



**KIM HENG
OFFSHORE & MARINE HOLDINGS LIMITED**



NAVIGATING CHALLENGES EMBRACING DIVERSITY

An Established Integrated Offshore & Marine Value Chain Services Provider

SUSTAINABILITY REPORT FY 2017

WE, THINK BETTER, DO BETTER, BE BETTER.

Contents

- | | |
|--------------------------------|----------------------------|
| 1. Board Statement | 6. Social |
| 2. About this report | 7. Economic |
| 3. About Kim Heng | 8. Memberships/charters |
| 4. Our Sustainability Approach | 9. GRI Content Index |
| 5. Environmental | 10. Abbreviations Glossary |

This Sustainability Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

This Sustainability Report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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Board Statement

The Board of Directors at Kim Heng Offshore and Marine Holdings Limited and its subsidiaries (“Kim Heng” or the “Group”) are pleased to present the inaugural sustainability report of the Group. The board recognises that one of the keys to building a sustainable business involves finding a balance between addressing its business needs and the needs of the society and the environment in which the Group operates. The Board strongly believes that to grow sustainably as a forward-looking corporate entity, the Group has to regularly reach out and work together with all its stakeholders, from its employees to the community, and be responsible stewards of its natural environment.

About this Report

This is the inaugural sustainability report of Kim Heng and covers data and information from January 2017 – 31 December 2017 for our Singapore operations. The report is organized and presented in reference to the Global Reporting Initiative (GRI) Standards and will be published on an annual basis going forward.

The GRI Index at the end of this report sets out the relevant indicators and where information of such standards can be found. As this is our first sustainability report, we have not obtained any independent assurance of the information being reported, but may consider doing so as our reporting processes mature in the future.

A soft copy of this report can be found on our website at www.kimheng.com.sg. Please reach out to our sustainability team at jocelyn.tan@kimheng.com.sg with any comments or questions.

About Kim Heng Offshore and Marine Holdings Ltd

With 50 years of experience, Kim Heng Offshore & Marine Holdings Limited (“Kim Heng”) and its subsidiaries (collectively, the “Group”) is an established integrated offshore and marine value chain services provider. Strategically based in Singapore, the Group offers a one-stop comprehensive range of products and services that caters to different stages of offshore oil and gas projects from oil exploration to field development and oil production.

The Group's operations are primarily located in Singapore, with two shipyards strategically located at 9 Pandan Crescent and 48 Penjuru Road. The shipyards, with a combined waterfront of 205 metres, enable Kim Heng to carry out a multitude of services, including offshore rig repair, maintenance and refurbishment, fabrication, vessel newbuilding as well as painting and blasting works. As a one stop solutions provider, the Group owns a fleet of vessels for charter. Kim Heng has a subsidiary that provides sale and rental of cranes, which consists of crawler cranes, lorry cranes and mobile cranes. It also provides other services such as maintenance, trading and sale of heavy equipment.

Kim Heng has built its brand over the years and has established relationships with world renowned customers from over 25 countries in the regions of Southeast Asia, USA, Latin America, Australasia, Middle East and Europe.



1. Offshore Rig Services

- Construction and fabrication works on sections or components of drilling rigs and drill ships
- Installation of offshore production modules and systems
- Afloat repairs, maintenance and refurbishment of offshore rigs, platforms & vessels
- Supply of offshore drilling and production equipment
- 24/7 Oil spill response and salvage operations
- Owns and operates offshore support vessels such as AHTS

2. Supply Chain Management

- Provision of logistics, general shipping and crew management
- Provision of offshore supply vessels and heavy lift equipment

