APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED

31 DECEMBER 2021

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Viking Offshore and Marine Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2021, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2021 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the financial statements. The Group recorded net cash outflows from operating activities of $4,439,550 and net loss of $8,508,479 (excluding the one-off reversal of liabilities of $23,954,307 upon completion of the scheme of arrangement) for the year ended 31 December 2021. As at that date, the Group's and the Company's current liabilities exceeded their currents assets by $2,458,776 and $2,083,339 respectively, and the Group's and the Company's total liabilities exceeded their total assets by $2,388,355 and $2,079,386 respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as going concern. As disclosed in Note 2.1 to the financial statements, the ability of the Group and the Company to continue as going concerns is dependent on the Group successfully completing its proposed rights cum warrants issue, continuing support from the lenders and substantial shareholders of the Company, and the ability of the Group to contain its costs and generate sustainable operating cashflows.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised in a manner other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition from project contracts

The Group recognised project revenue of $3,074,792 for the financial year ended 31 December 2021 and the carrying amounts of contract assets and contract liabilities amounted to $1,475,560 and $1,357,633 respectively as at 31 December 2021. The Group recognised revenue from project contracts using the input method that reflect the over time transfer of control to its customers. The input method is measured by reference to the proportion of contract costs incurred for work performed to date, to the estimated total contract costs. This involves the use of significant management estimates to establish the total contract costs which have an impact on the amounts of project revenue, contract assets and contract liabilities recognised during the year. Accordingly, we identified this as a key audit matter.

We reviewed and tested key controls surrounding management's internal costing and budgeting processes put in place to estimate project revenues, costs and profit margins. We tested the mathematical accuracy of such revenues, costs and profits derived from the percentage of completion calculations. For significant projects, we reviewed the terms and conditions of the contracts with customers and checked project revenue and cost incurred against underlying supporting documents. We assessed reasonableness of the remaining cost to be incurred to complete the projects by taking into consideration past performances, with further consideration of the current market conditions, by comparing them to available industry information on the market outlook and the expected recovery scenarios of the offshore and marine industry. We also reviewed the project files and discussed with management the progress of significant contracts to determine if there are any adverse changes such as delays, penalties, overruns that could have an impact on the estimation of project revenues, costs and overall profitability of the contracts which would require the recognition of onerous contract. In addition, we assessed the Group's disclosures on project revenue in Note 4 to the financial statements.

Impairment assessment of goodwill and investment in subsidiaries

During the year ended 31 December 2021, the Group recognised a full impairment loss of $817,948 as at 31 December 2021 against the carrying amount goodwill. The Group allocated goodwill to cash generating units ("CGUs") identified for impairment testing as disclosed in Note 13 to the financial statements.

Similarly, the Company also recognised a full impairment loss of $4,459,572 against investments in subsidiaries as at 31 December 2021.

The recoverable amounts of the CGUs and the Company's investment in subsidiaries were determined using the value-in-use calculations. The impairment assessments are complex and involves the significant use of management's estimates and assumptions that may be affected by expected future market conditions. Accordingly, we identified this as a key audit matter.

Impairment assessment of goodwill and investment in subsidiaries (cont'd)

We obtained an understanding of the Group's impairment assessment process and how management has considered the impact of current market conditions on the underlying key assumptions. We tested the reasonableness of the key assumptions, which include the revenue growth rate and budgeted gross margin by comparing them to available market information in light of current market conditions and management plans. Where applicable, we also compared the key assumptions to financial results available subsequent to year end. In addition, we assessed the Group's disclosures on impairment assessment of goodwill and investment in subsidiaries in Notes 13 and 15 to the financial statements.

Recoverability of trade receivables and contract assets

As at 31 December 2021, the Group's net carrying amount of trade receivables and contract assets amounted to $1,255,260 and $1,475,560 respectively. During the year, the Group recognised allowance for expected credit losses (ECL) on trade receivables and contract assets of $91,679 and $1,094,439 respectively. The Group determines the ECL by making debtor-specific assessment of expected impairment loss for trade receivables and contract assets and uses a provision matrix to calculate the ECL for remaining trade receivables and contract assets. The provision matrix is based on historical loss experience, ability to pay, adjusted for forward looking information at each reporting period. The determination of ECL require the use of significant judgment by the management. Accordingly, we identified this as a key audit matter.

We obtained an understanding of management's processes relating to the monitoring of trade receivables and contract assets and the ageing profile to identify collection risks. We performed audit procedures, amongst others, requesting for trade receivable and contract assets confirmations for selected debtors and checked for evidence of receipts from debtors after year end. We had discussions with management on the recoverability of long outstanding debts. We tested the ageing of the receivables and reviewed management's grouping of the receivables into categories with similar loss patterns. We assessed the reasonableness of the allowance for ECL by comparing the actual loss trends across periods against loss rates applied to by management. We also assessed the reasonableness of the adjustments made to historical loss rates to incorporate current conditions of the debtors and forward-looking information based on specific economic data, including the current business environment. In addition, we assessed the Group's disclosures on trade receivables, contract assets and credit risk in Notes 19, 21 and 34(a) to the financial statements.

Write-down of inventories

As at 31 December 2021, the Group's net carrying amount of inventories amounted to $553,838. The Group recognised inventory write-down of $1,682,104 during the year. The Group records its inventories at the lower of cost and net realisable value. The inventory write-downs require significant management judgement to estimate the inventories' net realisable value. The net realisable value of the Group's inventories is affected by, among others, their age, condition, customer demand and prevailing market conditions. Accordingly, we identified this as a key audit matter.

We observed the year-end inventory count performed by management and reviewed management's assessment of the physical condition of the inventories at the balance sheet date. As part of our procedures, we obtained the inventory ageing report and discussed with management their procedures to identify slow-moving and obsolete inventories and assessed the adequacy of slow-moving and obsolete inventories write down to net realisable value. We selected samples of inventories and tested that they were stated at the lower of cost and net realisable value by verifying to selling prices of the inventories subsequent to year-end. We also assessed the Group's disclosures on inventories in Note 18 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

14 April 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 $	2020 $
Continuing operations			
Revenue	4	10,776,280	17,186,656
Cost of sales		(7,374,907)	(12,205,644)
Gross profit		3,401,373	4,981,012
Other items of income			
Other income	5	25,379,401	1,390,607
Finance income	8	4,580	7,375
Other items of expense			
Marketing and distribution expenses		(569,376)	(127,431)
Administrative expenses		(6,274,511)	(7,844,675)
Other operating expenses	6(a)	(4,630,595)	(16,652,185)
Impairment losses on financial assets and contract assets, net	6(c)	(1,186,118)	(175 ,278)
Finance costs	8	(678,283)	(6,955,530)
Profit/(loss) before tax from continuing operations	6	15,446,471	(25,376,105)
Income tax expense	10	(643)	(84,825)
Profit/(loss) for the year from continuing operation		15,445,828	(25,460,930)
Discontinued operations			
Profit/(loss) after tax for the year from discontinued operations	9	–	(627,155)
Profit/(loss) for the year		15,445,828	(26,088,085)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		644,911	553,589
Other comprehensive income for the year, net of tax	29(a)	644,911	553,589
Total comprehensive income for the year		16,090,739	(25,534,496)
Profit/(loss) attributable to:			
Owners of the Company, net of tax		15,493,284	(26,046,209)
Non-controlling interest		(47,456)	(41,876)
		15,445,828	(26,088,085)
Total comprehensive income attributable to:			
Owners of the Company, net of tax		16,138,195	(25,492,620)
Non-controlling interest		(47,456)	(41,876)
		16,090,739	(25,534,496)
Profit/(loss) per share (cents per share)			
- Basic	11	7.14	(2.37)
- Diluted	11	7.14	(2.37)

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

BALANCE SHEETS
As at 31 December 2021

	Note	Group 2021 $	Group 2020 $	Company 2021 $	Company 2020 $
Non-current assets					
Property, plant and equipment	12	70,417	141,237	3,949	7,284
Intangible assets	13	–	832,493	–	–
Investment in subsidiaries	15	–	–	–	4,459,572
Investment in associates	16	–	–	–	–
Quoted equity investments	17	4	4	4	4
		70,421	973,734	3,953	4,466,860
Current assets					
Inventories	18	553,838	2,233,378	–	–
Trade receivables	19	1,255,260	19,142,822	–	–
Prepayments		83,333	116,221	21,371	14,950
Other receivables and deposits	20	525,149	1,046,145	134,730	168,209
Contract assets	21	1,475,560	3,202,673	–	–
Cash and cash equivalents	22	1,370,533	2,558,604	94,544	18,192
		5,263,673	28,299,843	250,645	201,351
Current liabilities					
Trade payables	23	1,683,715	2,562,997	–	–
Contract liabilities	21	1,357,633	937,562	–	–
Other payables and accruals	24	3,191,101	30,634,576	843,984	1,489,386
Tax payable		–	6,565	–	–
Due to subsidiaries (non-trade)	25	–	–	–	19,357,923
Loans and borrowings	26	1,490,000	8,661,438	1,490,000	–
Redeemable exchangeable bonds	27	–	7,155,858	–	–
		7,722,449	49,958,996	2,333,984	20,847,309
Net current liabilities		(2,458,776)	(21,659,153)	(2,083,339)	(20,645,958)
Non-current liabilities					
Deferred tax liabilities	10	–	572	–	–
		–	572	–	–
Net liabilities		(2,388,355)	(20,685,991)	(2,079,386)	(16,179,098)
Equity					
Share capital	28(a)	104,811,429	102,604,532	104,811,429	102,604,532
Treasury shares	28(b)	(527,775)	(527,775)	(527,775)	(527,775)
Reserves		(106,571,911)	(122,710,106)	(106,363,040)	(118,255,855)
Equity attributable to equity holders of the parent		(2,288,257)	(20,633,349)	(2,079,386)	(16,179,098)
Non-controlling interest		(100,098)	(52,642)	–	–
Total equity		(2,388,355)	(20,685,991)	(2,079,386)	(16,179,098)

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

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2021

2021 Group	Note	Share capital (Note 28(a)) $	Treasury shares (Note 28(b)) $	Accumulated losses $	Other reserves (Note 29) $	Total reserves $	Equity attributable to owners of the Company, total $	Non-controlling interest $	Total equity $
		Attributable to owners of the Company							
As at 1 January 2021		102,604,532	(527,775)	(121,857,210)	(852,896)	(122,710,106)	(20,633,349)	(52,642)	(20,685,991)
Profit for the year		–	–	15,493,284	–	15,493,284	15,493,284	(47,456)	15,445,828
Other comprehensive income									
Foreign currency translation	29	–	–	–	644,911	644,911	644,911	–	644,911
Other comprehensive income for the year, net of tax		–	–	–	644,911	644,911	644,911	–	644,911
Total comprehensive income for the year		–	–	15,493,284	644,911	16,138,195	16,138,195	(47,456)	16,090,739
Issuance of new shares	28	2,206,897	–	–	–	–	2,206,897	–	2,206,897
At 31 December 2021		104,811,429	(527,775)	(106,363,926)	(207,985)	(106,571,911)	(2,288,257)	(100,098)	(2,388,355)

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2021

2020 Group	Note	Attributable to owners of the Company: Share capital (Note 28(a))	Treasury shares (Note 28(b))	Accumulated losses	Other reserves (Note 29)	Total reserves	Equity attributable to owners of the Company, total	Non-controlling interest	Total equity
		$	$	$	$	$	$	$	$
As at 1 January 2020		102,604,532	(527,775)	(95,811,001)	(1,406,485)	(97,217,486)	4,859,271	(10,766)	4,848,505
Loss for the year			–	(25,419,054)	–	(25,419,054)	(25,419,054)	(41,876)	(25,460,930)
Other comprehensive income									
Foreign currency translation	29	–	–	–	553,589	553,589	553,589	–	553,589
Other comprehensive income for the year, net of tax		–	–	–	553,589	553,589	553,589	–	553,589
Total comprehensive income for the year		–	–	(25,419,054)	553,589	(24,865,465)	(24,865,465)	(41,876)	(24,907,341)
Changes in ownership interests in subsidiary									
Disposal of subsidiary		–	–	(627,155)	–	(627,155)	(627,155)	–	(627,155)
At 31 December 2020		102,604,532	(527,775)	(121,857,210)	(852,896)	(122,710,106)	(20,633,349)	(52,642)	(20,685,991)

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

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Note	Attributable to owners of the Company					Total equity
		Share capital (Note 28(a))	Treasury shares (Note 28(b))	Accumulated losses	Other reserves (Note 29)	Total reserves	
		$	$	$	$	$	$
2021							
Company							
At 1 January 2021		102,604,532	(527,775)	(118,369,911)	114,056	(118,255,855)	(16,179,098)
Loss for the year, representing total comprehensive income for the year		–	–	(7,542,074)	19,434,889	11,892,815	11,892,815
Issuance of new shares	28	2,206,897	–	–	–	–	2,206,897
At 31 December 2021		104,811,429	(527,775)	(125,911,985)	19,548,945	(106,363,040)	(2,079,386)
2020							
Company							
At 1 January 2020		102,604,532	(527,775)	(100,831,617)	114,056	(100,717,561)	1,359,196
Loss for the year, representing total comprehensive income for the year		–	–	(17,538,294)	–	(17,538,294)	(17,538,294)
At 31 December 2020		102,604,532	(527,775)	(118,369,911)	114,056	(118,255,855)	(16,179,098)

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Profit/(loss) before tax from continuing operations		15,446,471	(25,376,105)
Loss before tax from discontinued operation	9	–	(707,728)
Adjustments for:			
Gain on disposal of subsidiary	9	–	(758,319)
Impairment loss on quoted equity investment	6(a)	–	40,320
Depreciation of property, plant and equipment	6(a),12	122,010	1,481,408
Loss on disposal of plant and equipment		–	1,518
Depreciation of right-of-use assets		–	99,305
Amortisation of intangible assets	6(a)	9	10,046
Intangible assets written down	6(a)	14,536	20,337
Impairment loss on goodwill	6(a)	817,948	6,344,574
Impairment loss on contract asset	6(c)	1,094,439	–
Impairment loss on trade receivables	6(c)	174,900	96,123
Impairment loss on other receivables	6(c)	–	36,467
Write back of allowance for expected credit losses	6(c)	(83,221)	–
Inventories written down	6(a)	1,682,104	9,800,736
Inventories written off	6(a)	–	69,389
Gain from reversal of liabilities upon completion of the Scheme of Arrangement	5	(23,954,307)	–
Interest expense	8	678,283	8,064,780
Interest income	8	(4,580)	(7,375)
Unrealised exchange (gain)/loss		27,898	444,648
Operating cashflows before working capital changes		(3,983,510)	(339,876)
Changes in working capital:			
Inventories		(2,564)	1,033,606
Trade receivables		17,738,677	4,809,445
Other receivables, deposits and prepayments		635,389	(140,073)
Contract assets		632,674	1,632,920
Trade payables		(890,025)	(3,107,072)
Other payables and accruals		(18,994,842)	(913,805)
Contract liabilities		420,071	(1,794,008)
Cash flows (used in)/from operations		(4,444,130)	1,181,137
Interest received		4,580	7,375
Income taxes paid		–	(450)
Net cash flows (used in)/generated from operating activities		(4,439,550)	1,188,062

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

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2021

	Note	2021 $	2020 $
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(50,881)	(33,754)
Proceeds from disposal of property, plant and equipment		585	–
Net cash outflow from disposal of subsidiary		–	(129,293)
Cash flows used in investing activities		(50,296)	(163,047)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		–	(264,472)
Repayment of loans and bank borrowings		(109,847)	(540,809)
Repayment of redeemable exchangeable bonds		(91,406)	–
Proceeds from loans and borrowings		1,490,000	–
Proceeds from issuance of shares pursuant to placement shares		2,000,000	–
Cash flows from/(used in) financing activities		3,288,747	(805,281)
Net (decrease)/increase in cash and cash equivalents		(1,201,099)	219,734
Effects of exchange rate changes on cash and cash equivalents		13,028	(25,477)
Cash and cash equivalents at beginning of year		2,558,604	2,364,347
Cash and cash equivalents at end of year	22	1,370,533	2,558,604

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

1. Corporate information

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

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

The principal activities of the Company are the provision of management and other services to related companies and investment holding. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

Going concern

The Group recorded net cash outflows from operating activities of $4,439,550 (2020: net cash inflows from operating activities of $1,188,062) and net loss of $8,508,479 (excluding the one-off reversal of liabilities of $23,954,307 upon completion of the scheme of arrangement) (2020: net loss for the year of $26,088,085) for the year ended 31 December 2021. As at that date, the Group's and the Company's current liabilities exceeded their currents assets by $2,458,776 (2020: $21,659,153) and $2,083,339 (2020: $20,645,958) respectively, and the Group's and the Company's total liabilities exceeded their total assets by $2,388,355 (2020: $20,685,991) and $2,079,386 (2020: $16,179,098) respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The management and directors of the Company, having assessed the available sources of liquidity and funding, believe that the Group and the Company can continue as a going concern for the foreseeable future. In analysing the validity of the going concern basis applied in the preparation of the financial statements of the Group and the Company, the following factors were considered:

(i) The Company had on 27 January 2022 issued and allotted 10,897,143 new ordinary shares in the capital of the Company to a placee at an issued price of $0.0801 for each share, raising gross proceeds of approximately $880,000;

(ii) The Company had on 23 March 2022 entered into an interest-free loan agreement with Irelia Management Sdn. Bhd., a substantial shareholder of the Company, amounting to MYR600,000 (approximately $192,815), repayable in 24 months from the loan drawdown date for working capital purposes. The funds from the loan was received by the Group on or about 28 March 2022;

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

2.1 *Basis of preparation (cont'd)*

Going concern (cont'd)

(iii) The Company had on 23 March 2022 entered into an interest-free loan agreement with Subtleway Management Sdn. Bhd., a substantial shareholder of the Company, amounting to MYR800,000 (approximately $257,087), repayable in 24 months from the loan drawdown date for working capital purposes. The funds from the loan was received by the Group on or about 28 March 2022;

(iv) The Company had on 23 March 2022 entered into an interest-free loan agreement with Mr. Toh Kok Soon, a substantial shareholder of the Company, amounting to $600,000, repayable in 24 months from the loan drawdown date for working capital purposes. The funds from the loan was received by the Group on or about 31 March 2022;

(v) As at 31 December 2021, the interest-free loans owing to Blue Ocean Capital Partners Pte. Ltd. and Mr. Ng Yeau Chong (collectively, the "Lenders") were $1,490,000. The loans were repayable in August 2022 and were classified as current liabilities within the balance sheets of the Group. The Company had on or around 30 March 2022 entered into an agreement to extend the repayment date of the interest-free loans from the Lenders by another 12 months. This effectively extends the repayment date of the loans from the Lenders to August 2023;

(vi) The Company had on 27 March 2022 entered into a sale and purchase agreement with Acapella Energy Pte. Ltd., an entity whose sole shareholder and director is Mr. Ng Yeau Chong, the Executive Director and Chief Executive Officer of the Company to dispose of the entire shareholding interest of the Company in its wholly owned subsidiaries of the Company, namely, Viking Airtech Pte. Ltd. and Viking HVAC Pte. Ltd. (the "Disposal Group") for a consideration of $50,000. The Company, for good corporate governance, will elect to seek the approval of its independent shareholders of the Company as a major transaction under Rule 1014 and Rule 1013 of the Catalist Rules, where applicable, in relation to the proposed disposal in an upcoming general meeting. Based on the going concern assessment of the Group, the proposed disposal is expected to free up the cash flows of the Group as the Disposal Group continues to and is expected to be loss making;

(vii) The Company had on 28 March 2022 announced the proposed renounceable non-underwritten rights cum warrants issue of up to 140,574,153 new ordinary shares of the Company with up to 281,148,306 free detachable and transferrable warrants. The issue price of each rights share will be $0.025. The Company will receive net proceeds (after deducting estimated costs and expenses for the rights cum warrants issue and without taking into account the proceeds from the exercise of the warrants) of approximately $3.33 million. In this regard, each of the substantial shareholders, namely, Mr. Toh Kok Soon, Synergy Supply Chain Management Sdn. Bhd., Irelia Management Sdn. Bhd., Tristan Management Sdn. Bhd. and Subtleway Management Sdn. Bhd., who in aggregate hold 85% of the Company, have expressed their intentions to support the rights cum warrants issue by subscribing for their pro rata entitlement of an aggregate of 119,671,708 rights shares with 239,343,416 warrants, as well as excess rights shares with warrants, to the extent that such subscription by the Current Majority Shareholders do not result in the loss of public float as required under Rule 723 of the Catalist Rules;

(viii) The Group is taking active steps to contain its costs, generate sustainable operating cashflows and explore its assets divestment plan to strengthen its cash position; and

(ix) With the existing cash and cash equivalents to date, the Group expects that it will be able to meet its obligations as and when they fall due.

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

Going concern (cont'd)

In the opinion of the Directors, the Group is able to continue as a going concern as the Directors are of the reasonable view that the Group has raised sufficient cash and cash equivalents to date to sustain the working capital needs of the Group for a period of 12 months from the approved date of these financial statements.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial period, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any effect on the financial performance or position of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 3: Business Combination: Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-16: Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1- 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS 1 and SFRS Practice Statement 2 *Disclosure of Accounting Policies*	1 January 2023
Amendments to SFRS 8 Definition of Accounting Estimates	1 January 2023
Amendments to SFRS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

(b) *Business combinations and goodwill*

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

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

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

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

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

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

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

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

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

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

2.5 *Foreign currency*

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

(a) *Transactions and balances*

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

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

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

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

2.6 *Property, plant and equipment*

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

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

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

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

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

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

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

2.7 *Intangible assets*

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

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

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

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

2.7 *Intangible assets (cont'd)*

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

(i) *Customer relationships*

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

(ii) *Software*

An acquired software is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributed cost of preparing the asset for its intended use. These costs are amortised to the profit or loss using the straight-line method over their estimated useful lives of 10 years. The remaining amortisation period of software is Nil year (2020: 1 year).

(iii) *Club membership*

Club membership was acquired separately and is amortised on a straight line basis over its finite useful life of 28 years. The remaining amortisation period of club membership is 13 years (2020: 14 years).

2.8 *Impairment of non-financial assets*

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

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

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

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

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

2.9 *Subsidiaries*

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

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

2.10 *Associates*

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

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

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

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

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

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

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

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

2.11 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

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

Amortised cost

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

Investments in equity instruments

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

Derecognition

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

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

2.11 *Financial instruments (cont'd)*

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

(ii) *Financial liabilities at amortised cost*

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

De-recognition

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

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

2.12 *Impairment of financial assets*

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

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

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

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

2.13 *Cash and cash equivalents*

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

2.14 *Inventories*

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

- Raw materials: purchase costs on a first-in first-out basis.

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

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

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

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

2.15 *Provisions*

General

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

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

Warranty provisions

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

2.16 *Borrowing costs*

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

2.17 *Redeemable exchangeable bonds*

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

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

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

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

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

2.18 *Employee benefits*

(a) *Defined contribution plans*

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

(b) *Employee leave entitlement*

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

(c) *Employee equity compensation plans*

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

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

2.19 *Leases*

(a) *As lessor*

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

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

2.20 *Revenue*

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

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

(a) *Sale of goods*

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

(b) *Project revenue*

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

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

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

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

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

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

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

2.20 *Revenue (cont'd)*

(c) *Rendering of services*

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

(d) *Rental income from equipment and industrial space*

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

(e) *Management fee*

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

(f) *Dividend income*

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

(g) *Interest income*

Interest income is recognised using the effective interest method.

