qualifications can be found on pages 07 to 08 of this Annual Report (the Directors' CV)	Key information on the Directors' academic and professional qualifications can be found on pages 07 to 08 of this Annual Report (the Directors' CV)

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	Ting Teck Jin	Lim Siong Sheng
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest – 303,500 ordinary shares of EMS Energy Limited Deemed Interest – 356,646,460 ordinary shares of EMS Energy Limited	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other principal commitments including directorships	Past (for the last 5 years) Directorships: Nil Other Principal Commitments: Nil Present Directorships: Nil Other Principal Commitments: Nil	Past (for the last 5 years) Directorships: Nil Other Principal Commitments: Director of the Shangyew Public Accounting Corporation Present Directorships: Nil Other Principal Commitments: Director of the Shangyew Public Accounting Corporation
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

CORPORATE GOVERNANCE

	Ting Teck Jin	Lim Siong Sheng
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

CORPORATE GOVERNANCE

	Ting Teck Jin	Lim Siong Sheng
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

CORPORATE GOVERNANCE

	Ting Teck Jin	Lim Siong Sheng
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

CORPORATE GOVERNANCE

	Ting Teck Jin	Lim Siong Sheng
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an issuer listed on the SGX-ST? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the SGX-ST (if applicable).	Not Applicable	Not Applicable

DIRECTORS' STATEMENT

The Directors of EMS Energy Limited (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon 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 2018, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as disclosed in Note 4 to the financial statements.

2. Directors

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

Ting Teck Jin
Lim Poh Boon
Lim Siong Sheng
Ung Gim Sei

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraph 5 below.

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

	Holdings registered in name of Director or nominee		Holdings in which Director is deemed to have an interest	
	At 1.1.2018	**At 31.12.2018**	**At 1.1.2018**	**At 31.12.2018**
The Company				
(No. of ordinary shares)				
Mr Ting Teck Jin	1,503,500	1,503,500	355,446,460	355,446,460
Mr Lim Poh Boon	1,333,333	1,333,333	–	–

By virtue of Section 7 of the Act, Mr Ting Teck Jin is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2019 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2018.

5. Share Incentive Schemes

The Company has adopted the EMS Energy Employee Share Option Scheme (the "Scheme") as well as the EMS Energy Performance Share Plan (the "Plan") at the Extraordinary General Meeting dated 22 August 2009.

Each of the Scheme and the Plan is administered by the Remuneration Committee. The members of the Remuneration Committee are:

(a) Ung Gim Sei (Chairman);

(b) Lim Poh Boon; and

(c) Lim Siong Sheng.

Under the Scheme, the following employees shall be eligible to participate:

(a) full-time employees of the Company and/or its subsidiary corporations who have attained the age of twenty-one (21) years on or before the offering date;

(b) Executive Directors of the Company; and

(c) Non-Executive Directors (including Independent Directors and Non-Independent Directors) of the Company.

DIRECTORS' STATEMENT

5. Share Incentive Schemes (Continued)

Under the Plan, the following employees shall be eligible to participate:

(a) confirmed full-time employees of the Company and/or its subsidiary corporations and associated companies who have attained the age of twenty-one (21) years on or before the date of award; and

(b) Executive Directors of subsidiary corporations or associated companies.

Further details on the Scheme and the Plan have also been included in the Corporate Governance Report segment in the Annual Report.

Controlling Shareholders of the Company and their associates are eligible to participate in the Scheme and the Plan. However, their participation and the actual grant of options and/or awards to them must be approved by independent shareholders of the Company in separate resolutions for each such person and for each such grant.

Name of Participant	Date of grant	Options granted during financial year under review (including terms)	Aggregate options granted since commencement of scheme to end of financial year under review (adjusted)[(a)]	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options cancelled or lapsed since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Director						
Ting Teck Jin[(1)]	–	Nil	700,000	–	–	700,000
Lim Poh Boon[(2)]	–	Nil	50,000	–	–	50,000
Lim Siong Sheng[(2)]	–	Nil	50,000	–	–	50,000
Ung Gim Sei[(2)]	–	Nil	50,000	–	–	50,000
Employee						
Mah Peck Sze Patsy[(3)]	–	Nil	100,000	–	(100,000)	–
Wong Hon Cheng[(3)]	–	Nil	100,000	–	(100,000)	–
Total			**1,050,000**	**-**	**(200,000)**	**850,000**

Notes:

(a) The Company undertook a consolidation of its shares on the basis of every 15 existing shares into one consolidated share, which was approved by the shareholders at an extraordinary general meeting on 15 October 2015 ("Share Consolidation"). The Share Consolidation became effective on 26 October 2015. Accordingly, the share options granted are adjusted to take into account of the Share Consolidation pursuant to Rule 12 of the EMS Employee Share Option Scheme.

(1) Pursuant to the shareholders' approval obtained at the Company's extraordinary general meeting held on 26 April 2014, the Company had on 28 April 2014, granted a total of 10,500,000 options at an exercise price of $0.061 per option at the date of the grant, to Mr Ting Teck Jin, an Executive Director and controlling shareholder of the Company. These options are exercisable from 28 April 2015 to 27 April 2024. The exercise price of these options had been revised to $0.027 on 1 December 2014. As at 31 December 2016, the total 700,000 options (adjusted for Share Consolidation) granted to Mr Ting Teck Jin remained outstanding and exercisable into 700,000 ordinary shares at an exercise price of $0.405.

DIRECTORS' STATEMENT

5. Share Incentive Schemes (Continued)

(2) These options, which are exercisable from 23 February 2015 to 22 February 2020, were granted on 24 February 2014 at an exercise price of S$0.069 at the date of the grant and subsequently revised to $0.027 on 1 December 2014. As at 31 December 2016, the total 150,000 options (adjusted for Share Consolidation) granted to the Independent Directors remained outstanding and exercisable into 150,000 ordinary shares at an exercise price of $0.405.

(3) On 24 February 2014, a total of 15,000,000 options were granted at an exercise price of $0.069 per option at the date of grant to employees who are not Directors, controlling shareholders or their associates. On 1 December 2014, the exercise price of these options had been revised to $0.027. 1,500,000 options granted in 2014 were not accepted and 7,500,000 options granted in 2014 were forfeited upon resignation of certain employees in 2014. 200,000 options (adjusted for Share Consolidation) were forfeited upon resignation of certain employee in 2015. As at 31 December 2017, the balance outstanding 200,000 options (adjusted for Share Consolidation) were forfeited upon resignation of certain employees in 2017.

During the financial year, no options or share awards were granted to the directors and employees of the Company or its subsidiary corporations under the Scheme or the Plan respectively.

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

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

6. Audit Committee

The audit committee of the Company is chaired by Mr Lim Siong Sheng, the Lead independent Director, and includes Mr Lim Poh Boon and Mr Ung Gim Sei, who are both independent Directors. In FY2018, the audit committee has met five times and has carried out its functions in accordance with section 201B(5) of the Act, including reviewing the following, where relevant, with the executive Directors and external auditor of the Company:

(a) the audit plans of the external auditor and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Company's and the Group's financial and operation results and accounting policies;

(c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

(d) the quarterly and full year results announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Company's external auditor; and

(f) the re-appointment of the external auditor of the Company.

DIRECTORS' STATEMENT

6. Audit Committee (Continued)

The audit committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external auditor has unrestricted access to the audit committee.

The audit committee has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Mr Ting Teck Jin
Director

Mr Lim Poh Boon
Director

Singapore
12 April 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EMS ENERGY LIMITED

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of EMS Energy Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 64 to 138, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018; and
- the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and
- notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position of the Company. 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

1. Going Concern and Completeness of Liabilities

As disclosed in Note 4 to the financial statements, the Group suffered a loss of $26.4 million for the financial year ended 31 December 2018. As at 31 December 2018, the Group's current liabilities exceeded its current assets by $109.0 million and its total liabilities exceeded its total assets by $98.1 million. The Company's current liabilities exceeded its current assets by $53.8 million and its total liabilities exceeded its total assets by $43.0 million. The Group's cash and bank balances as at 31 December 2018 amounted to approximately $107,000.

As at 31 December 2018, the Group's total assets mainly comprised the yard included in property, plant and equipment. To date, all efforts undertaken by management to complete the construction of the yard have not been successful. The yard sits on a piece of land that the Group leased from a landlord. The Group negotiated its lease payment schedule with the landlord and requested for an extension of time to complete the construction of the yard as the stipulated deadline in the lease agreement had past. In the event that the Group is not able to make the monthly payment of $35,000 or unable to obtain further extension of the construction period, the landlord may repossess the land and the yard under construction.

While the admission of debts under the Company's scheme of arrangement is completed, the admission of debts under the scheme of arrangement of EMS Energy Solutions Pte Ltd ("EES scheme") is still in progress. In addition, the debts admitted in the schemes have to be converted into shares in order for the schemes to be successful. The resumption of trading of the Company's shares is dependent on the Group having a viable business so as to be able to generate sufficient cash flows to continue its operations.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EMS ENERGY LIMITED

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

1. Going Concern and Completeness of Liabilities (Continued)

These conditions, together with the other matters disclosed in Note 4, indicate the existence of multiple material uncertainties that may cast significant doubt about the Group's and the Company's abilities to continue as going concerns. The Directors of the Company are of the view that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis having regard to management's plans as disclosed in Note 4.

Management has not provided us with a cash flow forecast for us to assess whether the Group and the Company are able to generate sufficient cash flows for at least the next twelve months from the date of the financial statements. We were also unable to obtain sufficient appropriate audit evidence to evaluate the feasibility and effectiveness of management's plans in relation to the completion of the yard, the implementation of the schemes and the proposed acquisition. In addition, further liabilities may be required to be recognised by the Group arising from the various legal claims and ongoing admission of debts under the EES scheme.

Accordingly, we were unable to determine the completeness of liabilities recognised by the Group as at 31 December 2018 and assess whether the use of the going concern basis of accounting in the preparation of the accompanying financial statements is appropriate. Our opinion on the prior year's financial statements was also modified on a similar basis.

2. Impairment of Property, plant and equipment

As at 31 December 2018, the Group's property, plant and equipment mainly comprised a yard under construction with carrying amount of approximately $10.7 million held by the Company. The construction of the yard stalled since 2016 as the Group did not have sufficient funds to complete the construction. The yard sits on a piece of land that the Group leased from a landlord where a monthly payment of $35,000 is required. If the Group is unable to obtain further extension of time to complete the construction, the landlord may repossess the land and the yard under construction.

These conditions indicate that the yard under construction may be impaired as at 31 December 2018. No provision for impairment has been made for the yard for the financial year ended 31 December 2018.

Based on the limited information available, we were unable to obtain sufficient appropriate audit evidence on whether the Group will be able to obtain funds to complete the construction of the yard and to make the monthly lease payments to the landlord. We were also unable to satisfy ourselves that there was no impairment loss on the yard as management did not provide us with their assessment of the recoverable amount of the yard. Accordingly, we were unable to determine whether adjustments may be necessary to the carrying amount of the yard of approximately $10.7 million as at 31 December 2018. Our opinion on the prior year's financial statements was also modified on the same basis.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EMS ENERGY LIMITED

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

3. Amounts due from deconsolidated subsidiaries

As at 31 December 2017, the Group's and the Company's amount due from deconsolidated subsidiaries amounted to $20.3 million and $1.6 million respectively. As these receivables are long outstanding and coupled with the liquidation of Koastal Industries Pte Ltd, there was objective evidence of impairment of these receivables. No impairment of these receivables was made by management for the financial year ended 31 December 2017.

For the financial year ended 31 December 2018, management had fully impaired the amounts due from the deconsolidated subsidiaries of the Group and the Company amounting to $20.7 million and $1.7 million respectively.

We were unable to obtain sufficient appropriate audit evidence regarding the recoverability of the amounts in 2017 and the full impairment made in 2018, as management was unable to support their bases and we were also unable to satisfy ourselves through alternative means. Consequently, we were unable to determine whether adjustments to the accompanying financial statements may be necessary.

4. Investment in unquoted equity shares

As disclosed in Note 15 to the financial statements, the Group had fully impaired its investment in unquoted equity shares in prior financial years and recorded impairment loss of approximately $4.5 million and $4.0 million for the financial years ended 31 December 2016 and 2017 respectively. We were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the impairment loss recognised in 2016 and 2017.

Prior to 1 January 2018, the Group classified the investment as available-for-sale financial asset. Subsequently as required by SFRS(I) 9, the Group designated this investment in unquoted equity shares as financial asset at fair value through profit or loss as at 1 January 2018. The fair value of the financial assets was assessed as $Nil by management as at 1 January 2018 and 31 December 2018.

We were unable to obtain sufficient appropriate audit evidence on the fair value of $Nil as at 1 January 2018 and 31 December 2018, as management was unable to support their bases and we were also unable to satisfy ourselves through alternative means. Consequently, we were unable to determine whether adjustments to the accompanying financial statements may be necessary.