3. Vessel sales and new build

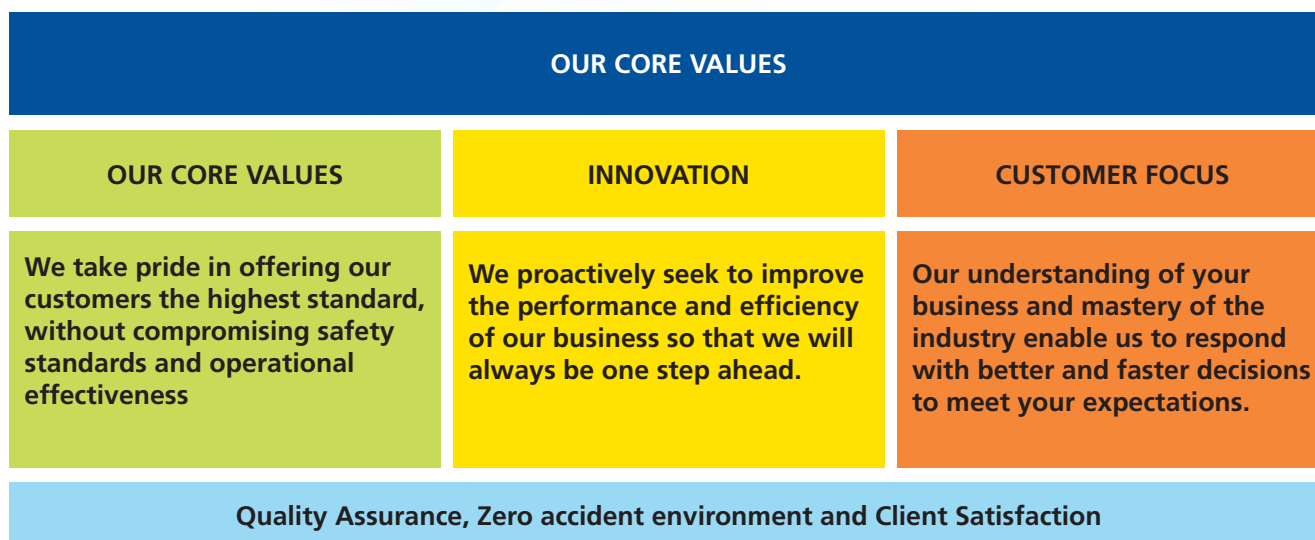
- Purchase and refurbishment of vessels for on-selling
- Newbuilding of vessels

4. Heavy Equipment Sale and Rental

- Leasing, sale, maintenance, import and export of heavy equipment
- Wide range of equipment and machineries including crawler, lorry and mobile cranes

Our Sustainability Approach

At Kim Heng, we aim to be the choice provider in the oil and gas industry and to be able to serve our customers with the finest integrated solutions and first class customer service.

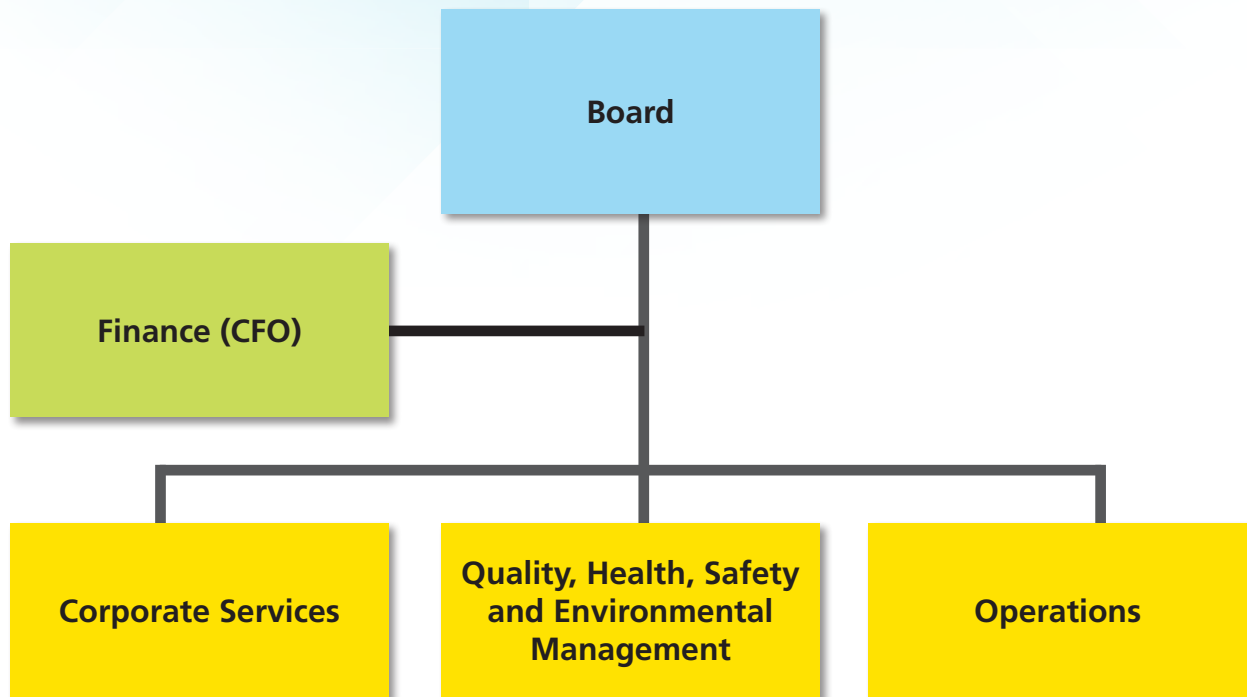


Corporate Responsibility (“CR”) has been an important part of the Group’s business philosophy, and is thus a key consideration in the Group’s daily operations. When doing business, be it launching a new service or working with partners, the Group always considers the socioeconomic aspect, as well as the environmental impact that any of our actions may have on the broader community. It is the Group’s view that a socially responsible business is a business that is valued by the community and all its stakeholders.