2.21 *Taxation*

(a) *Current income tax*

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

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

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

2.21 *Taxation (cont'd)*

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

2.21 *Taxation (cont'd)*

(c) *Sales tax*

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

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

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

2.22 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 *Share capital and share issuance expenses*

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

2.24 *Treasury shares*

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

2.25 *Government grants*

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

3. Significant accounting judgements and estimates

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

(a) *Judgements made in applying accounting policies*

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

(b) *Key sources of estimation uncertainty*

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

(i) Revenue recognition from projects

The Group recognises project revenue by when control over the products has been transferred to the customer over time, by reference to the stage of completion of the contract activity at end of reporting period (the percentage of completion method). The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of contract assets and contract liabilities at the end of each reporting period are disclosed in Note 21 to the financial statements. If the estimated total contract cost had been 5% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been $1,610,615 (2020: $2,755,010) lower and $1,611,242 (2020: $3,693,060) higher respectively.

(ii) Impairment of goodwill and investment in subsidiaries

As disclosed in Notes 13 and 15 to the financial statements, the recoverable amounts of the cash generating units which goodwill and costs of investment in subsidiaries have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Notes 13 and 15 to the financial statements.

The carrying amounts of the goodwill and investment in subsidiaries as at 31 December 2021 are $Nil (2020: $817,948) and $Nil (2020: $4,459,572) respectively.

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

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

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Notes 19 and 21.

The carrying amount of trade receivables and contract assets as at 31 December 2021 are $1,255,260 and $1,475,560 (2020: $19,142,822 and $3,202,673) respectively.

(iv) Allowance for inventory obsolescence

Allowance for inventory obsolescence is estimated based on the best available facts and circumstances, including but not limited to, the inventories own physical conditions, their market selling prices, and estimated costs to be incurred for their sales. The allowances are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Company's inventories at the end of the reporting period is disclosed in Note 18 to the financial statements.

4. Revenue

(a) Disaggregation of revenue

Segments	Offshore and marine	
	2021	2020
	$	$
Group		
Primary geographical markets		
Australia	423,225	317,806
Europe	313,562	333,023
Indonesia	1,644,886	2,916,468
Malaysia	458,850	723,927
Middle East	348,023	1,036,059
People's Republic of China	1,395,501	1,401,782
Singapore	5,977,930	10,304,323
Vietnam	96,075	25,095
Others	118,228	128,173
	10,776,280	17,186,656
Major service lines		
Sale of goods	2,937,881	6,548,579
Project revenue	3,074,792	8,020,558
Rendering services	4,617,607	2,617,519
Rental of equipment	146,000	–
	10,776,280	17,186,656
Timing of transfer of goods or services		
At a point in time	2,937,881	6,548,579
Over time	7,838,399	10,638,077
	10,776,280	17,186,656

(b) Recognition of project revenue over time

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

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

5. Other income

	Group	
	2021	2020
	$	$
Government grants	189,227	776,565
Gain on disposal of plant and equipment	3,455	–
Rental income	10,226	9,463
Sale of scrap material	1,217	26,028
Slow moving stock recovery	2,190	15,370
Gain from final settlement from legal dispute	–	470,766
Foreign exchange gain, net	1,161,072	–
Gain from reversal of liabilities upon completion of the Scheme of Arrangement	23,954,307	–
Others	57,707	92,415
	25,379,401	1,390,607

Included in other income for the current year is a gain from reversal of liabilities upon completion of the Scheme of Arrangement amounting to $23,954,307. Upon completion of the scheme, the Group wrote back approximately 88% of the face value of the original debts included in the scheme.

6. Profit/(loss) before tax from continuing operations

The following items have been included in arriving at profit/(loss) before tax from continuing operations:

	Group	
	2021	2020
	$	$
(a) *Other operating expenses include:*		
Amortisation of intangible assets	9	10,046
Depreciation of property, plant and equipment	122,010	152,586
Intangible assets written down	14,536	20,337
Inventories written down	1,682,104	9,800,736
Inventories written off	–	69,389
Impairment loss on goodwill	817,948	6,344,574
Impairment loss on quoted shares	–	40,320
Foreign exchange loss, net	–	528,863

6. Profit/(loss) before tax from continuing operations (cont'd)

	Group	
	2021	2020
	$	$
(b) *Other disclosure items:*		
Audit fees paid to:		
- Auditors of the Company	142,250	142,250
- Other auditors	10,772	10,772
Employee benefits expense (Note 7)	4,114,265	5,257,281
Operating lease expenses relating to short-term leases (Note 14)	79,820	245,313
(c) *Impairment loss on financial assets, net:*		
Impairment loss on trade and other receivables and contract assets, net	1,186,118	175,278

7. Employee benefits

	Group	
	2021	2020
	$	$
Salaries and bonuses	3,481,089	4,463,483
Central Provident Fund contributions	389,646	543,849
Other short-term benefits	243,530	249,949
	4,114,265	5,257,281

These include the amount shown as key management personnel compensation in Note 30(b).

8. Finance income/(costs)

	Group	
	2021	2020
	$	$
Finance income:		
Interest income on:		
- fixed deposits	4,580	7,375

	Group	
	2021	2020
	$	$
Finance costs:		
Interest expense on:		
- loans and borrowings	678,283	3,399,766
- redeemable exchangeable bonds	–	3,555,764
	678,283	6,955,530

9. Discontinued operations

On 30 October 2020, the Group completed the disposal of its wholly owned subsidiary, Viking Facilities Management and Operation Pte Ltd ("VFMO"). The entire results from the disposal group are presented separately on the consolidated statement of comprehensive income as “discontinued operations”.

The summarised financial information of the discontinued operations are as follows:

	2020
	$
Revenue	1,540,360
Other income	252,132
Administrative expenses	(608,095)
Other operating expenses	(1,039,451)
Impairment losses on financial assets	(115,449)
Finance costs	(1,109,250)
Unrealised exchange gain	2,383
Fair value adjustments on depreciation	(388,677)
Gain on disposal of subsidiary	758,319
Loss before tax from discontinued operations	(707,728)
Income tax credit	80,573
Loss from discontinued operations, net of tax	(627,155)

The book value of assets and liabilities as at date of disposal on 30 October 2020 are as follows:

	$
Assets	
Property, plant and equipment	17,838,567
Right-of-use assets	1,341,467
Trade and other receivables	126,498
Cash and cash equivalents	129,293
	19,435,825
Liabilities	
Borrowings	(16,103,458)
Other payables and accruals	(451,591)
Lease liabilities	(1,503,390)
Deferred tax liability	(892,038)
	(18,950,477)
Net assets disposed	485,348
Discharge of liabilities in related companies	(1,143,667)
Proceeds from disposal	(100,000)
Gain on disposal	(758,319)

9. Discontinued operations (cont'd)

Cash flow statement disclosures

The cash flows attributable to the discontinued operations for the year ended 31 December are as follows:

	2020
	$
Operating cash flows	14,204
Investing cash flows	–
Financing cash flows	79,886
Net cash flows	94,090

Loss per share disclosures

	Group
	2020
	$
Loss per share from discontinued operations attributable to the owners of the Company (cents per share)	
Basic	(0.11)
Diluted	(0.11)

10. Taxation

The major components of income tax credit for the years ended 31 December 2021 and 2020 are:

	Group	
	2021	2020
	$	$
Current income tax/(credit) – continuing operations	1,235	(3,112)
Deferred income tax – continuing operations		
- movement of temporary differences	(592)	87,937
Income tax expense attributable to continued operations	643	84,825
Deferred income tax – discontinued operations		
- movement of temporary differences	–	(80,573)
Income tax credit attributable to discontinued operation	–	(80,573)
Total income tax expenses recognised in profit or loss	643	4,252

10. Taxation (cont'd)

The reconciliation between tax credit and the product of accounting profit/(loss) multiplied by the applicable corporate tax rates for the years ended 31 December 2021 and 2020 are as follows:

	Group	
	2021	2020
	$	$
Accounting profit/(loss) before tax from continuing operations	15,488,875	(25,376,105)
Accounting loss before tax from discontinued operation	–	(707,728)
Tax at 17% (2020: 17%)	2,633,109	(4,434,252)
Adjustments:		
Non-deductible expenses	2,185,657	3,995,446
Income not subject to tax	(4,932,443)	(1,455,791)
Deferred tax assets not recognised	370,278	2,154,205
Effect of different tax rates in different countries	(245,236)	(262,509)
Others	(10,722)	7,153
Income tax expense recognised in profit or loss	643	4,252

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $24,000,000 (2020: $21,700,000) available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which certain subsidiaries operate.

Unrecognised temporary differences relating to investment in subsidiaries

At the end of the reporting period, no deferred tax liability (2020: $Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as there are none.

Deferred taxation

Deferred taxation relates to the following:

Group	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2021	2020	2021	2020
	$	$	$	$
Deferred tax liabilities				
Differences in depreciation	–	(592)	(592)	–
Fair value adjustments on acquisition of subsidiaries	–	–	–	7,364
Exchange differences	–	20	20	–
Total deferred tax liabilities	–	(572)	–	
Deferred income tax			572	7,364

10. Taxation (cont'd)

Included in movement of deferred tax liabilities as at 31 December 2020 are the deferred tax liability movements amounting to $892,038 relating to discontinued operation (Note 9).

11. Profit/(loss) per share

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

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

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

	Group	
	2021	2020
	$	$
Net profit/(loss) attributable to owners of the Company	15,493,284	(26,046,209)

	Number of shares	
	2021	2020
Weighted average number of ordinary shares for basic loss per share computation*	217,034,635	1,098,719,574
Weighted average number of ordinary shares diluted loss per share computation*	217,034,635	1,098,719,574

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

Details of changes in the number of ordinary shares in the Company are disclosed in Note 28(a).

As at year end, there is Nil (2020: Nil) share options granted to employees under the existing employee share option plans and warrants of 1,949,801 (2020: 97,491,109), have not been included in the calculation of diluted loss per share because they are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

12. Property, plant and equipment

Group	Leasehold buildings $	Computers and office equipment $	Renovation, furniture and fixtures $	Motor vehicles $	Machinery $	Total $
Cost						
At 1.1.2020	29,628,946	2,112,484	1,881,959	406,714	2,002,923	36,033,026
Additions	–	33,754	–	–	–	33,754
Disposals	–	(28,059)	–	–	–	(28,059)
Written off	–	(1,720)	–	–	–	(1,720)
Attributable to discontinued operation (Note 9)	(29,628,946)	(199,751)	(1,219,707)	–	(37,500)	(31,085,904)
Exchange difference	–	8,873	3,444	6,666	9,230	28,213
At 31.12.2020	–	1,925,581	665,696	413,380	1,974,653	4,979,310
Additions	–	30,100	–	19,992	789	50,881
Disposals	–	(53,889)	–	–	(7,795)	(61,684)
Written off	–	(5,968)	–	–	–	(5,968)
Exchange difference	–	(3,766)	(14,555)	2,768	2,104	(13,449)
At 31.12.2021	–	1,892,058	651,141	436,140	1,969,751	4,949,090
Accumulated depreciation and impairment loss						
At 1.1.2020	10,511,147	2,040,556	1,837,038	379,458	1,837,987	16,606,186
Charge for the year	–	37,284	17,336	11,684	86,282	152,586
Disposals	–	(28,059)	–	–	–	(28,059)
Written off	–	(1,720)	–	–	–	(1,720)
Attributable to discontinued operation (Note 9)	(10,511,147)	(184,026)	(1,198,730)	–	(24,608)	(11,918,511)
Exchange difference	–	8,956	3,495	6,594	8,546	27,591
At 31.12.2020	–	1,872,991	659,139	397,736	1,908,207	4,838,073
Charge for the year	–	32,347	1,090	30,520	58,053	122,010
Disposals	–	(53,889)	–	–	(7,210)	(61,099)
Written off	–	(5,968)	–	–	–	(5,968)
Exchange difference	–	(3,757)	(14,555)	2,689	1,280	(14,343)
At 31.12.2021	–	1,841,724	645,674	430,945	1,960,330	4,878,673
Net carrying amount						
At 31.12.2021	–	50,334	5,467	5,195	9,421	70,417
At 31.12.2020	–	52,590	6,557	15,644	66,446	141,237

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

	Computers and office equipment $	Renovation, furniture and fixtures $	Total $
Company			
Cost			
At 1.1.2020	225,963	11,238	237,201
Additions	7,740	–	7,740
At 31.12.2020	233,703	11,238	244,941
Additions	–	–	–
At 31.12.2021	233,703	11,238	244,941
Accumulated depreciation			
At 1.1.2020	225,016	11,238	236,254
Charge for the year	1,403	–	1,403
At 31.12.2020	226,419	11,238	237,657
Charge for the year	3,335	–	3,335
At 31.12.2021	240,992	11,238	240,992
Net carrying amount			
At 31.12.2021	3,949	–	3,949
At 31.12.2020	7,284	–	7,284

Cash payments of $50,881 (2020: $33,754) were made by the Group to purchase property, plant and equipment.

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

13. Intangible assets

	Goodwill	Customer relationships	Software	Club membership	Total
	$	$	$	$	$
Group					
Cost					
At 1.1.2020	29,721,296	9,648,000	152,458	70,000	39,591,754
Exchange differences	–	–	7,457	–	7,457
At 31.12.2020	29,721,296	9,648,000	159,915	70,000	39,599,211
Exchange differences	–	–	1,700	–	1,700
At 31.12.2021	29,721,296	9,648,000	161,615	70,000	39,600,911
Accumulated amortisation and impairment					
At 1.1.2020	22,558,774	9,648,000	145,087	32,635	32,384,496
Amortisation	–	–	7,554	2,492	10,046
Impairment	6,344,574	–	–	–	6,344,574
Written off	–	–	–	20,337	20,337
Exchange differences	–	–	7,265	–	7,265
At 31.12.2020	28,903,348	9,648,000	159,906	55,464	38,766,718
Amortisation	–	–	9	–	9
Impairment	817,948	–	–	–	817,948
Written off	–	–	–	14,536	14,536
Exchange differences	–	–	1,700	–	1,700
At 31.12.2021	29,721,296	9,648,000	161,615	70,000	39,600,911
Net carrying amount					
At 31.12.2021	–	–	–	–	–
At 31.12.2020	817,948	–	9	14,536	832,493

Customer relationships

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

13. Intangible assets (cont'd)

Impairment testing of goodwill

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

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

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

	O&M HVAC	O&M Tele	Total
	$	$	$
31.12.2021			
Goodwill	–	–	–
31.12.2020			
Goodwill	–	817,948	817,948

The goodwill allocated to O&M HVAC and O&M Tele were fully impaired in 2020 and 2021 respectively.

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

	2021	2020	
	O&M Tele	O&M Tele	O&M HVAC
Long-term growth rates	1.0%	1.0%	1.0%
Pre-tax discount rates	9.5%	10.5%	11.0%

The key assumptions used in the value in use calculations are as follows:

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

Budgeted gross margins – Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are kept constant over the forecast period.

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

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

13. Intangible assets (cont'd)

Sensitivity to changes in assumptions

a. O&M HVAC

In 2020, goodwill has been fully impaired during the year for the O&M HVAC CGU. Other than the change in pre-tax discount rates, there has been a change in estimates, such as forecasted sales for the next year and revenue growth rates, in the discounted cashflow from prior year reflecting the current outlook for the CGU.

b. O&M Tele CGU

Based on discounted cashflow prepared, goodwill has been fully impaired during the year for the O&M Tele CGU. Other than the change in pre-tax discount rates, there has been a change in estimates, such as forecasted sales for the next year and revenue growth rates, in the discounted cashflow from prior year reflecting the current outlook for the CGU. The Group has fully written off its goodwill for the O&M Tele CGU in the current year. Management believes that there are no reasonably possible changes in any of the above key assumptions that would result in anything other than the full impairment of the goodwill.

As at 31 December 2020, the carrying amount exceeds the estimated recoverable amount by approximately $3,171,000 and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumptions for the recoverable amount at 31 December 2020 is discussed below:

Long-term growth rates - For 2020, management recognises that the growth rates could yield a reasonably possible alternative to the estimated long-term growth rate of 1.0%. A reduction of 0.5% in the long-term growth rate would result in further impairment of approximately $130,000 in 2020.

Pre-tax discount rates - For 2020, management recognises that the pre-tax discount rate could yield a reasonably possible alternative to the estimated pre-tax discount rate of 10.5%. An increase of 1% in the pre-tax discount rates would result in further impairment of approximately $382,000 in 2020.

14. Leases

As a lessee

The following are the amounts recognised in profit or loss:

	2021	2020
	$	$
Group		
Expenses relating to short-term leases	79,820	245,313

15. Investment in subsidiaries

	Company	
	2021	2020
	$	$
Shares, at cost	91,744,965	91,744,965
Less: Impairment losses	(91,744,965)	(87,285,393)
	–	4,459,572

The Group and the Company has the following subsidiaries:

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2021	2020
			%	%
Held by the Company				
Viking Offshore Global Pte. Ltd.*	Singapore	Investment holding	100	100
Viking HVAC Pte Ltd*	Singapore	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100

15. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2021	2020
			%	%
Held by the Company (cont'd)				
Promoter Hydraulics Pte Ltd*	Singapore	Manufacture and repair of marine engines and ship parts; retail and rental of marine equipment, marine accessories and parts	100	100
Viking Airtech Pte Ltd*	Singapore	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100
Marshal Systems Pte Ltd*	Singapore	Contractors for electronic and electrical engineering works	100	100
Viking Asset Management Pte. Ltd.*	Singapore	Investment holding	100	100
Held through Viking Asset Management Pte. Ltd.				
Viking LR1 Pte Ltd*	Singapore	Ownership and charter of assets	100	100
Viking LR2 Pte Ltd*	Singapore	Ownership and charter of assets	100	100
Viking Gold Pte Ltd*	Singapore	Ownership and charter of assets	100	100

15. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2021	2020
			%	%
Held through Viking Airtech Pte Ltd				
Viking Airtech (Yantai) Co., Ltd **	People's Republic of China	Marine air conditioning, manufacture, installation & design of marine refrigerating equipment maritime HVAC & R	100	100
Viking Offshore Malaysia Sdn Bhd **	Malaysia	Specialises in marine & offshore turkey HVAC & R systems	100	100
Viking Airtech (Shanghai) Co., Ltd**	People's Republic of China	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	49	49
PT Viking Offshore**	Indonesia	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100
Held through Marshal Systems Pte Ltd				
Marshal Offshore and Marine Engrg Co., Ltd **	People's Republic of China	Contractors for electronic and electrical engineering works	100	100

* Audited by Ernst & Young LLP, Singapore.

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

In 2019, the Company disposed 51% of its shareholding in Viking Airtech (Shanghai) Co., Ltd to a third party. As at 31 December 2021 and 2020, the Group has continued to consolidate Viking Airtech (Shanghai) Co., Ltd. as management has assessed that it still has control over the entity.

15. Investment in subsidiaries (cont'd)

Impairment testing of investment in subsidiaries

During the financial year, the Company recognised an impairment loss of $4,459,572 (2020: $14,965,548) as the recoverable amounts of subsidiaries are lower than the carrying amounts of investment in subsidiaries.

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

	2021	2020
Long-term growth rates	1.0%	1.0%
Pre-tax discount rates	9.5%	10.5%

The key assumptions used in the value in use calculations are as follows:

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

Budgeted gross margins – Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are kept constant over the forecast period.

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

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

Sensitivity to changes in assumptions

Based on discounted cashflow prepared, the Company's investment in subsidiaries have been fully impaired during the year. Other than the change in pre-tax discount rates, there has been a change in estimates, such as forecasted sales for the next year and revenue growth rates, in the discounted cashflow from prior year reflecting the current outlook for the investment. The Group has fully written off its investments in subsidiaries in the current year. Management believes that there are no reasonably possible changes in any of the above key assumptions that would result in anything other than the full impairment of the investments in subsidiaries.

As at 31 December 2020, the carrying amount exceeds the estimated recoverable amount by approximately $14,965,548 and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumptions for the recoverable amount at 31 December 2020 is discussed below:

Long-term growth rates - For 2020, management recognises that the growth rates could yield a reasonably possible alternative to the estimated long-term growth rate of 1.0%. A reduction of 0.5% in the long-term growth rate would result in further impairment of approximately $130,000 in 2020.

15. Investment in subsidiaries (cont'd)

Sensitivity to changes in assumptions (cont'd)

Pre-tax discount rates - For 2020, management recognises that the pre-tax discount rate could yield a reasonably possible alternative to the estimated pre-tax discount rate of 10.5%. An increase of 1% in the pre-tax discount rates would result in further impairment of approximately $382,000 in 2020.

16. Investment in associates

	Group	
	2021	2020
	$	$
Unquoted equity shares, at cost	15,408,641	15,408,641
Share of post-acquisition reserves	(5,769)	(5,769)
Impairment losses	(15,402,872)	(15,402,872)
	–	–

Details of the associates are as follows:

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2021	2020
			%	%
Held through a subsidiary				
Smart Earl Investment Limited*	Republic of Seychelles	Ownership and charter of assets	30	30
Quick Booms Investments Limited*	British Virgin Islands	Ownership and charter of assets	30	30

* Not required to be audited by its country of incorporation

Impairment testing

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

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

17. Quoted equity investments

Financial instruments

	Group 2021 $	Group 2020 $
At fair value through profit or loss		
Equity shares (quoted)	4	4
Net carrying amount		
Non-current	4	4

During the year, the Group has recognised impairment loss on quoted shares amounting to $ Nil (2020: $40,320).

18. Inventories

	Group 2021 $	Group 2020 $
Balance sheets:		
Raw materials	426,899	525,149
Work-in-progress	126,939	1,708,229
	553,838	2,233,378
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	2,224,792	7,112,107
Inclusive of the following charge:		
- Inventories written down	1,682,104	9,800,736
- Inventories written off	–	69,389

19. Trade receivables

	Group	
	2021	2020
	$	$
Trade receivables	1,255,260	19,142,822

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

For 2020, included in trade receivables are amounts due from customers pertaining to the past charter of the land rigs. As at 31 December 2020, the carrying amounts of these trade receivables, net of allowance for expected credit losses, was $16,305,701. Further, as at 31 December 2020, the Group has other payables and deposits due to these customers amounting $16,305,701 (Note 24). As at 31 December 2020, the Group had the legally enforceable right to set off the amounts due to or from each other but the arrangement to offset on a net basis had not been communicated by the Group to these customers. The Group had set off these amounts due to and from each other upon communication to these customers in 2021.

