KIM HENG
OFFSHORE & MARINE HOLDINGS LIMITED

STAYING STEADFAST

An Established Integrated Offshore & Marine Value Chain Services Provider

ANNUAL REPORT 2018

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Sponsor has not independently verified the contents of this Annual Report.

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

The contact person for the Sponsor is Ms Tay Sim Yee, SAC Capital Private Limited at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542, telephone (65) 6232 3210.

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Company Overview

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 has a fleet of quality cranes which consists of crawler cranes, lorry cranes and mobile cranes for both sale and rent. It also provides other services such as maintenance, trading and sale of heavy equipment.

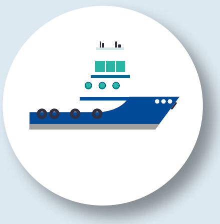
Kim Heng has built its brand over the years and has established relationships with world renowned customers from over 25 countries in the regions of Southeast Asia, USA, Latin America, Australasia, Middle East and Europe.

Offshore Rig Services

- Construction and fabrication works of sections or components of drilling rigs & drillships
- Installation of offshore production modules and systems
- Afloat repairs, maintenance and refurbishment of offshore rigs, platforms & vessels
- Supply of offshore drilling and production equipment
- Owner and Operator of Offshore Support Vessels
- Marine salvage and oil spill response

Logistics & Shipping Management

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



Vessel Sales & Newbuild

- Purchase and refurbishment of vessels for onselling
- Newbuilding of vessels

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

Company Milestones

1968
- Kim Heng Tugboat Company is founded by Mr Tan Eng Hai

1978
- Our Group corporatized itself through the incorporation of Kim Heng Marine Pte Ltd

1982
- Expanded into repair and maintenance in the marine offshore industry

1986
- Kim Heng Maritime Pte Ltd was set up to provide offshore maritime transportation services

1987
- Engaged in supply base management, carried out loading and unloading activities for offshore vessels, rig agency work and storage and maintenance of equipment related to oil and gas activities

1988
- Ventured into repair and maintenance activities for offshore oil rigs at anchorage, including fabrication, installation and painting of steel structures and the provision of specialised oil field equipment

1992
- Changed name to Kim Heng Marine & Oilfield Pte Ltd to better reflect the offshore O&G and marine industries that it serves

1996
- Embarked on rig fabrication activities with a project awarded by Transocean for fabrication and modification works to be carried out on a semi-submersible rig

1997
- Incorporation of Kim Heng Tubulars Pte Ltd to expand into the rental and trading of oil field equipment and specialty steel tubular products to offshore O&G customers

2001
- Acquired "Darwin Offshore Logistics Base Pty Ltd ("DOLB") in Darwin, Australia to provide marine transportation and offshore management and support services for oil and gas exploration, development and production activities in the Australian market.
- Sold DOLB in 2015

2006
- Addition of Kim Heng Shipbuilding & Engineering Pte Ltd to undertake shipbuilding projects
- Increased rig fabrication activities by fabricating blocks for the construction of semi-submersible rigs, jack-up rigs and drilling rigs

2008
- Completed first retrofitting of a pipelay barge, Jascon 25

Rig Fabrication and Engineering works at Pandan Crescent yard

2009

- Constructed and delivered the first accommodation and pipe lay barge Aussie 1

2010

- Constructed and delivered the second accommodation and pipelay barge McDermott LB32

2013

- Completed first re-activation and refurbishment of a jack-up rig, Randoplh Yost at Pandan Crescent Yard

- Listed on the Catalist Board of the Singapore Exchange Securities Trading Limited
- Planned expansion of yard facilities, vessel fleet and business & service offerings

2014

- Incorporation of Kim Heng Heavy Equipment Pte Ltd to expand into sale, rental, leasing, repair and maintenance of industrial machinery and equipment.
- Incorporation of KH Mazu Offshore & Marine Sdn. Bhd. in Malaysia to undertake repair and docking of vessels, supply chain and crew management and heavy-lift equipment rental

2015

- Completion of Kim Heng's headquarters of a 4-storey office cum warehouse building at 48 Penjuru Road Singapore

2016

2017

- Kim Heng's first ownership of AHTS vessels

2018

- Joint venture between KH Mazu Offshore & Marine Sdn. Bhd. and Ruhm Marine Sdn. Bhd. Incorporation a 49%-owned subsidiary in Malaysia called Ruhm Mazu Sdn. Bhd.
- Incorporation of wholly-owned subsidiary in East Malaysia named Kim Heng Marine Labuan Limited (incorporated in 2019)
- Incorporation of wholly-owned subsidiary in Singapore named Mazu Land & Marine Works Pte. Ltd.
- Embarked the first Marine and Horizontal Directional Drilling works contract
- Owner and Operator of a fleet of Offshore Support Vessels

Financial Highlights

Operating Results

(S$'000)	FY2018	FY2017
Revenue	38,060	27,438
Gross profit	5,372	5,462
EBITDA	(4,269)	(6,300)
Net Cash (used in) from Operating Activities	(4,828)	(5,642)
Net Loss	(13,508)	(15,312)

Financial Position

(S$'000)	31 December 2018	31 December 2017
Total Assets	121,737	124,463
Current Assets	19,192	25,058
Total Liabilities	60,390	49,127
Current Liabilities	27,031	20,948
Total Equity	61,347	75,336
Cash & Cash Equivalents, net of bank overdraft	1,967	4,405
Debt to Equity Ratio *	0.62	0.39

Performance Indicators

	FY2018	FY2017
Net Asset Value per Share (cents) **	8.7	10.6
Loss per Share (cents) ***	-1.9	-2.2
Return on Equity	-22%	-20%
Return on Total Assets	-9%	-10%
Return on Capital Employed	-12%	-13%

* *Defined as the sum of indebtedness to financial institutions divided by total equity*

** *Net asset value per ordinary share and earnings per share are calculated based on 708,832,300 & 709,050,800 shares in issue as at 31 December 2018 and 31 December 2017 respectively*

*** *Loss per share is calculated on weighted average number of shares outstanding of 708,948,280 & 709,880,291 shares for FY2018 & FY2017 respectively*

Chairman's Message

" I believe that our enduring company of 50 years has the wisdom to stay steadfast to position our company for the future. We demonstrate value through action, are constantly evolving and ever vigilant. "

THOMAS TAN KENG SIONG
Executive Chairman & Chief Executive Officer

Dear Shareholders,

On behalf of the Board of Directors ("Board") of Kim Heng Offshore & Marine Holdings Limited ("Kim Heng") and together with its subsidiaries (the "Group"), I present to you our annual report for the year ended 31st December 2018 ("FY2018").

FY2018 Performance

In FY2018, the oil price recovered to a high of US$85 at one point driven by geo-political factors. This helped to lift demand for our services and vessel chartering that support the rig business.

With this slight recovery of our industry, the Group's revenue increased by 38.7% year-on-year ("y-o-y") to S$38.1 million in FY2018. This was a result of an increase in vessel trading sales, higher equipment rental & sales, and greater demand for chartering of vessels.

Despite this revenue growth, gross profit margins decreased from 20% to 14% as a consequence of decreased contribution from the Group's higher margin businesses. Cost of sales also rose in-line with our revenue.

Construction of Temporary Floating Jetty for SG Cruise Centre's facilities

Chairman's Message

This resulted in a net loss of S$13.5 million in FY2018 compared to net loss of S$15.3 million in FY2017. The improvement in Kim Heng's net loss position was due to a decrease in impairment losses from plant and equipment as the Group recorded a one-off non-cash impairment on plant and equipment of S$3.6 million in FY2017.

Industry Outlook & Future Growth Strategy

After years of tough market conditions and long period of uncertainty in the Oil and Gas sector since 2014, we have turned to alternative sectors in search of other marine contract works for repairs and maintenance of vessels and rigs that support the offshore drilling and production. The Group has developed its value chain and strengthened its engineering capability into marine civil works in horizontal directional drilling (HDD), subsea cable installations. Further, the Group has plans to embark on business ventures in the defense and renewable wind energy sectors.

Importantly, a continued recovery of drilling activity in 2019 and return of previously sanctioned projects hopefully will support a return to robust growth in 2020. Recovery is thus expected in established areas like Malaysia, India, Vietnam, Thailand, Indonesia, and the Middle East despite current uncertainly.

Heavy lifting of Anchor & Chains

In 2018, we further expanded our revenue sources by undertaking marine and horizontal directional drilling (HDD) works at Tuas South Boulevard to support a submarine cable maintenance and installation provider. The Group had incorporated a wholly owned subsidiary, Mazu Land & Marine Works Pte Ltd, as we expect to secure more of such projects in the near future.

Offshore Wind Farm

Other strategic developments made in 2018 and the first quarter of 2019 include the incorporation of multiple subsidiaries in Malaysia such as wholly-owned subsidiary, Kim Heng Marine Labuan Limited and 49%-owned Ruhm Mazu Sdn. Bhd. with its three wholly-owned subsidiaries. These subsidiaries extend our offshore capabilities through a near market, near customer strategy, to comply to the local regulations, ensuring quick accessibility to the Group's customers. We also made several opportunistic acquisitions including offshore support vessels Lewek Lynx and Swissco Summit, and oil product tanker Angel Sun.

Despite the challenging economic conditions and the uncertainty faced by the business, the Group is cognizant of the importance to solidify our business and to develop new capabilities in order to stay competitive. The Group will also endeavour to capture new opportunities in order to sustain growth in the long term.

Looking towards 2019, we are happy to announce that we have secured various fabrication jobs valued at an aggregate of S$7 million from a well-established customer. The projects are scheduled to take place over 6 months, commencing in the first quarter of 2019.

We are confident that these developments position us better for the eventual upturn of the industry. We are supported by improving visibility of contracts and, barring unforeseen circumstances, are cautiously optimistic for financial year 2019.

Words of Appreciation

On behalf of the Board, I would like to express my sincere thanks to our hardworking team of management and staff, and to all our shareholders for their continued

HDD works at Tuas South

Bunker supplies to cruises and yachts

Chairman's Message

Bridgewater(s) – Vessels Fleet working offshore

support and we remain committed to making it a successful year ahead in 2019. I hope the turnaround come soon. We greatly appreciate the support and understanding that has been given to us during these challenging times.

I would also like to thank our key investor – Credence Partners, suppliers, customers and business associates for their faith in us and constant support through the years.

I believe that our enduring company of 50 years has the wisdom to stay steadfast to position our company for the future. We demonstrate value through action, are constantly evolving, and ever vigilant. Moving forward, we will continue to take on new challenges, embrace new ideas, and innovate in ways that are relevant to improve our profitability and shareholder's value.

THOMAS TAN KENG SIONG

Executive Chairman & Chief Executive Officer

Expanding Our Horizons

We are now owner and operator of offshore vessels.

Towage of Tender Assist Rig

Board Of Directors

Thomas Tan
Executive Chairman & CEO

Thomas Tan is the Executive Chairman and CEO of Kim Heng. He currently serves as a director for the companies within the Group. He was appointed to the Board on 20 May 2013. He joined the Group in 1978 as an apprentice and was involved in the operations department of our Company in the chartering of vessels, engaging in loading of steel structures, fabrication/ installation of modules as well as in the ship supplies and chandelling business. Thomas Tan rose through the ranks over the years to head the marketing and operations department. From 1998 until present, Thomas Tan has been responsible for overall operations, sales and marketing activities, customer service, securing new projects and negotiating contracts for the Group.