5. Valuation of financial derivative liabilities

As at 31 December 2016 and 2017, the fair values of the Group's financial derivative liabilities amounted to approximately $2.9 million and $1.9 million respectively. The Group also credited approximately $1.0 million to profit or loss due to the expiry of the share warrants during the financial year ended 31 December 2017. We were unable to obtain sufficient appropriate audit evidence on the fair values of the financial derivative liabilities in 2016 and 2017, and the reversal of $1.0 million to profit or loss in 2017 with regards to the expired share warrants.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EMS ENERGY LIMITED

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

5. Valuation of financial derivative liabilities (Continued)

As at 31 December 2018, the fair value of the Group's financial derivative liabilities amounted to approximately $1.9 million.

We were unable to obtain sufficient appropriate audit evidence on the fair value of the financial derivatives liabilities as management was unable to support their bases and we were also unable to satisfy ourselves through alternative means. Consequently, we were unable to determine whether adjustments to the accompanying financial statements may be necessary.

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 and Singapore Financial Reporting Standards International ("SFRS(I)s"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of these financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters 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 within the meaning of 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EMS ENERGY LIMITED

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Philip Aw Vern Chun.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
12 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Revenue	5	471	6,703
Cost of sales		(334)	(10,070)
Gross profit/(loss)		137	(3,367)
Other income	6	412	4,501
		549	1,134
Other items of expense			
Administrative expenses		(3,183)	(6,465)
Distribution costs		–	(12)
Impairment of amount due from deconsolidated subsidiaries		(20,719)	–
Loss allowance (made)/reversed for third party trade receivables	18	(61)	1
Other expenses		–	(19,500)
Finance costs	7	(3,001)	(4,753)
Loss on disposal of associate	21	–	(118)
Gain on deconsolidation of subsidiaries	13	–	64,611
(Loss)/Profit before tax	8	(26,415)	34,898
Income tax expense	9	–	(2)
(Loss)/Profit for the year		(26,415)	34,896
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences			
- On translation of foreign operations		–	5,971
Deconsolidation of subsidiaries			
- Capital reserve		–	(268)
- Fair value reserve		–	47
		–	(221)
Other comprehensive income for the year, net of tax		–	5,750
Total comprehensive (loss)/income for the year		(26,415)	40,646
(Loss)/Earnings per share		**2018**	**2017**
- basic (in cents)	10	(5.89)	7.78
- diluted (in cents)		(5.89)	7.78

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group		
	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	10,853	11,022	9,544
Intangible assets	12	–	–	–
Available-for-sale financial assets	15	–	–	3,986
Financial assets at FVTPL	15	–	–	–
Deferred tax assets	16	–	–	125
Total non-current assets		10,853	11,022	13,655
Current assets				
Inventories	17	–	548	648
Trade and other receivables	18	148	296	9,639
Amount due from deconsolidated subsidiaries	19	–	20,293	–
Contract assets	5	–	–	3,868
Tax recoverable		–	–	43
Prepayments		1,521	388	12
Cash and bank balances	20	107	511	433
		1,776	22,036	14,643
Assets held for sale	21	–	5,600	8,578
Total current assets		1,776	27,636	23,221
Total assets		12,629	38,658	36,876
EQUITY AND LIABILITIES				
Equity				
Share capital	22	167,711	167,711	167,711
Accumulated losses		(116,976)	(96,739)	(131,635)
Other reserves	24	(148,881)	(142,703)	(148,453)
Total deficit		(98,146)	(71,731)	(112,377)
Current liabilities				
Trade and other payables	25	48,170	46,463	42,604
Amount due to deconsolidated subsidiaries	19	33,193	32,716	–
Advances from customers		1,237	408	2,080
Contract liabilities	5	615	615	59,957
Bank borrowings	27	1,746	6,916	22,670
Borrowings from third parties	28	16,380	14,296	12,360
Convertible loan	29	7,542	7,083	5,942
Financial derivative liabilities	30	1,892	1,892	2,972
Provisions for warranties	31	–	–	33
Income tax payable		–	–	635
Total current liabilities		110,775	110,389	149,253
Total liabilities		110,775	110,389	149,253
Total equity and liabilities		12,629	38,658	36,876

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Company		
		31 December 2018	**31 December 2017**	**1 January 2017**
		$'000	**$'000**	**$'000**
Non-current assets				
Property, plant and equipment	11	10,797	10,808	8,996
Investments in subsidiaries	13	–	–	–
Total non-current assets		10,797	10,808	8,996
Current assets				
Trade and other receivables	18	68	14,103	671
Amount due from deconsolidated subsidiaries	19	–	1,616	–
Prepayment		4	4	12
Cash and bank balances	20	1	57	1
Total current assets		73	15,780	684
Total assets		10,870	26,588	9,680
EQUITY AND LIABILITIES				
Equity				
Share capital	22	167,711	167,711	167,711
Accumulated losses		(210,757)	(198,442)	(197,573)
Share option reserve	23	85	85	85
Total deficit		(42,961)	(30,646)	(29,777)
Current liabilities				
Trade and other payables	25	10,210	8,970	6,856
Amount due to subsidiaries	26	–	–	32,601
Amount due to deconsolidated subsidiaries	19	32,441	32,373	–
Bank borrowings	27	1,746	6,916	–
Convertible loan	29	7,542	7,083	–
Financial derivative liabilities	30	1,892	1,892	–
Total current liabilities		53,831	57,234	39,457
Total liabilities		53,831	57,234	39,457
Total equity and liabilities		10,870	26,588	9,680

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Share capital $'000	Foreign currency translation reserve $'000	Revaluation reserve $'000	Share option reserves $'000	Merger reserve $'000	Other reserves $'000	Accumulated losses $'000	Total (deficit) $'000
Balance at 31 December 2017 and 1 January 2018		167,711	34	6,178	85	(149,000)	(142,703)	(96,739)	(71,731)
Loss for the year, representing total comprehensive income for the year		–	–	–	–	–	–	(26,415)	(26,415)
Transfer of revaluation reserve on disposal of asset held for sale	24	–	–	(6,178)	–	–	(6,178)	6,178	–
Balance at 31 December 2018		167,711	34	–	85	(149,000)	(148,881)	(116,976)	(98,146)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Revaluation reserve $'000	Share option reserves $'000	Merger reserve $'000	Other reserves $'000	Accumulated losses $'000	Total (deficit)/ equity $'000
Balance at 1 January 2017		167,711	268	(47)	(5,937)	6,178	85	(149,000)	(148,453)	(131,635)	(112,377)
Profit for the year		–	–	–	–	–	–	–	–	34,896	34,896
Other comprehensive income											
Currency translation differences on translation of foreign operations		–	–	–	5,971	–	–	–	5,971	–	5,971
Reclassification on deconsolidation of subsidiaries		–	(268)	47	–	–	–	–	(221)	–	(221)
Total other comprehensive income for the year, net of tax		–	(268)	47	5,971	–	–	–	5,750	–	5,750
Total comprehensive income for the year		–	(268)	47	5,971	–	–	–	5,750	34,896	40,646
Balance at 31 December 2017		167,711	–	–	34	6,178	85	(149,000)	(142,703)	(96,739)	(71,731)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group	
	Note	**2018**	**2017**
		$'000	**$'000**
Operating activities			
(Loss)/Profit before tax		(26,415)	34,898
Adjustments for:			
Loss allowance made for trade receivables	18	188	288
Loss allowance reversed for trade receivables	18	(127)	(289)
Amount due from customers under contract assets written off		–	13,782
Loss allowance made for amount due from deconsolidated subsidiaries		20,719	–
Capital gain reclassified from capital reserve on deconsolidation of subsidiaries		–	(268)
Depreciation of property, plant and equipment	11	45	141
Fair value loss reclassified from fair value reserve on deconsolidation of subsidiaries		–	47
Gain on deconsolidation of subsidiaries	13	–	(64,611)
Loss on disposal of investment in associate		–	118
Impairment loss on available-for-sale financial assets	15	–	3,986
Loss on disposal of property, plant and equipment		3	38
Loss on scrap sale of inventories		89	–
Plant and equipment written off		113	–
Reversal of liability arising from expired share warrants	30	–	(1,080)
Write-down of inventories	17	–	178
Interest expense		3,001	4,753
Interest income		–	(1)
Unrealised exchange differences		(332)	222
Operating cash flows before movements in working capital		(2,716)	(7,798)
Working capital changes:			
Inventories		459	(202)
Trade and other receivables		87	5,513
Contract assets		–	(16,617)
Prepayments		(1,133)	(6,031)
Trade and other payables		1,750	21,101
Advances from customers		800	2,603
Contract liabilities		–	(562)
Provision for warranties		–	(33)
Cash used in operations		(753)	(2,026)
Income taxes paid		–	(120)
Net cash used in operating activities		(753)	(2,146)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Investing activities			
Interest received		–	1
Proceeds from disposal of property, plant and equipment		23	6
Proceeds from disposal of associate		–	2,860
Proceeds from disposal of asset held for sale	21	5,420	–
Purchase of property, plant and equipment	11	(15)	–
Net cash outflow on deconsolidation of subsidiaries	13	–	(486)
Net cash from investing activities		5,428	2,381
Financing activities			
Loan from a Director		423	–
Repayment of bank borrowings	A	(5,389)	(167)
Net cash used in financing activities		(4,966)	(167)
Net change in cash and cash equivalents		(291)	68
Cash and cash equivalents at beginning of year		398	330
Cash and cash equivalents at end of year	20	107	398

Note A: Reconciliation of liabilities arising from financing activities

	1 January 2018 $'000	Cash flows $'000	Non-cash changes: Paid on behalf by related parties $'000	Non-cash changes: Foreign exchange differences $'000	Non-cash changes: Accretion of interest $'000	Non-cash changes: Effect on deconsolidation $'000	31 December 2018 $'000
Bank borrowings (Note 27)	6,916	(5,389)	–	–	219	–	1,746

	1 January 2017 $'000	Cash flows $'000	Non-cash changes: Paid on behalf by related parties $'000	Non-cash changes: Foreign exchange differences $'000	Non-cash changes: Accretion of interest $'000	Non-cash changes: Effect on deconsolidation $'000	31 December 2017 $'000
Bank borrowings (Note 27)	22,670	(167)	(45)	(793)	1,427	(16,176)	6,916

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

1. General

EMS Energy Limited (the "Company") (Registration Number 200300485D) is a limited liability company incorporated and domiciled in Singapore and is publicly traded on the Catalist Board of Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of its registered office and principal place of business is at 25 International Business Park #02-57 German Centre Singapore 609916.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

The Company's ultimate controlling party is Ting Teck Jin, who is a Director of the Company as at 31 December 2018.

2. Significant accounting policies

2.1 Basis of preparation

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

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I)s. The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRSs"). As required by SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. The transition to SFRS(I) do not have a material impact on the financial statements of the Group.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Due to the transition from FRSs to SFRS(I)s, these financial statements are required to apply all SFRS(I)s effective for annual periods beginning on or after 1 January 2018.

SFRS(I)s and SFRS(I) INTs issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INTs were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 16	: Leases	1 January 2019
SFRS(I) 9 (Amendments)	: Prepayment Features with Negative Compensation	1 January 2019
SFRS(I) 1-19 Amendments	: Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) INT 23	: Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 3 (Amendments)	: Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8 (Amendments)	: Definition of Material	1 January 2020
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle		
SFRS(I) 3 (Amendments)	: Business Combinations	1 January 2019
SFRS(I) 11 (Amendments)	: Joint Arrangements	1 January 2019
SFRS(I) 1-12 (Amendments)	: Income Tax	1 January 2019
SFRS(I) 1-23 (Amendments)	: Borrowing Costs	1 January 2019
SFRS(I) 1-28 (Amendments)	: Long term interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	: Sale or Contribution of Assets between and Investor and its Associates or Joint Venture	To be determined

Consequential amendments were also made to various standards as a result of these new or revised standards.

Except as disclosed below, management anticipates that the adoption of the above SFRS(I) and SFRS(I) INT in future periods, if applicable, will not have a material impact on the financial statements of the Group in the period of their initial adoption.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

SFRS(I)s and SFRS(I) INTs issued but not yet effective (Continued)

SFRS(I) ***16 Leases***

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

The Group expects to capitalise its operating leases on rented office premise on the statement of financial position by recognising a 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. The Group is still in the process of quantifying the potential impact on adoption of SFRS(I) 16.

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statement of financial position as at 1 January 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 31 December 2019.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or when applicable, the costs on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously and no adjustments are made to reflect the fair values or recognised any new assets or liabilities, including no goodwill is recognised as a result of the combination. The components of equity of the acquired entities are added to the same components within the Group equity. Any difference between the consideration paid for the acquisition and share capital of acquiree is recognised directly in equity as merger reserve.

2.4 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers may include fixed amounts, variable amounts or both. Most of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices.

Engineering, Procurement and Construction Management ("EPCM")

The EPCM marine offshore involves the design, procurement and installation of the rig equipment on board vessels. EPCM water treatment involves the development and provision of wastewater quality assessment, engineering solutions to wastewater treatment and facilities design including turnkey design and build projects. Judgement is used to identify the separate distinct performance obligation within the contracts with customers.

The Group has only one distinct performance obligation under the contract for EPCM marine offshore and water treatment and has no alternative use for the Group. The contracts would require payment to be received for time and effort spent by the Group on progressing the contracts in the event of the customer cancelling the contracts prior to completion for any reason other than the Group's failure to perform its obligation under the contract.