Trade receivables denominated in foreign currencies are as follows:

	Group	
	2021	2020
	$	$
United States Dollar	557,321	17,046,705
Chinese Renminbi	119,399	32,593
Malaysian Ringgit	73,043	108,213
Indonesian Rupiah	–	350,616

19. Trade receivables (cont'd)

Expected credit losses

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

	2021 Trade receivables $	2021 Other receivables and deposits $	2021 Contract assets $	2020 Trade receivables $	2020 Other receivables and deposits $	2020 Contract assets $
Group						
At 1 January	16,835,090	112,247	160,705	17,426,551	75,780	160,705
Charge for the year	174,900	–	1,094,439	96,123	36,467	–
Written off	–	–	–	(68,348)	–	–
Written back	(83,221)	–	–	–	–	–
Exchange differences	–	–	–	(619,236)	–	–
At 31 December	16,926,769	112,247	1,255,144	16,835,090	112,247	160,705
Company						
At 1 January	–	106,467	–	–	70,000	–
Charge for the year	–	–	–	–	36,467	–
At 31 December	–	106,467	–	–	106,467	–

20. Other receivables and deposits

	Group 2021 $	Group 2020 $	Company 2021 $	Company 2020 $
Deposits	186,604	110,857	117,100	60,100
Advances to employees	16,637	54,562	–	–
Advances to suppliers	62,950	142,515	–	–
GST receivables	63,125	–	7	–
Other receivables	308,080	850,458	124,090	214,576
Less: Allowance for expected credit loss	(112,247)	(112,247)	(106,467)	(106,467)
	525,149	1,046,145	134,730	168,209

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

21. Contract assets and contract liabilities

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

	Group		
	31 December 2021	31 December 2020	1 January 2020
	$	$	$
Contract assets	1,475,560	3,202,673	4,835,593
Contract liabilities	(1,357,633)	(937,562)	(2,899,078)
	117,927	2,265,111	1,936,515

The Group has recognised impairment losses on contract assets amounting to $1,094,439 (2020: $Nil) arising from contracts with customer. Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed on reporting date for project revenue. Contract assets are transferred to receivables when the rights become unconditional.

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

Contract liabilities are recognised as revenue as the Group performs under the contract. Revenue recognised in relation to contract liabilities

	Group	
	2021	2020
	$	$
Revenue recognised in current period that was in included in the contract liability balance at the beginning of the period		
- Project revenue	930,865	1,973,989

22. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Cash and bank balances	1,229,697	2,341,568	94,544	18,192
Short term deposit	140,836	217,036	–	–
Total cash and cash equivalents	1,370,533	2,558,604	94,544	18,192

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are placed for twelve months and earn interest rate. The weighted average effective interest rates as at 31 December 2021 for the Group were 2.5% (2020: 2.12% to 2.76%) per annum.

22. Cash and cash equivalents (cont'd)

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

	Group	
	2021	2020
	$	$
United States Dollar	362,682	1,030,702
Chinese Renminbi	142,947	223,490
Malaysian Ringgit	95,641	103,099
Euro	2,171	2,232
Indonesian Rupiah	130,559	69,570

23. Trade payables

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

Trade payables denominated in foreign currencies are as follows:

	Group	
	2021	2020
	$	$
United States Dollar	232,502	391,332
Euro	15,576	27,409
Chinese Renminbi	144,431	297,162
Malaysia Ringgit	180,267	176,289
Indonesia Rupiah	128,912	97,622

24. Other payables and accruals

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Accrued operating expenses	1,943,628	2,635,016	502,187	1,005,407
Accrued interest	–	9,445,466	–	–
Customers' deposits	179,864	5,462,945	–	–
Other payables	1,067,609	13,091,149	341,797	483,979
	3,191,101	30,634,576	843,984	1,489,386

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

Included in customers' deposits are amounts of $Nil (2020: $5,286,764) pertaining to the past charters of the land rigs.

For 2020, included in other payables are amounts of $11,018,937 due respectively to a customer mainly in relation to the purchase of a land rig (sales and leaseback arrangement).

25. Due to subsidiaries (non-trade)

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

26. Loans and borrowings

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Current liabilities				
Related party loan (Tembusu)	–	6,501,438	–	–
Related party loan (Blue Ocean Capital and Mr. Ng Yeau Chong)	1,490,000	–	1,490,000	–
Third party loans	–	2,160,000	–	–
	1,490,000	8,661,438	1,490,000	–

(i) Related party loan (Tembusu) carried interest at 20.00% (2020: 20.00%) per annum. The loan was restructured and reversed in 2021. The loan was secured by a corporate guarantee from the Company. The loan was settled during year as part of the Scheme of Arrangement.

(ii) Related party loans (Blue Ocean Capital and Mr. Ng Yeau Chong) pertain to interest-free loans from Blue Ocean Capital Partners Pte. Ltd. and Mr. Ng Yeau Chong (collectively, the "Lenders") amounting to $1,415,000 and $75,000 respectively. The Company had on or around 30 March 2022 entered into an agreement to extend the repayment date by a further one year. With the extension, the loans are due and payable in August 2023.

(iii) Third party loans carried interest at Nil% (2020: 8.00% to 8.50%) per annum. The loans has been in default since 2019. The loans are secured by a corporate guarantee from the Company. The loans were settled during year as part of the Scheme of Arrangement.

26. Loans and borrowings (cont'd)

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

	1.1.2021	Cash flows	Non-cash changes	31.12.2021
	$	$	$	$
Loans				
- Current	8,661,438	3,380,153	(10,551,591)	1,490,000
Redeemable exchangeable bonds				
- Current	7,155,858	(91,406)	(7,064,452)	–
	15,817,296	3,288,747	(17,616,043)	1,490,000

	1.1.2020	Cash flows	Non-cash changes	31.12.2020
	$	$	$	$
Loans				
- Current	25,922,398	(540,809)	(16,720,151)	8,661,438
Lease liabilities				
- Current	61,639	(61,639)	–	–
- Non-current	1,473,694	(202,833)	(1,270,861)	–
Redeemable exchangeable bonds				
- Current	7,155,424	–	434	7,155,858
	34,613,155	(805,281)	(17,990,578)	15,817,296

Included in the 'non-cash changes' column for loans and lease liabilities for the year ended 31 December 2021 are the amounts owed to a bank that was settled in connection with the discontinued operation (Note 9). Other than the above, the 'non-cash changes' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time and accretion of interests.

27. Redeemable exchangeable bonds

Bond 1

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

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

Bond 2

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

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

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

Upon the occurrence of an event of default or the failure to obtain certain approvals within the prescribed periods, the Group shall pay an amount giving the investors an internal rate of return of 20% per annum on the principal amount, together with any accrued and unpaid interest. The Group has accrued interest amounting to $3,555,764 after default.

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

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

The redeemable exchangeable bonds were settled during year as part of the Scheme of Arrangement.

27. Redeemable exchangeable bonds (cont'd)

The carrying amount of the liability component of the bonds at 31 December 2020 is arrived at as follows:

	Bond 1	Bond 2	Total
	$	$	$
Group			
2020			
Total face value	12,450,000	3,000,000	15,450,000
Derivative liability component	(1,712,331)	–	(1,712,331)
Liability component at initial recognition	10,737,669	3,000,000	13,737,669
Add: Accumulated amortisation of discount			
- Opening balance at 1 January	4,796,509	691,342	5,487,851
- Accumulated interest	434	–	434
- Closing balance at 31 December	4,796,943	691,342	5,488,285
Less:			
- Issuance of shares pursuant to conversion of the bonds	(4,591,918)	–	(4,591,918)
- Redemption of bonds	(7,478,178)	–	(7,478,178)
Liability component at 31 December 2020			
- Current	3,464,516	3,691,342	7,155,858

28. Share capital and treasury shares

(a) *Share capital*

	Group and Company			
	2021		2020	
	No. of shares	$	No. of shares	$
Issued and fully paid ordinary shares				
At 1 January	1,106,681,074	102,604,532	1,106,681,074	102,604,532
Share consolidation	(1,084,547,558)	–	–	–
Issuance of new shares	527,385,388	2,206,897	–	–
31 December	549,518,904	104,811,429	1,106,681,074	102,604,532

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

28. Share capital and treasury shares (cont'd)

(a) *Share capital (cont'd)*

(i) On 12 August 2021, the Company completed the share consolidation of every 50 existing ordinary shares in the capital of the Company into 1 ordinary share in the capital of the Company ("Consolidated Share"), and the issued share capital of the Company comprised 21,974,286 Consolidated Shares (excluding 159,230 treasury shares).

(ii) On 17 August 2021, the Company allotted and issued 477,943,013 placement shares to the placees, and 49,442,375 conversion shares to scheme creditors, and the total number of issued shares of the Company increased from 21,974,286 Consolidated Shares (excluding 159,230 treasury shares) to 549,359,674 Consolidated Shares (excluding 159,230 treasury shares).

	Group and Company			
	2021		2020	
	No. of shares	$	No. of shares	$
Total number of issued shares	549,518,904	104,811,429	1,106,681,074	102,604,532
Number of treasury shares	(159,230)	(527,775)	(7,961,500)	(527,775)
Net number of issued shares	549,359,674	104,283,654	1,098,719,574	102,076,757

(b) *Treasury shares*

	Group and Company			
	2021		2020	
	No. of shares	$	No. of shares	$
At 1 January and 31 December	(159,230)	(527,775)	(7,961,500)	(527,775)

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

29. Other reserves

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Foreign currency translation reserve (a)	(322,041)	(966,952)	–	–
Capital reserve (b)	114,056	114,056	19,548,945	114,056
Total other reserves	(207,985)	(852,896)	19,548,945	114,056

(a) *Foreign currency translation reserve*

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

	Group	
	2021	2020
	$	$
At 1 January	(966,952)	(1,520,541)
Net effect of exchange differences	644,911	553,589
At 31 December	(322,041)	(966,952)

(b) *Capital reserve*

Capital reserve relates to the gain recognised on reissuance of treasury shares and forgiveness of amounts due to/from related companies.

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
At 1 January	114,056	114,056	114,056	114,056
Forgiveness of amounts due to related companies	–	–	19,434,889	–
At 31 December	114,056	114,056	19,548,945	114,056

30. Related party transactions

(a) *Sale and purchase of goods and services*

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

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Income/(Expenses)				
Management fee income from subsidiaries	–	–	924,000	992,000
Finance cost from a related party	–	(3,070,296)	–	–

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Loan from related parties (Note 26)	1,490,000	6,501,438	1,490,000	–

(b) *Compensation of key management personnel*

	Group	
	2021	2020
	$	$
Short-term employee benefits	753,040	596,897
Central Provident Fund contributions	47,493	36,367
Total compensation paid to key management personnel	800,533	633,264
Comprise amounts paid to:		
- Directors of the Company	574,473	395,640
- Other key management personnel	226,060	237,624
	800,533	633,264

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

31. Commitments and contingencies

Guarantees

As at 31 December 2021, the Company has provided corporate guarantees totalling $Nil (2020: $15,816,468) to financial institutions in respect of credit facilities utilised by the subsidiaries.

32. Fair value of assets and liabilities

(a) *Fair value hierarchy*

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

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

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

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

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

	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	$	$	$	$
Group				
2021				
Assets measured at fair value				
Financial assets:				
Equity securities through profit or loss				
- Quoted equity instruments (Note 17)	4	–	–	4
Financial assets as at 31 December 2021	4	–	–	4

	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Group	$	$	$	$
2020				
Assets measured at fair value				
Financial assets:				
Equity securities through profit or loss				
- Quoted equity instruments (Note 17)	4	–	–	4
Financial assets as at 31 December 2020	4	–	–	4

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

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

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

33. Classification of financial assets and liabilities

Financial assets

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Fair value through profit or loss				
Quoted equity investments	4	4	4	4
Amortised cost				
Trade receivables	1,255,260	19,142,822	–	–
Other receivables and deposits	382,437	849,068	134,723	168,209
Cash and cash equivalents	1,370,533	2,558,604	94,544	18,192
	3,008,230	22,550,494	229,267	186,401

Financial liabilities

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Financial liabilities at amortised cost				
Trade payables	1,683,715	2,562,997	–	–
Other payables and accruals	3,191,101	30,634,576	843,984	1,489,386
Loans and borrowings	1,490,000	8,661,438	1,490,000	–
Due to subsidiaries (non-trade)	–	–	–	19,357,923
Redeemable exchangeable bonds	–	7,155,858	–	–
	6,364,816	49,014,869	2,333,984	20,847,309

34. Financial risk management objectives and policies

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

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

(a) *Credit risk*

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

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

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

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

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

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

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

(a) *Credit risk (cont'd)*

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

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

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

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

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

Trade receivables and contract assets

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

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

Information regarding the gross carrying amounts and loss allowance movement of trade receivables and contract assets are disclosed in Note 19 and Note 21 respectively.

Excessive risk concentration

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

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

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

(a) *Credit risk (Cont'd)*

Exposure to credit risk

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

- The carrying amount of each class of financial assets recognised in the balance sheets.
- A nominal amount of $Nil (2020: $15,816,468) relating to corporate guarantees provided by the Group to financial institutions in respect of credit facilities utilised by the subsidiaries.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are impaired is disclosed in Notes 19 and 20.

Credit risk concentration profile

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

	2021		2020	
	$	% of total	$	% of total
Group				
Trade receivables				
By country:				
Singapore	398,751	32%	1,522,620	8%
People's Republic of China	200,899	16%	4,593,502	24%
United Kingdom	54,708	4%	11,685,736	60%
Indonesia	256,439	20%	496,917	3%
Malaysia	174,692	14%	156,845	1%
Others	169,771	14%	687,202	4%
	1,255,260	100%	19,142,822	100%

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

(a) *Credit risk (cont'd)*

	2021		2020	
	$	% of total	$	% of total
Group				
Trade receivables				
By industry sectors:				
Corporate	–	*	–	*
Offshore and marine	1,255,260	100%	2,959,040	15%
Chartering services	–	*	16,183,782	85%
	1,255,260	100%	19,142,822	100%

** denotes less than 1%*

At the end of the reporting period, approximately 55% (2020: 4%) of the Group's trade receivables were due from five (2020: five) major customers.

(b) *Interest rate risk*

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

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 (2020: 50) basis points lower/higher with all other variables held constant, the Group's loss before tax would have been $Nil lower/higher (2020: $79,086 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a lower volatility as in prior years.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities.

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

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

Analysis of financial instruments by remaining contractual maturities

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

	1 year or less $	1 to 5 years $	After 5 years $	Total $
Group				
2021				
Financial assets:				
Quoted equity investments	–	–	4	4
Trade receivables	1,255,260	–	–	1,255,260
Other receivables and deposits	382,437	–	–	382,437
Cash and cash equivalents	1,370,533	–	–	1,370,533
Total undiscounted financial assets	3,008,230	–	4	3,008,234
Financial liabilities:				
Trade payables	1,683,715	–	–	1,683,715
Other payables and accruals	3,191,101	–	–	3,191,101
Loans and borrowings	1,490,000	–	–	1,490,000
Total undiscounted financial liabilities	6,364,816	–	–	6,364,816
Total net undiscounted financial (liabilities)/ assets	(3,356,586)	–	4	(3,356,582)
2020				
Financial assets:				
Quoted equity investments	–	–	4	4
Trade receivables	19,142,822	–	–	19,142,822
Other receivables and deposits	849,068	–	–	849,068
Cash and cash equivalents	2,558,604	–	–	2,558,604
Total undiscounted financial assets	22,550,494	–	4	22,550,498
Financial liabilities:				
Trade payables	2,562,997	–	–	2,562,997
Other payables and accruals	30,634,576	–	–	30,634,576
Loans and borrowings	8,661,438	–	–	8,661,438
Redeemable exchangeable bonds	7,155,858	–	–	7,155,858
Total undiscounted financial liabilities	49,014,869	–	–	49,014,869
Total net undiscounted financial (liabilities)/ assets	(26,464,375)	–	4	(26,464,371)

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

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

	1 year or less $	1 to 5 years $	After 5 years $	Total $
Company				
2021				
Financial assets:				
Quoted equity investments	–	–	4	4
Other receivables and deposits	134,730	–	–	134,730
Cash and cash equivalents	94,544	–	–	94,544
Total undiscounted financial assets	229,274	–	4	229,278
Financial liabilities:				
Other payables and accruals	843,984	–	–	843,984
Total undiscounted financial liabilities	843,984	–	–	843,984
Total net undiscounted financial liabilities	(614,710)	–	4	(614,706)
2020				
Financial assets:				
Quoted equity investments	–	–	4	4
Other receivables and deposits	168,209	–	–	168,209
Cash and cash equivalents	18,192	–	–	18,192
Total undiscounted financial assets	186,401	–	4	186,405
Financial liabilities:				
Other payables and accruals	1,489,386	–	–	1,489,386
Due to subsidiaries (non-trade)	19,357,923	–	–	19,357,923
Total undiscounted financial liabilities	20,847,309	–	–	20,847,309
Total net undiscounted financial (liabilities)/ assets	(20,660,908)	–	4	(20,660,904)

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

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Chinese Renminbi (RMB) and Malaysian Ringgit (MYR). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately 45% (2020: 40%) of the Group's sales are denominated in foreign currencies whilst almost 38% (2020: 42%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

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

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

Sensitivity analysis for foreign currency risk

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

		Group Increase/ (decrease) in loss before tax	
		2021	2020
		$	$
SGD	- strengthened 5% (2020: 5%)	(2,353)	(1,174,197)
	- weakened 5% (2020: 5%)	2,353	1,174,197
USD	- strengthened 5% (2020: 5%)	40,688	74,352
	- weakened 5% (2020: 5%)	(40,688)	(74,352)
RMB	- strengthened 5% (2020: 5%)	1,423	22,444
	- weakened 5% (2020: 5%)	(1,423)	(22,444)
Euro	- strengthened 5% (2020: 5%)	(671)	(1,259)
	- weakened 5% (2020: 5%)	671	1,259
MYR	- strengthened 5% (2020: 5%)	(693)	(4,138)
	- weakened 5% (2020: 5%)	693	4,138

35. Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020. The Group is not subject to any externally imposed capital requirements.

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

	Group	
	2021	2020
	$	$
Total debt	6,364,816	49,014,869
Less: Cash and cash equivalents (Note 22)	(1,370,533)	(2,558,604)
Net debt	4,994,283	46,456,265
Equity attributable to the owners of the Company	(2,385,576)	(20,633,349)
Total capital	(2,385,576)	(20,633,349)
Capital and net debt	2,608,707	25,822,916
Gearing ratio	191%	180%

36. Segmental information

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

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

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

36. Segmental information (cont'd)

	Offshore and Marine		Chartering Services		Corporate		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2021	2020	2021	2020	2021	2020	2021	2020		2021	2020
	$	$	$	$	$	$	$	$		$	$
Revenue:											
External customers	10,776,280	17,186,656	–	–	–	–	–	–		10,776,280	17,186,656
Inter-segment	9,362	654,978	924,000	–	–	992,000	933,362	(1,646,978)	A	–	–
Total revenue	10,785,642	17,841,634	–	–	–	992,000	933,362	(1,646,978)		10,776,280	17,186,656
Results:											
Interest income	4,580	7,348	–	27	–	–	–	–		4,580	7,375
Depreciation and amortisation	118,683	149,263	3,336	–	–	1,401	–	13,600		122,019	152,586
Impairment of non-financial assets	1,696,640	613,111	–	8,925,050	5,277,520	–	(4,459,572)	6,413,963		2,514,588	15,952,124
Other non-cash expenses	–	1,260,494	–	(300,611)	–	107,225	–	–	B	–	1,067,108
Segment (loss)/profit	(4,404,881)	(2,506,130)	41,402,552	(15,092,524)	(7,543,805)	(17,541,086)	(14,007,395)	9,763,635		15,446,471	(25,376,105)
Assets:											
Additions to non-current assets	50,881	26,014	–	–	–	7,740	–	–	C	50,881	33,754
Segment assets	4,978,505	15,449,339	3,649	46,920,753	254,597	4,668,211	97,343	(37,764,726)	D	5,334,094	29,273,577
Segment liabilities	(6,436,492)	(11,417,820)	(494,534)	(102,533,566)	(853,765)	(20,858,878)	1,552,342	84,850,696	E	(6,232,449)	(49,959,568)

36. Segmental information (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses consist share-based payments, inventories written-down, provisions, and impairment of financial assets as presented in the respective notes to the financial statements.

C Additions to non-current assets consist of additions to property, plant and equipment, intangible assets and investment in quoted and unquoted equities.

D The following items are deducted from segment assets to arrive at total assets reported in the consolidated balance sheets:

	2021 $	2020 $
Inter-segment assets	97,343	(37,764,726)
Deferred tax assets	–	–

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

	2021 $	2020 $
Deferred tax liabilities	–	572
Tax payable	–	6,565
Loans and borrowings	1,490,000	8,661,438
Inter-segment liabilities	(1,552,342)	(84,850,696)

36. Segmental information (cont'd)

Geographical information

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

	Revenues		Non-current assets	
	2021	2020	2021	2020
	$	$	$	$
Australia	423,225	317,806	–	–
Europe	313,562	333,023	–	–
Indonesia	1,644,886	2,916,468	938	1,949
Malaysia	458,850	723,927	3,103	5,446
Middle East	348,023	1,036,059	–	–
People's Republic of China	1,395,501	1,401,782	2,770	3,729
Singapore	5,977,930	10,304,323	63,606	962,606
Vietnam	96,075	25,095	–	–
Others	118,228	128,173	–	–
	10,776,280	17,186,656	70,417	973,730

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

Information about major customers

Revenue from three (2020: three) customers amounting to $2,229,736 (2020: $5,564,095) arise from project revenue by the offshore and marine segment (2020: offshore and marine segment).

37. Events occurring after the reporting period

(a) The Company had on 27 January 2022 issued and allotted 10,897,143 new ordinary shares in the capital of the Company to a placee at an issued price of $0.0801 for each share, raising gross proceeds of approximately $880,000.

(b) The Company had on 23 March 2022 entered into an interest-free loan agreement with Irelia Management Sdn. Bhd., a substantial shareholder of the Company, amounting to MYR600,000 (approximately $192,815), repayable in 24 months from the loan drawdown date for working capital purposes. The funds from the loan was received by the Group on or about 28 March 2022.

(c) The Company had on 23 March 2022 entered into an interest-free loan agreement with Subtleway Management Sdn. Bhd., a substantial shareholder of the Company, amounting to MYR800,000 (approximately $257,087), repayable in 24 months from the loan drawdown date for working capital purposes. The funds from the loan was received by the Group on or about 28 March 2022.

(d) The Company had on 23 March 2022 entered into an interest-free loan agreement with Mr. Toh Kok Soon, a substantial shareholder of the Company, amounting to $600,000, repayable in 24 months from the loan drawdown date for working capital purposes. The funds from the loan was received by the Group on or about 31 March 2022.

(e) As at the 31 December 2021, the interest-free loans owing to Blue Ocean Capital Partners Pte. Ltd. and Mr. Ng Yeau Chong (collectively, the "Lenders") were $1,490,000. The loans were repayable in August 2022 and were classified as current liabilities within the balance sheets of the Group. The Company had on or around 30 March 2022 entered into an agreement to extend the repayment date of the interest-free loans from the Lenders by another 12 months. This effectively extends the repayment date of the loans from the Lenders to August 2023;

(f) The Company had, on 28 March 2022 announced the following corporate proposals comprising:

 (i) the proposed renounceable non-underwritten rights cum warrants issue of up to 140,574,153 new ordinary shares of the Company with up to 281,148,306 free detachable and transferrable warrants;

 (ii) the proposed placement of placement of up to 300,000,000 new ordinary shares in the capital of the Company at an issue price of S$0.05 for each placement share, by way of a placement;

 (iii) the proposed diversification of the existing core business of the Group, being that of offshore and marine, chartering services and corporate businesses to include supply chain management and lifestyle retail businesses;

 (iv) the proposed change of name of the Company to "9R Limited"; and

 (v) the proposed disposal of the entire shareholding interest of the Company in its wholly-owned subsidiaries of the Company, namely, Viking Airtech Pte. Ltd and Viking HVAC Pte. Ltd to Acapella Energy Pte. Ltd., pursuant to a sale and purchase agreement dated 27 March 2022 entered into by the Company and Acapella Energy Pte. Ltd., a company wholly-owned by a director of the Company.