Date of Appointment	20 May 2013
Date of last re-appointment	26 April 2017
Age	61
Country of principal residence	Singapore
The Board's comments on this appointment	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution, performance, attendance, preparedness, participation, candour and suitability of Mr Tan Keng Siong Thomas for re-appointment as Director of the Company. The Board has reviewed and concluded that Mr Tan Keng Siong Thomas possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Board Committee Membership	Executive Chairman and CEO
Academic and professional qualifications	Not applicable
Directorships #	
Past (for the last 5 years)	i. Not applicable
Present	Company and its subsidiaries i. Kim Heng Offshore & Marine Holdings Limited ii. Kim Heng Marine & Oilfield Pte Ltd iii. Kim Heng Tubulars Pte Ltd iv. Kim Heng Shipbuilding & Engineering Pte. Ltd v. Kim Heng Maritime Pte. Ltd. vi. Alpine Progress Shipping Pte. Ltd. vii. Kim Heng Offshore & Marine Pte. Ltd. Other companies i. KH Group Holdings Pte. Ltd. ii. T-D Joint Venture Pty Ltd iii. Tan Logistic Pty Ltd iv. Tan Commercial Bins Pty Ltd
Principal Commitments *	
Past (for the last 5 years)	Nil
Present	Refer to above
Conflict of Interest (including any competing business)	No

Mr Thomas Tan, who is seeking re-election at the annual general meeting had responded negative to items (a) to (k) listed in the Appendix 7F of the Catalist Rules.

The Group had procured the undertaking set out in Appendix 7H under Rule 720(1) for the Catalist Rules for Thomas Tan.

*** "Principal Commitments" has the same meaning as defined in the Code.**
 # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)

Tan Chow Boon
Non-Executive Director

Tan Chow Boon is a Non-Executive Director of Kim Heng and was appointed to the Board on 26 December 2013.

He is a Managing Partner of Credence Partners Pte. Ltd., a private equity fund manager providing growth stage capital and expertise to SMEs within the Manufacturing, Information Communication Technology, Services, Logistics and Consumer sectors. Credence was founded by the Partners – Koh Boon Hwee, Tan Chow Boon and Seow Kiat Wang in 2006.

Tan Chow Boon began his career in 1984 at Hewlett-Packard and in 1991, co-founded an EMS company with the Partners, which was subsequently listed as Omni Industries in 1997. The group grew to a revenue size of approximately US$1 billion before being acquired by Celestica Inc in 2001.

Date of Appointment	26 December 2013
Date of last re-appointment	23 April 2018
Age	60
Country of principal residence	Singapore
The Board's comments on this appointment	Not applicable, Mr Tan Chow Boon is not due for retirement by rotation at the forthcoming Annual General Meeting.
Board Committee Membership	Non-Executive Director, Member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee.
Academic and professional qualifications	Bachelor of Mechanical Engineering Degree – National University of Singapore Executive MBA – Golden Gate University, California
Directorships #	
Past (for the last 5 years)	i. Boston Plastics (Shanghai) Pte. Ltd. ii. Kaidun-NR Limited iii. Credence Investment (Cayman) Limited iv. Springboard Worldwide Pte Ltd v. Nestronics Pte. Ltd.
Present	i. Kim Heng Offshore & Marine Holdings Limited ii. Credence Partners Pte. Ltd. iii. Credence Capital Fund (Cayman) Limited iv. Credence Capital Fund II (Cayman) Limited v. Anker Holdings Private Limited vi. Fassler Gourmet Pte Ltd vii. 20Cube Logistics Pte. Ltd. viii. Youthworks Ltd. ix. Singapore Youth for Christ x. Xenon Technologies Pte. Ltd. xi. Zimplistic Private Limited xii. FaithActs
Principal Commitments *	
Past (for the last 5 years)	Nil
Present	Refer to above
Conflict of Interest (including any competing business)	No

The Group had procured the undertaking set out in Appendix 7H under Rule 720(1) for the Catalist Rules for Tan Chow Boon.

*** "Principal Commitments" has the same meaning as defined in the Code.**
 # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)

Board Of Directors

Ho Boon Chuan Wilson
Lead Independent Director

Ho Boon Chuan Wilson is a Lead Independent Director of Kim Heng and was appointed to the Board on 26 December 2013. He is currently Managing Director, Asia of Westcon-Comstor, a value-added global technology distributor of category-leading solutions in Security, Collaboration, Networking and Data Center, where he is responsible for managing the business across 11 countries in Asia. His experiences over the last 20 plus years include working in the capital markets group of DBS Bank, holding the post of CFO of Multi Chem Limited a SGX-Main Board listed company from March 2000 to May 2011 and Deputy Managing Director of M Tech Group a regional IT distribution group.

Date of Appointment	26 December 2013
Date of last re-appointment	23 April 2018
Age	48
Country of principal residence	Singapore
The Board's comments on this appointment	Not applicable, Mr Ho Boon Chuan Wilson is not due for retirement by rotation at the forthcoming Annual General Meeting.
Board Committee Membership	Lead Independent Director, Chairman of the Audit and Risk Committee and the Member of the Nominating Committee and Remuneration Committee.
Academic and professional qualifications	Bachelor of Accountancy (Honours) Degree – Nanyang Technological University Chartered Financial Analyst (CFA) Chartered Accountant, Singapore (CA)
Directorships #	
Past (for the last 5 years)	i. Sysma Holdings Limited
Present	i. Kim Heng Offshore & Marine Holdings Limited ii. Westcon Solutions Pte. Limited iii. Westcon Solutions IMH Pte. Limited iv. Westcon Solutions (HK) Limited v. Westcon Solutions (M) Sdn Bhd vi. PT Westcon Solutions vii. Westcon Group (Thailand) Co., Limited viii. Westcon Solutions Philippines, Inc. ix. WHOM Pte Ltd
Principal Commitments *	
Past (for the last 5 years)	Nil
Present	Legal Representative i. Westcon Group Vietnam Co., Ltd ii. Westcon Solutions China Jing An Branch iii. Westcon Solutions China Beijing Branch iv. Westcon Solutions China Shenzhen Branch
Conflict of Interest (including any competing business)	No

The Group had procured the undertaking set out in Appendix 7H under Rule 720(1) for the Catalist Rules for Ho Boon Chuan Wilson.

*** "Principal Commitments" has the same meaning as defined in the Code.**
 # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)

Ong Sie Hou Raymond

Independent Director

Ong Sie Hou Raymond is an Independent Director of Kim Heng and was appointed to the Board on 26 December 2013. He is currently a director of CTLC Law Corporation, a firm of advocates and solicitors in Singapore. He was previously a partner of Rajah & Tann of which he has been with from May 2002 to March 2010. From 1998 to 2001, he was an associate lawyer at Collin Ng & Partners. Prior to that, he was practising at Joseph Tan Jude Benny & Scott between 1997 and 1998 and Chong Yeo & Partners between 1996 and 1997. His main area of practice is in litigation and international arbitration in commercial, banking, transportation and shipping matters.

Date of Appointment	26 December 2013
Date of last re-appointment	26 April 2016
Age	49
Country of principal residence	Singapore
The Board's comments on this appointment	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, contribution and performance, preparedness and suitability of Mr Ong Sie Hou Raymond for re-appointment as Independent Non-Executive Director of the Company. The Board has reviewed and concluded that Mr Ong Sie Hou Raymond possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Board Committee Membership	Independent Director, Chairman of the Nominating Committee and Remuneration Committee and Member of Audit and Risk Committee.
Academic and professional qualifications	Bachelor of Laws (Honours) Degree – National University of Singapore Advocate & Solicitor of the Singapore Bar
Directorships #	
Past (for the last 5 years)	i. Sunvic Chemical Holdings Limited ii. Pegasus Offshore Pte. Ltd. iii. Pacific Offshore Equipment Pte. Ltd.
Present	i. Kim Heng Offshore & Marine Holdings Limited ii. CTLC Law Corporation
Principal Commitments *	
Past (for the last 5 years)	Nil
Present	Refer to above
Conflict of Interest (including any competing business)	No

Mr Ong Sie Hou, Raymond, who is seeking re-election at the annual general meeting had responded negative to items (a) to (k) listed in the Appendix 7F of the Catalist Rules.

The Group had procured the undertaking set out in Appendix 7H under Rule 720(1) for the Catalist Rules for Ong Sie Hou Raymond.

* **"Principal Commitments" has the same meaning as defined in the Code.**
\# **These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)**

Management Team

1. Yeo Seh Hong Lilian

Chief Operating Officer

Ms Yeo Seh Hong is the Chief Operating Officer of the Group. She was appointed as Executive Director to the Board on 26 December 2013 but has stepped down on 12 December 2017. She was previously an inspection secretary with AMF Tuboscope Inc. from 1978 to 1985 where she was in charge of the preparation of customer's inspection reports and co-ordinating with the inspection manager on daily job assignments and assisting in sales enquiries. From 1985 to 1988, she was an operations co-ordinator/foreman with T.D. Inspection Pte Ltd (formerly known as AMF Tuboscope Inc.) where she coordinated field inspections on offshore rigs and land rigs and oversaw the Southeast Asia inspection division. She first began her career with the Group in 1988 and has, over the years, held various positions as materials manager, business development manager and general manager. She is currently responsible for overall operations, sales and marketing of products and services, developing and reviewing product specifications to meet market demand, preparing and submission of major tenders and commercial proposals for various scopes of services and overseeing the Group's activities to ensure continued compliance with safety requirements and ISO standards.

Ms Yeo Seh Hong completed her formal education at Sekolah Menegah Perempuan Jalan Ipoh Kuala Lumpur in 1974 and obtained her Secretarius Certificate from ATT Singapore in 1976.

2. Tan Keng Hoe Melvin

Commercial & Operations Director

Mr Tan Keng Hoe Melvin serves as the Commercial and Operations Director of the Group and is responsible for overseeing the business and commercial aspects of the Group. His first stint with the Group was from 1987 to 1997 where he last held the position of Manager of the Marine division. Mr Tan Keng Hoe Melvin proceeded to take on various logistical roles in leading companies in the Oil & Gas industry before rejoining the Group in May 2010. He holds a diploma in Business Management from the University of Bradford.

3. Michael Law

Chief Financial Officer

Mr Michael Law serves as the Group's Chief Financial Officer and is responsible for overseeing the financial and management accounting, compliance and taxation matters of the Company. He joined the Group in October 2016, bringing with him more than 20 years of experience in accountancy, auditing and finance. Previously, he had held financial management positions at various multinational companies and SMEs. He had also served as the group financial controller and chief financial officer of companies listed on the mainboard of SGX-ST. Mr Law obtained his Bachelor of Commerce from The Australian National University in 1991. He is a member of the Institute of Singapore Chartered Accountants and CPA Australia.

4. Heng Aik Soon

General Manager for Yard

Mr Heng Aik Soon serves as the General Manager for Yard and oversees the Group's offshore support services, vessel construction and yard management. He joined the Group in September 1997 as a Technical Manager and rose to the ranks of General Manager for Yard. He has more than 17 years of experience under his belt in the field of marine engineering, specialising in shipbuilding and vessel repair, and holds a Master of Diploma in Marine Engineering from Singapore Polytechnic.