The duration of completion varies for each contract, depending on the scale of project. Revenue for EPCM marine offshore and water treatment is recognised over time by reference to the Group's progress, which is measured by comparing the cost incurred on the project with the total costs expected to complete the project (i.e. an input based method). This method is considered a faithful depiction of the transfer of services as the contracts are initially priced on the basis of anticipated costs to complete.

The customer is invoiced on an agreed billing schedule with a credit term of 60 to 90 days. If the value of goods and services transferred to customer exceeds the payments, a contract asset is recognised. Where the payments exceeds the value of goods and services transferred, a contract liability is recognised. The effects on the timing of satisfaction of its performance obligation and timing of payment has been included in Note 5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Engineering, Procurement and Construction Management ("EPCM") (Continued)

Contract for EPCM marine offshore and water treatment includes a warranty against defect and ensure it functions as customer's requirements. This warranty is not accounted for as separate performance obligation and the Group does not offer any extended warranty to its customers. Therefore, a provision is made for the costs of satisfying the warranties in accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

The costs of fulfilling contracts do not result in recognition of a separate asset if such costs are included in the carrying amount of inventories for contracts involving sale of the goods or within the scope of other SFRS(I). For contracts on EPCM marine offshore and water treatment, revenue is recognised over time by reference to installation progress, the Group will recognise these costs of fulfilling as contract asset only if:

a) these costs relate directly to a contract or to an anticipated contract that the Group can specifically identified;

b) these costs generate or enhance resources that will be used in satisfying performance obligations in the future; and

c) these costs are expected to be recovered.

Trading sales

The Group's trading sales involved in the supply of marine and offshore equipment or spare parts. Performance obligation is satisfied when the controls of the equipment or spare parts are transferred to customers. There is limited judgement involved in identifying when the control passes. The control are transferred when the equipment or spare parts are delivered to and accepted by the customer, which is considered the point at which the performance obligation is met and the revenue is recognised.

Interest income

Interest income is recognised using the effective interest rate method.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (Continued)

2.6 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

2.7 Employee Compensation

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

Defined Contribution Plans

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

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the “treasury shares” account, when treasury shares are re-issued to the employees.

2.8 Taxes

Income tax expense comprise current tax expense and deferred tax expense.

Current income tax

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior periods shall be measured at the amount expected to be paid to the taxation authorities, using the tax rates and tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the reporting period.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (Continued)

2.8 Taxes (Continued)

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of asset and liabilities, except when the temporary difference arises from the initial recognition of goodwill or other assets and liabilities that is not a business combination and affects neither the accounting profit nor taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference 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 profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured using the tax rates expected to apply for the period when the asset is realised or the liability is settled, based on tax rate and tax law that have been enacted or substantially enacted by the end of reporting period. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

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

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. Significant accounting policies (Continued)

2.9 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign exchange reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (Continued)

2.10 Property, plant and equipment (Continued)

Land and buildings are initially recognised at cost. Leasehold land and buildings are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

Land and buildings are revalued by independent professional valuers with sufficient regularity such that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the financial years.

Any revaluation increase arising from the revaluation of such land and buildings is recognised in other comprehensive income and credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Office building and crane in the course of construction are carried at cost. Cost includes all direct costs and other inputs used in the construction, professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. No depreciation is provided for construction in progress. Depreciation of these assets, commences when the assets are substantially completed and ready for their intended use.

Plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the straight-line method to allocate depreciable amounts of the assets over their estimated useful lives or lease terms as follows:

Plant and machinery	10 years
Office equipment and renovation	5 to 10 years
Motor vehicles	5 years
Furniture and fittings	5 to 10 years

No depreciation is charged on construction-in-progress as they are not yet ready for their intended use as at the end of the financial year.

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 estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

2. Significant accounting policies (Continued)

2.10 Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

2.11 Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred (see Note 2.3), the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill on subsidiary is recognised separately as intangible assets. Goodwill is initially recognised at cost and subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill on associates is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

On disposal of a subsidiary or an associate, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (Continued)

2.11 Intangible assets (Continued)

Certificate

Certificate is stated at cost less any impairment loss.

For the purpose of impairment testing, Certificate is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which Certificate has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

2.12 Impairment of non-financial assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (Continued)

2.13 Financial instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets into one of the categories below, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed, where due consideration is given to collection made subsequent to the date of the statement of financial position. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables due from related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables, contract assets and cash and bank balances in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (Continued)

2.13 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss ("FVTPL")

The Group has a strategic investments in an unlisted entity which are not accounted for as subsidiaries, associates or jointly controlled entities. For those equity investments, the Group has made an irrevocable election to classify the investments at fair value through profit or loss as the Group considers this measurement to be the most representative of the business model for this asset.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Accounting policy for financial assets prior to 1 January 2018

Financial assets are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition. The Group has loans and receivables and available-for-sale financial assets as at year end.

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statement of financial position comprise trade and other receivables, amount due from deconsolidated subsidiaries and cash and bank balances.

2. Significant accounting policies (Continued)

2.13 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Financial assets (Continued)

Available-for-sale financial assets ("AFS")

Equity securities held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, including any related foreign exchange component, are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, interest calculated using the effective interest method which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the period.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment loss.

Impairment of financial assets

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (Continued)

2.13 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for derivative financial instruments, convertible loan and financial guarantee contracts.

Trade and other payables

Trade and other payables (excluding deferred revenue), amount due to subsidiaries and amount due to deconsolidated subsidiaries, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

2. Significant accounting policies (Continued)

2.13 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Borrowings

Interest-bearing bank loans, overdrafts and borrowings from third parties are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.5).

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

Derivative financial instruments

Derivatives are initially recognised at their fair values at the date of the contract is entered into and subsequently re-measured at their fair values at the end of each financial year. Fair value changes on derivatives are recognised in the profit or loss when the changes arise.

Convertible loan

Based on the terms of the contract, the convertible loans are accounted for as financial liability with an embedded equity conversion option derivative. On issuance, the embedded conversion option is recognised at its fair value as a derivative financial instrument with subsequent changes in fair value recognised in profit or loss. The remainder of the proceeds is allocated to the liability component, net of allocated transaction costs, and 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 derecognised with a corresponding recognition of share capital.

The transaction costs are allocated pro-rata to the liability and derivative components and accounted for as part of the amortised cost for the liability component and expensed for the derivative component.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies (Continued)

2.13 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Offsetting of financial instruments

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

2.14 Share warrants

The Group entered into a put and call option deed with certain investors to obtain the funds to acquire the interest in an investee. As part of the put and call option deed, the Group issued share warrants to the investors as part of an arrangement. The share warrants grant the investors the right to subscribe for shares in the Company at an agreed exercise price.

The borrowings from the investors reflected as borrowings from third parties are measured at amortised cost using effective interest method after taking into account the fair value of the share warrants issued to the investor.

Based on the terms of the agreement, the borrowings from the investor are accounted for as financial liability with an embedded equity conversion option derivative. On issuance, the share warrants are recognised at their fair value as a derivative financial instrument with subsequent changes in fair value recognised in profit or loss. The remainder of the proceeds is allocated to the liability component and carried at amortised cost until the liability is extinguished on exercise of the share warrants or redemption. When the share warrants are exercised, the carrying amounts of the liability component and the share warrants are derecognised with a corresponding recognition of share capital.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.16 Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash on hand, demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents also includes bank overdrafts and excludes any pledged deposits. In the statement of financial position, bank overdrafts are presented within borrowings under current liabilities.

2. Significant accounting policies (Continued)

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.18 Leases

Operating Leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.19 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the managing director who make strategic decisions for the Group.

2.20 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Critical accounting judgements and key sources of estimation uncertainty

In application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

Theses estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying entity's accounting policies

There are no the critical judgements, apart from those involving estimations that management has made in the process of applying the Group's accounting policies, which have a significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Revenue from contracts with customers

Estimation of total contract costs

Revenue from EPCM marine offshore and water treatment is recognised over time by reference to the Group's progress, which is measured by comparing the actual costs incurred on the project with the total expected costs to complete the project (i.e. an input based method).

Management has to estimate the total costs that will be incurred to complete, which are used in the input method to determine the Group's recognition of revenue marine offshore and water treatment. Significant judgement is used to estimate these total costs required to complete the works. In making these estimates, management has relied on the internal expertise and on past experience on completed projects.

As at 31 December 2018, no contract asset was recognised as the all EPCM contracts with customer were terminated in prior years.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(ii) Loss allowance for impairment of trade and other receivables

Management determines the expected loss arising from default for trade and other receivables, by categorising them based on its historical loss pattern, historical payment profile as well as credit risk profile of customer.

During the reporting period, a loss allowance for third party receivables of $188,000 was recognised in the Group's profit or loss for credit impaired customers that are past due from whom no payments were received subsequent to the reporting period.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. There is no customer in financial difficulties during the financial year.

As at 31 December 2018, the carrying amount of the Group's trade and other receivables were $148,000 (31 December 2017:$296,000, 1 January 2017: $9,639,000).

(iii) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Fair values are determined using valuation techniques. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include the volatility, risk-free rate of the host contract, etc.

The Group measures a number of items at fair value on a recurring or non-recurring basis:

- Financial assets at FVTPL/ available-for-sale financial assets (Note 15)
- Financial derivative liabilities (Note 30)

For more detailed information in relation to the fair value measurement of the items above including the carrying amounts and the estimation uncertainty involved, please refer to the applicable notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Going concern

The Group generated a loss of $26.4 million for the financial year ended 31 December 2018. As at 31 December 2018, the Group's current liabilities exceeded its current assets by $109.0 million and its total liabilities exceeded its total assets by $98.1 million. The Company's current liabilities exceeded its current assets by $53.8 million and its total liabilities exceeded its total assets by $43.0 million. The Group's cash and bank balances as at 31 December 2018 amounted to approximately $107,000.

To date, all efforts undertaken by management to complete the construction of the yard has not been successful. The yard sits on a piece of land that the Group leased from a landlord. The Group negotiated its lease payment schedule with the landlord and requested for an extension of time to complete the construction of the yard as the stipulated deadline in the lease agreement had past. In the event that the Group is not able to make the monthly payment of $35,000 or unable to obtain further extensions of the construction period, the landlord may repossess the land and the yard under construction. This could potentially result in the Company being in negative equity, even after the conversion of its debts to equity under the Company's scheme of arrangement.

The admission of debt under the Company's scheme of arrangement is completed, whilst the EMS Energy Solutions Pte Ltd's ("EES") scheme of arrangement has not completed the admission of debt to date. Nevertheless for the schemes to be successfully implemented the debt has to be converted to shares as stipulated in the scheme. The Company's shares must resume trading before the scheme shares can be issued. The resumption of trading is dependent on the Company and the Group being able to demonstrate its ability to generate sufficient cash through a viable business going forward.

The above conditions indicate the existence of multiple material uncertainties that may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

Notwithstanding the above, the Directors of the Company are of the opinion that the Group and the Company are able to meet their obligations as and when they fall due and it is appropriate for the financial statements to be prepared on a going concern basis, having regard to the following:

(i) The management is confident that it will be able to successfully complete the implementation of the SOA of the Company and EES, and thus significantly reducing the Company's liabilities.

(ii) The Company had made an announcement on the proposed acquisition of 52.76% of the issued and paid up share capital of Nosco Shipyard Joint Stock Company. This proposed acquisition attempts to inject a new revenue stream that the Group needs to exhibit that it will be able to generate sufficient cash flow going forward to continue in operation.

(iii) The Company is actively pursuing potential investors/partners to resume the construction work on the yard with the aim to commence operations as soon as possible. Management is confident that they will be successful in securing the necessary investment to complete the yard.

(iv) The Company is also exploring other opportunities that could satisfy the going concern and business viability issues and would make an announcement when necessary.

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 statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets. No such adjustments have been made to these financial statements.

5. Revenue from contracts with customer

Disaggregation of revenue

The Group has disaggregated revenue into various categorical in the following table, which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data; and
- enable users to understand the relationship with revenue segment information provided in Note 38 to the financial statements.