 The corporate proposals are subject to, *inter alia*, the approval of shareholders of the Company at an extraordinary general meeting to be convened by the Company.

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

(g) The Company had, on 19 January 2022 incorporated a wholly-owned subsidiary, Diverse Supply Chain Sdn. Bhd. ("**DSC**"), with an issued and paid-up share capital of RM1,000,000 (approximately $324,238) of which, RM450,000 (approximately $145,905) is paid through an interest free loan with Synergy Supply Chain Management Sdn. Bhd. The 24 months interest free loan agreement was entered into by the Company and Synergy Supply Chain Management Sdn. Bhd. on 15 February 2022. DSC's nature of business includes wholesale, trading, sale, supply and distribution of industrial apparels, sophisticated hardware, robotics, pharmaceutical products, cosmetics, health supplements and related products.

38. Authorisation of financial statements

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 14 April 2022.

AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2020

Independent Auditor's Report

For the financial year ended 31 December 2020

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

Report on the audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Viking Offshore and Marine Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2020, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

The Group incurred a net loss of $26,088,085 during the financial year ended 31 December 2020 and as at that date, the Group's and the Company's current liabilities exceeded its current assets by $21,659,153 and $20,645,958 respectively. As at 31 December 2020, the Group's total borrowings amounting to $15,817,296 were in default and were classified as current liabilities, and exceeded its cash and bank balances of $2,558,604 as at 31 December 2020. Additionally, as disclosed in Note 2.1 to the financial statements, the finalization of the proposed scheme of arrangement, which have been approved by the High Court, and the conditional share placement of $2,000,000 in new ordinary shares and loan agreement for an interest-free of $1,000,000 with two potential investors to the Company are subject to various conditions, amongst others, the approval of shareholders at an extraordinary general meeting and the receipt of the said funding. These conditions and events indicate the existence of material uncertainties which may cast significant doubt on the abilities of the Group and the Company to continue as going concerns.

The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 2.1 to the financial statements. However, based on the information available to us, we have not been able to obtain sufficient audit evidence to satisfy ourselves as to the appropriateness of the use of the going concern assumption in the preparation of the financial statements as the outcome of the proposed Scheme and other mitigation plans are yet to be concluded satisfactorily as at the date of these financial statements and is inherently uncertain.

The carrying values of the assets as recorded on the balance sheets of the Group and the Company as at 31 December 2020 have been determined based on their continuation as going concern and recovery in the normal course of business. If the going concern assumption is not appropriate and the financial statements were prepared on a realisation basis, the carrying values of assets and liabilities may be materially different from that currently recorded in the balance sheets. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets.

Independent Auditor's Report

For the financial year ended 31 December 2020

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

11 June 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020 $	2019 $
Continuing operations			
Revenue	4	17,186,656	21,272,913
Cost of sales		(12,205,644)	(15,294,359)
Gross profit		4,981,012	5,978,554
Other items of income			
Other income	5	1,390,607	185,250
Finance income	8	7,375	14,431
Other items of expense			
Marketing and distribution expenses		(127,431)	(304,949)
Administrative expenses		(7,844,675)	(8,294,192)
Other operating expenses	6(a)	(16,652,185)	(22,306,181)
Impairment losses on financial assets, net	6(c)	(175,278)	(4,305,489)
Finance costs	8	(6,955,530)	(2,449,100)
Loss before tax from continuing operations	6	(25,376,105)	(31,481,676)
Income tax (expense)/credit	10	(84,825)	127,488
Loss for the year from continuing operation		(25,460,930)	(31,354,188)
Discontinued operations			
Loss after tax for the year from discontinued operations	9	(627,155)	(634,788)
Loss for the year		(26,088,085)	(31,988,976)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		553,589	(176,310)
Other comprehensive income for the year, net of tax	29(a)	553,589	(176,310)
Total comprehensive income for the year		(25,534,496)	(32,165,286)
Loss attributable to:			
Owners of the Company, net of tax		(26,046,209)	(31,978,210)
Non-controlling interest		(41,876)	(10,766)
		(26,088,085)	(31,988,976)
Total comprehensive income attributable to:			
Owners of the Company, net of tax		(25,492,918)	(32,154,520)
Non-controlling interest		(41,876)	(10,766)
		(25,534,794)	(32,165,286)
Loss per share (cents per share)			
- Basic	11	(2.37)	(2.91)
- Diluted	11	(2.37)	(2.91)

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

Balance Sheets

As at 31 December 2020

	Note	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Non-current assets					
Property, plant and equipment	12	141,237	19,426,840	7,284	947
Intangible assets	13	832,493	7,207,258	–	–
Right-of-use asset	14	–	1,440,772	–	–
Investment in subsidiaries	15	–	–	4,459,572	29,505,120
Investment in associates	16	–	–	–	–
Quoted equity investments	17	4	40,324	4	40,324
		973,734	28,115,194	4,466,860	29,546,391
Current assets					
Inventories	18	2,233,378	13,137,110	–	–
Trade receivables	19	19,142,822	24,116,978	–	–
Prepayments		116,221	39,188	14,950	14,287
Other receivables and deposits	20	1,046,145	1,223,580	168,209	66,660
Contract assets	21	3,202,673	4,835,593	–	–
Due from subsidiaries (non-trade)	25	–	–	–	36,467
Cash and cash equivalents	22	2,558,604	2,364,347	18,192	25,078
		28,299,843	45,716,796	201,351	142,492
Current liabilities					
Trade payables	23	2,562,997	5,666,459	–	–
Contract liabilities	21	937,562	2,899,078	–	–
Other payables and accruals	24	30,634,576	24,908,421	1,489,386	997,332
Tax payable		6,565	11,126	–	–
Due to subsidiaries (non-trade)	25	–	–	19,357,923	27,332,355
Lease liabilities	14	–	61,639	–	–
Loans and borrowings	26	8,661,438	25,922,398	–	–
Redeemable exchangeable bonds	27	7,155,858	7,155,424	–	–
		49,958,996	66,624,545	20,847,309	28,329,687
Net current liabilities		(21,659,153)	(20,907,749)	(20,645,958)	(28,187,195)
Non-current liabilities					
Deferred tax liabilities	10	572	885,246	–	–
Lease liabilities	14	–	1,473,694	–	–
		572	2,358,940	–	–
Net (liabilities)/ assets		(20,685,991)	4,848,505	(16,179,098)	1,359,196
Equity					
Share capital	28(a)	102,604,532	102,604,532	102,604,532	102,604,532
Treasury shares	28(b)	(527,775)	(527,775)	(527,775)	(527,775)
Reserves		(122,710,106)	(97,217,486)	(118,255,855)	(100,717,561)
Equity attributable to equity holders of the parent		(20,633,349)	4,859,271	(16,179,098)	1,359,196
Non-controlling interest		(52,642)	(10,766)	–	–
Total equity		(20,685,991)	4,848,505	(16,179,098)	1,359,196

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

Statements of Changes in Equity

For the year ended 31 December 2020

2020 Group	Note	Share capital (Note 28(a)) $	Treasury shares (Note 28(b)) $	Accumulated profits $	Other reserves (Note 29) $	Total reserves $	Equity attributable to owners of the Company, total $	Non-controlling interest $	Total equity $
		Attributable to owners of the Company							
As at 1 January 2020		102,604,532	(527,775)	(95,811,001)	(1,406,485)	(97,217,486)	4,859,271	(10,766)	4,848,505
Loss for the year			–	(25,419,054)	–	(25,419,054)	(25,419,054)	(41,876)	(25,460,930)
Other comprehensive income									
Foreign currency translation	29	–	–	–	553,589	553,589	553,589	–	553,589
Other comprehensive income for the year, net of tax		–	–	–	553,589	553,589	553,589	–	553,589
Total comprehensive income for the year		–	–	(25,419,054)	553,589	(24,865,465)	(24,865,465)	(41,876)	(24,907,341)
Changes in ownership interests in subsidiary									
Disposal of subsidiary		–	–	(627,155)	–	(627,155)	(627,155)	–	(627,155)
At 31 December 2020		102,604,532	(527,775)	(121,857,210)	(852,896)	(122,710,106)	(20,633,349)	(52,642)	(20,685,991)

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

Statements of Changes in Equity (cont'd)

For the year ended 31 December 2020

2019 Group	Note	Attributable to owners of the Company						Non-controlling interest	Total equity
		Share capital (Note 28(a))	Treasury shares (Note 28(b))	Accumulated profits	Other reserves (Note 29)	Total reserves	Equity attributable to owners of the Company, total		
		$	$	$	$	$	$	$	$
As at 1 January 2019		102,604,532	(527,775)	(63,832,791)	(1,230,175)	(65,062,966)	37,013,791	–	37,013,791
Loss for the year		–	–	(31,343,422)	–	(31,343,422)	(31,343,422)	(10,766)	(31,354,188)
Other comprehensive income									
Foreign currency translation	29	–	–	–	(176,310)	(176,310)	(176,310)	–	(176,310)
Other comprehensive income for the year, net of tax		–	–	–	(176,310)	(176,310)	(176,310)	–	(176,310)
Total comprehensive income for the year		–	–	(31,343,422)	(176,310)	(31,519,732)	(31,519,732)	(10,766)	(31,530,498)
Changes in ownership interests in subsidiary									
Disposal of subsidiary		–	–	(634,788)	–	(634,788)	(634,788)		(634,788)
At 31 December 2019		102,604,532	(527,775)	(95,811,001)	(1,406,485)	(97,217,486)	4,859,271	(10,766)	4,848,505

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

Statements of Changes in Equity (cont'd)

For the year ended 31 December 2020

	Attributable to owners of the Company					Total equity
2020 Company	**Share capital (Note 28(a))**	**Treasury shares (Note 28(b))**	**Accumulated profits**	**Other reserves (Note 29)**	**Total reserves**	
	$	$	$	$	$	$
At 1 January 2020	102,604,532	(527,775)	(100,831,617)	114,056	(100,717,561)	1,359,196
Loss for the year, representing total comprehensive income for the year	–	–	(17,538,294)	–	(17,538,294)	(17,538,294)
At 31 December 2020	102,604,532	(527,775)	(118,369,911)	114,056	(118,255,855)	(16,179,098)
2019 Company						
At 1 January 2019	102,604,532	(527,775)	(59,103,933)	114,056	(58,989,877)	43,086,880
Loss for the year, representing total comprehensive income for the year	–	–	(41,727,684)	–	(41,727,684)	(41,727,684)
At 31 December 2019	102,604,532	(527,775)	(100,831,617)	114,056	(100,717,561)	1,359,196

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

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Loss before tax from continuing operations		(25,376,105)	(31,481,676)
Loss before tax from discontinued operation	9	(707,728)	(655,046)
Adjustments for:			
Amortisation of intangible assets	6(a)	10,046	16,984
Gain on disposal of subsidiary	9	(758,319)	–
Depreciation of property, plant and equipment		1,481,408	1,881,066
Depreciation of right-of-use assets		99,305	119,167
Impairment loss on contract asset	6(a)	–	160,705
Impairment loss on trade receivables		96,123	4,305,489
Impairment loss on other receivables		36,467	–
Loss/(gain) on disposal of plant and equipment		1,518	(161)
Write back of allowance for doubtful debt	5	–	(99,597)
Interest expense		8,064,780	3,419,771
Interest income	8	(7,375)	(14,431)
Inventories written down	6(a)	9,800,736	13,439,052
Intangible assets written down	6(a)	20,337	–
Inventories written off	6(a)	69,389	1,407,752
Impairment loss on goodwill	6(a)	6,344,574	6,285,774
Unrealised exchange loss		444,648	79,082
Fair value loss on quoted equity investments	6(a)	–	10,085
Impairment loss on quoted equity investment	6(a)	40,320	–
Operating cashflows before working capital changes		(339,876)	(1,125,984)
Changes in working capital:			
Inventories		1,033,606	315,406
Trade receivables		4,809,445	(1,046,393)
Other receivables, deposits and prepayments		(140,073)	(109,618)
Contract assets		1,632,920	1,600,938
Trade payables		(3,107,072)	2,545,260
Other payables and accruals		(913,805)	(2,069,395)
Contract liabilities		(1,794,008)	83,621
Cash flows from operations		1,181,137	193,835
Interest received		7,375	14,431
Income taxes paid		(450)	(11,112)
Net cash flows generated from operating activities		1,188,062	197,154

Consolidated Cash Flow Statement (cont'd)

For the year ended 31 December 2020

	Note	2020 $	2019 $
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(33,754)	(15,514)
Proceeds from disposal of property, plant and equipment		–	43,211
Net cash outflow from disposal of subsidiary		(129,293)	–
Cash flows (used in)/from investing activities		(163,047)	27,697
Cash flows from financing activities			
Interest paid		–	(262,249)
Payment of principal portion of lease liabilities		(264,472)	(301,905)
Repayment of bank borrowings		(540,809)	(844,153)
Cash flows used in financing activities		(805,281)	(1,408,307)
Net decrease in cash and cash equivalents		219,734	(1,183,456)
Effects of exchange rate changes on cash and cash equivalents		(25,477)	(56,141)
Cash and cash equivalents at beginning of year		2,364,347	3,603,944
Cash and cash equivalents at end of year	22	2,558,604	2,364,347

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

1. Corporate information

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

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

The principal activities of the Company are the provision of management and other services to related companies and investment holding. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

Going concern

The Group incurred a net loss of $26,088,085 (2019: $31,988,976) during the financial year ended 31 December 2020 and as at that date, the Group's and the Company's current liabilities exceeded its current assets by $21,659,153 and $20,645,958 respectively (2019: $20,907,749 and 28,187,195). As at 31 December 2020, the Group's total borrowings (made up of loans and borrowings and redeemable exchangeable bonds) amounting to $15,817,296 (2019: $33,077,822) were classified as current liabilities. The Group's total borrowings that are due for repayment in the next 12 months exceeded its cash and bank balances of $2,558,604 (2019: $2,364,347) as at 31 December 2020.

Further, in June 2019, the High Court of Singapore had granted a moratorium against enforcement actions and legal proceedings by creditors against the Company and a wholly-owned subsidiary of the Company, Viking Asset Management Pte. Ltd. pursuant to section 211B and section 211C respectively of the Companies Act, Chapter 50.. Since then, the Company and the subsidiary have been undergoing a court-supervised process to reorganise their liabilities. In February 2021, the Company proposed a scheme of arrangement (the "Scheme") involving the settlement of the amounts owing which was accepted by its creditors and for which the High Court has approved. In addition, the Company entered into a conditional share placement and loan agreement with two potential investors for a placement of $2,000,000 in new shares and an additional interest-free loan of $1,000,000 to the Company. Both the finalisation of the proposed Scheme and the proposed placement of shares and loan agreement are subject to various conditions, amongst others, the approval of shareholders at an extraordinary general meeting and the receipt of the said funding.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.1 *Basis of preparation (cont'd)*

Going concern (cont'd)

The above conditions and events indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2020 is still appropriate after taking into consideration the following assumptions and measures:

a. The Company had, on 22 February 2021, proposed a scheme of arrangement to its creditors pursuant to Section 71 of the Insolvency, Restructuring and Dissolution Act 2018. Voting on the Scheme concluded on 13 April 2021 and the Scheme was approved by the requisite majorities of creditors. The High Court had on 28 May 2021 sanctioned and approved the Scheme. The Order of the Court sanctioning the Scheme was lodged to the Accounting and Corporate Regulatory Authority on 10 June 2021. Accordingly, the Scheme has commenced on 10 June 2021 and the moratorium provided for in the Scheme on the commencement, continuation or enforcement of proceedings against (i) the Company, and/or (ii) any current direct or indirect subsidiary or subsidiary undertaking of the Company, has come into effect and will continue for the duration of the Scheme in respect of the liabilities contemplated to be resolved under the terms of the Scheme. The finalisation of the Scheme is subjected to shareholder approval at an extraordinary general meeting and the completion of share placement agreement;

b. The Company had on 1 February 2021 entered into a conditional placement and loan agreement with Blue Ocean Capital Partners Pte. Ltd. and Mr. Ng Yeau Chong (collectively, the "Investors") in relation to a proposed placement of shares in the Company for an aggregate consideration of $2,000,000 ("Proposed Placement") and subject to the completion of the Proposed Placement occurring, the grant by the Investors to the Company of secured interest-free shareholders' loan of total $1,000,000 repayable 12 months from the loan drawdown (the "Loan")

   The Proposed Placement and the Loans will provide funds to the Company to facilitate the restructuring of its debts and liabilities as part of the Scheme. The Proposed Placement is subject to, amongst others, approval from the shareholders at an extraordinary general meeting as well as the finalisation of the Scheme;

c. The Group is taking active steps in containing costs and continue to explore its assets divestment plan to pare down its liabilities; and

d. The Group expects that it will generate adequate cash flows from operations and secure sufficient financing from potential investors to meet its obligations as and when they fall due.

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.1 *Basis of preparation (cont'd)*

Going concern (cont'd)

The carrying values of the assets as recorded on the balance sheets of the Group and the Company as at 31 December 2020 have been determined based on their continuation as going concern and recovery in the normal course of business. If the going concern assumption is not appropriate and the financial statements were prepared on a realisation basis, the carrying values of assets and liabilities may be materially different from that currently recorded in the balance sheets. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year, except in the current financial period, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2020. The adoption of these standards did not have any effect on the financial performance or position of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.3 *Standards issued but not yet effective*

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

Description	**Effective for annual periods beginning on or after**
Amendment to SFRS(I) 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021	1 June 2020
Amendments to SFRS(I) 9 Financial Instrumenrs, SFRS(I) 1-39 Financial Instruments: Recognition and Measurement, SFRS(I) 7 Financial Instruments: Disclosures, SFRS(I) 4 Insurance Contracts, SFRS(I) 16 Leases: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to SFRS(I) 3: Business Combination: Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-16: Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1- 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

(b) *Business combinations and goodwill*

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

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

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

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

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

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

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

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

2.5 *Foreign currency*

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

(a) *Transactions and balances*

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

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

Notes to the Financial Statements
For the financial year ended 31 December 2020

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

2.5 *Foreign currency (cont'd)*

(a) *Transactions and balances (cont'd)*

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

2.6 *Property, plant and equipment*

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

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

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

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

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

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

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

2.7 *Intangible assets*

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

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

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

Notes to the Financial Statements
For the financial year ended 31 December 2020

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

2.7 *Intangible assets (cont'd)*

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

(i) *Customer relationships*

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

(ii) *Software*

An acquired software is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributed cost of preparing the asset for its intended use. These costs are amortised to the profit or loss using the straight-line method over their estimated useful lives of 10 years. The remaining amortisation period of software is nil year (2019: 1 years).

(iii) *Club membership*

Club membership was acquired separately and is amortised on a straight line basis over its finite useful life of 28 years. The remaining amortisation period of club membership is 14 years (2019: 15 years).

2.8 *Impairment of non-financial assets*

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.8 *Impairment of non-financial assets (cont'd)*

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

2.9 *Subsidiaries*

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

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

2.10 *Associates*

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

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.11 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

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

Amortised cost

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

Investments in equity instruments

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

Derecognition

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.11 *Financial instruments (cont'd)*

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

(ii) *Financial liabilities at amortised cost*

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

De-recognition

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

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.12 *Impairment of financial assets*

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

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

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

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

2.13 *Cash and cash equivalents*

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

2.14 *Inventories*

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

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

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

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

Notes to the Financial Statements
For the financial year ended 31 December 2020

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

2.15 *Provisions*

General

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

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

Warranty provisions

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

2.16 *Borrowing costs*

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

2.17 *Redeemable exchangeable bonds*

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.18 *Employee benefits*

(a) *Defined contribution plans*

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

(b) *Employee leave entitlement*

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

(c) *Employee equity compensation plans*

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

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

2.19 *Leases*

(a) *As lessor*

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

Notes to the Financial Statements
For the financial year ended 31 December 2020

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

2.20 *Revenue*

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

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

(a) *Sale of goods*

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

(b) *Project revenue*

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.20 *Revenue (cont'd)*

(c) *Rendering of services*

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

(d) *Rental income from equipment and industrial space*

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

(e) *Chartering services*

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

(f) *Management fee*

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

(g) *Dividend income*

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

(h) *Interest income*

Interest income is recognised using the effective interest method.

2.21 *Taxation*

(a) *Current income tax*

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

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

Notes to the Financial Statements
For the financial year ended 31 December 2020

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

2.21 *Taxation (cont'd)*

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.21 *Taxation (cont'd)*

(c) *Sales tax*

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

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

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

2.22 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 *Share capital and share issuance expenses*

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

2.24 *Treasury shares*

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

2.25 *Government grants*

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

3. Significant accounting judgements and estimates

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

(a) *Judgements made in applying accounting policies*

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

(b) *Key sources of estimation uncertainty*

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

(i) Revenue recognition from projects

The Group recognises project revenue by when control over the products has been transferred to the customer over time, by reference to the stage of completion of the contract activity at end of reporting period (the percentage of completion method). The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of contract assets and contract liabilities at the end of each reporting period are disclosed in Note 21 to the financial statements. If the estimated total contract cost had been 5% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been $2,755,010 (2019: $1,509,510) lower and $3,693,060 (2019: $1,942,689) higher respectively.

(ii) Impairment of goodwill and investment in subsidiaries

As disclosed in Notes 13 and 15 to the financial statements, the recoverable amounts of the cash generating units which goodwill and costs of investment in subsidiaries have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Notes 13 and 15 to the financial statements.

The carrying amounts of the goodwill and investment in subsidiaries as at 31 December 2020 are $817,948 (2019: $7,162,522) and $4,459,572 (2019: $29,505,120) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

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

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Notes 19 and 21.

The carrying amount of trade receivables and contract assets as at 31 December 2020 are $19,142,822 and $3,202,673 (2019: $24,116,978 and $4,835,593) respectively.

(iv) Allowance for inventory obsolescence

Allowance for inventory obsolescence is estimated based on the best available facts and circumstances, including but not limited to, the inventories own physical conditions, their market selling prices, and estimated costs to be incurred for their sales. The allowances are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Company's inventories at the end of the reporting period is disclosed in Note 18 to the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2020

4. Revenue

(a) Disaggregation of revenue

Segments	Offshore and marine	
	2020	2019
	$	$
Group		
Primary geographical markets		
Australia	317,806	6,676
Europe	333,023	1,763,203
Indonesia	2,916,468	1,846,075
Malaysia	723,927	1,682,847
Middle East	1,036,059	1,120,386
People's Republic of China	1,401,782	1,693,716
Singapore	10,304,323	12,395,586
Vietnam	25,095	202,036
Others	128,173	562,388
	17,186,656	21,272,913
Major service lines		
Sale of goods	6,548,579	4,741,054
Project revenue	8,020,558	13,631,332
Rendering services	2,617,519	2,900,527
	17,186,656	21,272,913
Timing of transfer of goods or services		
At a point in time	6,548,579	4,741,054
Over time	10,638,077	16,531,859
	17,186,656	21,272,913

(b) Recognition of project revenue over time

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

5. Other income

	Group	
	2020	2019
	$	$
Government grants	776,565	15,882
Gain on disposal of plant and equipment	–	161
Rental income	9,463	16,600
Sale of scrap material	26,028	4,652
Recharge of utilities	–	14,379
Slow moving stock recovery	15,370	–
Write back of allowance for doubtful debts	–	99,597
Gain from final settlement from legal dispute	470,766	–
Others	92,415	28,979
	1,390,607	180,250

6. Loss before tax from continuing operations

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

	Group	
	2020	2019
	$	$
(a) *Other operating expenses include:*		
Depreciation of property, plant and equipment	152,586	236,416
Amortisation of intangible assets	10,046	16,984
Intangible assets written down	20,337	–
Inventories written down	9,800,736	13,439,052
Inventories written off	69,389	1,407,752
Fair value loss on quoted equity investments	–	10,085
Impairment loss on contract asset	–	160,705
Impairment loss on goodwill	6,344,574	6,285,774
Foreign exchange loss, net	528,863	68,923
Impairment loss on quoted equity investment	40,320	–
Write-off of advances to suppliers	–	337,024

Notes to the Financial Statements

For the financial year ended 31 December 2020

6. Loss before tax from continuing operations (cont'd)

	Group 2020 $	Group 2019 $
(b) *Other disclosure items:*		
Audit fees paid to:		
- Auditors of the Company	142,250	142,250
- Other auditors	10,772	13,255
Employee benefits expense (Note 7)	5,257,281	5,470,894
Operating lease expenses relating to short-term leases (Note 14)	245,313	267,393
(c) *Impairment loss on financial assets, net:*		
Impairment loss on trade and other receivables, net	132,590	4,305,489

7. Employee benefits

	Group 2020 $	Group 2019 $
Salaries and bonuses	4,463,483	4,385,406
Central Provident Fund contributions	543,849	683,273
Other short-term benefits	249,949	402,559
	5,257,281	5,471,238

These include the amount shown as key management personnel compensation in Note 30(b).