5. Tan Wen Hao Justin Anderson

General Manager

Mr Justin Tan was appointed as a General Manager of the Company in October 2015. He joined the Company in August 2014, spearheading the corporate and business development segments of the Company and was involved in the day to day operations of the Group. He is currently under the tutelage of the senior management of the Group and is involved in handling the rig repair and maintenance operations, corporate and business development; and pursuing contracts for charter, new build and sale of vessels. He holds a Bachelor of Arts (Honours) degree in Business Economics from the University of Exeter.

Land Rig (HDD) in Drilling Operation

Operations & Financial Review

Offshore Rig Services & Supply Chain Management

The Offshore Rig Services and Supply Chain Management ("ORS-SCM") segment accounted for all of the Group's revenue for the financial year ended 31 December 2018 ("FY2018"). Revenue grew by 38.7% year-on-year ("y-o-y") to S$38.1 million for FY2018 on the back of increased vessel trading sales, higher equipment rental and material sales, and higher sales from chartering of vessels.

In FY2018, the despite the uncertainty industry conditions had improved across the year as the oil prices stabilised on the back of increased global demand. The OPEC agreement to cut oil production by 1.2 million barrels per day for the first six months of 2019 is expected to alleviate concerns of oversupply. This is beneficial for the Group as it begins to see stronger demand for its services following the oil price depression.

During FY2018, Kim Heng expanded its revenue sources by undertaking marine & HDD projects at Tuas South Boulevard for a submarine cable maintenance and installation provider. The Group had incorporated a wholly owned subsidiary, Mazu Land & Marine Works Pte Ltd as we expect to secure more of such projects in the future.

The Group also incorporated multiple subsidiaries in Malaysia as part of the Group's expansion plan to extend its offshore capabilities through a near market, near customer strategy to ensure quick accessibility to the Group's clientele.

Pilot Boat at work

These subsidiaries include wholly-owned subsidiary, Kim Heng Marine Labuan Limited and 49%-owned Ruhm Mazu Sdn. Bhd. with its three wholly-owned subsidiaries. Our expansion plan included several opportunistic acquisitions of offshore support vessels such as Lewek Lynx and Swissco Summit, and oil product tanker Angel Sun.

Moving forward, Kim Heng will continue to make opportunistic acquisitions and pursue strategic initiatives that take advantage of economies of scale to extend our revenue streams. These actions allow the Group to positively position itself in preparation for a reversal of the current industry sentiment.

Vessel Sales & Newbuild

Due to the current industry weakness, the Vessel Sales and Newbuild ("VS-NB") segment did not contribute any revenue to the Group for FY2018.

Financial Performance Review

The Group's financial performance improved in FY2018 as oil prices stabilised and demand began to recover. Revenue grew by 38.7% y-o-y to S$38.1 million in FY2018 from S$27.4 million in FY2017. This was a result of increased vessel trading sales, higher equipment rental and sales, and higher sales from chartering of vessels.

Operations & Financial Review

Singapore continues to be the largest market for the Group, contributing S$18.0 million or 47.3% to the Group's revenue.

In FY2018, cost of sales increased by S$10.7 million or 48.7% to S$32.7 million, mainly due to higher sales volume. Gross profit decreased by 1.6% y-o-y to S$5.4 million in FY2018, down from S$5.5 million in FY2017 while gross profit margins decreased to 14% from 20% in FY2017 as a consequence of decreased contributions from the Group's higher margin businesses.

The Group reported a net loss of S$13.5 million for FY2018, compared to the loss of S$15.3 million last year. This was a result of lower impairment loss on plant and equipment compared to FY2017 where the Group recorded a one-off impairment on plant and equipment of S$3.6 million.

The Group's total assets were S$121.7 million as at 31 December 2018, representing a decrease of 2.2% y-o-y. This was mainly due to the decrease of assets held for sale of S$7.8 million, offset by an increase in trade & other receivables of S$1.5 million and increase in property plant & equipment of S$3.1 million.

On the other hand, the Group's total liabilities increased by 22.9% y-o-y to S$60.4 million due to an increase in non-current borrowings of S$4.6 million, increase in trade & other payables of S$2.6 million in tandem with the higher sales activities and bank overdrafts of S$3.0 million.

As of 31 December 2018, the Group's current liabilities exceeded its current assets by $7.8 million.

Notwithstanding this, the Group is expected to continue as a going concern taking into consideration of the following sources of liquidity and funding available to the Group:

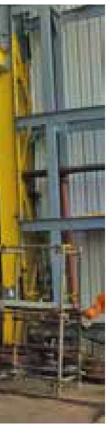
i. Future cash inflows from the Group's operating activities for the financial year ending 31 December 2019;

ii. The Group has obtained additional credit financing line of S$7 million from a bank and a financial institution; and

iii. The ability to realise its property, plant and equipment to fund financial obligations of the Group, when required.

Fabrication and Engineering Works

Berthing of Tender Assist Rig at Pandan Crescent yard



Logistics and Marine support for defence sector

Land Rig at work

The Group has engaged independent valuers to value its vessels and cranes as at 31 December 2018. The carrying amounts of the vessels and cranes as at 31 December 2018 were S$41.0 million and S$19.2 million respectively. Based on the latest valuation reports, the fair values of these vessels and cranes are S$77.1 million and S$21.1 million respectively. Out of these, the vessels and cranes with the fair values of S$34.9 million and S$14.8 million respectively are free of encumbrances. The Group would be able to realise these assets to fund its working capital if needed and to meet its financial obligations, if required. Subsequent to year end, the Group sold certain of its vessels and cranes for an aggregate cash consideration of S$1.9 million.

Cashflow, Cash Position and Outlook

Overall, net cash used in operating activities amounted to S$4.8 million in FY2018. As at 31 December 2018, Group's cash and cash equivalents stood at S$2.0 million, net of bank overdraft. Additional cash sources including bank financings, asset sales and organically generated cash flow are expected to support working capital needs of the Group.

Moving forward, Kim Heng will focus on the expansion of its operational capabilities to take on higher-margin and more diverse engineering and fabrication projects such as in the renewable wind energy sector, HDD and defence sectors. The Group will also remain committed to the implementation of its cost cutting initiatives to effectively control costs, and to prudently identify strategic investment opportunities in the industry.

Corporate Social Responsibility

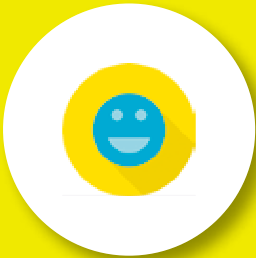
Corporate Social Responsibility ("CSR") is of great significance to the Group and it is integrated into the Group's daily operations. As such, socio-economic and environmental factors play an important part in the Group's participation in any business venture. It is the Group's view that a conducive society and the collective wisdom gained successively improves the overall business environment and thus, future prospects.

Consequently, the Group believes in adhering to strict health and safety standards to provide the necessary safety measures throughout its organization. This is done through the appointment of key personnel such as safety managers at different levels of the organization to ensure adherence to strict standards, as well as to aid in the outlining of requirements and the attainment of relevant certifications. Following this, comprehensive risk assessments are then carried out by external bodies such as ISO accreditation on a regular basis to ensure all areas of safety are in check. Employing these standards and vigorous testing ensures minimal risk of accidents, injuries and illness to its employees, working parties and the local community.

Moreover, the Group actively reiterates the importance of environmental conservation to its workforce. The Group fervently monitors its operations to locate and prevent any possible sources of wastage and identifies areas of improvement in view of environmental conservation. Identified sources are then reformed and enhanced to safeguard the environment. These processes not only help the Group manage costs but ensure optimal performance of operations without compromising health and safety standards.

Overall, the Group recognizes the importance of maintaining a strong relationship with the community it operates in and will continue to uphold its social responsibilities whilst actively seeking meaningful ways to contribute positively to the growth of the community.

Quality Assurance

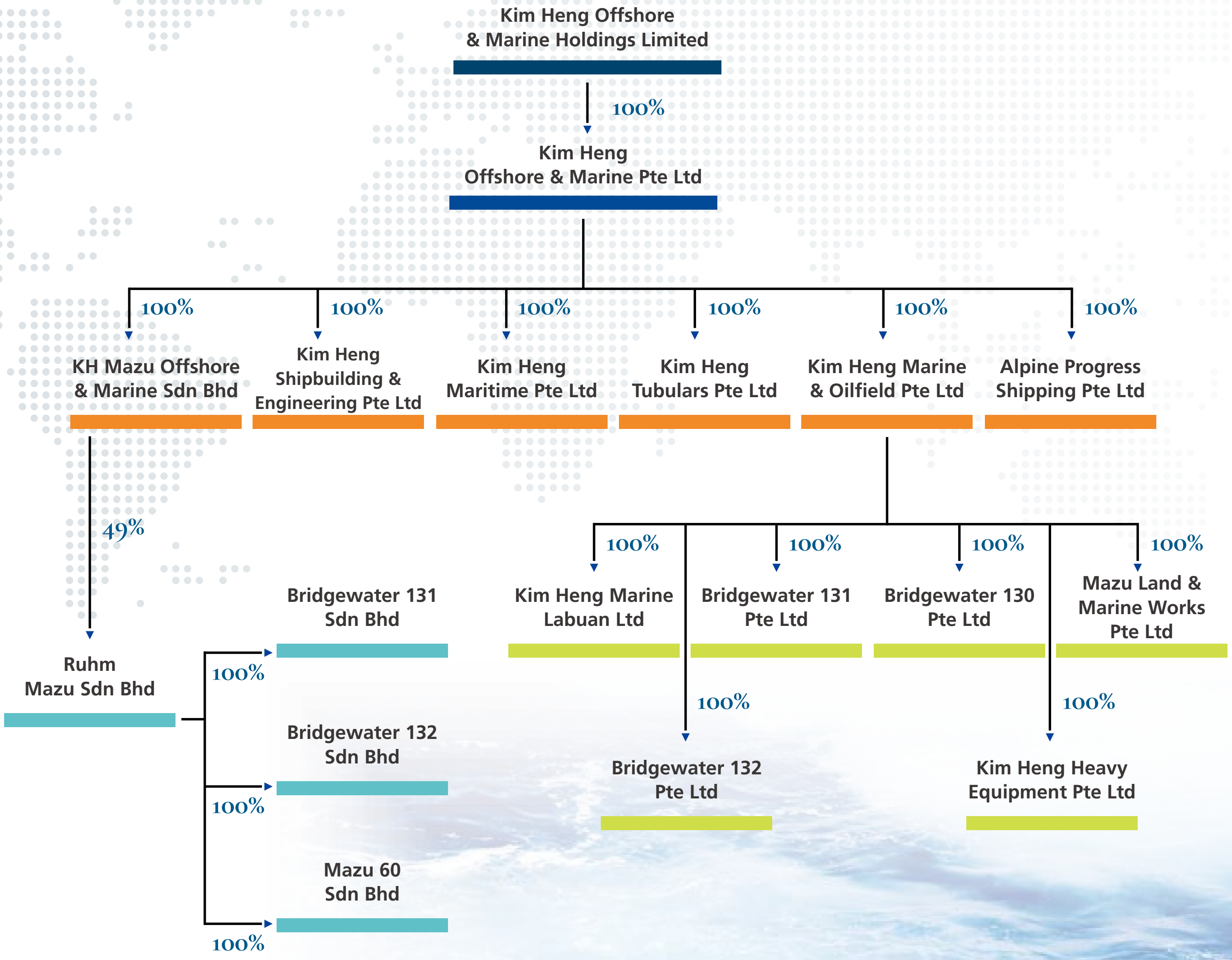


Aim to Achieve Zero Accident Environment

Client Satisfaction

Oil Spill Response

Corporate Structure



Aerial view of Penjuru Yard

Corporate Information

Board of Directors
Tan Keng Siong Thomas - Executive Chairman and CEO
Tan Chow Boon - Non - Executive Director
Ho Boon Chuan Wilson - Lead Independent Director
Ong Sie Hou Raymond - Independent Director