	Marine and offshore		Water treatment		Group Total	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets						
Vietnam	471	3,381	–	3,270	471	6,651
Singapore	–	49	–	–	–	49
Others	–	3	–	–	–	3
	471	3,433	–	3,270	471	6,703
Type of good or service						
Water treatment	–	–	–	3,270	–	3,270
Marine offshore	–	821	–	–	–	821
Trading sales	471	2,612	–	–	471	2,612
	471	3,433	–	3,270	471	6,703
Timing of transfer of goods and services						
Point in time	471	2,612	–	–	471	2,612
Over time	–	821	–	3,270	–	4,091
	471	3,433	–	3,270	471	6,703

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. Revenue from contracts with customer (Continued)

Contract assets and contract liabilities

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Contract assets			
Marine offshore	–	–	165
Water treatment	–	–	3,703
	–	–	3,868
Contract liabilities			
Marine offshore	615	615	59,957
	615	615	59,957

Significant changes in contract assets and contract liabilities

	Contract assets		Contract liabilities	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
At 1 January	–	3,868	(615)	(59,957)
Excess of revenue recognised over rights to cash	–	16,617	–	–
Amount recognised as revenue	–	–	–	562
(Charged)/Credit to profit or loss on termination of project	–	(16,909)	–	3,127
Deconsolidation of subsidiaries	–	(3,576)	–	55,653
At 31 December	–	–	(615)	(615)

The contract assets and liabilities arise from customers of marine offshore and water treatment contracts. Contract liabilities mainly pertains to billing in advance during the reporting period, which do not necessarily equal to the amount of revenue recognised on the contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Other income

	Group	
	2018	2017
	$'000	$'000
Foreign exchange gain	409	2,328
Government grant	–	12
Gain on scrap disposals	–	1,030
Interest income	–	1
Reversal of liability arising from expired share warrants	–	1,080
Others	3	50
	412	4,501

7. Finance costs

	Group	
	2018	2017
	$'000	$'000
Interest expenses on:		
- Bank loans and overdrafts	219	1,427
- Borrowings from third parties		
Interest accretion on borrowings from third parties (Note 28)	2,084	1,936
Interest accretion on convertible notes (Note 29)	459	1,141
Interest on loan from other creditors	239	249
	2,782	3,326
	3,001	4,753

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Profit/(Loss) before tax

In addition to the charges and credits disclosed elsewhere in the notes to the statement of comprehensive income, the above includes the following charges/(credits):

	Group	
	2018	2017
	$'000	$'000
Purchases of material and equipment	–	1,743
Subcontractor costs recognised as expenses	–	5
Audit fees paid/payable to auditors:		
Auditors of the Company	48	48
Other auditors	–	6
Non-audit fees paid/payable to auditors:		
Auditors of the Company	–	–
Other auditors	–	–
Directors' fees of directors of the subsidiaries	135	135
Directors' remuneration other than fees:		
Directors of the Company		
Short-term benefits	246	282
Post-employment benefits	12	17
Directors of the subsidiaries		
Short-term benefits	91	227
Post-employment benefits	14	27
Staff costs (excluding Directors' remuneration)	678	2,098
Costs of defined contribution plans included in staff costs	85	169
Operating lease payments	553	615
Depreciation of property, plant and equipment	45	141
Legal and professional fees	103	703
Impairment loss for available-for-sale financial assets (Note 15)	–	3,986
Property, plant and equipment written off	113	–
Loss on disposal of property, plant and equipment	3	38
Loss on disposal of investment in associate	–	118
Amount due from customers under contract assets written off	–	13,782
Loss allowance made for amount due from deconsolidated subsidiaries	20,719	–
Loss on scrap sale of inventories	89	–
Write down of inventories	–	178
Reversal of liability arising from expired share warrants (Note 30)	–	(1,080)
Gain on deconsolidation of subsidiaries (Note 13)	–	(64,611)
Unrealised exchange differences	(332)	222

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. Income tax expense

	Group	
	2018	2017
	$'000	$'000
Current income tax		
- Under provision in prior years	–	2

A reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018	2017
	$'000	$'000
(Loss)/Profit before tax	(26,415)	34,898
Tax at statutory income tax rate of 17%	(4,491)	5,909
Effect of income not subject to tax	–	(11,247)
Effect of non-deductible expenses	4,465	1,199
Under provision of current income tax in prior years	–	2
Unrecognised deferred tax benefits	26	4,139
Total income tax expense	–	2

The unrecognised deferred tax benefits mainly pertains to unutilised tax losses from one of the subsidiary on which, no deferred tax asset was recognised due to the uncertainty of their realisation in future period.

10. (Loss)/Earnings per share

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

	Group	
	2018	2017
(Loss)/Profit attributable to equity holders of the Company ($'000)	(26,415)	34,896
Weighted average number of ordinary shares in issue	448,735,224	448,735,224
Basic (loss)/earnings (cents per share)	(5.89)	7.78
Diluted (loss)/earnings (cents per share)	(5.89)	7.78

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share because the potential ordinary shares from the employee share option scheme and convertible loans are anti-dilutive. The trading of the Company's shares have been suspended on the Singapore Exchange since FY2016.

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10. (Loss)/Earnings per share (Continued)

Share options of 850,000 (2017: 850,000) outstanding under the existing share option plan have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

11. Property, plant and equipment

Group	Plant and machinery $'000	Office equipment and renovation $'000	Furniture and fittings $'000	Construction in progress $'000	Total $'000
2018					
Cost					
Balance at 1 January 2018	248	239	12	14,677	15,176
Additions	–	15	–	–	15
Disposals	(39)	(4)	–	–	(43)
Write-off	(209)	–	–	–	(209)
Balance at 31 December 2018	–	250	12	14,677	14,939
Accumulated depreciation					
Balance at 1 January 2018	90	130	6	–	226
Depreciation charge	21	23	1	–	45
Disposals	(15)	(2)	–	–	(17)
Write-off	(96)	–	–	–	(96)
Balance at 31 December 2018	–	151	7	–	158
Impairment					
Balance at 1 January 2018 and 31 December 2018	–	–	–	(3,928)	(3,928)
Carrying amount					
At 31 December 2018	–	99	5	10,749	10,853

NOTES TO THE FINANCIAL STATEMENTS

11. Property, plant and equipment (Continued)

Group	Plant and machinery	Office equipment and renovation	Motor vehicles	Furniture and fittings	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2017						
Cost						
Balance at 1 January 2017	449	365	365	127	12,922	14,228
Additions	–	55	–	9	1,755	1,819
Disposals	–	(9)	(113)	(115)	–	(237)
Write-off	(201)	(1)	–	(1)	–	(203)
Effect of deconsolidation	–	(163)	(227)	(6)	–	(396)
Currency re-alignment	–	(8)	(25)	(2)	–	(35)
Balance at 31 December 2017	248	239	–	12	14,677	15,176
Accumulated depreciation						
Balance at 1 January 2017	269	180	233	74	–	756
Depreciation charge	22	84	22	13	–	141
Disposals	–	(6)	(113)	(74)	–	(193)
Write-off	(201)	(1)	–	(1)	–	(203)
Effect of deconsolidation	–	(119)	(132)	(3)	–	(254)
Currency re-alignment	–	(8)	(10)	(3)	–	(21)
Balance at 31 December 2017	90	130	–	6	–	226
Impairment						
Balance at 1 January 2017 and 31 December 2017	–	–	–	–	(3,928)	(3,928)
Carrying amount						
At 31 December 2017	158	109	–	6	10,749	11,022

Additions in the previous financial year amounting to $1,819,000 were owing to third parties.

<u>Construction in progress</u>

Included in the cost of construction in progress is a yard and equipment amounting to $10,749,000 and $3,928,000 respectively. During the financial year ended 31 December 2016, the equipment under construction was fully impaired as the subsidiary, which held the equipment under construction ceased operation. The Group assessed the recoverable amount of the equipment under construction to be $Nil as at 31 December 2016 as the equipment had no other use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. Property, plant and equipment (Continued)

	Office equipment and renovation $'000	Construction in progress $'000	Total $'000
Company			
2018			
Cost			
Balance at 1 January 2018 and 31 December 2018	160	10,749	10,909
Accumulated depreciation			
Balance at 1 January 2018	101	–	101
Depreciation charge	11	–	11
Balance at 31 December 2018	112	–	112
Carrying amount			
At 31 December 2018	48	10,749	10,797
2017			
Cost			
Balance at 1 January 2017	103	8,994	9,097
Additions	58	1,755	1,813
Write-off	(1)	–	(1)
Balance at 31 December 2017	160	10,749	10,909
Accumulated depreciation			
Balance at 1 January 2017	101	–	101
Depreciation charge	1	–	1
Write-off	(1)	–	(1)
Balance at 31 December 2017	101	–	101
Carrying amount			
At 31 December 2017	59	10,749	10,808

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12. Intangible assets

	Certificate $'000	Goodwill $'000	Total $'000
Group			
2018			
Cost			
Balance at 1 January and 31 December 2018	21	14,953	14,974
Impairment			
Balance at 1 January 2018 and 31 December 2018	21	14,953	14,974
Carrying amount			
At 31 December 2018	–	–	–
2017			
Cost			
Balance at 1 January and 31 December 2017	21	14,953	14,974
Impairment			
Balance at 1 January 2017 and 31 December 2017	21	14,953	14,974
Carrying amount			
At 31 December 2017	–	–	–

Goodwill is allocated to the cash generating unit expected to benefit from synergies of the business combination, i.e. EMS Energy Solutions Pte Ltd. During the financial year ended 31 December 2016, impairment have been fully provided for the carrying amount of goodwill attributable to the EPCM – Marine offshore and trading segment due to the slump in the price of crude oil. The subsidiary to which the goodwill was attributed ceased its operation due to financial difficulty.

13. Investments in subsidiaries

	Company		
	31 December		1 January
	2018 $'000	2017 $'000	2017 $'000
Unquoted equity shares, at cost	165,711	165,711	165,711
Allowance for impairment losses	(165,711)	(165,711)	(165,711)
Net carrying value	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Investments in subsidiaries (Continued)

Movements in allowance for impairment losses were as follows:

	Company	
	2018	**2017**
	$'000	**$'000**
Balance at beginning and end of financial year	165,711	165,711

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation/ principal place of business)	**Principal activities**	**Shareholding**		
		31 December		**1 January**
		2018	**2017**	**2017**
		%	**%**	**%**
Held by Company				
EMS Offshore Pte.Ltd.(1)	Investment holding	100	100	100
EMS Oil & Gas Ltd(2) (Malaysia)	Dormant	100	100	100
Windale Holdings Limited(3) (British Virgin Island)	Investment holding	–	100	100
Koastal International Pte Ltd (formerly known as Koastal Pte Ltd and Koastal Investment Holdings Pte Ltd)(1)* (Singapore) ("KPL")	Investment holding	100	100	100
Held by EMS Offshore Pte Ltd				
EMS Energy Solutions Pte Ltd(1)# (Singapore) ("EES")	Design, manufacture and installation of engineering solution for oil & gas and offshore marine industries#	100	100	100
EMS Energy Sdn Bhd(4) (Malaysia)	Dormant	100	100	100
DSX Systems Pte Ltd(5) (Singapore)	Dormant	–	–	100

13. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of subsidiaries (Country of incorporation/ principal place of business)	Principal activities	Shareholding		
		31 December		1 January
		2018	2017	2017
		%	%	%
Held by Koastal International Pte Ltd ("KPL")				
Koastal Industries Pte Ltd[(1)] (Singapore)	Import and export of marine equipment and spare parts, engineering, procurement and construction management, installation and commissioning[@]	–	–	100
Overseas Drilling Holdings Ltd[(6)] (British Virgin Island)	Investment holding	100	100	100
Held by Koastal Industries Pte Ltd ("KIPL")				
Koastal Eco Industries Pte Ltd[(1)] (Singapore)	Providing environmental engineering services and sewerage treatment plant construction[@]	–	–	100
Koastal Marine Pte. Ltd.[(1)] (Singapore)	Dormant[@]	–	–	100
Held by Koastal Eco Industries Pte Ltd (Singapore)				
Koastal Eco Industries Company Limited.[(7)] (Vietnam)	Providing technical services in the field of environmental systems and industrial water treatment works[@]	–	–	100

(1) Reviewed by BDO LLP, Singapore for consolidation purposes

(2) Subsidiary is dormant and not required to be audited.

(3) Subsidiary is struck off effective 1 November 2018.

(4) Subsidiary is in the process of strike off.

(5) Subsidiary is struck off effective 4 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

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13. Investments in subsidiaries (Continued)

(6) Not required to be audited in country of incorporation. The Group acquired the interest in the shares through financing from borrowings from third parties (Note 28).

(7) Audited by member firms of the BDO network in the respective countries.

* (i) Change of name from Koastal Pte Ltd to Koastal International Pte Ltd on 3 August 2017; and

  (ii) Transfer of 100% shareholding in Koastal International Pte Ltd from Windale Holdings Limited to the Company on 14 June 2017.

During the financial year ended 2017, the subsidiary ceased operations due to financial difficulties.

@ The Group consolidate these subsidiaries up to October 2017 when KIPL and its subsidiaries were placed under creditors' voluntary liquidation.

Deconsolidation of subsidiaries

The Group deconsolidated certain subsidiaries, namely KIPL and its directly held subsidiaries namely Koastal Eco Industries Pte Ltd, Koastal Marine Pte. Ltd. and Koastal Eco Industries Co., Ltd following the placement of KIPL under creditors' voluntary liquidation from October 2017.

	Carrying value on date of deconsolidation
	$'000
Property, plant and equipment	142
Deferred tax assets	125
Inventories	124
Trade and other receivables	4,992
Amount due from contract customers	3,576
Amount due from related companies	32,300
Prepayments	4,289
Cash and bank balances	486
Total assets	46,034
Trade and other payables	(14,320)
Advances from contract customers	(3,686)
Amount due to contract customers	(55,653)
Amount due to related companies	(20,293)
Bank borrowings	(16,176)
Income tax payable	(517)
Total liabilities	(110,645)
Gain on deconsolidation of subsidiaries	(64,611)
Net cash outflow on deconsolidation of subsidiaries	(486)

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14. Investment in associate

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Equity investment at carrying value			
Balance at beginning of financial year	–	–	6,057
Impairment losses	–	–	(2,815)
Shares of results	–	–	(189)
Share of other comprehensive income			
- Translation reserve	–	–	(9)
- Fair value loss on available-for-sale financial asset	–	–	(9)
- Revaluation deficit	–	–	(57)
Reclassified to asset held for sale (Note 21)	–	–	(2,978)
Balance at end of financial year	–	–	–

Movements in allowance for impairment losses were as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Balance at beginning of financial year	–	(4,915)	(2,100)
Credit/(charge) to profit or loss	–	4,915	(2,815)
Balance at end of financial year	–	–	(4,915)

The Group's investment in associate was classified as assets held for sale as at 31 December 2016 and was disposed for a consideration of $2,860,000 on 23 February 2017.