Sustainability Governance

Sustainability is governed right from the different business functions all the way to the top. Different departments such as Corporate Services, Health and Safety, etc. report on respective sustainability areas to the Chief Financial Officer (CFO) and these are further reported to the board for oversight. More details of our corporate governance practices can be found in the Corporate Governance Report in the Annual Report 2017.

Figure 3: Governance Structure



Materiality Assessment

Materiality is a critical input into our corporate sustainability strategy because it ensures that we provide our stakeholders with the sustainability information most relevant to them and our business. In 2017, we completed materiality assessment for the entire Group.

The process included interviews with internal stakeholders such as employees and management and internal workshops, to identify the most important sustainability issues. We will continue to examine our material issues periodically and will work to strengthen our internal sustainability management framework, processes and procedures.

From our assessment we identified 6 material topics and have divided them across three key pillars – Environmental, Social and Economic.

Figure 4: Material Topics



Environmental

Resource Management

Why it is material

Our operations consume electricity and marine gas oil. Our shipyards and vessels also generate waste through the fabrication of the offshore platforms and the building and repairing of vessels. The ballast water that is discharged by our vessels may also impact the biodiversity of the waters. Such natural resource dependence increases our environmental impact.

Management Approach

Kim Heng actively reiterates to its workforce the significance of environmental conservation. The Group actively monitors operations and processes to avoid potential sources of waste and leakages.

We have incorporated energy conservation measures in our standard operating procedures throughout the entire Group. We also follow best practices such as switching off our air-conditioning units and electricity during non-working hours. Our vessels follow the Ship Energy Efficiency Management Plan (SEEMP), which is a tool introduced by International Maritime Organisation (IMO) to improve energy efficiency of a ship.

Our vessels have been surveyed in accordance to MARPOL Annex VI Regulations for the prevention of air pollution from ship and comply with the applicable requirement.

The recent International Convention for the Control and Management of Ship's Ballast Water and Sediments (BWM Convention), requires all ships to implement a ballast water management plan where, inter alia, the ships are required to monitor and manage their ballast water discharge. Our Ballast Water Management Plan entered into force on 8 September 2017. Our vessels above 400 gross tonnage have the approved BWM plan on board.

At our office and shipyard, we have been harvesting and reusing rainwater for our operations.

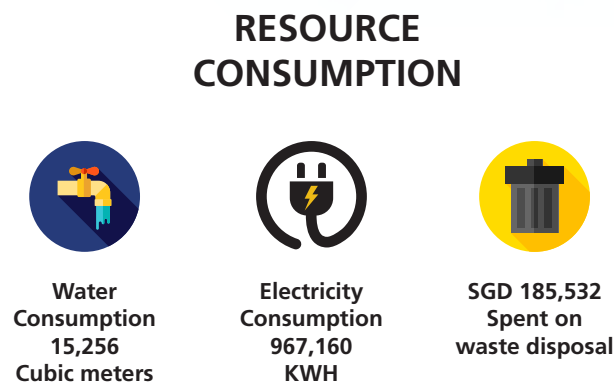
Kim Heng has strict waste management procedures and guidelines that have been developed with reference to local and international standards. Our vessels follow the MARPOL Annex V – Regulations for Prevention of Pollution by Garbage guidelines.

We have a risk management committee to monitor any risks of non-compliance in our operations and ensure that we adhere to environmental laws and regulations pertaining to our industry. In this regard, third party advisors will be considered and used where the Audit & Risk Committee ("ARC") deems it necessary.

Performance

Through our efforts, we have obtained ISO 9001: 2008, ISO 14001: 2004 certificates. We are also proud to have zero reported incidents on environmental non-compliance in 2017. Our energy, water and waste footprint is shown below.

Figure 5: Energy, water and waste*



* Note: Our data only covers our shipyard operations and does not include our vessels.