Audit & Risk Committee
Ho Boon Chuan Wilson - Chairman
Ong Sie Hou Raymond
Tan Chow Boon

Remuneration Committee
Ong Sie Hou Raymond - Chairman
Ho Boon Chuan Wilson
Tan Chow Boon

Nominating Committee
Ong Sie Hou Raymond - Chairman
Ho Boon Chuan Wilson
Tan Chow Boon

Registered Office Address
9 Pandan Crescent Singapore 128465
Telephone: (65) 6777 9990
Fax: (65) 6778 9990
Website: www.kimheng.com.sg

Company Registration Number
201311482K

Company Secretaries
Ms Lotus Isabella Lim Mei Hua, ACIS
Ms Joanna Lim Lan Sim, ACIS

Principal Bankers
United Overseas Bank Limited
80, Raffles Place Singapore 048624

Malayan Banking Berhad
Maybank Tower
2 Battery Road Singapore 049907

Sing Investments & Finance Ltd
96 Robinson Road #01-01
SIF Building
Singapore 068899

Auditors
KPMG LLP
Partner in charge: Lee Chin Siang, Barry
(Since financial year ended 31 December 2017)
16 Raffles Quay #22-00
Hong Leong Building Singapore 048521

Share Registrar
Tricor Barbinder Share Registration Services
80 Robinson Road #02-00 Singapore 068898

Investor Relations Contact
Ms Jocelyn Tan
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Sponsor
SAC Capital Private Limited
1 Robinson Road #21-00, AIA Tower Singapore 048542

Corporate Governance Report

The Board of Directors ("**Board**" or "**Directors**") of Kim Heng Offshore & Marine Holdings Limited ("**Company**") and its subsidiaries ("**Group**") are committed to observing and maintaining high standards of corporate governance to safeguard the interests of all its stakeholders and to promote investors' confidence.

This corporate governance report ("**Report**") describes the corporate governance framework and practices of the Company with specific reference to the principles of the Code of Corporate Governance 2012 ("**Code**"). The revised Code of Corporate Governance was recently issued on 6 August 2018 (the "**2018 Code**"), with the aim to enhance board quality by strengthening board independence and diversity and encourage better engagement between companies and all stakeholders. The 2018 Code is effective for annual reports covering financial years commencing from 1 January 2019. In this regard, the Company will endeavor to comply with the 2018 Code once it is effective.

The Board confirms that the Company and Group have, for the financial year ended 31 December 2018 ("**FY2018**"), generally adhered to the principles and guidelines as set out in the Code except where there are deviations from the Code, explanations have been provided in the relevant sections below:-

Sustainability reporting

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. The Company endeavours to comply with Rule 711A of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**") to issue its sustainability report by end of May 2019.

BOARD MATTERS

The Board's Conduct of its affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board is primarily responsible for providing effective leadership and setting strategic directions of the Group to enhance long-term value to its shareholders and other stakeholders. The management ("**Management**") also plays a pivotal role in providing Board members with complete, adequate and timely information to assist the Board in the fulfillment of its responsibilities.

The Board oversees the business affairs of the Group and works with the Management to make objective decisions in the interest of the Group.

The Board recognises that its principal duties include:

- providing entrepreneurial leadership, setting the strategic directions and the long-term goals of the Group and ensuring that adequate resources are available to meet these objectives;
- reviewing and approving, *inter alia*, the releases of the quarterly and full year results announcements, the annual report and financial statements, material acquisitions and disposals of assets, interested person transactions, corporate strategies, annual budgets and investment proposals of the Group;

Corporate Governance Report

- reviewing and evaluating the adequacy and integrity of the Group's internal controls, compliance, risk management and financial report systems;
- reviewing and monitoring the Management's performance towards achieving organisational goals;
- overseeing succession planning for Management;
- setting corporate values and standards for the Group to ensure that the obligations to shareholders and other stakeholders are understood and met;
- ensuring accurate and timely reporting in communication with shareholders; and
- considering sustainability issues including environmental and social factors in the Group's strategic formulation.

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

The Board has delegated specific responsibilities to the committees of the Board, namely, the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Audit & Risk Committee ("**ARC**") (collectively, the "**Board Committees**") to assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively. These Board Committees are made up of the Non-Executive Director and Independent Directors and chaired by an Independent Director. Each Board Committee has its own specific terms of reference which clearly set out its objectives, scope of duties and responsibilities, rules and regulations, and procedures governing the manner in which it operates and how decisions are to be taken.

The Board meets regularly with at least four (4) scheduled meetings on a quarterly basis held within each financial year to approve, amongst others, announcements of the Group's quarterly and full year financial results. Ad-hoc meetings are also convened to discuss and deliberate on urgent substantive matters or issues.

The Board may also have informal discussions on matters requiring urgent attention which would then be formally approved by circulating resolutions in writing. The Company's Constitution provides for the Board to convene meetings via telephone conferencing and electronic means in the event where the Directors are unable to attend meetings in person.

The number of Board and Board Committee meetings held and attended by each Board member during FY2018 is set out below:-

		Board Committees		
	Board	**Audit & Risk Committee**	**Remuneration Committee**	**Nominating Committee**
No. of Meeting(s) Held	5	4	1	1
	No. of Meetings Attended			
Tan Keng Siong Thomas	5	4*	1*	1*
Tan Chow Boon	5	4	1	1
Ho Boon Chuan Wilson	5	4	1	1
Ong Sie Hou Raymond	4	3	1	1

**By invitation*

Corporate Governance Report

While the Board considers Directors' attendance at Board meetings as important, it should not be the only criterion to measure their contributions. The Board also takes into account other criteria in assessing the contributions by the Board members, including periodical reviews, the nature and extent of their guidance and expertise rendered to the committees on which they sit and the scope of advice given on various matters relating to the Group.

The Group has adopted internal guidelines setting forth matters that require the Board's approval. Matters specifically reserved for the approval by the Board are those relating to the strategy, business plan and budget of the Group, material acquisitions and disposals of assets, capital related matters including corporate or financial restructuring, investment or expenditure exceeding certain threshold limits, share issuances, interim dividend and other returns to shareholders and interested person transactions.

The Management is responsible for day-to-day operations and administration of the Group and they are accountable to the Board. Clear directions have been disseminated to the Management that such reserved matters must be approved by the Board.

The Board ensures that incoming new Directors are given comprehensive and tailored induction training upon joining the Board including onsite visits, if necessary, to familiarize them with the business of the Group and the corporate governance practices of the Group upon their appointment to facilitate the effectiveness in discharging their duties. Newly appointed Directors will be provided with a formal letter setting out their duties and obligations. They will be given briefings by the Management on the business activities of the Group and its strategic directions as well as its corporate governance practices. Pursuant to the amended Rule 406(3)(a) of the Catalist Rules of the SGX-ST (which was revised to be consistent with the 2018 Code), the Company will arrange prescribed training for any Director who has no prior experience as a director of a listed company on SGX-ST on the roles and responsibilities of being a director of a listed issuer.

The Company is also responsible for arranging and funding the training of Directors. All Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in the relevant training courses, seminars and workshops as relevant and/or applicable.

During the year, the Board has been briefed and received updates on regulatory changes, industry developments, business initiatives and changes to the accounting standards.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently comprises four (4) Directors, three (3) of whom are Non-Executive Directors, of which two (2) are independent, thereby making up half of the Board. As two (2) out of its four (4) Directors are Independent Directors, the requirement of the Code that the Independent Directors must make up at least half of the Board, where the Chairman and the CEO is the same person and is not an independent director, is satisfied for FY2018.

Under Provision 2.2 of the 2018 Code, it provides that independent directors make up a majority of the Board where the Chairman of the Board is not independent. As the 2018 Code is only effective for the Company's financial year commencing 1 January 2019, the Board will meanwhile deliberate whether the Company will make any changes to the Board's composition.

Corporate Governance Report

The current members of the Board and their membership on the Board Committees are as follows: -

Name of Director	Board Membership	Audit & Risk Committee	Nominating Committee	Remuneration Committee
Tan Keng Siong Thomas	Executive Chairman & Chief Executive Officer ("**CEO**")	–	–	–
Ho Boon Chuan Wilson	Lead Independent Director	Chairman	Member	Member
Ong Sie Hou Raymond	Independent Director	Member	Chairman	Chairman
Tan Chow Boon	Non-Executive and Non-Independent Director	Member	Member	Member

The NC reviews the independence of the Directors as mentioned under Guideline 2.3 of the Code on an annual basis. Each of the Independent Directors has confirmed that he does not have any relationship with the Company or its related corporations, its shareholders who have an interest of at least 10% of the Company's total voting shares, or its officers, including confirming not having any relationships and circumstances set out in Guideline 2.3 of the Code, that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgment in carrying out the functions as an Independent Director with a view to the best interests of the Group. The Board and the NC have reviewed, determined and confirmed the independence of the Independent Directors. The Board noted that while Mr Ong Sie Hou Raymond is currently a director in a legal firm and the legal firm rendered legal services to, and receives fees from the Group in FY2018, he is not the partner acting for the Group. The NC has reviewed and concluded that the professional fees paid to the law firm (and not to Mr Ong Sie Hou Raymond) did not exceed the threshold provided in the Code and is of the view that the relationship do not affect Mr Ong Sie Hou Raymond's ability and willingness to operate independently.

Following the recent revision to the Code, the Catalist Rules has been amended to be consistent with the 2018 Code. In relation to the assessment of the independence of the directors, specific tests of directors' independence have been hardcoded into the listing rules of the SGX-ST to clarify that these circumstances which deemed directors not to be independent should be applied without any exceptions.

Under Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules which takes effect on 1 January 2019, it stipulates that a director will not be independent if he is employed by the issuer or any of its related corporations for the current or any of the past three financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporations for the past three financial years, and whose remuneration is determined by the remuneration committee of the issuer.

In this regard, each of the Independent Directors has confirmed that they and their respective associates do not have any employment relationships with the Company.

None of the Independent Directors have served on the Board beyond nine (9) years from their respective date of appointment. Taking into the account the need for Board's renewal, the Board may consider developing its Board's succession plans at the appropriate time.

Corporate Governance Report

The Board and the NC has reviewed and is satisfied that the current composition and board size of four (4) Directors is appropriate for effective decision-making, having taken into consideration the nature and scope of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and the Board Committees. The Board also considered that its Directors as a group provide a wide spectrum of industry skills, experience in accounting, finance, business strategies, and management experience to lead and govern the Group effectively.

The NC conducts an annual review on the Board's composition to ensure that the Board has the appropriate mix of expertise and experience. Having reviewed and considered the composition of the Board and the Board Committees, the NC is of the view that the current Board comprises individuals whose diverse skills, experience and attributes provide for an effective functioning of the Board. The Board members also collectively possess the necessary core competencies necessary to lead and manage the Company. The profile of each of the Directors is set out on pages 10 to 13 of this annual report.