8. Finance income/(costs)

	Group 2020 $	Group 2019 $
Finance income:		
Interest income on:		
- fixed deposits	7,375	14,431

Notes to the Financial Statements

For the financial year ended 31 December 2020

8. Finance income/(costs) (cont'd)

	Group	
	2020	2019
	$	$
Finance costs:		
Interest expense on:		
- loans and borrowings	3,399,766	1,592,236
- redeemable exchangeable bonds	3,555,764	856,864
	6,955,530	2,449,100

9. Discontinued operations

On 30 October 2020, the Group completed the disposal of the entire issued share capital of its wholly owned subsidiary, Viking Facilities Management and Operation Pte Ltd ("VFMO"). The entire results from the disposal group are presented separately on the consolidated statement of comprehensive income as "discontinued operations".

The summarised financial information of the discontinued operations are as follows:

	2020	2019
	$	$
Revenue	1,540,360	2,420,931
Other income	252,132	200,735
Administrative expenses	(608,095)	(892,572)
Other operating expenses	(1,039,451)	(1,297,404)
Impairment losses on financial assets	(115,449)	(116,065)
Finance costs	(1,109,250)	(970,671)
Unrealised exchange gain	2,383	–
Fair value adjustments on depreciation	(388,677)	–
Gain on disposal of subsidiary	758,319	–
Loss before tax from discontinued operations	(707,728)	(655,046)
Income tax credit	80,573	20,258
Loss from discontinued operations, net of tax	(627,155)	(634,788)

Notes to the Financial Statements
For the financial year ended 31 December 2020

9. Discontinued operations (cont'd)

The book value of assets and liabilities as at date of disposal on 30 October 2020 are as follows:

	$
Assets	
Property, plant and equipment	17,838,567
Right-of-use assets	1,341,467
Trade and other receivables	126,498
Cash and cash equivalents	129,293
	19,435,825
Liabilities	
Borrowings	(16,103,458)
Other payables and accruals	(451,591)
Lease liabilities	(1,503,390)
Deferred tax liability	(892,038)
	(18,950,477)
Net assets disposed	485,348
Discharge of liabilities in related companies	(1,143,667)
Proceeds from disposal	(100,000)
Gain on disposal	(758,319)

Cash flow statement disclosures

The cash flows attributable to the discontinued operations for the year ended 31 December are as follows:

	2020 $	2019 $
Operating cash flows	14,204	1,502,386
Investing cash flows	–	(719,095)
Financing cash flows	79,886	(808,989)
Net cash flows	94,090	(25,698)

Notes to the Financial Statements

For the financial year ended 31 December 2020

9. Discontinued operations (cont'd)

Loss per share disclosures

	Group	
	2020	2019
	$	$
Loss per share from discontinued operations attributable to the owners of the Company (cents per share)		
Basic	(0.11)	(0.11)
Diluted	(0.11)	(0.11)

10. Taxation

The major components of income tax credit for the years ended 31 December 2020 and 2019 are:

	Group	
	2020	2019
	$	$
Current income (credit)/tax – continuing operations	(3,112)	16,856
Deferred income tax – continuing operations		
- movement of temporary differences	87,937	(128,081)
- over provision in respect of previous years	–	(16,263)
Income tax expense/(credit) attributable to continued operation	84,825	(127,488)
Deferred income tax – discontinued operations		
- movement of temporary differences	(80,573)	(20,258)
Income tax expense/(credit) attributable to discontinued operation	(80,573)	(20,258)
Total income tax expenses/(credit) recognised in profit or loss	4,252	(147,746)

Notes to the Financial Statements
For the financial year ended 31 December 2020

10. Taxation (cont'd)

The reconciliation between tax credit and the product of accounting loss multiplied by the applicable corporate tax rates for the years ended 31 December 2020 and 2019 are as follows:

	Group	
	2020	2019
	$	$
Accounting loss before tax from continuing operations	(25,376,105)	(31,481,676)
Accounting loss before tax from discontinued operation	(707,728)	(655,046)
Tax at 17% (2019: 17%)	(4,434,252)	(5,463,243)
Adjustments:		
Non-deductible expenses	3,995,446	4,704,631
Income not subject to tax	(1,455,791)	(15,152)
Deferred tax assets not recognised	1,901,961	903,109
Utilisation of previously unrecognised tax assets	–	(273,689)
Tax effect of fair value adjustments	–	(128,081)
Over provision of deferred income tax in respect of previous years	–	(16,263)
Effect of different tax rates in different countries	–	109,428
Others	(3,112)	31,514
Income tax expense/(credit) recognised in profit or loss	4,252	(147,746)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $32,468,500 (2019: $20,806,560) available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which certain subsidiaries operate. The tax losses have no expiry date.

Unrecognised temporary differences relating to investment in subsidiaries

At the end of the reporting period, no deferred tax liability (2019: $Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to approximately $Nil (2019: $670,000). The deferred tax liability is estimated to be approximately $Nil (2019: $110,000).

Notes to the Financial Statements

For the financial year ended 31 December 2020

10. Taxation (cont'd)

Deferred taxation

Deferred taxation relates to the following:

Group	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2020	2019	2020	2019
	$	$	$	$
Deferred tax asset				
Provisions	–	–	–	5,531
Total deferred tax asset	–	–		
Deferred tax liabilities				
Differences in depreciation	(592)	(15,095)	–	(35,928)
Fair value adjustments on acquisition of subsidiaries	–	(870,151)	7,364	(128,081)
Exchange differences	20	–	–	(6,124)
Total deferred tax liabilities	(572)	(885,246)		
Deferred income tax			7,364	(164,602)

Included in movement of deferred tax liabilities as at 31 December 2020 relates to discontinued operation amounting to $892,038 (Note 9).

11. Loss per share

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

11. Loss per share (cont'd)

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

	Group	
	2020	2019
	$	$
Net loss attributable to owners of the Company	(26,046,209)	(31,978,210)

	Number of shares	
	2020	2019
Weighted average number of ordinary shares for basic loss per share computation*	1,098,719,574	1,098,719,574
Weighted average number of ordinary shares diluted loss per share computation*	1,098,719,574	1,098,719,574

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

As at year end, there is Nil (2019: Nil) share options granted to employees under the existing employee share option plans and warrants of 97,491,109 (2019: 97,491,109), have not been included in the calculation of diluted loss per share because they are anti-dilutive.

Notes to the Financial Statements
For the financial year ended 31 December 2020

12. Property, plant and equipment

Group	Leasehold buildings $	Computers and office equipment $	Renovation, furniture and fixtures $	Motor vehicles $	Machinery $	Total $
Cost						
At 1.1.2019	29,628,946	2,153,133	1,882,998	410,449	2,007,425	36,082,951
Additions	–	15,514	–	–	–	15,514
Disposals	–	(49,773)	–	–	–	(49,773)
Exchange difference	–	(6,390)	(1,039)	(3,735)	(4,502)	(15,666)
At 31.12.2019	29,628,946	2,112,484	1,881,959	406,714	2,002,923	36,033,026
Additions	–	33,754	–	–	–	33,754
Disposals	–	(28,059)	–	–	–	(28,059)
Written off	–	(1,720)	–	–	–	(1,720)
Attributable to discontinued operation (Note 9)	(29,628,946)	(199,751)	(1,219,707)	–	(37,500)	(31,085,904)
Exchange difference	–	8,873	3,444	6,666	9,230	28,213
At 31.12.2020	–	1,925,581	665,696	413,380	1,974,653	4,979,310
Accumulated depreciation and impairment loss						
At 1.1.2019	8,942,346	1,966,301	1,775,293	362,587	1,700,108	14,746,635
Charge for the year	1,568,801	86,067	63,480	20,564	142,154	1,881,066
Disposals	–	(6,723)	–	–	–	(6,723)
Exchange difference	–	(5,089)	(1,735)	(3,693)	(4,275)	(14,792)
At 31.12.2019	10,511,147	2,040,556	1,837,038	379,458	1,837,987	16,606,186
Charge for the year	–	37,284	17,336	11,684	86,282	152,586
Disposals	–	(28,059)	–	–	–	(28,059)
Written off	–	(1,720)	–	–	–	(1,720)
Attributable to discontinued operation (Note 9)	(10,511,147)	(184,026)	(1,198,730)	–	(24,608)	(11,918,511)
Exchange difference	–	8,956	3,495	6,594	8,546	27,591
At 31.12.2020	–	1,872,991	659,139	397,736	1,908,207	4,838,073
Net carrying amount						
At 31.12.2020	–	52,590	6,557	15,644	66,446	141,237
At 31.12.2019	19,117,799	71,928	44,921	27,256	164,936	19,426,840

Notes to the Financial Statements
For the financial year ended 31 December 2020

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

	Computers and office equipment $	Renovation, furniture and fixtures $	Total $
Company			
Cost			
At 1.1.2019	223,695	11,238	234,933
Additions	2,268	–	2,268
At 31.12.2019	225,963	11,238	237,201
Additions	7,740	–	7,740
At 31.12.2020	233,703	11,238	244,941
Accumulated depreciation			
At 1.1.2019	223,636	11,238	234,874
Charge for the year	1,380	–	1,380
At 31.12.2019	225,016	11,238	236,254
Charge for the year	1,403	–	1,403
At 31.12.2020	226,419	11,238	237,657
Net carrying amount			
At 31.12.2020	7,284	–	7,284
At 31.12.2019	947	–	947

Cash payments of $33,754 (2019: $15,514) were made to purchase property, plant and equipment.

The carrying amount of office equipment held by the Group under finance leases as at 31 December 2020 was $Nil (2019: $15,724).

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

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold properties with carrying amount of $Nil (2019: $19,117,799) are mortgaged to secure the Group's loans and borrowings (Note 26). As disclosed in Note 9 to the financial statement, the Group's leasehold properties were disposed during the year.

Notes to the Financial Statements

For the financial year ended 31 December 2020

13. Intangible assets

	Goodwill	Customer relationships	Software	Club membership	Total
	$	$	$	$	$
Group					
Cost					
At 1.1.2019	29,721,296	9,648,000	156,633	70,000	39,595,929
Exchange differences	–	–	(4,175)	–	(4,175)
At 31.12.2019	29,721,296	9,648,000	152,458	70,000	39,591,754
Exchange differences	–	–	7,457	–	7,457
At 31.12.2020	29,721,296	9,648,000	159,915	70,000	39,599,211
Accumulated amortisation and impairment					
At 1.1.2019	16,273,000	9,648,000	134,519	30,144	26,085,663
Amortisation	–	–	14,493	2,491	16,984
Impairment	6,285,774	–	–	–	6,285,774
Exchange differences	–	–	(3,925)	–	(3,925)
At 31.12.2019	22,558,774	9,648,000	145,087	32,635	32,384,496
Amortisation	–	–	7,554	2,492	10,046
Impairment	6,344,574	–	–	–	6,344,574
Written off	–	–	–	20,337	20,337
Exchange differences	–	–	7,265	–	7,265
At 31.12.2020	28,903,348	9,648,000	159,906	55,464	38,766,718
Net carrying amount					
At 31.12.2020	817,948	–	9	14,536	832,493
At 31.12.2019	7,162,522	–	7,371	37,365	7,207,258

Customer relationships

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

13. Intangible assets (cont'd)

Impairment testing of goodwill and customer relationships

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

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

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

	O&M HVAC $	O&M Tele $	Total $
31.12.2020			
Goodwill	–	817,948	817,948
31.12.2019			
Goodwill	3,173,574	3,988,948	7,162,522

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

	2020		2019	
	O&M HVAC	O&M Tele	O&M HVAC	O&M Tele
Long-term growth rates	1.0%	1.0%	1.0%	1.0%
Pre-tax discount rates	11.0%	10.5%	9.5%	9.5%

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

13. Intangible assets (cont'd)

Sensitivity to changes in assumptions

a. O&M HVAC

Based on discounted cashflow prepared, goodwill has been fully impaired during the year for the O&M HVAC CGU. Other than the change in pre-tax discount rates, there has been a change in estimates such as forecasted sales for the next year and short-term growth rate in the discounted cashflow from prior year reflecting the current outlook for the CGU. In 2019, the carrying amount exceeds the estimated recoverable amount by approximately $1,430,344 and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumptions for the recoverable amount is discussed below:

Long-term growth rates – For 2019, management recognises that the growth rates could yield a reasonably possible alternative to the estimated long-term growth rate of 1.0%. A reduction of 0.5% in the long-term growth rate would result in further impairment of approximately $310,000 in 2019.

Pre-tax discount rates – For 2019, management recognises that the pre-tax discount rates at 9.5%. An increase of 1% in the pre-tax discount rates would result in further impairment of approximately $880,000 in 2019.

b. O&M Tele CGU

Based on discounted cashflow prepared, impairment on goodwill amounting to $3,171,000 has been recognised during the year for the O&M Tele CGU. Other than the change in pre-tax discount rates, there has been a change in estimates such as forecasted sales for the next year and short-term growth rate in the discounted cashflow from prior year reflecting the current outlook for the CGU. There has been a change in estimates from prior year reflecting the current outlook for the CGU. The carrying amount exceeds the estimated recoverable amount by approximately $3,171,000 (2019: $4,855,430) and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumptions for the recoverable amount is discussed below:

Long-term growth rates - Management recognises that the growth rates could yield a reasonably possible alternative to the estimated long-term growth rate of 1.0% (2019: 1.0%). A reduction of 0.5% (2019: 0.5%) in the long-term growth rate would result in further impairment of approximately $130,000 (2019: $240,000).

Pre-tax discount rates - Management recognises that the pre-tax discount rates at 10.5% (2019: 9.5%). An increase of 1% (2019: 1%) in the pre-tax discount rates would result in further impairment of approximately $382,000 (2019: $670,000).

Notes to the Financial Statements

For the financial year ended 31 December 2020

14. Leases

As a lessee

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

a. Right-of-use assets

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

	Leasehold land $
Group	
Cost:	
On adoption of SFRS(I) 16, under modified retrospective approach at 1 January 2019	1,559,939
At 31 December 2019	1,559,939
Attributable to discontinued operations (Note 9)	(1,559,939)
At 31 December 2020	–
Accumulated depreciation:	
At 1 January 2019	–
Charge for the year	119,167
At 31 December 2019	119,167
Attributable to discontinued operations (Note 9)	(119,167)
At 31 December 2020	–
Net book value:	
At 31 December 2020	–
At 31 December 2019	1,440,772

Notes to the Financial Statements

For the financial year ended 31 December 2020

14. Leases (cont'd)

As a lessee (cont'd)

b. Lease liabilities

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

	2020 $	2019 $
Group		
Present value:		
Amounts due for settlement within 12 months	–	61,639
Amounts due for settlement after 12 months	–	1,473,694
	–	1,535,333

	2020 $	2019 $
Maturity analysis (gross amount):		
Not later than 1 year	–	291,759
Later than 1 year and not later than 5 years	–	1,380,170
Later than 5 years	–	1,679,207
	–	3,351,136

The following are the amounts recognised in profit or loss:

	2020 $	2019 $
Group		
Expenses relating to short-term leases	245,313	267,393

The Group does not have any non-cash additions to right-of-use assets and lease liabilities in 2020 and 2019.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

As disclosed in Note 9 to the financial statement, the right of use assets and lease liabilities were disposed during the year.

Notes to the Financial Statements

For the financial year ended 31 December 2020

14. Leases (cont'd)

As a lessor

The Group has entered into commercial leases on certain office property. These non-cancellable leases have remaining lease terms of Nil year (2019: 9 months to 1 year).

Minimum rental receivables recognised as an income in profit or loss for the financial year ended 31 December 2020 amounted to $Nil (2019: $1,265,315).

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

	Group	
	2020	2019
	$	$
- Not later than 1 year	–	1,056,330
- 1 year through 5 years	–	263,640
	–	1,319,970

15. Investment in subsidiaries

	Company	
	2020	2019
	$	$
Shares, at cost	91,744,965	101,824,965
Less: Impairment losses	(87,285,393)	(72,319,845)
	4,459,572	29,505,120

The Group and the Company has the following subsidiaries:

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2020	2019
			%	%
Held by the Company				
Viking Offshore Global Pte. Ltd.*	Singapore	Investment holding	100	100
Viking HVAC Pte Ltd*	Singapore	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100

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15. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2020	2019
			%	%
Held by the Company				
Promoter Hydraulics Pte Ltd*	Singapore	Manufacture and repair of marine engines and ship parts; retail and rental of marine equipment, marine accessories and parts	100	100
Viking Airtech Pte Ltd*	Singapore	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100
Marshal Systems Pte Ltd*	Singapore	Contractors for electronic and electrical engineering works	100	100
Viking Facilities Management & Operations Pte. Ltd.***	Singapore	Facilities management	–	100
Viking Asset Management Pte. Ltd.*	Singapore	Investment holding	100	100
Held through Viking Asset Management Pte. Ltd.				
Viking LR1 Pte Ltd*	Singapore	Ownership and charter of assets	100	100
Viking LR2 Pte Ltd*	Singapore	Ownership and charter of assets	100	100
Viking Gold Pte Ltd*	Singapore	Ownership and charter of assets	100	100

Notes to the Financial Statements

For the financial year ended 31 December 2020

15. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2020	2019
			%	%
Held through Viking Airtech Pte Ltd				
Viking Airtech (Yantai) Co., Ltd **	People's Republic of China	Marine air conditioning, manufacture, installation & design of marine refrigerating equipment maritime HVAC & R	100	100
Viking Offshore Malaysia Sdn Bhd **	Malaysia	Specialises in marine & offshore turkey HVAC & R systems	100	100
Viking Airtech (Shanghai) Co., Ltd**	People's Republic of China	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	49	49
PT Viking Offshore**	Indonesia	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100
Held through Marshal Systems Pte Ltd				
Marshal Offshore and Marine Engrg Co., Ltd **	People's Republic of China	Contractors for electronic and electrical engineering works	100	100

* Audited by Ernst & Young LLP, Singapore.

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

*** The Group disposed of its 100% ownership interest in Viking Facilities Management & Operations Pte. Ltd. on 30 October 2020 (Note 9).

In 2019, the Company disposed 51% of its shareholding in Viking Airtech (Shanghai) Co., Ltd to a third party. As at 31 December 2020 and 2019, the Group has continued to consolidate Viking Airtech (Shanghai) Co., Ltd. as management has assessed that it still has control over the entity.

Notes to the Financial Statements

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15. Investment in subsidiaries (cont'd)

Impairment testing of investment in subsidiaries

During the financial year, the Company recognised an impairment loss of $14,965,548 (2019: $24,605,965) as the recoverable amounts of subsidiaries are lower than the carrying amounts of investment in subsidiaries.

The recoverable amounts of the subsidiaries have been determined based on value in use calculations which are based on cash flow projections from financial budgets approved by management covering a 5-year period. Other than the change in pre-tax discount rates, there has been a change in estimates such as forecasted sales for the next year and short-term growth rate in the discounted cashflow from prior year reflecting the current outlook for the subsidiaries. The pre-tax discount rate applied to the 5-year cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the 5-year period are as follows:

	2020	2019
Long-term growth rates	1.0%	1.0%
Pre-tax discount rates	11.5%	9.5%

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

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

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

Sensitivity to changes in assumptions

For the cost of investment in subsidiaries, the carrying amounts exceeded their estimated recoverable amounts by approximately $14,965,548 (2019: $24,605,965) and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumption for the recoverable amount is discussed below:

Long-term growth rates – A reduction of 0.5% (2019: 0.5%) in the long-term growth rate would result in a further impairment of approximately $Nil (2019: $599,000).

Pre-tax discount rates – An increase of 1.0% (2019: 1.0%) in the pre-tax discount rate would result in a further impairment of approximately $Nil (2019: $1,724,000).

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For the financial year ended 31 December 2020

16. Investment in associates

	Group	
	2020	2019
	$	$
Unquoted equity shares, at cost	15,408,641	15,408,641
Share of post-acquisition reserves	(5,769)	(5,769)
Impairment losses	(15,402,872)	(15,402,872)
	–	–

Details of the associates are as follows:

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2020	2019
			%	%
Held through a subsidiary				
Smart Earl Investment Limited*	Republic of Seychelles	Ownership and charter of assets	30	30
Quick Booms Investments Limited*	British Virgin Islands	Ownership and charter of assets	30	30

* Not required to be audited by its country of incorporation

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

Impairment testing

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

17. Quoted equity investments

Financial instruments

	Group	
	2020	2019
	$	$
At fair value through profit or loss		
Equity shares (quoted)	4	40,324
Net carrying amount		
Non-current	4	40,324

During the year, the Group has recognised impairment loss on quoted shares amounting to $40,320 (2019: $ Nil).

18. Inventories

	Group	
	2020	2019
	$	$
Balance sheets:		
Raw materials	525,149	1,158,064
Work-in-progress	1,708,229	1,716,026
Finished goods	–	10,263,020
	2,233,378	13,137,110
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	7,112,107	9,768,654
Inclusive of the following charge:		
- Inventories written down	9,800,736	13,439,052
- Inventories written off	69,389	1,407,752

Included in finished goods as at 31 December 2020 are two land rigs (2019: two) amounting to $Nil (2019: $9,016,056), held by the Group for resale, following the termination of the Bareboat Charter Agreements in 2017 and 2018. The Group has fully written down the two land rigs in current year and prior year by recognising $8,925,050 (2019: 12,514,824) in the statement of comprehensive income.

Notes to the Financial Statements
For the financial year ended 31 December 2020

19. Trade receivables

	Group	
	2020	2019
	$	$
Trade receivables	19,142,822	24,116,978

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

Included in trade receivables are amounts due from customers pertaining to the past charter of the land rigs. As at 31 December 2020, the carrying amounts of these trade receivables, net of allowance for expected credit losses, was $16,305,701 (2019: $16,604,744). Further, as at 31 December 2020, the Group has other payables and deposits due to these customers amounting to $16,305,701 (2019: $16,567,171) (Note 24). The Group has the legally enforceable right to set off the amounts due to or from each other but the arrangement to offset on a net basis has not been communicated by the Group to these customers.