Performance Indicators

1. Enhance data collection and include the fuel consumption of our vessels.
2. Maintain compliance with the BWM convention.
3. Increase cleaner energy use by exploring the possibility of installing solar panels and LED lights instalment for our operations.
4. Maintain compliance with environmental regulations.
5. Reduce our energy, water and waste by 2% within 5 years.

Social

Health and Safety

Why it is material

We recognise that the health and safety of our on-site workers and vessel crew can be at risk given the nature of their work. Ensuring that our staff are safe at work is our top most priority.

Management Approach

The Group adheres to the best-in-class health & safety standards to ensure that the necessary safety measures are implemented across the organization. We have in place a health, safety and environment (“HSE”) policy and department to carry out and monitor HSE related issues for the shipyard and vessels. We have appointed key safety and compliance officers across the different levels of the organization, as well as outlined the key requirements and attainment of relevant certifications. On top of our own stringent risk mitigation measures, comprehensive risk assessments are also carried out by external bodies on a regular basis to ensure that all areas of safety are in check. Doing so allows us to remain confident that we have reduced the risks of accidents, injuries, or illnesses to our employees and the local community.

Performance

As a result of our commitment to our employees’ health and safety within our organization and processes, we obtained OHSAS 18001:2007 certification. Following this, comprehensive risk assessments are then carried out by external bodies on a regular basis to ensure all areas of safety are in check.

Additionally, we have achieved the following certifications:

- BizSafe level 3
- BIZSAFE STAR
- ISO 22:000
- ISPS and ISM certified shipyard - International Ship and Port Security and International Safety Management code
- Our vessels carry medical supplies and equipment as per International Maritime Organisation (IMO) and World Health Organisation (WHO) conventions



Figure 6: Health and safety indicators for 2017

Injury rate	
Male employees	0.337
Male workers (excluding employees)	0.673
Lost day rate	
Male employees	9.76
Absentee rate	
Male employees	1.95%
Female employees	2.42%
Fatalities	
Men	0
Women	0

Notes:

1. Injury rate* = (Number of injury x 200,000)/Number of hours worked
 2. Lost day rate* = (Number of lost days due to injury x 200,000)/Number of hours scheduled to be worked
 3. Absentee rate (%) = Total days lost due to absenteeism/ Total days scheduled to be worked
- Employees include all permanent and temporary contracted staff
 - Workers include sub-contracted staff

* - These rates are computed using a standardized base rate known as the Occupational Safety and Health Administration (OSHA) Recordable Incident Rate, whereby the injury rate or lost day rate is calculated by multiplying the number of recordable cases by 200,000 and then dividing that number by the number of labour hours at the company.

Performance Indicators

1. Continue to lower injury rate
2. Increase safety training and awareness
3. Maintain zero workplace fatalities

Human Capital Development

Figure 7: Our employee profile

Total number of employees	Male	Female
Permanent contract	230	25
Temporary contract	47	0
Total	277	25
	Male	Female
Full time	230	24
Part time	47	1

Why it is material

Our employees are the greatest asset at Kim Heng and because of them we are able to continuously achieve success. It is crucial for us to retain our staff and we can do that only if we care for their development, provide them benefits and fair working conditions.

Management Approach

Fair working conditions

We aim to provide diverse and equal opportunities to all our employees at Kim Heng. We do not judge our potential employee candidates based on their gender, race, religion or nationality. Instead we assess shortlisted candidates' based on qualification, relevant experience, skills and knowledge. We do not tolerate any form of grievance against our employees. Our staff are welcome to speak to their immediate superior should they have any grievances. Depending on the gravity of the issue, it will be solved by the superior or elevated to HR/management if it is assessed to be of greater severity.

Training and development

We are aware of the continuous advancement of skills sets in our operations. In order to continuously serve our customers with the finest integrated solutions and first-class service, we have provided specific training for specific job scopes such as Construction Safety Orientation Course (CSOC) for crane operators, Shipyard Safety Instruction Course (SSIC) for

shipyard workers, and Basic Offshore Safety Induction and Emergency Training (BOSIET) for workers going for offshore projects.

We also provide internship opportunities to instil knowledge and skills to the younger generation and form a base of new talent.

Employee benefits

We comply with Ministry of Manpower (MOM's) mandatory requirement for employee benefits but also provide competitive compensation compared to internal salary equity and external sources of the industry standards.

We seek to comply with our employees' requests and consider transferring staff to other departments or another entity of the Company in order retain staff should the position be made redundant. This will be based on the relevance of their knowledge and skill set.