As Independent Directors make up half of the Board, there is a strong independent element on the Board and no individual or groups of individuals dominate the Board's decision-making process. The Independent Directors provide the Board with independent and objective judgment on the corporate affairs of the Group and together with the Non-Executive Director, they have the necessary experience and expertise to assist the Board in decision-making and to provide a check and balance to the Board as they are not involved in the day-to-day operations of the Company and the Group.

Whilst all the Directors share an equal responsibility for the Company's operations, the role of the Independent and Non-Executive Directors is crucial in helping to develop proposals on Company strategies and to ensure that the strategies proposed by the Management are constructively challenged, fully discussed and rigorously examined. The Independent and Non-Executive Directors are also responsible for reviewing the performance of the Management in meeting agreed goals and objectives and monitoring the reporting of performance. The Independent and Non-Executive Directors communicate without the presence of the Management as and when the need arises. The Company also benefits from the Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board Committees meetings.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Group's business and no one individual should represent a considerable concentration of power.

Mr Tan Keng Siong Thomas is the Chairman of the Board and CEO of the Group. As Chairman of the Board, his duties and responsibilities include:

- overseeing the smooth functioning of the Board and ensures that Directors receive complete, adequate and timely information;
- setting the agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board;

Corporate Governance Report

- ensuring effective communication by the Board and the Management with shareholders;
- encouraging constructive relations within the Board and between the Board and Management;
- facilitating the effective contribution of non-executive directors, in particular; and
- promoting high standards of corporate governance.

In addition, as CEO of the Group, he assumes responsibility for running the day-to-day business of the Group; ensures implementation of policies and strategy across the Group as set by the Board; manages the Management team; and leads the development of the Group's strategic direction including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.

Taking into account the current corporate structure, size, nature and scope of the Group's operations, the Board is of the view that it is presently not necessary to separate the roles of the Chairman and CEO, and there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent, based on collective decisions without any individual or group of individuals being able to exercise considerable concentration of power or influence. For good corporate governance, Mr Ho Boon Chuan Wilson has been appointed as the Lead Independent Director of the Company. Mr Ho Boon Chuan Wilson is available to shareholders where there are concerns or issues which could not be resolved with, or inappropriate to be communicated to, the Executive Chairman and CEO and/or Chief Financial Officer. Where necessary, the Independent Directors will meet without the presence of the other directors and the Lead Independent Director will provide feedback to the Chairman after such meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC consists of three (3) members, majority of whom, including the NC Chairman, are Independent Directors:

Mr Ong Sie Hou Raymond*	–	Chairman
Mr Ho Boon Chuan Wilson*	–	Member
Mr Tan Chow Boon	–	Member

*Independent Director

The Lead Independent Director is also a member of the NC. The NC will meet at least once a year. The NC is responsible for making recommendations to the Board on all Board appointments and re-appointments. The key terms of reference of the NC include the following:

- regularly reviewing the Board structure, size and composition and making recommendations to the Board with regards to any adjustments that are deemed necessary;
- determining the process for search, nomination, selection and appointment of new Board members and assessing nominees or candidates for appointment and re-election to the Board;
- reviewing Board succession plans for Directors, in particular, the Chairman and CEO;

Corporate Governance Report

- making recommendations to the Board on the appointment and re-appointment of Directors (including alternate Directors, if applicable), having regard to the composition and progressive renewal of the Board, each Director's contribution and performance (e.g. attendance, preparedness, participation and candour) including as an Independent Director, and ensuring that all Directors submit themselves for re-election at regular intervals and at least once every three (3) years;

- identifying suitable candidates and reviewing all nominations for appointment and re-appointment to the Board;

- developing a process for assessing and evaluating the effectiveness of the Board as a whole and its Board Committees as well as the contributions of each individual Director to the effectiveness of the Board;

- deciding how the Board's performance may be evaluated and to propose objective performance criteria;

- determining on an annual basis whether a Director is independent, bearing in mind the circumstances set forth in the Code, compliance with the Catalist Rules and any other salient factors;

- reviewing training and professional development programmes for the Board; and

- determining whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple Board representations.

The NC has in place a formal process for the selection and appointment of new Directors and re-appointment of Directors as follows:

- the NC evaluates the balance of skills, knowledge and experience of the Board and, in light of such evaluation and in consultation with Board, prepares a description of the role and the essential and desirable competencies for a particular appointment;

- if required, the NC may engage consultants to undertake research on, or assess, candidates for new positions on the Boards;

- the NC meets with short-listed candidates to assess their suitability and ensure that the candidates are aware of the expectations; and

- the NC makes recommendations to the Board for approval.

The Board will ensure that the selected candidate is aware of the expectations and the level of commitment required. Directors are encouraged to attend relevant training programmes conducted by the Singapore Institute of Directors, the SGX-ST, other business and financial institutions.

The NC has considered and taken the view that it would not, at this time, be appropriate to set a limit on the number of listed directorships that a Director may hold because directors have different capabilities. The nature of the organisations in which they hold appointments and the committees on which they serve are of different complexities. Accordingly, each Director would personally determine the demands of his competing directorships and obligations and assess the number of listed directorships they could hold and serve effectively. Currently, none of the Directors hold more than two (2) directorships in other listed companies. The NC considers that the multiple board representations held presently by its Directors do not impede their respective performance in carrying out their duties to the Company.

Corporate Governance Report

The NC is satisfied that sufficient time and attention are being devoted by the Directors to the affairs of the Company and the Group during FY2018. The NC will continue to review, from time to time, the Directors' number of listed company board representations and other principal commitments to ensure that Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

Pursuant to Article 103 of the Company's Constitution, at least one-third of the Directors shall retire from office at each annual general meeting of the Company ("**AGM**") and all Directors must retire at least once every three (3) years at the AGM. In addition, the Directors, by the recommendation of NC, shall have the power to appoint any person to be the Director either to fill a casual vacancy or as an additional Director. In this respect, the NC has recommended and the Board has agreed for the following Directors who are due for retirement, pursuant to Article 103 of the Constitution of the Company, to seek re-election at the forthcoming AGM:

1. Mr Tan Keng Siong Thomas and;
2. Mr Ong Sie Hou Raymond

Mr Ong Sie Hou Raymond will, upon re-election as Director, remain as the Chairman of the NC and RC and a member of the ARC. The Board considers Mr Ong Sie Hou Raymond to be independent for the purposes of Rule 704(7) of the Catalist Rules. Key information of Mr Ong Sie Hou Raymond can be found on page 13 of the annual report. There are no relationships (including family relationships) between Mr Ong Sie Hou Raymond and the other Directors, the Company or its 10% shareholders.

In making the recommendations, the NC had considered the overall contribution and performance of the Directors. Mr Ong Sie Hou Raymond, being the NC and RC Chairman, had abstained from deliberation in respect of his own nomination and assessment.

As at the date of this Report, there is no Independent Director being appointed as Director in the Group's principal subsidiaries. The Board will be informed of the revised Board composition of the principal subsidiaries and the appointment of Independent Director in the principal subsidiaries from time to time.

The Company does not have any alternate Director as the Board does not encourage the appointment of alternate Director unless it is an exceptional case.

Key information regarding the Directors is set out in the section "Board of Directors" of this Annual Report. Information on the Directors' shareholdings in the Company and its related corporations is set out in the section "Directors' Statement" of this Annual Report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC undertakes an annual evaluation of the overall effectiveness of the Board and the contribution by each Director to the effectiveness of the Board. The performance criteria for the Board evaluation include the Board commitment, standard of conduct, competency, accountability, training & development and interaction with directors, Management and stakeholders.

Each Director also undertakes a self-assessment to evaluate their contribution to the Board. This self-assessment process takes into account, *inter alia*, the commitment, value of contribution to the development of strategy, availability at board meetings, interactive skills, degree of preparedness, industry awareness and business knowledge and experience of each director.

Corporate Governance Report

All Directors are requested to complete an evaluation questionnaire designed to seek their view on the various aspects of their own performance and the Board performance so as to assess the overall effectiveness of the Board.

The completed questionnaires were collated by the Company Secretary and the results of the evaluation exercise were subsequently considered by the NC, before making recommendations to the Board, aimed at assisting the Board to discharge its duties more effectively. Following the review of the questionnaire assessment of the Board for FY2018, both the NC and the Board are of the view that the performance of the Board as a whole is satisfactory. The NC is satisfied that each member of the Board has effectively and efficiently contributed to the Board and the Group during the year.

The Board has not engaged any external facilitator in conducting the assessment of the effectiveness of the Board and the Board Committee and the performance of individual Directors. Where relevant, the NC will consider such engagement.

Each member of the NC shall abstain from voting on any resolutions and making any recommendation and/or participating in any deliberations of the NC in respect of the assessment of his/her own performance or re-nomination as director. Accordingly, Mr Ong Sie Hou Raymond, as Chairman of the NC, has abstained from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. To allow Directors sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed to the Directors in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished.

The information provided by Management to the Board include background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations, budgets, forecasts and internal financial statements, and in respect of budgets, any material variance between the projections and actual results will be disclosed and explained. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings. In order to keep Directors abreast of the Group's operations, the Directors are also updated on initiatives and developments on the Group's business as soon as practicable and/or possible and on an on-going basis.

The Board has separate, unfettered and independent access to the Management and the Company Secretary at all times. The Company Secretary is responsible for, among other things, ensuring that the Board's procedures are observed and the Company's Constitution, relevant rules and regulations, including requirements of the Companies Act (Chapter 50) of Singapore and the Catalist Rules are complied with. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretary also assists the Chairman in ensuring good information flows within the Board and its Board Committees and between the Management and the Non-Executive Directors. The Company Secretary attends and prepares minutes for all Board meetings. As secretary for all Board Committees, the Company Secretary assists in ensuring coordination and liaison between the Board, the Board Committees and the

Corporate Governance Report

Management. The Company Secretary assists the Chairman of the Board, the Chairman of Board Committees and the Management in the development of the agendas for the various Board and Board Committee meetings. The decision to appoint and remove the Company Secretary is made by the Board as a whole.

The Directors, either individually or as a group, in the furtherance of their duties, has the right to seek independent legal and other professional advice, where appropriate, at the Company's expense.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Matters concerning remuneration of the Board, senior executives and other employees who are related to the controlling shareholders and/or the Directors (if any) are handled by the RC whose primary function is to develop formal and transparent policies on remuneration matters in the Company. The RC also reviews and ensures that the Company's remuneration system is competitive and sufficient to attract, retain and motivate the required talents to run the Company successfully.

Matters which are required to be disclosed in the annual remuneration report have been sufficiently disclosed in this Report under Principles 7, 8 and 9, as well as in the audited financial statements of the Company and of the Group.

The RC consists of three (3) members, all of whom are Non-Executive Directors and majority of whom, including the RC Chairman, are Independent Directors:

Mr Ong Sie Hou Raymond*	–	Chairman
Mr Ho Boon Chuan Wilson*	–	Member
Mr Tan Chow Boon	–	Member

*Independent Director

The RC will meet at least once a year. The RC carries out its duties in accordance with a set of terms of reference which includes the following:

- reviewing and recommending to the Board, in consultation with the Executive Chairman and CEO, for endorsement, a framework of remuneration policies to determine the specific remuneration packages and terms of employment for each Director and key management personnel, including employees related to the Directors and controlling shareholders, and the implementation of appropriate performance-related elements to be incorporated in the remuneration framework;

- reviewing and recommending the remuneration of the Non-Executive Directors, taking into account factors such as their effort, time spent and their responsibilities;
- reviewing and administering the award of shares and/or share options to Directors and employees under the employee performance share plan and/or employee share option scheme adopted by the Company;
- reviewing and determining the contents of any service contracts for any Directors or key management personnel; and
- carrying out other duties as may be agreed by the RC and the Board, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

The RC is responsible for ensuring a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors, key management personnel and related employees. All aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, awards to be granted under the performance share plan and the options to be issued under the employee share option scheme as well as other benefits-in-kind are reviewed by the RC. The recommendations of the RC are submitted for endorsement by the Board. Such frameworks are reviewed periodically to ensure that the Directors and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies.