The details of the associate is as follows:

Name of associate (Country of incorporation/ principal place of business)	Principal activities	Shareholding		
		31 December		1 January
		2018	2017	2017
		%	%	%
Oilfield Services & Supplies Pte Ltd[(1)] (Singapore)	Manufacture, rental and servicing of downhole tools and equipment that are used primarily in oil and gas exploration	–	–	20

(1) Audited by Nexia T S Public Accounting Corporation

NOTES TO THE FINANCIAL STATEMENTS

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15. Financial assets at FVTPL/ Available-for-sale financial assets

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Investment in unquoted equity securities			
Balance at beginning of financial year	–	8,512	8,512
Accumulated impairment losses	–	(8,512)	(4,526)
Balance at end of financial year	–	–	3,986
Impairment losses			
Balance at beginning of financial year	–	(4,526)	–
Allowance made during the financial year (Note 8)	–	(3,986)	(4,526)
Balance at end of the financial year	–	(8,512)	(4,526)

The investment in unquoted equity shares represents the Group's 10% interest in PV Drilling Overseas Company Private Limited ("PVDO") (Note 28). The investment in unquoted equity shares was initially recognised at fair value on acquisition and subsequently carried at cost less impairment loss as allowed under the previous standard. The investment was fully impaired as at 31 December 2017 as indicated above.

The Group has designated the investment in unquoted equity shares previously classified as available-for-sale financial assets in financial year ended 31 December 2017, to be measured as fair value through profit or loss ("FVTPL") as at 1 January 2018. Management assessed the FV of the investment in unquoted equity shares to be Nil as of I January 2018 and 31 December 2018.

16. Deferred tax assets

The following are the major deferred tax assets recognised by the Group and movement during the financial year.

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Deferred tax assets	–	–	125

16. Deferred tax assets (Continued)

The amount of temporary differences for which deferred tax asset has been recognised are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Allowance for foreseeable losses	–	–	125

Subject to the agreement by relevant taxation authorities, at the end of financial year ended, the Group has unutilised tax losses of $59,331,000 (2017: $61,122,000) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of the tax losses as management expect not to have sufficient taxable profits in the near future. These losses may be carried forward indefinitely subject to the conditions imposed by law.

17. Inventories

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Raw materials	–	283	112
Machinery parts	–	529	622
	–	812	734
Allowance for inventory write down			
Balance at beginning of financial year	–	(86)	(86)
Charge to profit or loss (Note 8)	–	(178)	–
Balance at end of financial year	–	(264)	(86)
	–	548	648

The cost of inventories recognised as an expense in "cost of sales" amounts to $ Nil (2017: $505,000). During the current financial year, the inventories were disposed of as scrap.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. Trade and other receivables

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables						
- Third parties	1,919	1,959	9,047	–	–	–
- Related parties	–	–	90	–	–	–
Accrued revenue	–	–	98	–	–	–
	1,919	1,959	9,235	–	–	–
Less: Loss allowance for trade receivables	(1,907)	(1,846)	(3,327)	–	–	–
	12	113	5,908	–	–	–
Other receivables						
- Third parties	33	74	17,334	–	–	476
- Subsidiaries	–	–	–	27,057	30,782	16,751
- Related parties	–	–	1,349	–	–	–
- Advance to a director of a foreign subsidiary	–	–	1,245	–	–	–
- Deposits	95	91	735	61	50	50
	128	165	20,663	27,118	30,832	17,277
Less: Loss allowance for other receivables	–	–	(16,989)	(27,057)	(16,729)	(16,606)
	128	165	3,674	61	14,103	671
	140	278	9,582	61	14,103	671
Add: Goods and services tax receivable	8	18	57	7	–	–
Total trade and other receivables	148	296	9,639	68	14,103	671

Trade receivables are non-interest bearing and generally on 0 to 30 (2017: 0 to 30) days' credit.

The non-trade receivables due from related parties and loan to a director of a foreign subsidiary are unsecured, noninterest bearing, repayable on demand and are to be settled in cash.

The non-trade receivables due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

As at 31 December 2018, trade receivables of $188,000 (31 December 2017: $288,000) were past due and fully impaired.

18. Trade and other receivables (Continued)

Movements in the loss allowance for trade receivables are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
At 1 January under FRS 39	1,846	3,327
Application of SFRS(I) 9	–	–
At 1 January under SFRS(I) 9	1,846	3,327
Loss allowance recognised during the year – credit impaired	188	288
Reversal of unused amounts	(127)	(289)
Effect due to deconsolidation	–	(1,480)
At 31 December	1,907	1,846

Movement in the loss allowance for other receivables are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January under FRS 39	–	16,989	16,729	16,606
Application of SFRS(I) 9	–	–	–	–
At 1 January under SFRS(I) 9	–	16,989	16,729	16,606
Loss allowance recognised during the year - credit impaired	–	–	10,328	123
Effect due to deconsolidation	–	(16,989)	–	–
At 31 December	–	–	27,057	16,729

The currency profiles of trade and other receivables are as follows:

	Group			Company		
	31 December		**1 January**	**31 December**		**1 January**
	2018	**2017**	**2017**	**2018**	**2017**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
United States dollar	–	–	1,596	–	2,086	–
Singapore dollar	136	296	3,276	68	12,017	671
Vietnamese dong	–	–	4,727	–	–	–
Others	12	–	40	–	–	–
	148	296	9,639	68	14,103	671

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19. Amount due from/(to) deconsolidated subsidiaries

The amount due from/(to) deconsolidated subsidiaries (Note 13) are unsecured, interest-free and repayable on demand. The amount due from deconsolidated subsidiaries were deemed credit impaired by management and a loss allowance of $20,719,000 was charged to the profit or loss during the financial year.

The currency profiles of amount due from deconsolidated subsidiaries are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
United States dollar	–	20,185	–	–	1,545	–
Singapore dollar	–	108	–	–	71	–
	–	20,293	–	–	1,616	–

The currency profiles of amount due to deconsolidated subsidiaries are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
United States dollar	1,250	824	–	840	824	–
Singapore dollar	31,943	31,892	–	31,601	31,549	–
	33,193	32,716	–	32,441	32,373	–

20. Cash and bank balances

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and bank balances	107	511	433	1	57	1

20. Cash and bank balances (Continued)

The currency profiles of cash and bank balances are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
United States dollar	41	348	135	–	57	–
Singapore dollar	66	163	190	1	–	1
Vietnamese dong	–	–	104	–	–	–
Others	–	–	4	–	–	–
	107	511	433	1	57	1

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

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Cash and bank balances	107	511	433
Less: Bank overdrafts (Note 27)	–	(113)	(103)
Cash and cash equivalents	107	398	330

21. Asset held for sale

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Property, plant and equipment (Note 11)	–	5,600	5,600
Investment in associate (Note 14)	–	–	2,978
	–	5,600	8,578

The investment in associate was disposed for a consideration of $2,860,000 on 23 February 2017.

The leasehold land and building was disposed for a consideration of $5,600,000 on 23 March 2018. A deposit of $180,000 was received in the previous year, the balance was received in the current financial year.

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22. Share capital

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares			
	'000	'000	$'000	$'000
Issued and fully-paid:				
At beginning and end of financial year	448,735	448,735	167,711	167,711

The ordinary shares have no par value, carry one vote per share without restriction and their holders are entitled to receive dividends when declared by the Company.

23. Share options

No share option was granted by the Company in the financial year 2018 and 2017.

In financial year 2014, share options were granted to the Group's directors and key management personnel in accordance to the provisions stipulated in the Company's Employee Share Option Scheme ("the Scheme") approved by the shareholders of the Company at the Extraordinary General Meeting held on 22 August 2009. The scheme will lapse on 21 August 2019.

The exercise price of the option is determined at the average of the closing prices of ordinary shares as quoted on the Catalist of the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is determined annually at the end of the relevant financial year based on the condition that Group's directors and key management personnel have completed a full year of term/service with Group.

Once they have vested, the options are exercisable over a period of five (5) years for the independent directors and ten (10) years for the executive director and key management personnel. The options may be exercised in full or in part in respect of one thousand (1,000) shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of the Company. The Group has no legal or construction obligation to repurchase or settle the options in cash.

The following options have been granted pursuant to the Scheme:

(i) On 24 February 2014, a total of 750,000 options to the Independent Directors of the Company as set out below:

Independent Directors	Number of Share Options Outstanding as at 31 December 2018	
	Original	Adjusted#
Mr Lim Siong Sheng	250,000	50,000
Mr Lim Poh Boon	250,000	50,000
Mr Ung Gim Sei	250,000	50,000

NOTES TO THE FINANCIAL STATEMENTS

23. Share options (Continued)

(i) (Continued)

These options, which are exercisable from 23 February 2015 to 22 February 2020, were granted at an exercise price of $0.069 at the date of the grant and subsequently revised to $0.027 on 1 December 2014 as disclosed in (iv) below.

As at 31 December 2018, an adjusted# total 150,000 options granted to the Independent Directors remained outstanding and exercisable into 150,000 ordinary shares at an exercise price of $0.405.

(ii) On 24 February 2014, a total of 15,000,000 options at an exercise price of $0.069 per option at the date of grant to employees who are not Directors, controlling shareholders or their associates. On 1 December 2014, the exercise price of these options has been revised to $0.027 as disclosed in (iv) below. 1,500,000 options granted in 2014 were not accepted and 7,500,000 options granted in 2014 were forfeited upon the resignation of certain employees in 2014.

As at 31 December 2016, 200,000 options (adjusted for share consolidation) remained outstanding and exercisable into 200,000 ordinary shares at an exercise price of $0.405. These options are exercisable from 23 February 2015 to 22 February 2025.

In the previous financial year, 200,000 options were forfeited upon the resignation of certain employees in 2017. No options remained outstanding as at 31 December 2017 and 31 December 2018.

(iii) Pursuant to the shareholders' approval obtained at the Company's extraordinary general meeting held on 26 April 2014, the Company had on 28 April 2014, granted a total of 10,500,000 options at an exercise price of $0.061 per option at the date of the grant, to Mr Ting Teck Jin, an Executive Director and controlling shareholder of the Company. These options are exercisable from 27 April 2015 to 26 April 2025. The exercise price of these options has been revised to $0.027 on 1 December 2014 as disclosed in Note (iv) below.

As at 31 December 2018, an adjusted# total of 700,000 options granted to Mr Ting Teck Jin still remained outstanding and exercisable into 700,000 ordinary shares at exercise price of $0.405.

(iv) On 1 December 2014, the Company announced that following the Rights Issue that were completed in October 2014 and pursuant to the rules of the Scheme, adjustments had been made to the exercise price of the outstanding Share Options (the "Adjustments") in the following manner:

Share Options Issued To	**Exercise Price Before Adjustments**	**Exercise Price After Adjustments**
Independent Directors	$0.069	$0.027
Employees who are not Directors, Controlling Shareholders or their Associates	$0.069	$0.027
Controlling Shareholder	$0.061	$0.027

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. Share options (Continued)

(iv) (Continued)

The Adjustments has been made in accordance with the rules of the Scheme. The Adjustments took effect on 1 December 2014.

The Company undertook a consolidation of its shares on the basis of every 15 existing shares into one consolidated share, which was approved by the shareholders at an extraordinary general meeting held on 15 October 2015. The share consolidation became effective on 26 October 2015. Accordingly, the share options granted are adjusted to take into account of the share consolidation pursuant to Rule 12 of the Scheme.

Movements in the number of unissued ordinary shares under option and their exercise prices are as follows:

	Post Share Consolidation Adjustment#					
	Beginning of financial year	**Granted during financial year**	**Lapsed during financial year**	**Exercised during financial year**	**End of financial year**	**Exercise price**
	'000	**'000**	**'000**	**'000**	**'000**	**$**
Group and Company						
2018						
Independent Directors[i]	150	–	–	–	150	0.027
Executive Director/Controlling Shareholders[iii]	700	–	–	–	700	0.027
	850	–	–	–	850	
2017						
Independent Directors[i]	150	–	–	–	150	0.027
Key management personnel[ii]	200	–	(200)	–	–	–
Executive Director/Controlling Shareholders[iii]	700	–	–	–	700	0.027
	1,050	–	(200)	–	850	

(i) Exercise period – 23 February 2015 to 22 February 2020

(ii) Exercise period – 23 February 2015 to 22 February 2025

(iii) Exercise period – 27 April 2015 to 26 April 2025

24. Other reserves

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Capital reserve	–	–	268
Fair value reserve	–	–	(47)
Foreign currency translation reserve	34	34	(5,937)
Revaluation reserve	–	6,178	6,178
Share option reserve	85	85	85
Merger reserve	(149,000)	(149,000)	(149,000)
	(148,881)	(142,703)	(148,453)

24.1 Foreign currency translation reserve

The foreign currency translation account comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and entities whose functional currencies are different from that of the Group's presentation currency and is non-distributable.