Trade receivables denominated in foreign currencies are as follows:

	Group	
	2020	2019
	$	$
United States Dollar	17,046,705	18,939,364
Chinese Renminbi	32,593	42,977
Malaysian Ringgit	108,213	316,661
Indonesian Rupiah	350,616	507,914

Notes to the Financial Statements

For the financial year ended 31 December 2020

19. Trade receivables (cont'd)

Expected credit losses

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

	2020			2019		
	Trade receivables	Other receivables and deposits	Contract assets	Trade receivables	Other receivables and deposits	Contract asset
	$	$	$	$	$	$
Group						
At 1 January	17,426,551	75,780	160,705	13,615,991	75,780	–
Charge for the year	96,123	36,467	–	4,305,489	–	160,705
Exchange differences	(619,236)	–	–	(194,295)	–	–
Written off	(68,348)	–	–	(201,037)	–	–
Written back	–	–	–	(99,597)	–	–
At 31 December	16,835,090	112,247	160,705	17,426,551	75,780	160,705
Company						
At 1 January	–	70,000	–	–	70,000	–
Charge for the year	–	36,467	–	–	–	–
At 31 December	–	106,467	–	–	70,000	–

20. Other receivables and deposits

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Deposits	110,857	539,266	60,100	50,000
Advances to employees	54,562	29,929	–	–
Advances to suppliers	142,515	183,183	–	–
Other receivables	850,458	546,982	214,576	86,660
Less: Allowance for expected credit loss	(112,247)	(75,780)	(106,467)	(70,000)
	1,046,145	1,223,580	168,209	66,660

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

21. Contract assets and contract liabilities

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

	Group	
	2020	2019
	$	$
Contract assets	3,202,673	4,835,593
Contract liabilities	(937,562)	(2,899,078)
	2,265,111	1,936,515

Included in contract liabilities are advances from customers amounting to $843,375 as at 31 December 2020 (2019: $441,577).

The Group has recognised impairment losses on receivables amounting to $Nil (2019: $160,705) arising from contracts with customer. Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed on reporting date for project revenue. Contract assets are transferred to receivables when the rights become unconditional.

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

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

Revenue recognised in relation to contract liabilities

	Group	
	2020	2019
	$	$
Revenue recognised in current period that was in included in the contract liability balance at the beginning of the period		
- Project revenue	5,034,489	1,985,851

Notes to the Financial Statements

For the financial year ended 31 December 2020

22. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Cash and bank balances	2,341,568	2,147,732	18,192	25,078
Short term deposit	217,036	216,615	–	–
	2,558,604	2,364,347	18,192	25,078

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are placed for twelve months and earn interest rate. The weighted average effective interest rates as at 31 December 2020 for the Group were 2.12% to 2.76% (2019: 2.10% to 3.6%).

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

	Group	
	2020	2019
	$	$
United States Dollar	1,030,702	593,413
Chinese Renminbi	223,490	66,308
Malaysian Ringgit	103,099	186,046
Euro	2,232	2,068
Indonesian Rupiah	69,570	181,690

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

	Group	
	2020	2019
	$	$
Cash and bank balances	2,341,568	2,147,732
Short term deposit	217,036	216,615
Cash and cash equivalents	2,558,604	2,364,347

Notes to the Financial Statements

For the financial year ended 31 December 2020

23. Trade payables

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

Trade payables denominated in foreign currencies are as follows:

	Group	
	2020	2019
	$	$
United States Dollar	391,332	846,502
Euro	27,409	435,434
Chinese Renminbi	297,162	801,161
Malaysia Ringgit	176,289	209,638
Indonesia Rupiah	97,622	306,912

24. Other payables and accruals

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Accrued operating expenses	2,635,016	3,065,237	1,005,407	482,538
Accrued interest	9,445,466	2,847,043	–	–
Customers' deposits	5,462,945	5,562,099	–	–
Other payables	13,091,149	13,293,142	483,979	514,794
Rental deposits received	–	140,900	–	–
	30,634,576	24,908,421	1,489,386	997,332

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

Included in customers' deposits are amounts of $5,286,764 (2019: $5,382,720) pertaining to the past charters of the land rigs.

Included in other payables are amounts of $11,018,937 (2019: $11,184,451) and $Nil (2019: $865,009) due respectively to a customer mainly in relation to the purchase of a land rig sales and leaseback arrangement, and a loan from Chairman which carried interest at 12.0% per annum. The loan from Chairman has been fully settled during the year.

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

26. Loans and borrowings

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Current liabilities				
Revolving loans	–	6,486,974	–	–
Current portion of long-term loans				
- Term loans	–	9,099,757	–	–
Related party loan	6,501,438	6,501,044	–	–
Third party loans	2,160,000	2,160,000	–	–
Bridging loan	–	1,674,623	–	–
	8,661,438	25,922,398	–	–

(i) Revolving loans carry interest at rates ranging from Nil % (2019: 3.80% to 10.25%) per annum and are repayable on demand. The loans are secured by a first legal mortgage on subsidiaries leasehold property (Note 12) and corporate guarantees from the Company. The loans had been fully discharged during the year.

(ii) Term loans carry interest at rates ranging from Nil % (2019: 3.50% to 5.83%) per annum and are repayable between 2021 and 2022. The loans are secured by a first legal mortgage on a subsidiary's leasehold properties (Note 12) and by corporate guarantees from the Company. The loans had been fully discharged during the year.

(iii) Related party loan (Tembusu) carries interest at 20.00% (2019: 15.00%) per annum. The loan has been in default since 2018. The loan is secured by a corporate guarantee from the Company.

(iv) Third party loans carry interest at rates ranging from 8.00% to 8.50% (2019: 8.00% to 8.50%) per annum. The loan has been in default since 2019. The loans are secured by corporate guarantees from the Company.

(v) Bridging loans carry interest at Nil% (2019: 6.25%) per annum and are repayable between 2019 and 2022. The loans are secured by a first legal mortgage on a subsidiary's leasehold properties (Note 12) and by corporate guarantees from the Company. The loans had been fully discharged during the year.

The carrying amount of loans and borrowings and redeemable exchange bonds (Note 26), in default at the end of the reporting period is $15,817,296.

Defaults and breach of loan covenant

As at 31 December 2020, the Group's related party loan and third party loan amounting to $8,661,438 were in default.

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

26. Loans and borrowings (cont'd)

Settlement of loan

As disclosed in Note 9 of the financial statements, the Group had disposed entire issued share capital of its wholly owned subsidiary, Viking Facilities Management and Operations Pte Ltd ("VFMO") during the year. Of which, a consideration of $12,000,000 was applied towards the release and discharge of all the liabilities and securities owing to Maybank Singapore by the Group.

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

	31.12.2019	Cash flows	Non-cash changes	31.12.2020
	$	$	$	$
Loans				
- Current	25,922,398	(540,809)	(16,720,151)	8,661,438
Lease liabilities				
- Current	61,639	(61,639)	–	–
- Non-current	1,473,694	(202,833)	(1,270,861)	–
Redeemable exchangeable bonds				
- Current	7,155,424	–	434	7,155,858
	34,613,155	(805,281)	(17,990,578)	15,817,296

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

Included in the 'non-cash changes' column for loans and lease liabilities for the year ended 31 December 2020 are attributable to the discontinued operation (Note 9). Other than the above, the 'non-cash changes' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time and accretion of interests.

Notes to the Financial Statements

For the financial year ended 31 December 2020

27. Redeemable exchangeable bonds

Bond 1

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

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

Bond 2

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

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

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

Upon the occurrence of an event of default or the failure to obtain certain approvals within the prescribed periods, the Group shall pay an amount giving the investors an internal rate of return of 20% per annum on the principal amount, together with any accrued and unpaid interest. The Group has accrued interest amounting to $3,555,764 after default.

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

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

Both bond 1 and 2 are in default since 31 December 2018.

Notes to the Financial Statements

For the financial year ended 31 December 2020

27. Redeemable exchangeable bonds (cont'd)

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

	Bond 1 $	Bond 2 $	Total $
Group			
2020			
Total face value	12,450,000	3,000,000	15,450,000
Derivative liability component	(1,712,331)	–	(1,712,331)
Liability component at initial recognition	10,737,669	3,000,000	13,737,669
Add: Accumulated amortisation of discount			
- Opening balance at 1 January	4,796,509	691,342	5,487,851
- Accumulated interest	434	–	434
- Closing balance at 31 December	4,796,943	691,342	5,488,285
Less:			
- Issuance of shares pursuant to conversion of the bonds	(4,591,918)	–	(4,591,918)
- Redemption of bonds	(7,478,178)	–	(7,478,178)
Liability component at the end of the reporting period			
- Current	3,464,516	3,691,342	7,155,858
Group			
2019			
Total face value	12,450,000	3,000,000	15,450,000
Derivative liability component	(1,712,331)	–	(1,712,331)
Liability component at initial recognition	10,737,669	3,000,000	13,737,669
Add: Accumulated amortisation of discount			
- Opening balance at 1 January	4,721,919	691,342	5,413,261
- Accumulated interest	74,590	–	74,590
- Closing balance at 31 December	4,796,509	691,342	5,487,851
Less:			
- Issuance of shares pursuant to conversion of the bonds	(4,591,918)	–	(4,591,918)
- Redemption of bonds	(7,478,178)	–	(7,478,178)
Liability component at the end of the reporting period			
- Current	3,464,082	3,691,342	7,155,424

Notes to the Financial Statements

For the financial year ended 31 December 2020

28. Share capital and treasury shares

(a) *Share capital*

	Group and Company			
	2020		2019	
	No. of shares	$	No. of shares	$
Issued and fully paid ordinary shares				
At 1 January and 31 December	1,106,681,074	102,604,532	1,106,681,074	102,604,532

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

(b) *Treasury shares*

	Group and Company			
	2020		2019	
	No. of shares	$	No. of shares	$
At 1 January and 31 December	(7,961,500)	(527,775)	(7,961,500)	(527,775)

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

29. Other reserves

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Foreign currency translation reserve (a)	(966,952)	(1,520,541)	–	–
Capital reserve (b)	114,056	114,056	114,056	114,056
Total other reserves	(852,896)	(1,406,485)	114,056	114,056

(a) *Foreign currency translation reserve*

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

Notes to the Financial Statements
For the financial year ended 31 December 2020

29. Other reserves (cont'd)

(a) *Foreign currency translation reserve (cont'd)*

	Group 2020 $	Group 2019 $
At 1 January	(1,520,541)	(1,344,231)
Net effect of exchange differences	553,589	(176,310)
At 31 December	(966,952)	(1,520,541)

(b) *Capital reserve*

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

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
At 1 January and 31 December	114,056	114,056	114,056	114,056

30. Related party transactions

(a) *Sale and purchase of goods and services*

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

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Income/(Expenses)				
Management fee income from subsidiaries	–	–	992,000	570,000
Rental of office premise from a subsidiary	–	–	–	(73,164)
Finance cost from a related party	(3,070,296)	(1,082,452)	–	–
Finance cost from Chairman	–	(81,416)	–	–
Loan from a related party (Note 26)	6,501,438	6,501,044	–	–
Loan from Chairman (Note 24)	–	865,009	–	–

Notes to the Financial Statements

For the financial year ended 31 December 2020

30. Related party transactions (cont'd)

(b) *Compensation of key management personnel*

	Group	
	2020	2019
	$	$
Short-term employee benefits	596,897	496,760
Central Provident Fund contributions	36,367	46,540
Total compensation paid to key management personnel	633,264	543,300
Comprise amounts paid to:		
- Directors of the Company	395,640	292,260
- Other key management personnel	237,624	251,040
	633,264	543,300

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

31. Commitments and contingencies

Guarantees

As at 31 December 2020, the Company has provided corporate guarantees totalling $15,816,468 (2019: $21,943,448) to financial institutions in respect of credit facilities utilised by the subsidiaries.

32. Fair value of assets and liabilities

(a) *Fair value hierarchy*

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

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

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

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For the financial year ended 31 December 2020

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

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

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

	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	$	$	$	$
Group				
2020				
Assets measured at fair value				
Financial assets:				
Equity securities through profit or loss				
- Quoted equity instruments (Note 17)	4	–	–	4
Financial assets as at 31 December 2020	4	–	–	4
2019				
Assets measured at fair value				
Financial assets:				
Equity securities through profit or loss				
- Quoted equity instruments (Note 17)	40,324	–	–	40,324
Financial assets as at 31 December 2019	40,324	–	–	40,324

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

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

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33. Classification of financial assets and liabilities

Financial assets

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Fair value through profit or loss				
Quoted equity investments	4	40,324	4	40,324
Amortised cost				
Trade receivables	19,142,822	24,116,978	–	–
Other receivables and deposits	849,068	1,010,468	168,209	66,660
Due from subsidiaries (non-trade)	–	–	–	36,467
Cash and cash equivalents	2,558,604	2,364,347	18,192	25,078
	22,550,494	27,491,793	186,401	128,205

Financial liabilities

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Financial liabilities at amortised cost				
Trade payables	2,562,997	5,666,459	–	–
Other payables and accruals	30,634,576	24,908,421	1,489,386	997,332
Loans and borrowings	8,661,438	25,922,398	–	–
Due to subsidiaries (non-trade)	–	–	19,357,923	27,332,355
Redeemable exchangeable bonds	7,155,858	7,155,424	–	–
Lease liabilities	–	1,535,333	–	–
	49,014,869	65,188,035	20,847,309	28,329,687

34. Financial risk management objectives and policies

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

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For the financial year ended 31 December 2020

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

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

(a) *Credit risk*

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

(a) *Credit risk (cont'd)*

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

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

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

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

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

Trade receivables and contract assets

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

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

Information regarding the gross carrying amounts and loss allowance movement of trade receivables and contract assets are disclosed in Note 19 and Note 21 respectively.

Notes to the Financial Statements
For the financial year ended 31 December 2020

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

(a) *Credit risk (Cont'd)*

Excessive risk concentration

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

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

Exposure to credit risk

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

- The carrying amount of each class of financial assets recognised in the balance sheets.

- A nominal amount of $15,816,468 (2019: $21,943,448) relating to corporate guarantees provided by the Group to financial institutions in respect of credit facilities utilised by the subsidiaries.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are impaired is disclosed in Notes 19 and 20.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

(a) Credit risk (cont'd)

Credit risk concentration profile

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

	2020		2019	
	$	% of total	$	% of total
Group				
Trade receivables				
By country:				
Singapore	1,522,620	8%	4,462,993	19%
People's Republic of China	4,593,502	24%	5,258,326	22%
United Kingdom	11,685,736	60%	12,433,074	52%
Indonesia	496,917	3%	915,556	4%
Malaysia	156,845	1%	691,245	2%
Others	687,202	4%	355,784	1%
	19,142,822	100%	24,116,978	100%

	2020		2019	
	$	% of total	$	% of total
Group				
Trade receivables				
By industry sectors:				
Corporate	–	*	337,977	1%
Offshore and marine	2,959,040	15%	7,174,257	30%
Chartering services	16,183,782	85%	16,604,744	69%
	19,142,822	100%	24,116,978	100%

** denotes less than 1%*

At the end of the reporting period, approximately 4% (2019: 75%) of the Group's trade receivables were due from five (2019: five) major customers.

Notes to the Financial Statements
For the financial year ended 31 December 2020

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

(b) *Interest rate risk*

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

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 (2019: 50) basis points lower/higher with all other variables held constant, the Group's loss before tax would have been $79,086 lower/higher (2019: $165,389 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a lower volatility as in prior years.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities.

At the end of the reporting period, 100% (2019: 100%) of the Group's loans and borrowings (Note 26) are in default. The Group's loans and borrowings are included in moratorium as disclosed in Note 2.1 of the financial statements.

The Board of Directors manage this risk by taking into consideration the following assumptions and measures as disclosed in Note 2.1 of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

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

Analysis of financial instruments by remaining contractual maturities

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

	1 year or less $	1 to 5 years $	After 5 years $	Total $
Group				
2020				
Financial assets:				
Quoted equity investments	–	–	4	4
Trade receivables	19,142,822	–	–	19,142,822
Other receivables and deposits	849,068	–	–	849,068
Cash and cash equivalents	2,558,604	–	–	2,558,604
Total undiscounted financial assets	22,550,494	–	4	22,550,498
Financial liabilities:				
Trade payables	2,562,997	–	–	2,562,997
Other payables and accruals	30,634,576	–	–	30,634,576
Loans and borrowings	8,661,438	–	–	8,661,438
Redeemable exchangeable bonds	7,155,858	–	–	7,155,858
Total undiscounted financial liabilities	49,014,869	–	–	49,014,869
Total net undiscounted financial liabilities	(26,464,375)	–	4	(26,464,371)

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

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

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

Notes to the Financial Statements
For the financial year ended 31 December 2020

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

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

	1 year or less $	1 to 5 years $	After 5 years $	Total $
Company				
2020				
Financial assets:				
Quoted equity investments	–	–	4	4
Other receivables and deposits	168,209	–	–	168,209
Cash and cash equivalents	18,192	–	–	18,192
Total undiscounted financial assets	186,401	–	4	186,405
Financial liabilities:				
Other payables and accruals	1,489,386	–	–	1,489,386
Due to subsidiaries (non-trade)	19,357,923	–	–	19,357,923
Total undiscounted financial liabilities	20,847,309	–	–	20,847,309
Total net undiscounted financial (liabilities)/ assets	(20,660,908)	–	4	(20,660,904)
2019				
Financial assets:				
Quoted equity investments	–	–	40,324	40,324
Other receivables and deposits	66,660	–	–	66,660
Due from subsidiaries (non-trade)	36,467	–	–	36,467
Cash and cash equivalents	25,078	–	–	25,078
Total undiscounted financial assets	128,205	–	40,324	168,529
Financial liabilities:				
Other payables and accruals	997,332	–	–	997,332
Due to subsidiaries (non-trade)	27,332,355	–	–	27,332,355
Total undiscounted financial liabilities	28,329,687	–	–	28,329,687
Total net undiscounted financial (liabilities)/ assets	(28,201,482)	–	40,324	(28,161,158)

Notes to the Financial Statements
For the financial year ended 31 December 2020

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

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Chinese Renminbi (RMB) and Malaysian Ringgit (MYR). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately 40% (2019: 37%) of the Group's sales are denominated in foreign currencies whilst almost 42% (2019: 46%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

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

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

Sensitivity analysis for foreign currency risk

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

		Group Increase/ (decrease) in loss before tax	
		2020	2019
		$	$
SGD	- strengthened 5% (2019: 5%)	(1,174,197)	(863,327)
	- weakened 5% (2019: 5%)	1,174,197	863,327
USD	- strengthened 5% (2019: 5%)	74,352	101,731
	- weakened 5% (2019: 5%)	(74,352)	(101,731)
RMB	- strengthened 5% (2019: 5%)	22,444	(21,386)
	- weakened 5% (2019: 5%)	(22,444)	21,386
Euro	- strengthened 5% (2019: 5%)	(1,259)	(21,668)
	- weakened 5% (2019: 5%)	1,259	21,668
MYR	- strengthened 5% (2019: 5%)	(4,138)	14,724
	- weakened 5% (2019: 5%)	4,138	(14,724)

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

(e) *Market price risk*

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

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

Sensitivity analysis for equity price risk

At the end of the reporting period, if the Straits Times Index (STI) had been 5% (2019: 5%) higher/lower with all other variables held constant, the Group's loss before tax would have been approximately $Nil (2019: $2,000) lower/higher, arising as a result of an increase/decrease in the fair value of equity instruments classified as fair value through profit or loss.

35. Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019. The Group is not subject to any externally imposed capital requirements.

Notes to the Financial Statements

For the financial year ended 31 December 2020

35. Capital management (cont'd)

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

	Group	
	2020	2019
	$	$
Total debt	49,014,869	63,652,702
Less: Cash and cash equivalents (Note 22)	(2,558,604)	(2,364,347)
Net debt	46,456,265	61,288,355
Equity attributable to the owners of the Company	(20,633,349)	4,859,271
Total capital	(20,633,349)	4,859,271
Capital and net debt	25,822,916	66,147,626
Gearing ratio	180%	93%

36. Segmental information

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

36. Segmental information (cont'd)

	Offshore and Marine		Chartering Services		Corporate		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2020	2019	2020	2019	2020	2019	2020	2019		2020	2019
	$	$	$	$	$	$	$	$		$	$
Revenue:											
External customers	17,186,656	21,272,913	–	–	–	–	–	–		17,186,656	21,272,913
Inter-segment	654,978	2,520,529	–	–	992,000	570,000	(1,646,978)	(3,090,529)	A	–	–
Total revenue	17,841,634	23,793,442	–	–	992,000	570,000	(1,646,978)	(3,090,529)		17,186,656	21,272,913
Results:											
Interest income	7,348	14,399	27	32		–	–	–		7,375	14,431
Depreciation and amortisation	149,263	244,330	–	–	1,401	1,381	1,922	7,689		152,586	253,400
Impairment of non-financial assets	613,111	2,328,416	8,925,050	12,514,824	–	–	6,413,963	6,289,338		15,952,124	21,132,578
Other non-cash expenses	1,260,494	282,308	(300,611)	4,023,181	107,225	–	–	–	B	1,067,108	4,305,489
Segment (loss)/profit	(2,506,130)	(9,887,507)	(15,092,524)	(19,434,103)	(17,541,086)	(41,730,982)	9,763,635	39,570,916		(25,376,105)	(31,481,676)
Assets:											
Additions to non-current assets	26,014	15,514	–	–	7,740	–	–	–	C	33,754	15,514
Segment assets	15,449,339	26,081,557	46,920,753	57,419,120	4,668,211	47,748,364	(37,764,726)	(57,417,051)	D	29,273,577	73,831,990
Segment liabilities	(11,417,820)	(17,580,128)	(102,533,566)	(89,876,544)	(20,858,878)	(34,601,779)	84,850,696	99,893,736	E	(49,959,568)	(42,164,715)

Notes to the Financial Statements

For the financial year ended 31 December 2020

36. Segmental information (cont'd)

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

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses consist share-based payments, inventories written-down, provisions, and impairment of financial assets as presented in the respective notes to the financial statements.

C Additions to non-current assets consist of additions to property, plant and equipment, intangible assets and investment in quoted and unquoted equities.

D The following items are deducted from segment assets to arrive at total assets reported in the consolidated balance sheets:

	2020 $	2019 $
Inter-segment assets	(37,764,726)	(57,417,051)

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

	2020 $	2019 $
Deferred tax liabilities	572	885,246
Tax payable	6,565	11,126
Loans and borrowings	8,661,438	25,922,398
Inter-segment liabilities	(84,850,696)	(99,893,736)

Notes to the Financial Statements

For the financial year ended 31 December 2020

36. Segmental information (cont'd)

Geographical information

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

	Revenues		Non-current assets	
	2020	2019	2020	2019
	$	$	$	$
Australia	317,806	6,676	–	–
Europe	333,023	1,763,203	–	–
Indonesia	2,916,468	1,846,075	1,949	3,535
Malaysia	723,927	1,682,847	5,446	6,447
Middle East	1,036,059	1,120,386	–	–
People's Republic of China	1,401,782	1,693,716	3,729	26,649
Singapore	10,304,323	12,395,586	962,606	28,038,239
Vietnam	25,095	202,036	–	–
Others	128,173	562,388	–	–
	17,186,656	21,272,913	973,730	28,074,870

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

Information about major customers

Revenue from three (2019: three) customers amounting to $5,564,095 (2019: $7,376,603) arise from project revenue by the offshore and marine segment (2019: offshore and marine segment).