The Executive Director does not receive Directors' fees. The annual variable bonus and performance-related component of remuneration is designed to align the interests of the Executive Director with those of the shareholders and link rewards to the Group's financial performance.

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Director and key management personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance. The Executive Director has a service agreement with the Company which can be terminated by the Company (without prejudice to and in addition to any other remedy) by giving not less than six (6) months' written notice. The appointment of such senior position is on a long-term basis and no onerous removal clauses are contained in their respective service agreement.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group. The Executive Director owes a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Director and key management personnel in the event of such exceptional circumstances of breach of fiduciary duty.

The remuneration of Non-Executive Directors is in the form of a fixed fee which will be subjected to shareholders' approval at the AGM. Each member of the RC abstains from voting on any resolutions in respect of his own remuneration package.

The remuneration of employees related to Directors or the CEO will be reviewed annually by the RC to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increments and/or promotions for these related employees will also be subject to the review and approval of the RC. In the event that a member of the RC is related to the employee under review, he will abstain from participating in the review.

The RC also oversees the administration of the Kim Heng Share Employee Share Option Scheme ("**Kim Heng ESOS**") and Kim Heng Performance Share Plan ("**Kim Heng PSP**") (as well as such other similar share plans as may be implemented by the Company from time to time) upon the terms of reference as defined in the Kim Heng

Corporate Governance Report

ESOS and Kim Heng PSP. Both Kim Heng ESOS and Kim Heng PSP, which were adopted on 26 December 2013, had a 10-year tenure commencing on the adoption date.

Where necessary, the RC will consult external professionals on remuneration matters of the Directors and key management personnel. No remuneration consultants were engaged by the Company in FY2018.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Details of the remuneration of the Directors and key management personnel of the Group for FY2018 are set out below:

	Breakdown of Remuneration in Percentage (%)					
Directors	**Fees (%)**	**Salary (%)**	**Benefits-in-kind (%)**	**Variable Bonus (%)**	**Total (%)**	
Ong Sie Hou Raymond	100	–	–	–	100	Band A
Ho Boon Chuan Wilson	100	–	–	–	100	Band A
Tan Chow Boon	100	–	–	–	100	Band A
Tan Keng Siong Thomas	–	98	2	–	100	Band C

		Breakdown of Remuneration in Percentage (%)				
Key Management	**Designation**	**Salary (%)**	**Benefits-in-kind (%)**	**Variable Bonus (%)**	**Total (%)**	
Michael Law Sai Leung	Chief Financial Officer	100	–	–	100	Band A
Tan Wen Hao Justin Anderson[a]	General Manager	100	–	–	100	Band A
Heng Aik Soon	General Manager – Yard	100	–	–	100	Band A
Yeo Seh Hong	COO	94	6	–	100	Band B
Tan Keng Hoe Melvin[b]	Commercial and Operations Director	97	3	–	100	Band B

Notes:

(a) Son of Mr Tan Keng Siong Thomas, Executive Chairman and CEO

(b) Brother of Mr Tan Keng Siong, Thomas, Executive Chairman and CEO

Band A: Compensation from S$250,000 and below per annum
Band B: Compensation from S$250,001 to S$500,000 per annum
Band C: Compensation from S$500,001 to S$1,000,000 per annum

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In aggregate, the total remuneration (including CPF contribution, bonus and benefits-in-kind) paid to the top five (5) key management personnel (who are not Directors or the CEO) in FY2018 was S$1,154,178.

To maintain confidentiality on the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company to keep the disclosure of remuneration of each individual Director and key management personnel in salary bands.

Save as disclosed, there are no termination, retirement and post-employment benefits that may be granted to the Directors and key management personnel.

Apart from Ms Tan Peck Ling Jocelyn and Ms Tan Peck Ching Jeliane, being the daughters of Mr Tan Keng Siong Thomas, the Executive Chairman and CEO, whom hold the positions of Head of Corporate Services and Head of Supply Chain respectively with a remuneration band of S$100,001 to S$150,000 for FY2018, as well as Mr Tan Keng Hoe Melvin, Commercial and Operations Director, being the brother of the Executive Chairman and CEO with a remuneration band of S$250,001 to S$300,000 and Mr Tan Wen Hao Justin Anderson, General Manager, being the son of the Executive Chairman and CEO, with a remuneration band of S$100,001 to S$150,000, none of the full-time employees are related to the Directors or substantial shareholders. The RC is of the view that their remuneration are in line with Company's staff remuneration guidelines and commensurate with their job scopes and level of responsibilities.

The remuneration package for the Executive Director is based on terms stipulated in his service agreement. The remuneration package of Mr Tan Keng Siong Thomas includes a profit-sharing scheme that is performance related to align his interests with those of the shareholders.

The Company has adopted a performance share plan known as the "Kim Heng PSP" and a share option scheme known as the "Kim Heng ESOS" in conjunction with the listing of the Company on the Catalist of the SGX-ST. Both the Kim Heng PSP and Kim Heng ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Both the Kim Heng PSP and Kim Heng ESOS form an integral and important component of the compensation plan and are designed primarily to reward and retain employees whose services are vital to the growth and performance of the Company and the Group.

As at the date of this Report, no awards or options have been granted under the Kim Heng PSP and Kim Heng ESOS respectively.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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The Board recognises the importance of providing accurate and relevant information on a timely basis. In this respect, the ARC reviews all financial statements and recommends them to the Board for approval. In addition, the ARC ensures that the Company maintains a sound system of internal controls to safeguard its shareholder's investments and the Group's assets as well as to manage potential risks.

In discharging its responsibility of providing accurate relevant information on a timely basis to shareholders in compliance with statutory and regulatory requirements, the Board strives to ensure timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, position and prospects.

The Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the Catalist Rules, where appropriate. The Independent and Non-Executive Directors, in consultation with the Management, will request for the establishment of written policies of any particular matter that is deemed essential to form part of management control.

On a quarterly basis, the Management will report to the ARC the financial processes and controls that are in place, highlighting material financial risks and impacts and providing updates on the status of significant financial issues of the Group, if any.

The Board is responsible for the governance of risk. It ensures that the Management maintains a sound system of risk management and internal controls to safeguard the Company's shareholders' interests and the Group's assets and to determine the nature and extent of significant risks which the Board is willing to take in achieving its strategic objectives.

The Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Group's level of risk tolerance and risk policies. The Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology controls. The Board also recognises its responsibilities in ensuring a sound system of internal controls to safeguard the Company's shareholders' investments and the Group's assets.

The Group has established an Enterprise Risk Management ("**ERM**") framework for identification of key risks within the business and has adopted the use of risk register and summary of comfort matrices to document the identified risks as well as taking appropriate measures to control and mitigate these risks.

The Management Risk Committee ("**MRC**") which was formed in FY2015 comprises of Management and executive officers from various departments. The MRC conducts regular reviews and provides reports to the ARC every half year on the Group's business and operational activities in respect of the key risk control areas including financial, operational, compliance and information technology controls and continues to apply appropriate measures to control to mitigate these risks. All significant matters are highlighted to the Board and the ARC for further discussion. The Board and the ARC also work with the internal auditors, the external auditors and the Management on their recommendations to institute and execute relevant controls with a view to managing such risks.

The Company has outsourced the internal audit function to PricewaterhouseCoopers Risk Services Pte. Ltd., who have carried out internal audit reviews, as part of the annual internal audit plan approved by the ARC.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors and the external auditors, and reviews performed by the Management, the Board with the concurrence of the ARC, is of the opinion that the Group's risk management and internal control systems put in place during the financial year to address financial, operational, compliance and information technology risks, are adequate and effective. The Board has received assurances from the CEO and the Chief Financial Officer ("**CFO**") that:

(a) the financial records of the Group have been properly maintained and the financial statements for FY2018 give a true and fair view of the Group's operations and finances, and are prepared in accordance with the relevant accounting standards; and

(b) the Company's risk management and internal control systems are adequate and effective.

The Board notes that the system of internal controls is designed to manage, rather than to eliminate, the risk of failure in achieving business objectives, and that no system of risk management and internal control can provide absolute assurance against the occurrence of errors, losses, fraud or other irregularities and the containment of business risk. Nonetheless, the Board believes its responsibility of overseeing the Group's risk management framework and policies are well supported. The Board will look into the need for establishment of a separate board risk committee at the relevant time.

Audit & Risk Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The ARC currently comprises three (3) members, majority of whom, including the ARC chairman, are Independent Directors:

Mr Ho Boon Chuan Wilson*	–	Chairman
Mr Ong Sie Hou Raymond*	–	Member
Mr Tan Chow Boon	–	Member

*Independent Director

The Board is of the view that the ARC members are appropriately qualified and have sufficient accounting and/or related financial management expertise and experience to discharge the ARC's responsibilities.

The ARC meets on a quarterly basis and plays a key role in assisting the Board to review significant financial reporting issues and judgments to ensure the quality and integrity of the accounting reports, the audit procedures, internal controls, financial statements and any announcements relating to the Group's financial performance, as well as the risk management functions.

The members of the ARC carry out their duties in accordance with a set of terms of reference which includes:

- assisting the Board in discharging its responsibilities on financial reporting matters;
- reviewing, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and the Management's response, and results of their audits compiled by the internal and external auditors;
- reviewing the periodic consolidated financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory and regulatory requirements;

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- reviewing the effectiveness and adequacy of the internal control procedures addressing financial, operational, compliance and information technology risks, and ensure co-ordination between the internal and external auditors, and the Management, reviewing the assistance given by the Management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);
- reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- reviewing the effectiveness of the Group's internal audit function;
- reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- making recommendations to the Board on the proposals to the shareholders relating to the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- reviewing significant financial reporting issues and judgments with the CFO and the external auditors so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's main internal controls with the CFO and the internal and external auditors, including financial, operational, compliance and information technology controls via reviews carried out by the internal auditors;
- reviewing and approving transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);
- reviewing any potential conflicts of interest;
- reviewing the suitability of the CFO and the adequacy of the finance team on an on-going basis;
- reviewing and approving all hedging policies and instruments (if any) to be implemented by the Group;
- undertaking such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the ARC;
- reviewing the financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;
- reviewing and establishing procedures for receipt, retention and treatment of complaints received by the Group, *inter alia*, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group;
- reviewing the Group's compliance with such functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;

Corporate Governance Report

- reviewing arrangements by which the staff may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters, and to ensure that those arrangements are in place for independent investigations of such matters and for appropriate follow-up;
- undertaking generally such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time;
- reviewing and recommending the risk management strategies, policies and risk tolerance levels for the Board's approval;
- overseeing and advising the Board on the current risk exposure and future risk strategy of the Group;
- reviewing and assessing the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;
- reviewing and recommending new policies or changes to policies and to consider their risk implications;
- reporting to the Board on the Group's risk exposures, including review risk assessment model used to monitor the risk exposures and the Management's views on the acceptable and appropriate level of risk faced by the Group;
- reviewing all relevant risk reports on the Group;
- reporting to the Board on any material changes to the risk profile of the Group;
- reviewing risk management structure and recommend appropriate measures to control and mitigate the risks of the Group, as and when these arise;
- receiving and reviewing periodic report from MRC; and
- advising the Board on proposed strategic transactions, focusing in particular on risk aspects and implications for the risk tolerance of the Group, and taking independent external advice where appropriate and available.