Performance

Through our policies and various awareness programmes, we are pleased to have zero cases of employee grievances for 2017. Our headcount has continued to grow as we seek to acquire skills to support our business operations. The overall number of new hires in 2017 was 108 employees and we had a total of 82 resignations for the Group.



Upslip of Dredger for repair



Figure 8: Total New Hires and Turnovers

New Employee Hires		Employee Turnover	
Total # of Employee Hires	108	Total # of Employee Turnovers	82
# of new employee hires by age group		# of employee turnovers by age group	
<30 yrs.	17	<30 yrs.	15
30-50 yrs.	78	30-50 yrs.	51
>50 yrs.	13	>50 yrs.	16
# of new employee hires by gender		# of employee turnovers by gender	
Men	102	Men	75
Women	6	Women	7

Future Outlook

We plan to enhance our employees' benefits plan in the future, such as flexible benefits plans and increase employee welfare practices across the Group.

We plan to implement long-term incentive schemes such as Employee Share Option Scheme (ESOS) in future.

Training and development courses for workers to be offered:

1. Shipyard Safety Instruction Course
2. WSQ operate Boom lift

Economic

Ethics and Anti-corruption

Why it is material

We recognise that our industry is sensitive in the area of ethics and corruption. Any such issues can lead to significant reputational damage, legal consequences and loss of customers to our business.

Management Approach

Kim Heng has no tolerance for bribery and corruption in its business. We strive to achieve the highest levels of corporate ethics and transparency through sound corporate governance and appropriate internal controls.

We have developed an anti-bribery and corruption ("ABC") policy to provide guidance to all management and staff in the mitigation of the risk consistently with regulatory requirements and marketplace expectations.

We provide our staff with multiple platforms to report on anti-corruption and bribery if they feel that there are any potential incidents and any matters that arise are directly communicated to senior management.

Performance

Our employees are briefed and have received communication and training on Kim Heng's policy against anti-corruption and bribery. There have been no cases of anti-corruption and bribery at Kim Heng. However, we have to remain vigilant and constantly monitor our operations by instilling strong values on anti-corruption and bribery to the Group.

Future Outlook

We are in the process of including in our hiring policy that all new hires will be provided with an orientation handbook on anti-corruption and bribery. Subsequently, all new hires will be briefed on our policies on anti-corruption and bribery using our corporate video. The new hires will also

be required to acknowledge the ABC policy. Furthermore, we aim to provide our employees with workshops on anti-corruption and bribery on an annual basis and circulate regular handouts via emails.

Regulatory Compliance

Why it is material

Kim Heng is governed by a number of laws and regulations in the social and economic area and any breach can result in significant legal fines as well as reputation damage.

Management Approach

Our employees are briefed with the management's policy of non-compliance with social and environmental laws. Our code of ethics clearly states that Kim Heng adheres to all legal standards on dealing in securities, contracts and any other provisions and that we abide by all governing laws and regulations, both domestic and international.

Performance

We have not received any monetary fines, non-monetary sanctions, or have any open cases on social and economic non-compliance in FY2017. The Group is constantly vigilant to any non-compliance issues that may be non-compliant within our operations.

Future Outlook

Our mission is to ensure that we maintain our track record of having no cases on social and economic non-compliance in our operations.

Financial Stability

Why it is material

Our industry is going through a cyclical downturn and maintaining financial stability is crucial to stay in business and serve our stakeholders.

Management Approach

We strive to maintain our financial performance, particularly by improving our cash flows and lowering our credit risk.



Performance

In FY2017, the Group reported a net loss of S\$15.3 million. This included an S\$3.6 million one off non-cash impairment loss due to the write-down of some assets. Excluding the assets impairment loss, the Group would have reported a net loss of S\$11.7 million and a negative EBITDA of S\$2.7 million.

Future Outlook

As oil prices recently rallied to SGD 70 per barrel, we expect oil exploration and development spending by oil majors to slowly improve which will gradually lift the demand for the offshore and marine industry. We believe we are well positioned for the eventual upturn in the oil industry to secure more jobs and contracts in the region. Barring unforeseen circumstances, the Group is cautiously optimistic that the financial performance may improve in the next twelve months.