Movement in the foreign currency translation account is set out in the consolidated statement of changes in equity.

24.2 Revaluation reserve

The revaluation reserve represents increases in the fair value of freehold land and building, other than investment property, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

	Group	
	2018	2017
	$'000	$'000
At beginning of financial year	6,178	6,178
Transfer to retained earnings on disposal of asset held for sale	(6,178)	–
At end of financial year	–	6,178

24.3 Share option reserve (Group and Company)

The share option reserve arises on the grant of share options to employees under the employee share option plan.

24.4 Merger reserve

Merger reserve adjustment of $149 million represents the difference between the consideration and the carrying value of the net assets of Windale Holdings Limited Group, which was considered as a business combination under common control.

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25. Trade and other payables

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables						
- Third parties	4,875	4,117	17,250	–	–	–
- Related parties	–	–	192	–	–	–
- Accrued trade payables	31,438	31,438	11,616	–	–	–
	36,313	35,555	29,058	–	–	–
Other payables						
- Third parties	8,520	8,722	6,879	8,095	8,005	5,990
- Related parties	–	–	105	–	–	4
- Amount due to a director	958	535	1,495	441	3	–
- Accrued operating expenses	2,379	1,651	5,028	1,674	962	862
- Deposits	–	–	39	–	–	–
Total trade and other payables	48,170	46,463	42,604	10,210	8,970	6,856

The non-trade amounts due to related parties and Director are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Included in the other payables from third parties is an amount $1.35 million (2017: $1.35 million) due to individuals which are secured, bear interest at 2% - 20% (2017: 2% - 20%) per annum, non-trade in nature and is repayable by May 2017.

No interest is charged on the trade and other payables, other than as disclosed above.

The currency profiles of trade and other payables are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore dollar	44,544	43,462	27,455	9,034	8,022	6,528
Euro	201	182	139	–	–	–
United States dollar	3,413	2,806	11,400	1,176	948	328
Vietnamese dong	1	1	3,599	–	–	–
Others	11	12	11	–	–	–
	48,170	46,463	42,604	10,210	8,970	6,856

NOTES TO THE FINANCIAL STATEMENTS

26. Amount due to subsidiaries

The amount due to subsidiaries denominated in Singapore dollar are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

27. Bank borrowings

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans	1,746	6,803	22,567	1,746	6,803	–
Bank overdrafts	–	113	103	–	113	–
Total	1,746	6,916	22,670	1,746	6,916	–
Bank loan 3	–	3,172	2,927	–	3,172	–
Bank loan 4	–	–	2,088	–	–	–
Bank loan 5	–	–	8,370	–	–	–
Bank loan 7	–	–	106	–	–	–
Bank loan 9	–	–	887	–	–	–
Bank loan 10	–	–	2,640	–	–	–
Bank loan 13	–	–	1,993	–	–	–
Bills payables	1,746	3,631	3,556	1,746	3,631	–
Bank overdrafts	–	113	103	–	113	–
Total	1,746	6,916	22,670	1,746	6,916	–

(a) Bank loan 3, bill payables and bank overdrafts are repaid during the financial year using proceeds from the sales of leasehold land and building under asset held for sale.

(b) Bank loans 4, 5, 7, 9, 10 and 13 ceased to form part of the bank borrowings of the Group following the deconsolidation of subsidiaries (Note 13).

(c) The average effective interest rates on bills payables range from 4.39% to 4.43% per annum. In the previous year the average effective interest rates on bank over draft and bills payable ranged from 4.39% to 6.43% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. Bank borrowings (Continued)

(d) The currency profiles of bank borrowings of the Group are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore dollar	–	3,285	9,669	–	3,285	–
United States dollar	1,746	3,631	11,008	1,746	3,631	–
Vietnamese dong	–	–	1,993	–	–	–
Total	1,746	6,916	22,670	1,746	6,916	–

28. Borrowings from third parties

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Balance at beginning of financial year	14,296	12,360	10,470
Interest accretion during the financial year (Note 7)	2,084	1,936	1,890
Balance at end of financial year	16,380	14,296	12,360

In financial year 2014, Koastal International Pte Ltd ("KPL"), a subsidiary of the Group, entered into a put and call option deed with Philip Ventures Enterprise Fund 3 Ltd and Venstar Investments II Ltd to obtain the funds to invest in Overseas Drilling Holdings Ltd ("ODH"). ODH in turn acquired 10% stake of the share capital of PV Drilling Overseas Company Private Limited ("PVDO") for a purchase consideration of US$4,196,000 (approximately $5,257,000). In addition to the purchase consideration, ODH has also made capital injections of US$2,604,000 (approximately $3,255,000). The purchase consideration on and capital injection amounted to $8,512,000 ("Investment Amount") (Note 15).

Under the above arrangement,

(a) The Investors have granted KPL a call option to require the Investors to sell to the Company all the shares of ODH at 122.5% of the Investment Amounts ("Call Option");

(b) KIPL has granted the Investors to require KPL to purchase all of the shares of ODH held by the Investors at 122.5% of the Investment Amounts ("Put Option");

(c) The Put Option and Call Option are exercisable 18 months from August 2014 and will expire 30 days thereafter.

The matching terms of the Call Option and the Put Option have effectively resulted in a bridging loan arrangement for the Company to acquire 10% interest in PVDO (Note 15) through ODH. The Group effectively controls/and owns 100% of the shares of ODH (Note 13). The borrowings from the Investors are measured at amortised cost using the effective interest method and are expected to be settled in Singapore dollars.

29. Convertible loan

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Face value of convertible loan	6,708	6,708	6,708	6,708	6,708	–
Less: financial derivative liabilities (Note 30)	(1,892)	(1,892)	(1,892)	(1,892)	(1,892)	–
	4,816	4,816	4,816	4,816	4,816	–
Interest payable	2,726	2,267	1,126	2,726	2,267	–
Balance at end of year	7,542	7,083	5,942	7,542	7,083	–

On 4 May 2015, the Company announced that KPL had entered into negotiations with Venstar Investments III Ltd ("Venstar III") in relation to the proposed issue and subscription of convertible notes (the "Notes") with a coupon interest of 20% p.a., maturing on 12 June 2018 with an aggregate principal value of $6,708,000, redeemable or convertible at the option of Venstar III into new ordinary shares in the capital of the Company to be issued credited as fully paid-up (the "Exchanged Shares"), subject to and in accordance with the terms and conditions of the Notes. The Notes have not been redeemed nor converted into ordinary shares of the Company as at 31 December 2018.

The Group has assessed and classified the equity conversion feature in the Notes as an embedded derivative. Accordingly, the Group has engaged an independent professional valuer to determine the fair value of the derivative, taking into consideration certain parameters such as the volatility, risk-free rate of the host contract, etc. Based on this valuation, the total subscribed amount of the Notes, were segregated into convertible loan (debt host) and derivative financial liability of $4,816,000 and $1,892,000 (Note 30) respectively.

In 2017, the Company admitted the claims from Venstar III amounting to $8,975,000, which includes the convertible loan of $7,083,000 and the related financial derivative liability amounting to $1,892,000 (Note 30). These, previously recorded under Koastal International Pte Ltd, were transferred to the Company which admitted the claim from Venstar III under its approved scheme of arrangement.

30. Financial derivative liabilities

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Convertible loan (Note 29)	1,892	1,892	1,892	1,892	1,892	–
Share warrants	–	–	1,080	–	–	–
	1,892	1,892	2,972	1,892	1,892	–

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30. Financial derivative liabilities (Continued)

As part of the put and call option deed (Note 28), KPL also issued 2 share warrants to the Investors with a total exercise value of US$2,000,000 which grant the investors the right to subscribe for shares in KPL at an exercise price of 80% of the share price of KPL in the event of an IPO or trade sale which will expire 3 years after the date of issue ("KPL Share Warrants"). The Share Warrants are derivative financial instrument initially measured at fair value of $655,000 and subsequent changes in fair value has been recognised in the profit or loss.

As part of a restructuring exercise in prior years, the KPL share warrants was replaced with the Company's share warrants. The Company has issued new warrants to the warrant holder in exchange for the KPL share warrants, which expired in 2017.

The key terms of the warrants were as follows:

(a) Each New Warrant carrying the right to subscribe for one (1) new Share ("Warrant Share") at the Exercise Price of S$0.276 per Warrant Share.

(b) Warrant holders agreeing not to exercise any of the Warrants, from the date of the Warrant Exchange Agreements up to the Warrants Exchange Completion; and

(c) Warrant holders surrendering the KPL Share Warrants for cancellation on the Warrants Exchange Completion in accordance with the terms of the Warrant Exchange Agreements, upon which the existing warrants shall be terminated and shall carry no further rights.

	Group	
	2018	**2017**
	$'000	**$'000**
Derivative financial liabilities		
At fair value		
Balance at beginning of financial year	1,892	2,972
Reversal of liability arising from expired share warrants (Note 8)	–	(1,080)
Balance at end of financial year	1,892	1,892

31. Provisions for warranties

	Group	
	2018	**2017**
	$'000	**$'000**
Balance at the beginning of financial year	–	33
Credit to profit or loss	–	(33)
Balance at end of financial year	–	–

The provision for warranty represents management's best estimate of the present value of the future outflow of economic benefits that will be required under the Group's warranties on certain projects and undertakes to repair those that fail to perform satisfactorily. A provision is recognised at the end of financial year for expected warranty claims based on past experience of the level of repairs.

32. Operating lease commitments

The Group as lessee

At the end of the financial year, commitments in respect of non-cancellable operating leases in respect of office premises and other operating facilities were as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Future minimum lease payments payable:			
Within one year	444	640	512
After one year but within five years	1,538	1,960	1,918
More than 5 years	2,691	3,805	4,295
Total	4,673	6,405	6,725

Operating lease payments represent rents payable by the Group for office premise, land lease and other operating facilities. Leases of office premises and other facilities are negotiated for a term of 1 to 2 years and rentals are fixed for an average of 1 to 2 years with no provisions for contingent rent or upward revision of rent based on market price indices.

33. Contingent liabilities

As at end of the financial year, there are a number of outstanding legal cases relating to the Group and the Company. The scheme of arrangement of EES has been sanctioned by the High Court, but is still in the process of adjudication. Hence, the Group is unable to determine the amount of liabilities arising from potential claims from the creditors and legal cases against EES.

34. Significant related party transactions

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. Significant related party transactions (Continued)

During the financial year, in addition to those related party information disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed by and between the parties:

	Company	
	2018	**2017**
	$'000	**$'000**
With subsidiaries		
Management fees income	332	275
Management fees expense	(135)	–
Accounting fees income	–	364
Rental income	357	476
Expenses paid on behalf of	19	287
Expenses paid on behalf by	(85)	(1,329)

The outstanding balances as at 31 December 2018 with related parties are disclosed in Notes 18 and 25 are unsecured, interest-free, repayable on demand and are to be settled in cash, unless otherwise stated. There are no outstanding balances with key management personnel or their immediate family members except for amount due to a director (Note 25).

Key management personnel remuneration

Key management personnel are Directors and those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Group's and Company's key management personnel are the Directors of the Company and the Heads of key functions.

The remuneration of key management personnel of the Group during the financial year were as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Directors' fee	135	135	135	135
Short-term benefits	337	509	246	282
Post-employment benefits	26	44	12	17
	498	688	393	434

35. Financial instruments and financial risks

The following table sets out the financial instruments as at the end of the financial year:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Trade and other receivables, excluding goods and services tax receivable	140	278	9,582	61	14,103	671
Amount due from deconsolidated subsidiaries	–	20,293	–	–	1,616	–
Cash and bank balances	107	511	433	1	57	1
Financial assets carried at amortised cost (2017: loans and receivables)	247	21,082	10,015	62	15,776	672
Available for sale financial assets	–	–	3,986	–	–	–
Financial assets at fair value through profit or loss	–	–	–	–	–	–
Financial assets	247	21,082	14,001	62	15,776	672
Financial liabilities						
Trade and other payables	48,170	46,463	42,604	10,210	8,970	6,856
Amount due to deconsolidated subsidiaries	33,193	32,716	–	32,441	32,373	–
Amount due to subsidiaries	–	–	–	–	–	32,601
Bank borrowings	1,746	6,916	22,670	1,746	6,916	–
Borrowings from third parties	16,380	14,296	12,360	–	–	–
Convertible loan	7,542	7,083	5,942	7,542	7,083	–
Financial liabilities carried at amortised cost	107,031	107,474	83,576	51,939	55,342	39,457
Financial derivative liabilities	1,892	1,892	2,972	1,892	1,892	–
Financial liabilities at fair value through profit or loss	1,892	1,892	2,972	1,892	1,892	–
Financial liabilities	108,923	109,366	86,548	53,831	57,234	39,457

The Group's activities expose it to credit risks, market risks and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities risk identification and measurement in accordance with the objectives and underlying principles approved by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

35. Financial instruments and financial risks (Continued)

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from default. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

The Company is subject to significant credit risk in respect of amount due from subsidiaries, which have been partially impaired.

The Group's and Company's major classes of financial assets subject to credit risk are cash and bank balances and trade and other receivables.

The cash and bank balances are held with banks and financial institution counterparties, which are rated within A3 to Aa1, based on Moody's rating. Management does not expect these counterparties to fail to meet their obligations.