Apart from the duties listed above, the ARC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. Each member of the ARC shall abstain from voting on any resolutions in respect of matters in which he is interested.

As at date of this Report, the ARC has:

(i) reviewed the scope of work of the external auditors;

(ii) reviewed the scope of work of the internal auditors;

(iii) reviewed the MRC's report and the risk register and summary of comfort matrices;

(iv) reviewed the audit plans of both the internal and external auditors and discussed the results of the findings and evaluation of the Company's system of internal controls;

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(v) reviewed and reported to the Board the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls

(vi) reviewed interested person transactions of the Company;

(vii) met with the Company's external auditors and internal auditors without the presence of the Management;

(viii) reviewed the independence and objectivity of external auditors;

(ix) reviewed and recommended the adoption of the Anti-Bribery Policy;

(x) reviewed the Trade Receivable Ageing Report of the Group

(xi) reviewed the Company's procedures for detecting fraud and whistle blowing matters; and

(xii) reviewed and recommended to the Board announcements relating to the Group's quarterly and full year results.

Key Audit Matters

Subsequent to the discussions with Management and the external auditors, the Audit and Risk Committee has determined that the following matters are the key audit matters, amongst other significant matters considered in relation to the Group's financial statements for the year ended 31 December 2018. The table below indicates how these matters were discussed and addressed:

Key audit matter	Action
Going concern basis of accounting	The Group incurred net loss of $13.5 million during the year ended 31 December 2018. As at 31 December 2018, the Group's current liabilities exceeded its current assets by $7.8 million. The Audit and Risk Committee has evaluated Management's assessment of the Group ability to continue as a going concern, relying on the following sources of liquidity and funding available to the Group: (i) Evaluation of the cash flows forecast prepared by the Management and the future cash inflows from the Group's operating activities for the financial year ending 31 December 2019; (ii) The Group has obtained additional credit financing line of S$7 million from a bank and a financial institution; and (iii) The ability to realise its property, plant and equipment to fund financial obligations of the Group, if required. The Group has engaged independent valuers to value its vessels and cranes as at 31 December 2018. The carrying amounts of the vessels and cranes as at 31 December 2018 were S$41.0 million and S$19.2 million, respectively. Based on the latest valuation reports, the fair values of these vessels and the cranes are S$77.1 million and S$21.1 million, respectively. Out of these, the vessels and cranes with fair values of S$34.9 million and S$14.8 million, respectively, are free of encumbrance. The Group would be able to realise these assets to fund its working capital and to meet its financial obligations, if required. Subsequent to year end, the Group sold certain of its vessels and cranes for an aggregate cash consideration of S$1.9 million. The Audit and Risk Committee has evaluated the sources of liquidity and funding available to the Group and discussed with the auditors on their evaluation and concurred with the Management's assessment of the Group's ability as a going concern.

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Allowance for doubtful receivables	The Group maintains impairment losses in accordance with SFRS(I) 9, where impairment losses are now based on expected credit loss (ECL) rather than incurred loss model. The Audit and Risk Committee has reviewed the Management's assessment of allowance for doubtful debts and discussed with the auditors on their review on the reasonableness. Subsequent to the discussions, the Audit and Risk Committee concurred with Management's assessment on the allowance for doubtful debt and found that allowance for doubtful debt is adequate.
Carrying values of non-financial assets	The Group's non-financial assets comprises of property, plant and equipment. In view of recurring losses and difficult industry conditions, Management performed an impairment assessment of its property, plant and equipment. The Audit and Risk Committee has reviewed the Management's assessment and discussed with the auditors on the methodology of Management's impairment assessment. The Audit and Risk Committee concurred with the Management's assessment and found that the allowance for impairment loss on plant and equipment is adequate.

The aggregate amount of audit and non-audit fees paid or payable to the external auditors, for FY2018 are S$250,000 and S$51,568 respectively. The ARC has undertaken a review of the volume and nature of the non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The ARC has recommended to the Board the nomination of KPMG LLP for re-appointment as auditors of the Company at the forthcoming AGM. The Group has also complied with Rules 712 and 715 of the Catalist Rules in relation to the appointment of its external auditors.

The ARC has explicit authority to investigate any matter within its terms of reference. It has full access to, and has had the full co-operation of the Management. It also has full discretion to invite any Director or any member of the Management to attend its meetings or be provided with reasonable resources to enable it to discharge its functions properly.

To keep abreast of the changes in accounting standards and issues which have a direct impact on the financial statements, the ARC will seek advice from the external auditors at the ARC meetings held.

No former partner or director of the Company's existing auditing firm is a member of the ARC.

Whistle Blowing Policy

The Company has adopted the whistle-blowing policy where staff of the Group may, in confidence, raise concerns on any suspicion of wrongdoings which covers improprieties in matters of financial reporting, fraudulent acts and other matters within the Group. The Management and the ARC have been vested with the power and authority to receive, investigate and enforce appropriate follow up actions when any such non-compliance matter is brought to its attention.

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As at the date of this Report, there were no reports received through the whistle-blowing mechanism.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The ARC's responsibilities over the Group's internal controls and risk management are complemented by the work of the internal auditors. The ARC has approved the appointment of a qualified public accounting firm, PricewaterhouseCoopers Risk Services Pte. Ltd. ("**PwC**"), as the Group's internal auditors. PwC has unrestricted direct access to all of the Group's documents, records, properties and personnel and reports directly to the ARC on all internal audit matters. Annual internal audit plan is submitted to ARC for approval prior to the commencement of the audit work and PwC plans their internal audit schedules in consultation with the Management. Having reviewed the audit plan of PwC, the ARC is satisfied that the Company's internal audit function is adequately resourced to perform the job for the Group.

The ARC is satisfied that the internal audit function is adequately resourced, with staff equipped with the relevant qualifications and experience, to perform its function effectively and to meet the needs of the Group in its current business environment.

The internal auditors carry out their function in accordance with their global internal audit services methodology, which is aligned to the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The ARC ensures that the Management provides good support to the internal auditors and provides them with access to documents, records, properties and personnel when requested in order for the internal auditors to carry out their function accordingly. The internal auditors also have unrestricted access to the ARC on internal audit matters. The ARC reviews and endorses the internal audit plan and internal audit reports of the Group. Any material non-compliance or failures in the internal audit function and recommendations for improvements are reported to the ARC. The ARC will review the adequacy and effectiveness of the internal audit function annually.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Corporate Governance Report

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected. In line with the continuing disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act (Chapter 50) of Singapore, the Group is committed to providing shareholders with adequate, timely and relevant information pertaining to the Group's business developments, financial performance and other factors which could have a material impact on the Company's share price. The Company communicates with shareholders and the investing community through the timely release of announcements via SGXNET. Financial results of the Group will be released within 45 days from the respective quarter end and 60 days from the full financial year end. In addition, the Annual Report 2018 is distributed to shareholders at least 14 days before the AGM to be held on 26 April 2018.

The Board embraces openness and transparency in the conduct of the Group's affairs, whilst safeguarding its commercial interests. The Company does not practice selective disclosure and price sensitive information is publicly disclosed on an immediate basis where required under the Catalist Rules. Material information on the Group has been released to the public through the Company's announcements via the SGXNET.

The Group strongly encourages shareholders' participation during the AGM which will be held in Singapore. Shareholders are able to proactively engage the Board and the Management on the Group's business activities, financial performance and other business-related matters through dialogue sessions. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns Shareholders are also informed of the rules and voting procedures governing such meetings.

As at the date of this Report, the Company does not have a fixed dividend policy. In considering the form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular year or period, the Board takes into account various factors including:

- The level of the Group's cash and retained earnings.
- The Group's actual and projected financial performance.
- The Group's projected levels of capital expenditure and other investment plans.
- The Group's working capital requirements and general financing condition.

Any payouts of dividend are clearly communicated to shareholders in public announcements and via announcements on SGXNET when the Company discloses its financial results. No dividend was declared or recommended for FY2018 as the Group has been incurring losses and experiencing operating cash outflows for FY2018. It is the Group's intention to conserve cash for working capital and business expansion purposes.

The Group supports and encourages active shareholders' participation and vote at general meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the Company's website.

In addition to SGXNET announcements and its annual report, the Company updates shareholders its major corporate developments thought its corporate website at www.kimheng.com.sg.

The Company's Constitution allows all shareholders to appoint not more than two proxies to attend general meetings and vote on their behalf. Presently, the Company's Constitution does not allow a shareholder to vote in absentia, such as via mail, electronic mail or facsimile. Separate resolutions on each distinct issue are tabled at general meetings and explanatory notes are set out in the notices of general meetings where appropriate. All Directors including Chairman of the Board and the respective Chairman of the Board Committees, the

Corporate Governance Report

Management, legal professionals and the external auditors are intended to be in attendance at the forthcoming AGM to address any queries of the shareholders.

The Company will record the minutes of general meetings that include substantial and pertinent comments from shareholders relating to the agenda of the meetings and responses from the Management. Such minutes will be made available to shareholders upon their written request.

The Company will put all resolutions to vote by poll at general meetings and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day.

OTHER CORPORATE GOVERNANCE MATTERS

The Company has in place internal codes of conduct and practices for its Board members and employees on securities transactions while in possession of price-sensitive information and their conduct of business activities.

DEALINGS IN SECURITIES

(Rule 1204(19) of the Catalist Rules)

The Company has complied with Rule 1204(19) of the Catalist Rules in relation to dealings in the Company's securities by the Company, Directors and all employees of the Group.

The Group has adopted an internal compliance code to provide guidance to its Directors and all employees of the Group with regards to dealings in the Company's securities. The code prohibits dealing in the Company's securities by the Directors and employees of the Group while in possession of unpublished price sensitive information. Directors and employees are not allowed to deal in the Company's securities on short-term considerations and during the period of two (2) weeks before the date of announcement of its quarterly financial results and one (1) month before the announcement of the Company's full year financial results. The Company, Directors and employees are also required to adhere to the provisions of the Securities and Futures Act (Chapter 289) of Singapore, Companies Act (Chapter 50) of Singapore, the Catalist Rules and any other relevant regulations with regards to their securities transactions. They are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS

(Rule 907 of the Catalist Rules)

The Company has established internal control policies to ensure that transactions with interested persons are reported in a timely manner to the ARC and that the transactions are carried out on an arm's length basis and on normal commercial terms that will not be prejudicial to the interests of the Company and its minority shareholders.

The ARC and the Board have reviewed all interested person transactions for FY2018. There were no interested party transactions of aggregate value of S$100,000 or more for FY2018.

The Company does not have a shareholders' mandate for interested person transactions pursuant to Rule 920 of the Catalist Rules.