Memberships/external charters

CONVENTIONS/REGULATIONS

STCW Convention
IMO Convention
SOLAS
MARPOL
MLC

CERTIFICATIONS

BizSafe level 3
ISO 22000
ISO 9001
ISO 14001
OHSAS 18001
TRACE ANTI BRIBERY
BIZSAFE STAR
ISPS AND ISM certified shipyard - International Ship and Port Security AND International Safety Management code
Oil Spill IMO Level 3
International Maritime Organisation Convention
World Health Organisation Convention

MEMBERSHIPS

1. Singapore Shipping Association
2. ASMI - Association of Singapore Marine Industries
3. Singapore Chinese Chamber
4. Singapore Business Federation

GRI Standards Content Index

GRI Content Index			
GRI Standard	Disclosure		Page number and/or URL
GRI 101: Foundation 2016			
General Disclosures			
RI 102: General disclosures 2016	Organisational profile		
	102-1	Name of the organisation	1
	102-2	Activities, brands, products, and services	2
	102-3	Location of headquarters	1
	102-4	Location of operations	1
	102-5	Ownership and legal form	1
	102-6	Markets served	1
	102-7	Scale of the organisation	Refer to 2017 annual report
	102-8	Information on employees and other workers	8
	102-9	Supply chain	2
	102-10	Significant changes to the organisation and its supply chain	No significant changes
	102-11	Precautionary Principle or approach	5-6
	102-12	External initiatives	11
	102-13	Membership of associations	11
Strategy			
102-14	Statement from senior decision-maker	1	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	3	
Governance			
102-18	Governance structure	3-4	
Stakeholder engagement			
102-40	List of stakeholder groups	Omission	
102-41	Collective bargaining agreements	Not applicable	
102-42	Identifying and selecting stakeholders	Omission	
102-43	Approach to stakeholder engagement	Omission	
102-44	Key topics and concerns raised	Omission	
Reporting practice			
102-45	Entities included in the consolidated financial statements	Refer to 2017 annual report	
102-46	Defining report content and topic Boundaries	1, 5	
102-47	List of material topics	5	
102-48	Restatements of information	No restatements	

	102-49	Changes in reporting	No changes
	102-50	Reporting period	1
	102-51	Date of most recent report	This is the first report
	102-52	Reporting cycle	1
	102-53	Contact point for questions regarding the report	1
	102-54	Claims of reporting in accordance with the GRI Standards	1
	102-55	GRI content index	12-14
	102-56	External assurance	1
Material Topics			
Energy Consumption			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	1, 5
	103-2	The management approach and its components	5
	103-3	Evaluation of the management approach	6
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	6
Water Consumption			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	1, 5
	103-2	The management approach and its components	5
	103-3	Evaluation of the management approach	6
GRI 303: Water 2016	303-3	Water withdrawal by source	6
Waste management			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	1, 5
	103-2	The management approach and its components	5
	103-3	Evaluation of the management approach	6
GRI 306: Effluents and waste 2016	306-2	Waste by type and disposal method	6
Environmental Compliance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	1, 5
	103-2	The management approach and its components	5
	103-3	Evaluation of the management approach	6
GRI 307: Non-compliance 2016	307-1	Non-compliance on environmental laws and regulations	6
Employment			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	1, 8
	103-2	The management approach and its components	8

	103-3	Evaluation of the management approach	9
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	9
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	8
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	1, 6
	103-2	The management approach and its components	6
	103-3	Evaluation of the management approach	7
GRI 403: Occupational Health & Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	7
Anti-corruption			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	1, 10
	103-2	The management approach and its components	10
	103-3	Evaluation of the management approach	10
GRI 205: Anti-corruption 2016	205-2	Communications and training about anti-corruption policies and procedures	10
Regulatory Compliance			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	1, 10
	103-2	The management approach and its components	10
	103-3	Evaluation of the management approach	10
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	10

Abbreviations:

- BOSIET: Basic Offshore Safety Induction and Emergency Training
- BWM: Ballast Water Management
- CSOC: Construction Safety Orientation Course
- ESOS: Employee Share Option Scheme
- GRI: Global Reporting Index
- IMO: International Maritime Organization
- ISM: International Safety Management
- ISO: International Organization for Standardization
- ISPS: International Ship and Port Facility Security Convention
- MARPOL: International Convention for the Prevention of Pollution from Ships
- MLC: Maritime Labour Convention
- MOM: Ministry of Manpower
- OHSAS: Occupational Health and Safety Assessment Series
- SEEMP: Ship Energy Efficiency Management Plan
- SOLAS: International Convention for the Safety of Life at Sea
- SSIC: Shipyard Safety Instruction Course
- STCW: International Convention on Standards of Training, Certification and Watchkeeping for Seafarers
- WHO: World Health Organisation



Incorporated in the Republic of Singapore on 29 April 2013
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