Notes to the Financial Statements
For the financial year ended 31 December 2020

37. Comparative figures

The restatement of the comparative figures in the financial statements are a result of the disposal of subsidiary during the current year (Note 9). The results of these operations have been reclassified as discontinued operations.

	Group	
	2019	2019
	As reclassified	As previously reported
	$	$
Continuing operations		
Revenue	21,272,913	23,693,844
Cost of sales	(15,294,359)	(15,294,359)
Other income	185,250	385,985
Finance income	14,431	14,431
Marketing and distribution expenses	(304,949)	(304,949)
Administrative expenses	(8,294,192)	(9,186,764)
Other operating expenses	(22,306,181)	(23,719,650)
Impairment losses on financial assets, net	(4,305,489)	(4,305,489)
Finance costs	(2,449,100)	(3,419,771)
Income tax credit	127,488	147,746
Loss from continuing operations, net of tax	(31,354,188)	(31,988,976)
Discontinued operations		
Loss from discontinued operations, net of tax	(634,788)	–
Loss for the year	(31,988,976)	(31,988,976)

Notes to the Financial Statements

For the financial year ended 31 December 2020

38. Events occurring after reporting period

(a) The Company had, on 22 February 2021, proposed a scheme of arrangement to its creditors pursuant to Section 71 of the Insolvency, Restructuring and Dissolution Act 2018. Voting on the Scheme concluded on 13 April 2021 and the Scheme was approved by the requisite majorities of creditors. The High Court had on 28 May 2021 sanctioned and approved the Scheme. The Order of the Court sanctioning the Scheme was lodged to the Accounting and Corporate Regulatory Authority on 10 June 2021. Accordingly, the Scheme has commenced on 10 June 2021 and the moratorium provided for in the Scheme on the commencement, continuation or enforcement of proceedings against (i) the Company, and/or (ii) any current direct or indirect subsidiary or subsidiary undertaking of the Company, has come into effect and will continue for the duration of the Scheme in respect of the liabilities contemplated to be resolved under the terms of the Scheme.

(b) Company had on 1 February 2021 entered into a conditional placement and loan agreement with Blue Ocean Capital Partners Pte. Ltd. and Mr. Ng Yeau Chong (collectively, the “Investors”) in relation to a proposed placement of shares in the Company for an aggregate consideration of $2,000,000 (“Proposed Placement”) and subject to the completion of the Proposed Placement occurring, the grant by the Investors to the Company of secured interest-free shareholders’ loan of total $1,000,000 repayable 12 months from the loan drawdown (the “Loans”). The Proposed Placement and the Loans will provide funds to the Company to facilitate the restructuring of its debts and liabilities as part of the Scheme. The Proposed Placement is subject to, amongst others, approval from the shareholders at an extraordinary general meeting as well as the finalisation of the Scheme.

39. Authorisation of financial statements

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 11 June 2021.

AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED

31 DECEMBER 2019

Independent Auditor's Report

For the financial year ended 31 December 2019

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

Report on the audit of the financial statements

Disclaimer of Opinion

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

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

Basis for Disclaimer of Opinion

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

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

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

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

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

Independent Auditor's Report

For the financial year ended 31 December 2019

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

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

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

Balance sheets

As at 31 December 2019

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

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

Statements of Changes in Equity

For the year ended 31 December 2019

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

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

Statements of Changes in Equity

For the year ended 31 December 2019

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

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

Statements of Changes in Equity

For the year ended 31 December 2019

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

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

Consolidated Cash Flow Statement

For the year ended 31 December 2019

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

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

Consolidated Cash Flow Statement

For the year ended 31 December 2019

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

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

1. Corporate information

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

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

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

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

Going concern

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

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

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

2.1 *Basis of preparation (cont'd)*

Going concern (cont'd)

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

(a) As disclosed in Note 36, the Company will seek a further extension of the moratoria. The Group intends to pursue the restructuring by way of scheme of arrangement to be proposed between the relevant entities of the Group and its creditors under Section 210 of the Companies Act (the "Scheme"). The Directors are of the view that the Group and the Company will be able to successfully complete the Scheme to enable the Group to meet is liabilities as and when they fall due;

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

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

(c) The Group is taking active steps in respect of certain properties and assets divestment plan to pare down its borrowings;

(d) The Group expects that it will generate adequate cash flows from operations to repay its trade-related debt obligations as and when they fall due; and

(e) As disclosed in Note 36, the Group continues to pursue the enforcement of the favourable arbitration award in China against the assets of the defendant.

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

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

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

2.2 *Changes in accounting policies*

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

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

SFRS(I) 16 *Leases*

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

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

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

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

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

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

Leases previously classified as finance lease

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

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

2.2 *Changes in accounting policies (cont'd)*

SFRS(I) 16 Leases (cont'd)

Leases previously accounted for as operating leases

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

The Group also applied the available practical expedients wherein it:

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

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

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

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

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

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

2.3 *Standards issued but not yet effective*

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

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

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

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

(b) *Business combinations and goodwill*

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

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

- de-recognises the carrying amount of any non-controlling interest;

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

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

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

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

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

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

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

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

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

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

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

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

2.5 *Foreign currency*

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

(a) *Transactions and balances*

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

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

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

2.6 *Property, plant and equipment*

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

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

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

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

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

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

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

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

2.7 *Intangible assets*

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

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

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

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

(i) *Customer relationships*

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

(ii) *Software*

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

(iii) *Club membership*

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

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

2.8 *Impairment of non-financial assets*

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

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

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

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

2.9 *Subsidiaries*

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

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

2.10 *Associates*

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

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

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

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

2.10 *Associates (cont'd)*

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

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

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

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

2.11 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

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

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

2.11 *Financial instruments (cont'd)*

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

Subsequent measurement

Investments in debt instruments

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

Amortised cost

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

Investments in equity instruments

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

Derecognition

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

(b) *Financial liabilities*

Initial recognition and measurement

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

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

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

2.11 *Financial instruments (cont'd)*

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

Subsequent measurement

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

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

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

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

(ii) *Financial liabilities at amortised cost*

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

De-recognition

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

2.12 *Impairment of financial assets*

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

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

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

2.12 *Impairment of financial assets (cont'd)*

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

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

2.13 *Cash and cash equivalents*

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

2.14 *Inventories*

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

- Raw materials: purchase costs on a first-in first-out basis.

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

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

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

2.15 *Provisions*

General

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

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

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

2.15 *Provisions (cont'd)*

Warranty provisions

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

2.16 *Borrowing costs*

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

2.17 *Redeemable exchangeable bonds*

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

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

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

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

2.18 *Employee benefits*

(a) *Defined contribution plans*

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

(b) *Employee leave entitlement*

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

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

2.18 *Employee benefits (cont'd)*

(c) *Employee equity compensation plans*

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

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

2.19 *Leases*

(a) As lessee

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

(i) *Right-of-use assets*

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

Leasehold land – Remaining lease term

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

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

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

2.19 *Leases (cont'd)*

(a) *As lessee (cont'd)*

(ii) *Lease liabilities*

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

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

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

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

(b) *As lessor*

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

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

2.20 *Revenue*

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

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

(a) *Sale of goods*

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

(b) *Project revenue*

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

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

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

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

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

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

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

2.20 *Revenue (cont'd)*

(c) *Rendering of services*

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

(d) *Rental income from equipment and industrial space*

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

(e) *Chartering services*

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

(f) *Management fee*

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

(g) *Dividend income*

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

(h) *Interest income*

Interest income is recognised using the effective interest method.

2.21 *Taxation*

(a) *Current income tax*

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

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

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

2.21 *Taxation (cont'd)*

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

2.21 *Taxation (cont'd)*

(c) *Sales tax*

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

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

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

2.22 *Segment reporting*

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

2.23 *Share capital and share issuance expenses*

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

2.24 *Treasury shares*

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

2.25 *Government grants*

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

3. Significant accounting judgements and estimates

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

(a) *Judgements made in applying accounting policies*

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

(b) *Key sources of estimation uncertainty*

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

(i) Revenue recognition from projects

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

(ii) Impairment of goodwill and investment in subsidiaries

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

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

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

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

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

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

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

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

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

(iv) Allowance for inventory obsolescence

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

(v) Lease liabilities

The Group is not able to readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (e.g. when leases are not in the subsidiary's functional currency). The Group uses existing debt borrowing rates of the respective Group's entities as its incremental borrowing rate. The information about the Group's leases is disclosed in Note13.

4. Revenue

(a) Disaggregation of revenue

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

4. Revenue (cont'd)

(b) Recognition of project revenue over time

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

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

5. Other income

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

6. Loss before tax

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

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

7. Employee benefits

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

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

8. Finance income/(costs)

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

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

9. Taxation

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

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

9. Taxation (cont'd)

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

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

Unrecognised tax losses

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

Unrecognised temporary differences relating to investment in subsidiaries

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

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

9. Taxation (cont'd)

Deferred taxation

Deferred taxation relates to the following:

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

10. Loss per share

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

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

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

	Group	
	2019	2018
	$	$
Net loss attributable to owners of the Company	(31,978,210)	(28,048,157)

	Number of shares	
	2019	2018
Weighted average number of ordinary shares for basic loss per share computation*	1,098,719,574	1,098,719,574
Weighted average number of ordinary shares diluted loss per share computation*	1,098,719,574	1,098,719,574

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

10. Loss per share (cont'd)

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

11. Property, plant and equipment

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

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

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

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

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

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

Assets pledged as security

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

12. Intangible assets

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

Customer relationships

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

Impairment testing of goodwill and customer relationships

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

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

12. Intangible assets (cont'd)

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

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

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

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

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

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

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

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

Sensitivity to changes in assumptions

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

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

12. Intangible assets (cont'd)

Sensitivity to changes in assumptions (cont'd)

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

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

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

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

13. Leases

As a lessee

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

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

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

13. Leases (cont'd)

As a lessee (cont'd)

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

	2019	2018
	$	$
Group		
Present value:		
Amounts due for settlement within 12 months	61,639	25,690
Amounts due for settlement after 12 months	1,473,694	15,373
	1,535,333	41,063
Maturity analysis (gross amount):		
Not later than 1 year	291,759	303,422
Later than 1 year and not later than 5 years	1,380,170	1,396,076
Later than 5 years	1,679,207	1,955,241
	3,351,136	3,654,739

	2019
	$
Group	
On adoption of SFRS(I) 16, under modified retrospective approach at 1 January 2019	1,559,939
Accretion of interest	236,236
Payments	(276,034)
As at 31 December	1,520,141

The following are the amounts recognised in profit or loss:

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

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

13. Leases (cont'd)

As a lessor

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

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

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

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

14. Investment in subsidiaries

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

The Group and the Company has the following subsidiaries:

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

14. Investment in subsidiaries (cont'd)

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

14. Investment in subsidiaries (cont'd)

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2019 %	2018 %
Held through Viking Airtech Pte Ltd (cont'd)				
Viking Offshore Malaysia Sdn Bhd **	Malaysia	Specialises in marine & offshore turkey HVAC & R systems	100	100
Viking Airtech (Shanghai) Co., Ltd**	People's Republic of China	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	49	100
PT Viking Offshore**	Indonesia	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100
Held through Marshal Systems Pte Ltd				
Marshal Offshore and Marine Engrg Co., Ltd **	People's Republic of China	Contractors for electronic and electrical engineering works	100	100

* Audited by Ernst & Young LLP, Singapore.

** Audited by other firms of auditors. The subsidiaries are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.

In 2019, the Company disposed 51% of its shareholding in Viking Airtech (Shanghai) Co., Ltd to a third party. As at 31 December 2019, the Group has continued to consolidate Viking Airtech (Shanghai) Co., Ltd. as management has assessed that it still has control over the entity.

14. Investment in subsidiaries (cont'd)

Impairment testing of investment in subsidiaries

During the financial year, the Company recognised an impairment loss of $24,605,965 (2018: $11,236,440) as the recoverable amounts of subsidiaries are lower than the carrying amounts of investment in subsidiaries.

The recoverable amounts of the subsidiaries have been determined based on value in use calculations which are based on cash flow projections from financial budgets approved by management covering a 5-year period. The pre-tax discount rate applied to the 5-year cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the 5-year period are as follows:

	2019	2018
Long-term growth rates	1.0%	1.0%
Pre-tax discount rates	9.5%	9.5%

The calculations of value in use for the subsidiaries are most sensitive to the following assumptions:

Long-term growth rates – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the subsidiaries.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each subsidiary, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and derived from its weighted average cost of capital based on the capital asset pricing model.

Sensitivity to changes in assumptions

For the cost of investment in subsidiaries, the carrying amounts exceeded their estimated recoverable amounts by approximately $24,605,965 (2018: $11,236,440) and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumption for the recoverable amount is discussed below:

Long-term growth rates – A reduction of 0.5% (2018: 0.5%) in the long-term growth rate would result in a further impairment of approximately $599,000 (2018: $769,251).

Pre-tax discount rates – An increase of 1.0% (2018: 1.0%) in the pre-tax discount rate would result in a further impairment of approximately $1,724,000 (2018: $2,594,345).

15. Investment in associates

	Group 2019 $	Group 2018 $
Unquoted equity shares, at cost	15,408,641	15,408,641
Share of post-acquisition reserves	(5,769)	(5,769)
Impairment losses	(15,402,872)	(15,402,872)
	–	–

Details of the associates are as follows:

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2019 %	Proportion (%) of ownership interest 2018 %
Held through a subsidiary				
Smart Earl Investment Limited*	Republic of Seychelles	Ownership and charter of assets	30	30
Quick Booms Investments Limited*	British Virgin Islands	Ownership and charter of assets	30	30

* Not required to be audited by its country of incorporation

The activities of the associates are strategic to the Group activities.

Impairment testing

The recoverable amounts for its investment in associates were assessed and compared against the carrying amounts, and an impairment loss of $15,402,872 was recorded in 2018.

As at end of financial year, the investment in associates are fully impaired and are immaterial to the Group. As such, the summarised financial information in respect of Smart Earl Investment Limited and Quick Booms Investments Limited are not disclosed.

16. Quoted equity investments

Financial instruments

	Group	
	2019	**2018**
	$	$
At fair value through profit or loss		
Equity shares (quoted)	40,324	50,409
Net carrying amount		
Non-current	40,324	50,409

17. Inventories

	Group	
	2019	**2018**
	$	$
Balance sheets:		
Raw materials	1,158,064	1,643,282
Work-in-progress	1,716,026	3,266,225
Finished goods	10,263,020	23,389,812
	13,137,110	28,299,319
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	9,768,654	10,868,131
Inclusive of the following charge:		
- Inventories written down	13,439,052	6,785,945
- Inventories written off	1,407,752	–

Included in finished goods as at 31 December 2019 are two land rigs (2018: two) amounting to $9,016,056 (2018: $21,811,808), held by the Group for resale, following the termination of the Bareboat Charter Agreements in 2017 and 2018.

18. Trade receivables

	Group	
	2019	**2018**
	$	$
Trade receivables	24,116,978	27,271,747

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

18. Trade receivables (cont'd)

Included in trade receivables are amounts due from customers pertaining to the past charter of the land rigs. As at 31 December 2019, the carrying amounts of these trade receivables, net of allowance for expected credit losses, was $16,604,744 (2018: $20,896,524). Further, as at 31 December 2019, the Group has other payables and deposits due to these customers amounting to $16,567,171 (2018: $16,817,950) (Note 23). Both parties do not have an arrangement to settle the amount due to or from each other on a net basis, but the Group has the right to set off the amount due to or from each other in the case of default.

Trade receivables denominated in foreign currencies are as follows:

	Group	
	2019	2018
	$	$
United States Dollar	18,939,364	22,008,822
Chinese Renminbi	42,977	199,899
Malaysian Ringgit	316,661	179,110
Indonesian Rupiah	507,914	364,689

Expected credit losses

The movement in allowance for expected credit losses of trade receivables, other receivables and deposits and contract assets computed based on lifetime ECL are as follows:

	2019			2018		
	Trade receivables	Other receivables and deposits	Contract assets	Trade receivables	Other receivables and deposits	Contract asset
	$	$	$	$	$	$
Group						
At 1 January	13,615,991	75,780	–	11,293,729	75,780	–
Charge for the year	4,305,489	–	160,705	2,487,184	–	–
Exchange differences	(194,295)	–	–	(114,890)	–	–
Written off	(201,037)	–	–	–	–	–
Written back	(99,597)	–	–	(50,032)	–	–
At 31 December	17,426,551	75,780	160,705	13,615,991	75,780	–
Company						
At 1 January and 31 December	–	70,000	–	–	70,000	–

19. Other receivables and deposits

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Deposits	539,266	486,775	50,000	–
Advances to employees	29,929	34,788	–	–
Advances to suppliers	183,183	397,459	–	–
Other receivables	546,982	219,984	86,660	113,469
Less: Allowance for impairment	(75,780)	(75,780)	(70,000)	(70,000)
	1,223,580	1,063,226	66,660	43,469

Other receivables are non-interest bearing and are generally on 30 to 90 days' terms.

20. Contract assets and contract liabilities

Information about contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group	
	2019	2018
	$	$
Contract assets	4,835,593	6,597,236
Contract liabilities	(2,899,078)	(2,843,292)
	1,936,515	3,753,944

Included in contract liabilities are advances from customers amounting to $441,577 as at 31 December 2019 (2018: $469,412).

The Group has recognised impairment losses on receivables amounting to $160,705 (2018: nil) arising from contracts with customer. Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed on reporting date for project revenue. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for project revenue.

Contract liabilities are recognised as revenue as the Group performs under the contract.

Revenue recognised in relation to contract liabilities

	Group	
	2019	2018
	$	$
Revenue recognised in current period that was in included in the contract liability balance at the beginning of the period		
- Project revenue	1,985,851	3,930,955

21. Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Cash and bank balances	2,147,732	3,321,362	25,078	49,747
Short term deposit	216,615	282,582	–	–
	2,364,347	3,603,944	25,078	49,747

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits are placed for twelve months and earn interest rate. The weighted average effective interest rates as at 31 December 2019 for the Group were 2.10% to 3.6% (2018: 2.1% to 3.6%).

Cash and cash equivalents denominated in foreign currencies are as follows:

	Group	
	2019	2018
	$	$
United States Dollar	593,413	1,927,945
Chinese Renminbi	66,308	99,269
Malaysian Ringgit	186,046	42,349
Euro	2,068	12,869
Indonesian Rupiah	181,690	510,728

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2019	2018
	$	$
Cash and bank balances	2,147,732	3,321,362
Short term deposit	216,615	282,582
Cash and cash equivalents	2,364,347	3,603,944

22. Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Trade payables denominated in foreign currencies are as follows:

	Group	
	2019	2018
	$	$
United States Dollar	846,502	260,024
Euro	435,434	91,901
Chinese Renminbi	801,161	114,670
Malaysia Ringgit	209,638	52,115
Indonesia Rupiah	306,912	128,652

23. Other payables and accruals

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Accrued operating expenses	3,065,237	3,791,174	482,538	308,889
Accrued interest	2,847,043	408,961	–	–
Customers' deposits	5,562,099	6,130,958	–	–
Other payables	13,293,142	13,424,490	514,794	438,381
Rental deposits received	140,900	140,900	–	–
	24,908,421	23,896,483	997,332	747,270

Except as disclosed below, other payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Included in customers' deposits are amounts of $5,382,720 (2018: $5,452,952) pertaining to the past charters of the land rigs.

Included in other payables are amounts of $11,184,451 (2018: $11,364,998) and $865,009 (2018: $778,762) due respectively to a customer in relation to the purchase of a land rig (sale and lease back arrange), and a loan from Chairman which carried interest at 12.0% per annum. The loan has been in default since FY2018.

24. Due from/(to) subsidiaries (non-trade)

Amounts due from/(to) subsidiaries are unsecured, non-interest bearing, are repayable on demand and are expected to be settled in cash.

25. Loans and borrowings

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Current liabilities				
Short-term loan	–	43,000	–	–
Revolving loans	6,486,974	6,500,000	–	–
Current portion of long-term loans				
- Term loan (Type A)	–	117,081	–	160,081
- Term loans (Type B)	9,099,757	1,915,719	–	–
Related party loan	6,501,044	6,500,853	–	–
Third party loans	2,160,000	2,160,000	–	–
Bridging loan	1,674,623	647,739	–	–
	25,922,398	17,884,392	–	160,081
Non-current liabilities				
Non-current portion of long term loans				
- Term loans (Type B)	–	7,216,379	–	–
Bridging loan	–	1,665,780	–	–
	–	8,882,159	–	–

(i) Short-term loan carried interest at 5.10% (2018: 5.10%) per annum and was fully repaid in 2019. The loan was secured by personal guarantee from Chairman.

(ii) Revolving loans carry interest at rates ranging from 3.80% to 10.25% (2018: 2.70% to 3.85%) per annum and are repayable on demand. The loans are secured by a first legal mortgage on subsidiaries leasehold property (Note 11) and corporate guarantees from the Company.

(iii) Term loan (Type A) carried interest at 4.00% (2018: ranging from 3.75% to 4.00%) per annum and was fully repaid in 2019. The loan was secured by corporate guarantees from the Company.

(iv) Term loans (Type B) carry interest at rates ranging from 3.50% to 5.83% (2018: 1.98% to 3.40%) per annum and are repayable between 2021 and 2022. The loans are secured by a first legal mortgage on a subsidiary's leasehold properties (Note 11) and by corporate guarantees from the Company.

(v) Related party loan (Tembusu) carries interest at 15.00% (2018: 5.00%) per annum. The loan has been in default since 2018. The loan is secured by a corporate guarantee from the Company.

(vi) Third party loans carry interest at rates ranging from 8.00% to 8.50% (2018: 8.00% to 8.50%) per annum. The loans are in default as at the end of the reporting period. The loans are secured by corporate guarantees from the Company. The Group accrued an additional interest of $44,361 for the default.

(vii) Bridging loans carry interest at 6.25% (2018: 6.25%) per annum and are repayable between 2019 and 2022. The loans are secured by a first legal mortgage on a subsidiary's leasehold properties (Note 11) and by corporate guarantees from the Company.

25. Loans and borrowings (cont'd)

The carrying amount of loans and borrowings and redeemable exchange bonds (Note 26), in default at the end of the reporting period is $33,077,822.

Defaults and breach of loan covenant

As at 31 December 2019, the Group's revolving loans, term loans (Type B), related party loan, third party loans and bridging loan amounting to $25,922,398 were in default. Further, the Group has breached a bank covenant in relation to a revolving loan from its banker. The subsidiary did not fulfil the requirement to maintain its tangible net worth of more than $6,000,000.

Subsequent to year-end, in February 2020, one of the revolving loans due from a subsidiary, amounting to $359,994, was fully repaid.

A reconciliation of liabilities arising from financing activities is as follows:

	31.12.2018	Cash flows	Non-cash changes	31.12.2019
	$	$	$	$
Loans				
- Current	17,884,392	(205,257)	8,243,263	25,922,398
- Non-current	8,882,159	(638,896)	(8,243,263)	–
Lease liabilities				
- Current (include effects of adoption of SFRS(I) 16)	65,488	(286,532)	282,683	61,639
- Non-current (include effects of adoption of SFRS(I) 16)	1,535,514	(15,373)	(46,447)	1,473,694
Redeemable exchangeable bonds				
- Current	7,080,834	–	74,590	7,155,424
	35,448,387	(1,146,058)	310,826	34,613,155

	31.12.2017	Cash flows	Non-cash changes	31.12.2018
	$	$	$	$
Loans				
- Current	17,548,255	(2,447,525)	2,783,662	17,884,392
- Non-current	11,633,663	(18,700)	(2,732,804)	8,882,159
Lease liabilities				
- Current	28,000	(2,310)	–	25,690
- Non-current	41,070	(25,697)	–	15,373
Redeemable exchangeable bonds				
- Current	6,303,302	–	777,532	7,080,834
	35,554,290	(2,494,232)	828,390	33,888,448

The 'non-cash changes' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time and accretion of interests.