Trade receivables that are neither past due nor impaired are essentially amounts that the Group collected subsequent to year end.

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

	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Past due for 1 to 30 days	12	20	1,615
Past due for 31 to 90 days	–	20	205
Past due for more than 91 days	–	73	4,088

Trade receivables that are past due but not impaired as at financial year ended 31 December 2017 and 31 December 2018 as the amounts were collected subsequent to the year end.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company is not exposed to significant financial risks arising from changes in foreign currency exchange rates.

35. Financial instruments and financial risks (Continued)

Market risks (Continued)

Foreign currency risk

The Group transact business in various foreign currency, including United States dollar, Vietnamese Dong and Euro. The exposure to foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

The Group monitors its foreign currency exchange risks closely and maintains funds in various currencies to minimise currency exposure due timing differences between sales and purchases. Currency translation risk arises when commercial transactions and recognised assets and liabilities are denominated in the currency that is not the entity's functional currency.

	United States dollar $'000	Vietnamese dong $'000	Euro $'000
Group			
31 December 2018			
Total monetary assets	41	–	12
Total monetary liabilities	5,159	1	201
Net foreign currency exposure	(5,118)	(1)	(189)
31 December 2017			
Total monetary assets	348	–	–
Total monetary liabilities	6,437	1	182
Net foreign currency exposure	(6,089)	(1)	(182)
1 January 2017			
Total monetary assets	1,731	4,831	–
Total monetary liabilities	22,408	5,592	139
Net foreign currency exposure	(20,677)	(761)	(139)
Less:			
Net monetary liabilities denominated in respective entities' functional currencies	17,845	588	–
Net foreign currency exposure	(2,832)	(173)	(139)

Foreign currency sensitivity analysis

With reference to the above table, the Group is mainly exposed to United States dollar (USD).

The following table details the Group's sensitivity to a 10% (2017: 10%) change in USD against SGD. The sensitivity analysis assumes an instantaneous 10% (2017: 10%) change in the foreign currency exchange rates from the end of the reporting period, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in USD are included in the analysis. Consequently, reported changes in the values of some of the financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of certain excluded items that those instruments are designed to finance or hedge.

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35. Financial instruments and financial risks (Continued)

Market risks (Continued)

Foreign currency sensitivity analysis (Continued)

	Group		
	31 December		1 January
	2012618	2017	2017
	$'000	$'000	$'000
USD			
Strengthen against $	(512)	(609)	(283)
Weakens against $	512	609	283

Interest rate risks

The Group's interest rate risks relate to interest bearing liabilities and interest bearing assets.

The Group has no significant interest-bearing assets.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

The Group's exposure to interest rate risks is set out in a table under Liquidity risks.

Interest rate sensitivity analysis

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of financial year was outstanding for the whole year. The sensitivity analysis assumes a 100 basis point (2017: 100 basis point) change in the interest rates from the end of the financial year, with all variables held constant.

	Group		
	Profit or Loss		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Increase in interest rate			
Borrowings and overdrafts	(17)	(69)	(227)
Decrease in interest rate			
Borrowings and overdrafts	17	69	227

35. Financial instruments and financial risks (Continued)

Liquidity risk

Liquidity risks refer to the risks in which the Group and the Company encounters difficulties in meeting its short term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the company is expected to receive or (pay). The table includes both expected interest and principal cash flows. Derivative financial instruments are included at their fair values.

	Effective interest rate	Less than 1 year
	%	$'000
Group		
31 December 2018		
Financial liabilities		
Trade and other payables	–	48,170
Amount due to deconsolidated subsidiaries	–	33,193
Bills payables	4.4	1,818
Borrowings from third parties	14.6	18,770
Convertible loan	6.5	8,029
		109,980
31 December 2017		
Financial liabilities		
Trade and other payables	–	46,463
Amount due to deconsolidated subsidiaries	–	32,716
Bank loans and bills payables	4.7	7,346
Bank overdrafts	6.4	120
Borrowings from third parties	15.7	16,536
Convertible loan	16.1	8,225
		111,406
1 January 2017		
Financial liabilities		
Trade and other payables	–	42,604
Bank loans and bills payables	3.4	22,845
Bank overdrafts	15.0	134
Borrowings from third parties	15.3	14,250
Convertible loan	12.2	6,666
		86,449

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35. Financial instruments and financial risks (Continued)

Liquidity risk (Continued)

	Effective interest rate %	Less than 1 year $'000
Company		
31 December 2018		
Financial liabilities		
Trade and other payables	–	10,210
Amount due to deconsolidated subsidiaries	–	32,441
Bills payables	4.4	1,818
Convertible loan	6.5	8,029
		52,498
31 December 2017		
Financial liabilities		
Trade and other payables	–	8,970
Amount due to deconsolidated subsidiaries	–	32,373
Bank loans and bills payables	7.8	7,346
Bank overdrafts	6.4	120
Convertible loan	16.1	8,225
		57,034
1 January 2017		
Financial liabilities		
Trade and other payables	–	6,856
Amount due to subsidiaries	–	32,601
		39,457

36. Fair value of financial assets and financial liabilities

(a) Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,

- Level 2 – Inputs other than quoted prices included within Level 1 that are determined using the other observable inputs such as quoted prices for similar asset/liability in active markets, quoted prices for identical or similar asset/liability in non-active markets or inputs other than quoted prices that are observable for the asset or liability,

- Level 3 – Unobservable inputs for the asset or liability.

(b) Financial assets and liabilities measured at fair value

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings are reasonable approximation of fair value, 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.

The carrying amounts of the bank borrowings are reasonable approximations of fair values due to the insignificant impact of discounting, drawdown close to reporting and maturity date.

The borrowings from the third parties is stated at amortised cost using the effective interest method after taking into account the fair value of Share warrants issued to the investors (Note 28).

The convertible loan is stated at amortised cost using the effective interest method after taking into account the financial derivative liabilities (Note 30).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Fair value of financial assets and financial liabilities (Continued)

(b) Financial assets and liabilities measured at fair value (Continued)

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
As at 31 December 2018				
Financial derivative liabilities				
Convertible loan	–	–	1,892	1,892
As at 31 December 2017				
Financial derivative liabilities				
Convertible loan	–	–	1,892	1,892
As at 1 January 2017				
Financial derivative liabilities				
Share warrants	–	–	1,080	1,080
Convertible loan	–	–	1,892	1,892
	–	–	2,972	2,972

Available-for-sale financial assets was reclassified to financial assets at FVTPL upon adoption of SFRS(I) 9, refer to Note 39 to the financial statements for details. Management is of the view that the fair value of the financial assets at FVTPL is nil as of 1 January 2018. Management has also assumed that there has been no significant change in the fair value of this financial assets as of 31 December 2018.

There were no transfers between levels during the financial year.

The financial instruments that are not traded in active markets comprise of financial derivatives convertible loan.

The fair value of the share warrants as of 1 January 2017 were determined through the use of Binomial Option pricing model with observable market inputs such as the agreed share price of underlying assets (S$0.345), strike price (S$0.276), time of expiry of share warrants and unobservable inputs such market volatility of comparable companies (37.6%). The share warrants were classified as level 3. There have been no changes in the valuation techniques and inputs of the share warrants during the financial year. If the volatility used had been 5% higher/lower, the fair value of the derivative would have been S$66,000 and S$69,000 higher/lower respectively.

36. Fair value of financial assets and financial liabilities (Continued)

(b) Financial assets and liabilities measured at fair value (Continued)

The fair value of the financial derivative - convertible loan conversion option for both financial years ended 31 December 2018 and 2017 were determined through the use of binomial option pricing model with observable market inputs such as the risk free rate equivalent to the 2 year Singaporean Sovereign Yield Curve as the valuation date (1%), the underlying agreed share price of the Company and unobservable input like the annualised volatility calculated based on the median of the 3 year weekly share price volatility of comparable companies (37.6%). The financial derivative - convertible loan has been classified as level 3 in the current financial year. If the volatility used had been higher/lower by 5%, the fair value of the derivatives would have been $229,000 and $232,000 higher/lower respectively.

37. Capital management policies and objectives

The Group manages its capital to ensure that the Group is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value through optimisation of debt and equity balance. The management reviews the capital structure regularly to achieve an appropriate capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and makes adjustments to capital structure, where appropriate, in light of changes in economic conditions and the risk characteristics of the underlying assets.

The capital structure of the Group consists of equity attributable to equity holders of the parent and borrowings.

The Group's overall strategy remains unchanged from the previous financial year.

The Group and the Company monitor capital based on a gearing ratio, which is net debt divided by total capital. The Group and the Company include net debt, trade and other payables, bank borrowing and finance lease payables less cash and cash equivalents. Total equity consists of total share capital, other reserves plus accumulated losses. Total capital consists of net debt plus total equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Capital management policies and objectives (Continued)

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	48,170	46,463	42,604	10,210	8,970	6,856
Amount due to deconsolidated subsidiaries	33,193	32,716	–	32,441	32,373	–
Amount due to subsidiaries	–	–	–	–	–	32,601
Bank borrowings	1,746	6,916	22,670	1,746	6,916	–
Borrowings from third parties	23,922	21,379	18,302	7,542	7,083	–
Less: Cash and bank balances	(107)	(511)	(433)	(1)	(57)	(1)
Net debt	106,924	106,963	83,143	51,938	55,285	39,456
Total deficit	(98,410)	(71,731)	(112,377)	(43,225)	(30,646)	(29,777)
Total capital	8,778	35,232	(29,234)	8,977	24,639	9,679
Gearing ratio	1218.1%	303.6%	N.M	578.6%	224.4%	407.6%

38. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

Management consider business from mainly business segment perspective. The Group has three reportable segments as follows:

EPCM - MOT

The EPCM — Marine offshore and trading segment are involved in providing engineering, procurement, construction and management, custom fabrication, maintenance and repair, trading of marine and offshore equipment to mainly the marine and offshore oil & gas companies.

EPCM - WT

The EPCM - water treatment segment is involved in environmental-related technical services for pollution management, water and waste.

Others

"Others" segment includes the Group's investment holding activities which are not included within reportable segments as they are not separately reported to the chief operating decision maker and they contribute minor amounts of revenue to the Group.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

38. Segment information (Continued)

Others (Continued)

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

	EPCM – MOT $'000	Others $'000	Total $'000
31 December 2018			
Revenue			
Revenue from external customers	471	–	471
Loss from operations	(2,635)	(183)	(2,818)
Interest expenses	(2,102)	(899)	(3,001)
Other material non-cash items:			
Loss allowance for trade receivables	(188)	–	(188)
Loss allowance reversed for trade receivables	127	–	127
Depreciation of property, plant and equipment	(34)	(11)	(45)
Write off property, plant and equipment	(113)	–	(113)
Loss on disposal of property, plant and equipment	(3)	–	(3)
Loss allowance made for amount due from deconsolidated subsidiaries	–	(20,719)	(20,719)
Exchange gain	381	(36)	345
Loss before tax	(4,567)	(21,848)	(26,415)
Income tax expense	–	–	–
Loss for the year	(4,567)	(21,848)	(26,415)
Segment assets			
Non-current assets	56	10,797	10,853
Current assets	1,703	73	1,776
Total assets	1,759	10,870	12,629
Additions to non-current assets	15	–	15
Segment liabilities			
Current liabilities	56,431	54,344	110,775
Total liabilities	56,431	54,344	110,775

The EPCM - water treatment segment was under a subsidiary, which was deconsolidated with effect from October 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. Segment information (Continued)

Others (Continued)

	EPCM – MOT $'000	EPCM – WT $'000	Others $'000	Total $'000
31 December 2017				
Revenue				
Revenue from external customers	3,433	3,270	–	6,703
Loss from operations	(8,080)	(686)	(1,361)	(10,127)
Interest income	–	1	–	1
Interest expenses	(4,508)	(3)	(242)	(4,753)
Other material non-cash items:				
Loss allowance for trade receivables	(288)	–	–	(288)
Loss allowance reversed for trade receivables	289	–	–	289
Amount due from customers under contract assets written off	(13,782)	–	–	(13,782)
Depreciation of property, plant and equipment	(115)	(24)	(2)	(141)
Impairment loss of available-for-sale financial assets	–	–	(3,986)	(3,986)
Loss on disposal of associate	–	–	(118)	(118)
Loss on disposal of property, plant and equipment	(38)	–	–	(38)
Reversal of liability arising from expired share warrants	–	–	1,080	1,080
Write down of inventories	(178)	–	–	(178)
Exchange gain	1,960	–	368	2,328
Gain on deconsolidation of subsidiaries	–	–	64,611	64,611
(Loss)/Profit before tax	(24,740)	(712)	60,350	34,898
Income tax expense	–	–	(2)	(2)
(Loss)/Profit for the year	(24,740)	(712)	60,348	34,896
Segment assets				
Non-current assets	214	–	10,808	11,022
Current assets	25,853	–	1,783	27,636
Total assets	26,067	–	12,591	38,658
Additions to non-current assets	–	–	1,819	1,819
Segment liabilities				
Current liabilities	52,634	–	57,755	110,389
Total liabilities	52,634	–	57,755	110,389

38. Segment information (Continued)

Others (Continued)

	EPCM – MOT $'000	EPCM – WT $'000	Others $'000	Total $'000
1 January 2017				
Segment assets				
Non-current assets	408	259	12,988	13,655
Current assets	10,552	8,711	3,958	23,221
Total assets	10,960	8,970	16,946	36,876
Additions to non-current assets	9	–	2,987	2,996
Segment liabilities				
Current liabilities	133,072	7,508	8,673	149,253
Total liabilities	133,072	7,508	8,673	149,253

Reportable segments' assets are reconciled to total assets as follows:

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitor property, plant and equipment, intangible assets, inventories, receivables, operating cash and investment properties attributable to each segment. All assets are allocated to the reportable segments except for certain assets included in "Others" not reported to the chief operating decision maker.

Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. Segment information (Continued)

Others (Continued)

Geographical segments

Segment revenue is based on the region where services are rendered and the region where the customers are located. Non-current assets are shown by geographical region where the assets are located.

Non-current assets in current financial year consist of property, plant and equipment.

	2018 $'000	2017 $'000
Revenue from external customers		
Vietnam	471	6,651
Singapore	–	49
Others	–	3
	471	6,703
Non-current assets		
Singapore	10,853	11,022

Major customers

The revenues from two major customers of the Group's EPCM segment represent approximately $471,000 (2017: $3,707,000)

39. Convergence to SFRS(I)

The Group has transited to SFRS(I) on 1 January 2018. In transiting to SFRS(I), the Group is required to apply all of the specific transition requirements under SFRS(I) 1 *First-time Adoption of SFRS(I)*.

The accounting policies set out in Note 2 to the financial statements comply with SFRS(I) effective on 1 January 2018. These accounting policies have been applied in preparing the financial statements of the Group for the financial year ended 31 December 2018, as well as comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening statements of financial position at 1 January 2017 ("date of transition").

39. Convergence to SFRS(I) (Continued)

(a) Optional exemptions applied

The Group has applied the following exemptions in preparing their first set of financial statements in accordance with SFRS(I):

<u>Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*</u>

The Group has elected to apply the short-term exemptions upon adoption of SFRS(I) 9 on 1 January 2018. As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 *Financial Instruments: Recognition and Measurement.* The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* on the disclosure requirements in relation to SFRS(I) 9.

<u>Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*</u>

On 1 January 2017, the Group has elected to apply the transitional provisions under SFRS(I) 1:D34 and has used the following practical expedients:

- the Group did not restate contracts that (i) completed prior to or on 1 January 2017 and (ii) begin and end within the same financial year;
- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting period;
- for contracts that were modified before 1 January 2017, the Group did not retrospectively restate the contract for those contract modifications; and
- the Group did not disclose the amount of the transaction price allocated to the remaining performance obligation for financial year ended 31 December 2017 and an explanation of when the Group expects to recognised that amount as revenue.

(b) Changes in presentation of the comparative financial information in the statements of financial position arising from the transition from FRS to SFRS(I)

In the first set of SFRS(I) financial statements for the end of reporting period 31 December 2018, an additional opening statement of financial position as at date of transition (1 January 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts are not presented for equity as at date of transition (1 January 2017) and as at end of last financial period under FRS (31 December 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 31 December 2017) as there were no changes compared to amounts previously reported.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. Convergence to SFRS(I) (Continued)

(b) Changes in presentation of the comparative financial information in the statements of financial position arising from the transition from FRS to SFRS(I) (Continued)

Adoption of SFRS(I) 15

In accordance with requirements of SFRS(I) 1, the Group has adopted SFRS(I) 15 retrospectively. As disclosed in (a), the Group has elected to apply the transition provisions in accordance with SFRS(I) 15:C5. The adoption of SFRS(I) 15 has resulted in adjustments to the previously reported financial statements due to the followings:

Presentation of contract assets and contract liabilities

The Group has changed the presentation of certain amounts in the statement of financial position on adopting SFRS(I) 15 as at 31 December 2017:

- the previously presented "amount due from contracts customers" of Nil (1 January 2017: $3,868,000) has now being reclassified and included in "contract assets"; and

- the previously presented "amount due to contracts customers" of $615,000 (1 January 2017: $59,957,000) has also being reclassified and included in "contract liabilities".

Adoption of SFRS(I) 9

As disclosed above in (a), the Group has elected to apply the short-term exemption by not restating the comparatives on adoption of SFRS(I) 9. The relevant accounting policy for financial instruments is disclosed in Note 2.16 to the financial statements.

Classification and measurement of financial assets

Equity instrument classified as Available-for-sale under FRS 39 have been classified as fair value through profit or loss under SFRS(I) 9 as irrevocable election to measure the fair value changes through other comprehensive income has not been made. All fair value gains/ losses in respect of those assets are recognised in profit or loss in the period in which it arises and presented in "other gains and losses". Previously, under FRS 39, impairments of such assets were recognised in profit or loss, and gains and losses accumulated in reserves were recycled to profit or loss on disposal.

40. Authorisation of financial statement

The statement of financial position as at 31 December 2018 of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 were authorised for issue in accordance with a Directors' resolution dated 12 April 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2019

NUMBER OF ISSUED SHARES	:	448,735,224
CLASS OF SHARES	:	ORDINARY SHARES WITH EQUAL VOTING RIGHTS
VOTING RIGHTS	:	1 VOTE PER SHARE
TREASURY SHARES	:	NIL
SUBSIDIARY HOLDINGS	:	NIL

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	158	7.11	8,457	0.00
100 - 1,000	562	25.28	269,781	0.06
1,001 - 10,000	872	39.23	3,591,843	0.80
10,001 - 1,000,000	610	27.44	45,882,651	10.23
1,000,001 and above	21	0.94	398,982,492	88.91
	2,223	100.00	448,735,224	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	OCBC SECURITIES PRIVATE LTD	272,398,646	60.70
2	TITANIUM HOLDINGS LLC	85,646,460	19.09
3	ASIAN TRUST INVESTMENT PTE LTD	7,766,666	1.73
4	FOO SEK KUAN	3,395,186	0.76
5	PEH OON KEE	3,320,433	0.74
6	KAEDJOHARE ISMAIL CHECHATWALA	2,755,986	0.61
7	CITIBANK NOMINEES SINGAPORE PTE LTD	2,593,999	0.58
8	PHILLIP SECURITIES PTE LTD	2,461,111	0.55
9	WATERWORTH PTE LTD	2,200,000	0.49
10	NG SEOW YUEN (HUANG XIAOYAN)	2,047,000	0.46
11	PECK CHUAN YONG	1,800,000	0.40
12	YAP YEE LING	1,590,000	0.35
13	WEI RAN	1,528,000	0.34
14	SEOW CHOON PHENG	1,349,600	0.30
15	LIM POH BOON	1,333,333	0.30
16	JIANG HUIPING	1,300,880	0.29
17	MORPH INVESTMENTS LTD	1,166,666	0.26
18	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	1,165,000	0.26
19	PEI SIM KWEE	1,114,333	0.25
20	CHUA AH KEE	1,034,940	0.23
		397,968,239	88.69

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

As at 18 March 2019

	Number of shares held registered in the names of the substantial shareholders	Number of shares in which the substantial shareholders is deemed to have an interest	Total Shareholding interest	% of total issued shares[1]
Titanium Holdings LLC[2]	85,646,460	269,800,000	355,446,460	79.21%
Ting Teck Jin[3]	303,500	356,646,460	356,949,960	79.54%

Notes:

(1) As a percentage of the total issued share capital of the Company, comprising 448,735,224 shares.

(2) Titanium Holdings LLC has a direct interest in 269,800,000 shares through its nominee, OCBC Securities Private Limited.

(3) Mr Ting Teck Jin has a direct interest in 1,200,000 shares through his nominee, OCBC Securities Private Limited and a deemed interest in 355,446,460 shares held by Titanium Holdings LLC in which he is a controlling shareholder and a director.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 18 March 2019, 20.16% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Catalist Rules is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of EMS Energy Limited ("**Company**") will be held at 25 International Business Park, Level 5, East Wing, Munich Room, German Centre, Singapore 609916 on Tuesday, 30 April 2019 at 9.00 a.m., for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$135,000 for the financial year ending 31 December 2019, payable half-yearly in arrears (2018: S$135,000). **(Resolution 2)**

3. To re-elect Mr Ting Teck Jin, a Director who is retiring pursuant to Regulation 89 of the Company's Constitution. **(Resolution 3)**
   [See Explanatory Note 1]

4. To re-elect Mr Lim Siong Sheng, a Director who is retiring pursuant to Regulation 89 of the Company's Constitution. **(Resolution 4)**

   Mr Lim Siong Sheng will, upon re-election as a Director, remain as the Non-Executive and Lead Independent Director and Chairman of the Audit Committee and Risk Management Committee, a member of Nominating Committee and Remuneration Committee of the Company and will be considered independent for the purposes of Rule 704(7) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules"). Please refer to Table A on the last page of the Corporate Governance Report on page 48 to page 53 of the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

5. To re-appoint Messrs BDO LLP as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may be properly transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolutions (with or without amendments) as ordinary resolutions:-

7. **Authority to allot and issue shares in the capital of the Company (the "Share Issue Mandate")** **(Resolution 6)**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the Constitution and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors of the Company to:-

   (a) (i) allot and issue shares in the capital of the Company (the "**Shares**") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) notwithstanding that the authority conferred by this Resolution may have ceased to be in force, issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force,

provided that:-

(i) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed hundred per cent (100%) of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company shall be based on the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time this Resolution is passed after adjusting for:-

(1) new Shares arising from the conversion or exercise of any Instruments or any convertible securities outstanding at the time this Resolution is passed;

(2) new Shares arising from the exercise of share options or vesting of share awards outstanding and/or subsisting at the time of passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(3) any subsequent bonus issue, consolidation or sub-division of Shares.

NOTICE OF ANNUAL GENERAL MEETING

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and the Constitution for the time being of the Company; and

(d) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is the earlier."

[See Explanatory Note 2]

BY ORDER OF THE BOARD

Wee Woon Hong
Company Secretary

Singapore
15 April 2019

Explanatory Notes:

1. Mr Ting Teck Jin will, upon re-election as Director of the Company, remain as the Executive Chairman and Chief Executive Officer of the Company. Further information on Mr Ting Teck Jin can be found in the Annual Report 2018. Please refer to Table A on the last page of the Corporate Governance Report on page 48 to page 53 of the Annual Report for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

2. Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors from the date of the AGM, to allot and issue Shares and convertible securities in the Company. The aggregate number of Shares and convertible securities which the Directors may allot and issue under this Resolution shall not exceed 100% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time of passing this Resolution. For allotment and issue of Shares and convertible securities other than on a pro-rata basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be allotted and issued shall not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next annual general meeting or the date by which the next AGM is required by law to be held, whichever the earlier.

Notes:

(i) Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.

(ii) Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

(iii) The instrument appointing a proxy or proxies must be signed by the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

NOTICE OF ANNUAL GENERAL MEETING

(iv) The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

(v) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited not less than 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

(vi) The instrument appointing a proxy must be deposited at the registered office of the Company at **25 International Business Park, #02-57 German Centre, Singapore 609916** not less than forty-eight (**48**) hours before the time for holding the AGM.

Personal data privacy:

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

EMS ENERGY LIMITED

(Registration No.: 200300485D)
(Incorporated in Singapore with limited liability)

PROXY FORM

ANNUAL GENERAL MEETING

(please see notes overloaf before completing this Proxy Form)

Important:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the meeting in person. CPF and SRS Investors who are unable to attend the meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We*, ______________________ (Name) NRIC/Passport/Company Registration No.* ______________

of ____ (Address)

being a *member/members of **EMS ENERGY LIMITED** (the "**Company**") hereby appoint :

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

and/or *

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

or failing him/her*, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf at the AGM of the Company to be held at 25 International Business Park, Level 5, East Wing, Munich Room, German Centre, Singapore 609916 on Tuesday, 30 April 2019 at 9.00 a.m., and at any adjournment thereof.

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

☐ Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.

No.	**Resolutions**	**Number of Votes For****	**Number of Votes Against****
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2.	Approval of the payment of Directors' Fees of S$135,000 for the financial year ending 31 December 2019		
3.	Re-election of Mr Ting Teck Jin as a Director of the Company		
4.	Re-election of Mr Lim Siong Sheng as a Director of the Company		
5.	Re-appointment of Messrs BDO LLP as Auditors and authorise the Directors to fix their remuneration		
6.	Authority to allot and issue new shares		

* *Delete accordingly*

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

Note: Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the **Notice of Annual General Meeting** for the full purpose and intent of the Resolutions to be passed.

Dated this ________ day of ______________ 2019.

Total Number of Shares held

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore or any statutory modification thereof, as the case may be), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend and vote at an AGM of the Company. Where such member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

3. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at an AGM of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

   "**relevant intermediary**" means:

   (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity:

   (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

   (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at **25 International Business Park, #02-57 German Centre Singapore 609916** not less than 48 hours before the time appointed for the AGM.

5. A proxy need not be a member of the Company.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. The submission of an instrument or form appointing a proxy by a member does not preclude him/her from attending and voting in person at the AGM if he/she so wishes.

10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the AGM, as certified by the Depository to the Company.

11. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

PERSONAL DATA PRIVACY:

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

(Co. Reg. No. 200300485D)

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