26. Redeemable exchangeable bonds

Bond 1

In 2014, the Group, together with its wholly owned subsidiary, issued redeemable exchangeable bonds in the principal amount of $12,450,000 to an investor.

In 2017, the Group extended the maturity date of the remaining portion in the principal amount of $2,000,000 for a further 6 months to 7 May 2018 with the investor through a supplemental agreement.

Bond 2

In 2016, the Group, together with its wholly owned subsidiary, issued redeemable exchangeable bonds in the principal amount of $3,000,000 to an investor, repayable at maturity date, which is two years from the date of issue. The terms are identical to Bond 1.

Both bonds carry a simple interest of 5% per annum payable semi-annually and an internal rate of return of 15% per annum on the principal amount, together with any accrued and unpaid interest, repayable at maturity date.

The investors may at their absolute discretion request in writing for the Group to redeem all the bonds then outstanding at the redemption price if, prior to the maturity date, (i) an event of default occurs (unless waived by the investor) or (ii) where the Group fails to obtain certain approvals within the prescribed periods.

Upon the occurrence of an event of default or the failure to obtain certain approvals within the prescribed periods, the Group shall pay an amount giving the investors an interest of 12% per annum on the principal amount, together with any accrued and unpaid interest. The Group has accrued interest amounting to $74,380 after default.

The investors have the option to exchange any part of the bonds (including any accrued and unpaid interest) for shares of the Company at any time prior to the maturity date, at 10% discount to the 30-trading day average volume weighted average price of the shares of the Company for each share. The Group is currently in negotiation with the bondholders to both the bonds.

As the final date to exercise the redemption and exchangeable options have lapsed, the bonds no longer contain option features.

As at 31 December 2019, the bonds are in default.

26. Redeemable exchangeable bonds (cont'd)

The carrying amount of the liability component of the bonds at the end of the reporting period is arrived at as follows:

	Bond 1 $	Bond 2 $	Total $
Group			
2019			
Total face value	12,450,000	3,000,000	15,450,000
Derivative liability component	(1,712,331)	–	(1,712,331)
Liability component at initial recognition	10,737,669	3,000,000	13,737,669
Add: Accumulated amortisation of discount			
- Opening balance at 1 January	4,721,919	691,342	5,413,261
- Accumulated interest	74,590	-	74,590
- Closing balance at 31 December	4,796,509	691,342	5,487,851
Less:			
- Issuance of shares pursuant to conversion of the bonds	(4,591,918)	–	(4,591,918)
- Redemption of bonds	(7,478,178)	–	(7,478,178)
Liability component at the end of the reporting period			
- Current	3,464,082	3,691,342	7,155,424

	Bond 1 $	Bond 2 $	Total $
Group			
2018			
Total face value	12,450,000	3,000,000	15,450,000
Derivative liability component	(1,712,331)	–	(1,712,331)
Liability component at initial recognition	10,737,669	3,000,000	13,737,669
Add: Accumulated amortisation of discount			
- Opening balance at 1 January	4,292,706	343,023	4,635,729
- Amortisation of discount during the financial year	182,889	290,207	473,096
- Accumulated interest	246,324	58,112	304,436
- Closing balance at 31 December	4,721,919	691,342	5,413,261
Less: Issuance of shares pursuant to conversion of bonds	(4,591,918)	–	(4,591,918)
Less: Redemption of bonds	(7,478,178)	–	(7,478,178)
Liability component at the end of the reporting period			
- Current	3,389,492	3,691,342	7,080,834

27. Share capital and treasury shares

(a) *Share capital*

	Group and Company			
	2019		2018	
	No. of shares	$	No. of shares	$
Issued and fully paid ordinary shares				
At 1 January and 31 December	1,106,681,074	102,604,532	1,106,681,074	102,604,532

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

(b) *Treasury shares*

	Group and Company			
	2019		2018	
	No. of shares	$	No. of shares	$
At 1 January and 31 December	(7,961,500)	(527,775)	(7,961,500)	(527,775)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

28. Other reserves

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Foreign currency translation reserve (a)	(1,520,541)	(1,344,231)	–	–
Capital reserve (b)	114,056	114,056	114,056	114,056
Total other reserves	(1,406,485)	(1,230,175)	114,056	114,056

(a) *Foreign currency translation reserve*

The foreign currency translation reserve relates to exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2019	2018
	$	$
At 1 January	(1,344,231)	(1,502,116)
Net effect of exchange differences	(176,310)	157,885
At 31 December	(1,520,541)	(1,344,231)

28. Other reserves (cont'd)

(b) *Capital reserve*

Capital reserve relates to the gain on reissuance of treasury shares.

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
At 1 January and 31 December	114,056	114,056	114,056	114,056

29. Related party transactions

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions with related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Income/(Expenses)				
Management fee income from subsidiaries	–	–	570,000	–
Rental of office premise from a subsidiary	–	–	(73,164)	(73,164)
Finance cost from a related party	(1,082,452)	(1,581,345)	–	–
Finance cost from Chairman	(81,416)	(50,741)	–	–

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Loan from a related party (Note 25)	6,501,044	6,500,853	–	–
Loan from Chairman (Note 23)	865,009	778,762	–	–

29. Related party transactions (cont'd)

(b) *Compensation of key management personnel*

	Group	
	2019	2018
	$	$
Short-term employee benefits	496,760	868,666
Central Provident Fund contributions	46,540	53,446
Total compensation paid to key management personnel	543,300	922,112
Comprise amounts paid to:		
- Directors of the Company	292,260	511,090
- Other key management personnel	251,040	411,022
	543,300	922,112

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

30. Commitments and contingencies

Guarantees

As at 31 December 2019, the Company has provided corporate guarantees totalling $21,943,448 (2018: $23,567,548) to financial institutions in respect of credit facilities utilised by the subsidiaries.

31. Fair value of assets and liabilities

(a) *Fair value hierarchy*

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

31. Fair value of assets and liabilities (cont'd)

(b) *Assets and liabilities measured at fair value*

The following table shows an analysis of financial instruments measured at fair value at the end of the reporting period:

	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	$	$	$	$
Group				
2019				
Assets measured at fair value				
Financial assets:				
Equity securities through profit or loss				
- Quoted equity instruments (Note 16)	40,324	–	–	40,324
Financial assets as at 31 December 2019	40,324	–	–	40,324
2018				
Assets measured at fair value				
Financial assets:				
Equity securities through profit or loss				
- Quoted equity instruments (Note 16)	50,409	–	–	50,409
Financial assets as at 31 December 2018	50,409	–	–	50,409

(c) *Trade receivables, other receivables and deposits, amounts due to/ from subsidiaries, cash and cash equivalents, trade payables, other payables and accruals, loans and borrowings, and redeemable exchangeable bonds*

The carrying amount of these financial assets and financial liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

32. Classification of financial assets and liabilities

Financial assets

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Fair value through profit or loss				
Quoted equity investments	40,324	50,409	40,324	50,409
Amortised cost				
Trade receivables	24,116,978	27,271,747	–	–
Other receivables and deposits	1,010,468	630,979	66,660	43,469
Due from subsidiaries (non-trade)	–	–	36,467	18,226,601
Cash and cash equivalents	2,364,347	3,603,944	25,078	49,747
	27,491,793	31,506,670	128,205	18,319,817

Financial liabilities

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Financial liabilities at amortised cost				
Trade payables	5,666,459	3,118,350	–	–
Other payables and accruals	24,908,421	23,896,483	997,332	747,270
Loans and borrowings	25,922,398	26,766,551	–	160,081
Due to subsidiaries (non-trade)	–	–	27,332,355	28,525,932
Redeemable exchangeable bonds	7,155,424	7,080,834	–	–
Lease liabilities	1,535,333	41,063	–	–
	65,188,035	60,903,281	28,329,687	29,433,283

33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, liquidity risk, foreign currency risk and market price risk. The Board of Directors reviews and agrees on policies and procedures for the management of these risks, which are executed by the Board of Directors. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables and contract assets. For other financial assets (including quoted equity investments and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

33. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Management.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information, which includes the following indicators:

- Internal credit rating
- External rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

33. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses.

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region.

The expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Information regarding the gross carrying amounts and loss allowance movement of trade receivables and contract assets are disclosed in Note 18 and Note 20 respectively.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels. The Group does not apply hedge accounting.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk are represented by:

- The carrying amount of each class of financial assets recognised in the balance sheets.
- A nominal amount of $21,943,448 (2018: $23,567,548) relating to corporate guarantees provided by the Group to financial institutions in respect of credit facilities utilised by the subsidiaries.

33. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (Cont'd)*

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents and derivatives are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are impaired is disclosed in Notes 18 and 19.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	2019		2018	
	$	% of total	$	% of total
Group				
Trade receivables				
By country:				
Singapore	4,462,993	19%	4,040,914	15%
People's Republic of China	5,258,326	22%	9,572,838	35%
United Kingdom	12,433,074	52%	12,158,881	44%
Indonesia	915,556	4%	835,226	3%
Malaysia	691,245	2%	182,592	1%
Vietnam	–	*	8,719	*
Others	355,784	1%	472,577	2%
	24,116,978	100%	27,271,747	100%
By industry sectors:				
Corporate	337,977	1%	255,732	1%
Offshore and marine	7,174,257	30%	6,119,491	22%
Chartering services	16,604,744	69%	20,896,524	77%
	24,116,978	100%	27,271,747	100%

** denotes less than 1%*

At the end of the reporting period, approximately 75% (2018: 80%) of the Group's trade receivables were due from five (2018: five) major customers.

33. Financial risk management objectives and policies (cont'd)

(b) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 (2018: 50) basis points lower/higher with all other variables held constant, the Group's loss before tax would have been $165,389 lower/higher (2018: $167,824 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a lower volatility as in prior years.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with their different bankers. At the end of the reporting period, approximately 100% (2018: 67%) of the Group's loans and borrowings (Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

33. Financial risk management objectives and policies (cont'd)

(c) *Liquidity risk (cont'd)*

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	1 year or less $	1 to 5 years $	After 5 years $	Total $
Group				
2019				
Financial assets:				
Quoted equity investments	–	–	40,324	40,324
Trade receivables	24,116,978	–	–	24,116,978
Other receivables and deposits	1,010,468	–	–	1,010,468
Cash and cash equivalents	2,364,347	–	–	2,364,347
Total undiscounted financial assets	27,491,793	–	40,324	27,532,117
Financial liabilities:				
Trade payables	5,666,459	–	–	5,666,459
Other payables and accruals	24,908,421	–	–	24,908,421
Lease liabilities	291,759	1,380,170	1,679,207	3,351,136
Loans and borrowings	25,922,398	–	–	25,922,398
Redeemable exchangeable bonds	7,155,424	–	–	7,155,424
Total undiscounted financial liabilities	63,944,461	1,380,170	1,679,207	67,003,838
Total net undiscounted financial liabilities	(36,452,668)	(1,380,170)	(1,638,883)	(39,471,721)

33. Financial risk management objectives and policies (cont'd)

(c) *Liquidity risk (cont'd)*

	1 year or less $	1 to 5 years $	After 5 years $	Total $
Group				
2018				
Financial assets:				
Quoted equity investments	–	–	50,409	50,409
Trade receivables	27,271,747	–	–	27,271,747
Other receivables and deposits	630,979	–	–	630,979
Cash and cash equivalents	3,603,944	–	–	3,603,944
Total undiscounted financial assets	31,506,670	–	50,409	31,557,079
Financial liabilities:				
Trade payables	3,118,350	–	–	3,118,350
Other payables and accruals	23,896,483	–	–	23,896,483
Lease liabilities	27,395	15,906	–	43,301
Loans and borrowings	18,216,720	7,525,133	1,926,949	27,668,802
Redeemable exchangeable bonds	7,080,834	–	–	7,080,834
Total undiscounted financial liabilities	52,339,782	7,541,039	1,926,949	61,807,770
Total net undiscounted financial liabilities	(20,833,112)	(7,541,039)	(1,876,540)	(30,250,691)

33. Financial risk management objectives and policies (cont'd)

(c) *Liquidity risk (cont'd)*

	1 year or less $	1 to 5 years $	After 5 years $	Total $
Company				
2019				
Financial assets:				
Quoted equity investments	–	–	40,324	40,324
Other receivables and deposits	66,660	–	–	66,660
Due from subsidiaries (non-trade)	36,467	–	–	36,467
Cash and cash equivalents	25,078	–	–	25,078
Total undiscounted financial assets	128,205	–	40,324	168,529
Financial liabilities:				
Other payables	997,332	–	–	997,332
Due to subsidiaries (non-trade)	27,332,355	–	–	27,332,355
Total undiscounted financial liabilities	28,329,687	–	–	28,329,687
Total net undiscounted financial (liabilities)/assets	(28,201,482)	–	40,324	(28,161,158)
2018				
Financial assets:				
Quoted equity investments	–	–	50,409	50,409
Other receivables and deposits	43,469	–	–	43,469
Due from subsidiaries (non-trade)	18,226,601	–	–	18,226,601
Cash and cash equivalents	49,747	–	–	49,747
Total undiscounted financial assets	18,319,817	–	50,409	18,370,226
Financial liabilities:				
Other payables	747,270	–	–	747,270
Due to subsidiaries (non-trade)	28,525,932	–	–	28,525,932
Loans and borrowings	162,698	–	–	162,698
Total undiscounted financial liabilities	29,435,900	–	–	29,435,900
Total net undiscounted financial (liabilities)/assets	(11,116,083)	–	50,409	(11,065,674)

33. Financial risk management objectives and policies (cont'd)

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Chinese Renminbi (RMB) and Malaysian Ringgit (MYR). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately 37% (2018: 63%) of the Group's sales are denominated in foreign currencies whilst almost 46% (2018: 30%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group also hold cash and short-term deposits denominated in foreign currency for working capital purposes. At the end of the reporting period, such foreign currency balance is in Indonesian Rupiah.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, the People's Republic of China (PRC), Indonesia, Republic of Seychelles and British Virgin Islands. The Group's net investments in Malaysia, the PRC and Indonesia are not hedged as currency positions in Malaysian Ringgit, RMB, Indonesian Rupiah and USD are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the SGD USD, RMB, Euro and MYR exchange rates against the respective functional currencies of the group entities, with all other variables held constant.

		Group Increase/ (decrease) in loss before tax	
		2019	2018
		$	$
SGD	- strengthened 5% (2018: 5%)	(863,327)	(682,035)
	- weakened 5% (2018: 5%)	863,327	682,035
USD	- strengthened 5% (2018: 5%)	101,731	136,300
	- weakened 5% (2018: 5%)	(101,731)	(136,300)
RMB	- strengthened 5% (2018: 5%)	(21,386)	21,009
	- weakened 5% (2018: 5%)	21,386	(21,009)
Euro	- strengthened 5% (2018: 5%)	(21,668)	(3,952)
	- weakened 5% (2018: 5%)	21,668	3,952
MYR	- strengthened 5% (2018: 5%)	14,724	7,252
	- weakened 5% (2018: 5%)	(14,724)	(7,252)

33. Financial risk management objectives and policies (cont'd)

(e) *Market price risk*

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its quoted equity investments. These investments are quoted on the SGX-ST in Singapore and are classified as available-for-sale financial assets.

The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility as determined by the Board of Directors. All investments are approved by the Board of Directors.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the Straits Times Index (STI) had been 5% (2018: 5%) higher/lower with all other variables held constant, the Group's loss before tax would have been approximately $2,000 (2018: $3,000) lower/higher, arising as a result of an increase/decrease in the fair value of equity instruments classified as fair value through profit or loss.

34. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018. The Group is not subject to any externally imposed capital requirements.

34. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables and other liabilities based on contractual undiscounted repayment obligation less cash and cash equivalents. Capital includes equity attributable to the owners of the Company less the fair value adjustment reserve.

	Group	
	2019	2018
	$	$
Total debt	63,652,702	60,862,218
Less: Cash and cash equivalents (Note 21)	(2,364,347)	(3,603,944)
Net debt	61,288,355	57,258,274
Equity attributable to the owners of the Company	4,859,271	37,013,791
Total capital	4,859,271	37,013,791
Capital and net debt	66,147,626	94,272,065
Gearing ratio	93%	61%

35. Segmental information

For management purposes, the Group is organised into business units based on their products and services, and has three operating segments, namely, the Offshore and Marine segment, Chartering Services segment and the Corporate segment.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

35. Segmental information (cont'd)

	Offshore and Marine 2019	Offshore and Marine 2018	Chartering Services 2019	Chartering Services 2018	Corporate 2019	Corporate 2018	Adjustments and eliminations 2019	Adjustments and eliminations 2018	Notes	Per consolidated financial statements 2019	Per consolidated financial statements 2018
	$	$	$	$	$	$	$	$		$	$
Revenue:											
External customers	22,428,529	26,487,207	–	2,481,060	1,265,315	1,177,841	–	–		23,693,844	30,146,108
Inter-segment	–	–	–	–	1,725,616	1,260,447	(1,725,616)	(1,260,447)	A	–	–
Total revenue	22,428,529	26,487,207	–	2,481,060	2,990,931	2,438,288	(1,725,616)	(1,260,447)		23,693,844	30,146,108
Results:											
Interest income	14,399	12,441	32	31	–	32	–	–		14,431	12,504
Depreciation and amortisation	244,330	377,889	–	–	1,298,785	1,270,463	474,102	472,447		2,017,217	2,120,799
Share of associate result	–	–	–	15,408,814	–	–	–	(5,942)		–	15,402,872
Impairment of non-financial assets	2,328,416	81,783	12,514,824	6,030,992	–	1,010,816	6,289,338	673,170		21,132,578	7,796,761
Other non-cash expenses	282,308	6,124	4,023,181	2,481,060	–	–	–	–	B	4,305,489	2,487,184
Segment (loss)/profit	(9,887,507)	(1,182,616)	(19,434,103)	(24,080,628)	(2,534,777)	(2,527,378)	(280,335)	(454,398)		(32,136,722)	(28,245,020)
Assets:											
Additions to non-current assets	15,514	124,152	–	–	–	2,268	–	–	C	15,514	126,420
Segment assets	26,081,557	53,587,008	57,419,120	54,022,401	47,748,364	82,155,213	(57,417,051)	(87,955,840)	D	73,831,990	101,808,782
Segment liabilities	(17,580,128)	(15,347,752)	(89,876,544)	(59,037,872)	(34,601,779)	(15,846,033)	99,893,736	53,251,634	E	(42,164,715)	(36,980,023)

35. Segmental information (cont'd)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses consist share-based payments, inventories written-down, provisions, and impairment of financial assets as presented in the respective notes to the financial statements.

C Additions to non-current assets consist of additions to property, plant and equipment, intangible assets and investment in quoted and unquoted equities.

D The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheets:

	2019 $	2018 $
Deferred tax assets	–	5,531
Inter-segment assets	(57,417,051)	(87,955,840)

E The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated balance sheets:

	2019 $	2018 $
Deferred tax liabilities	885,246	1,049,255
Tax payable	11,126	4,694
Loans and borrowings	25,922,398	26,766,551
Inter-segment liabilities	(99,893,736)	(53,251,634)

35. Segmental information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Non-current assets	
	2019	2018	2019	2018
	$	$	$	$
Australia	6,676	544,252	–	–
Europe	1,763,203	401,613	–	–
Indonesia	1,846,075	4,958,678	3,535	5,035
Malaysia	1,682,847	1,459,012	6,447	14,208
Middle East	1,120,386	700,276	–	–
People's Republic of China	1,693,716	5,193,663	26,649	57,464
Singapore	14,816,517	14,995,933	28,038,239	34,769,875
Vietnam	202,036	698,358	–	–
Others	562,388	1,194,323	–	–
	23,693,844	30,146,108	28,074,870	34,846,582

Non-current assets information presented above consist of property, plant and equipment, right-of-use asset and intangible assets as presented in the consolidated balance sheets.

Information about major customers

Revenue from three (2018: three) customers amounting to $ 7,376,603 (2018: $7,910,286) arise from project revenue by the offshore and marine segment (2018: offshore and marine segment).

36. Events occurring after the reporting period

(a) On 10 July 2019, the High Court of the Republic of Singapore (the "Court") has granted the Company and an entity of the Group moratoria under section 211 of the Companies Act until 12 December 2019. On 20 November 2019, the Company applied for an extension of the moratoria and was granted extension to 12 April 2020 or a later date so ordered by the Court.

On 24 March 2020, the Company applied for a further 4 months extension from 12 April 2020. The hearing of such an extension is fixed for the 17 June 2020, which automatically extend the moratoria until the hearing date. The Company will seek a further extension of the moratoria by another four months. The Group intends to pursue the restructuring by way of scheme of arrangement to be proposed between the relevant entities of the Group and its creditors under Section 210 of the Companies Act (the "Scheme").

36. Events occurring after the reporting period (cont'd)

(b) On 10 January 2020, the Company has entered into a conditional placement agreement ("Placement Agreement") with Ruddin Advisory Limited and Blue Ocean Capital Partners Pte. Ltd., in relation to a proposed placement of shares in the Company ("Proposed Placement") for an aggregate consideration of $5,000,000 in cash.

This Proposed Placement will provide funds to the Company to, amongst others, facilitate the restructuring of its debts and liabilities as part of the Scheme and working capital of the Group. The Proposed Placement is subject to, among others, approval from the shareholders at an extraordinary general meeting, agreement with Maybank for the settlement/ re-financing of the outstanding loans as well as the finalisation of the scheme of arrangement.

(c) On 24 February 2020, the hearing in the High Court of Singapore of an application commenced by Maybank Singapore Limited ("Maybank") against three of the Company's wholly-owned subsidiaries, namely Viking Facilities Management & Operations Pte Ltd ("VFMO"), Viking Airtech Pte Ltd and Marshal Systems Pte Ltd, was adjourned to 26 June 2020. The Company intends to apply for a reschedule of the hearing to a date after the moratoria extension discussed in (a) above.

The application was in respect of banking facilities extended by Maybank to the subsidiaries. Maybank is seeking, amongst other things, repayment of the relevant sum and vacant possession of the properties mortgaged by VFMO to Maybank as security for the banking facilities.

(d) On 21 November 2019, the Beijing intermediary court granted an application by the Company's subsidiaries Viking LR1 Pte Ltd and Viking LR2 Pte Ltd ("VLR") to recognise the arbitration award against Beijing Forpetro Sino-Rig Co Ltd ("Forpetro"). On 14 February 2020, VLR further filed application for enforcement of award against the assets of Forpetro, including amongst others; the freezing, seizure and subsequent disposal of the assets, pending the fixing of the hearing date by the Beijing intermediary court. This application of enforcement of arbitration award relates to the charter payment default by the charterer, Forpetro.

(e) The emergence of Coronavirus ("COVID-19") since early 2020 has brought about uncertainties to the Group's operating environment and is expected to impact the business of the Group. The extent of the impact of the COVID-19 outbreak on the financial performance of the Company and its subsidiaries will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the overall economy, all of which are highly uncertain and cannot be predicted. As such, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Group in 2020.

37. Authorisation of financial statements

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 2 June 2020.