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MATERIAL CONTRACTS
(Rule 1204(8) of the Catalist Rules)

Save for the service agreement between the Company and the Executive Director, disclosures above in the "Interested Person Transactions" section and except as disclosed in this Report, Directors' Statement and the audited financial statements of the Company for FY2018, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO or any Director or controlling shareholder, either subsisting at the end of the financial year reported on or if not then subsisting, which were entered into since the end of the previous financial year.

NON-SPONSOR FEES
(Rule 1204(21) of the Catalist Rules)

No non-sponsor fees were paid to the Company's sponsor, SAC Capital Private Limited in FY2018.

CODE OF CONDUCT & PRACTICES
The Group recognises the importance of integrity and professionalism on the conduct of its business activities. Employees are expected to embrace, practise and adopt these values when performing their duties and always to act in the best interest of the Group and avoid situations that may create conflicts of interest.

Financial Contents

Directors' Statement

Directors' statement

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 61 to 128 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, having regard to the matters disclosed in Note 2.1 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Tan Keng Siong Thomas
Ho Boon Chuan Wilson
Ong Sie Hou Raymond
Tan Chow Boon

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 ("the Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Shareholdings registered in the name of directors		**Shareholdings in which directors are deemed to have an interest**	
	At 1 January 2018	**At 31 December 2018**	**At 1 January 2018**	**At 31 December 2018**
	Number of ordinary shares			
The Company				
Tan Keng Siong Thomas	3,875,000	4,075,000	299,200,000	299,200,000
Tan Chow Boon	–	–	124,999,600	124,999,600
Ho Boon Chuan Wilson	100,000		–	–
Ong Sie Hou Raymond	100,000		–	–

Directors' Statement

By virtue of Section 7 of the Act, Tan Keng Siong Thomas ("Mr Thomas Tan") is deemed to have interests in the shares of the Company held by KH Group Pte. Ltd. Tan Chow Boon is deemed to have interests in the shares of the Company held by Credence Capital Fund II (Cayman) Limited.

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

As at 21 January 2019, KH Group Holdings Pte. Ltd. holds 300,674,400 shares in the issued and paid-up capital of the Company.

By virtue of Section 7 of the Act, Mr Thomas Tan is deemed to have interests in 300,674,400 shares in the issued and paid-up capital of the Company as at 21 January 2019. Save as disclosed in this report, there were no other changes in any of the abovementioned interests in the Company between the end of the financial year and 21 January 2019.

Share options and share-based incentive

Kim Heng Employee Share Option Scheme 2013 ("Kim Heng ESOS") and Kim Heng Performance Share Plan 2013 ("Kim Heng PSP")

The Company has adopted a share option scheme known as Kim Heng ESOS and performance share plan known as Kim Heng PSP. The Kim Heng ESOS and Kim Heng PSP were approved and adopted by the shareholders pursuant to a members' resolution in writing on 26 December 2013. The share option scheme and performance share plan are administered by the Company's Remuneration Committee. No share options or performance shares have been granted or awarded pursuant to the Kim Heng ESOS and Kim Heng PSP.

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or of its subsidiaries under options as at the end of the financial year.

Audit & Risk Committee

The members of the Audit & Risk Committee during the year and at the date of this statement are:

- Ho Boon Chuan Wilson (Chairman) Independent Director
- Ong Sie Hou Raymond (Member) Independent Director
- Tan Chow Boon (Member) Non-Executive Director

The Audit & Risk Committee performs the functions specified in Section 201B of the Act, the Listing Manual Section 13: Rules of Catalist of the SGX-ST (the "Catalist Rules") and the Code of Corporate Governance, including the following:

(i) reviewing the audit plans and results of the external audits;

(ii) reviewing the audit plans and results of the internal auditors' examination and evaluation of the Group's system of internal accounting controls;

(iii) reviewing the Group's financial and operating results and accounting policies;

Directors' Statement

(iv) reviewing the consolidated financial statements of the Group and the statement of financial position of the Company before their submission to the directors of the Company, and the external auditors' report on those financial statements;

(v) reviewing the quarterly and annual announcements on the results of the Company and the Group;

(vi) ensuring the co-operation and assistance given by the management to the Group's internal and external auditors;

(vii) making recommendation to the Board on the re-appointment of Group's internal and external auditors;

(viii) reviewing the Interested Person Transactions as required and defined in Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist and ensuring that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company;

(ix) reviewing and recommending the risk management strategies, policies and risk tolerance levels for the Board's approval;

(x) reviewing and assessing the adequacy for risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively;

(xi) reviewing all relevant risk reports on the Group and reporting to the Board on any material changes to the risk profile of the Group;

(xii) reviewing risk management structure and recommending appropriate measures to control and mitigate the risks of the Group, as and when these arise; and

(xiii) advising the Board on proposed strategic transactions, focusing in particular on risk aspects and implications for the risk tolerance of the Group, and taking independent external advice where appropriate and available.

The Audit & Risk Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit & Risk Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit & Risk Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the Catalist Rules.

Directors' Statement

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Tan Keng Siong Thomas
Director

Tan Chow Boon
Non-Executive Director

5 April 2019

Independent Auditor's Report

Members of the Company
Kim Heng Offshore & Marine Holdings Limited

Report on the audit of the financial statements

We have audited the financial statements of Kim Heng Offshore & Marine Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 61 to 128.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group 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 '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *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

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.

Independent Auditor's Report

Members of the Company
Kim Heng Offshore & Marine Holdings Limited

Going concern basis of accounting (Refer to Note 2.1 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group incurred net loss of $13.5 million during the year ended 31 December 2018. As at 31 December 2018, the Group's current liabilities exceeded its current assets by $7.8 million. Notwithstanding these, the financial statements have been prepared on a going concern basis because management, having assessed the sources of liquidity and funding available to the Group, believes that the Group can continue as a going concern for the foreseeable future. As disclosed in Note 2.1 to the financial statements, in assessing the appropriateness of the use of going concern basis of accounting in the preparation of the financial statements, management has considered the following sources of liquidity and funding available to the Group: (i) Future cash inflows from the Group's operating activities for the financial year ending 31 December 2019; (ii) Subsequent to year end, the Group has obtained additional credit financing lines of $7.0 million from a bank and a financial institution; and (iii) The ability to realise its property, plant and equipment to fund financial obligations of the Group, when required. Subsequent to year end, the Group managed to dispose of certain of its vessels and cranes for an aggregate cash consideration of $1.9 million. As this assessment involves consideration of future events, there is a risk that the future events do not occur as expected and the variation may be material, and the required disclosures in the financial statements is inadequate.	We evaluated management's assessment of the Group's ability to continue as a going concern, relying on the sources of liquidity and funding available to the Group. We evaluated the cash flows forecasts prepared by management, for the next 12 months from the balance sheet date and assessed if these forecasts are reasonable by stress-testing the forecasts. We challenged the appropriateness of the key assumptions used by management, i.e. revenue and gross profit margin. We sighted to the offer letters for approved credit financing line amounting to $7.0 million. We challenged management's assumption on their ability to realise the net realisable value of its property, plant and equipment. Subsequent to year end, the Group managed to dispose of certain of its vessels and cranes for an aggregate cash consideration of $1.9 million. As at the date of this report, the sales of these vessels and cranes were completed. We considered the adequacy of the required disclosures in note 2.1 of the financial statements. Our findings We found management's assessment of the sources of liquidity and funding above to support the going concern basis of accounting in the preparation of the financial statements to be reasonable. Adequate disclosure of the pertinent information has also been set out in Note 2.1 to the financial statements.

Independent Auditor's Report

Members of the Company
Kim Heng Offshore & Marine Holdings Limited

Allowance for doubtful trade receivables (Refer to Note 16 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group's trade receivables as at 31 December 2018 amounted to $7,101,000. As described in the notes to financial statements, the impairment losses have been determined in accordance with SFRS(I) 9. The key changes arising from adoption of SFRS(I) 9 is that Group's impairment losses are now based on expected credit loss (ECL) rather than an incurred loss model. This area was a key audit matter due to the amounts involved, as well as the inherent subjectivity that was involved in making judgement by the Group in relation to assumptions used in the ECL model such as forward looking macroeconomic factors.	We checked and understood the key data sources and assumptions for data used in the ECL model. For forward looking assumptions used by the Group in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information. We considered the disclosures in the financial statements about the extent of estimation and judgement involved in determining allowance for doubtful debts. *Our findings* We found the assumptions used in the ECL model is reasonable. We found the disclosures in the financial statements with regard to allowance for doubtful receivables to be appropriate.

Independent Auditor's Report

Members of the Company
Kim Heng Offshore & Marine Holdings Limited

Carrying values of non-financial assets (Refer to Note 4 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group's non-financial assets comprise property, plant and equipment amounted to $102,488,000 as at 31 December 2018. The Group has incurred a loss before tax of $12,593,000 for the year ended 31 December 2018 due to difficult industry conditions and its market capitalisation was lower than the net assets by approximately $3,157,000 as of that date. These indicate that the Group's property, plant and equipment might be impaired. The assessment of the recoverable amounts of the property, plant and equipment which is determined to be the fair value less cost of disposal, requires significant judgment.	We assessed the appropriateness of management's identification of CGUs. We performed our assessment by making enquiry with management and based on our understanding of the Group's operations and its internal management reporting. We evaluated the management's assessment of impairment by comparing the carrying values of the property, plant and equipment with the recoverable amounts which were assessed based on fair value less cost of disposal. The fair value was determined by independent professional valuers. We assessed the competence and objectivity of the independent professional valuers. We assessed the appropriateness of the key assumptions and methods used by the independent professional valuers to available industry data and taking into consideration current factors. *Our findings* The independent external valuers are members of generally-recognised body for valuers and have considered their independence in carrying out their work. The valuation methodologies used are comparable to methods used in the prior year and in line with generally accepted market practices. The key assumptions used by the independent external valuers are within the range of available industry data.

Independent Auditor's Report

Members of the Company
Kim Heng Offshore & Marine Holdings Limited

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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

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

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

Auditors' 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 auditors' 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.

Independent Auditor's Report

Members of the Company
Kim Heng Offshore & Marine Holdings Limited

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 controls.

- Obtain an understanding of internal controls 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 controls.

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

- 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 auditors' 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 auditors' 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 controls 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.

Independent Auditor's Report

Members of the Company
Kim Heng Offshore & Marine Holdings Limited

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 auditors' report unless the law or regulations preclude 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 those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lee Chin Siang, Barry.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
5 April 2019

Statements of Financial Position

As at 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Group 1 Jan 2017 $'000	Company 2018 $'000	Company 2017 $'000	Company 1 Jan 2017 $'000
Assets							
Property, plant and equipment	4	102,488	99,359	108,385	–	–	–
Club memberships	5	57	46	46	–	–	–
Subsidiaries	6	–	–	–	36,133	36,133	36,133
Non-current assets		102,545	99,405	108,431	36,133	36,133	36,133
Inventories	7	168	193	630	–	–	–
Trade and other receivables	8	10,229	8,753	7,830	46,378	42,174	30,152
Cash and cash equivalents	9	4,952	4,405	20,089	20	182	12,636
Assets held for sale	10	3,843	11,707	–	–	–	–
Current assets		19,192	25,058	28,549	46,398	42,356	42,788
Total assets		121,737	124,463	136,980	82,531	78,489	78,921
Equity							
Share capital	11	74,409	74,409	74,409	74,409	74,409	74,409
Reserves	12	(32,949)	(32,964)	(32,763)	(110)	(92)	–
Accumulated profits		19,867	33,891	49,700	3,448	3,920	4,249
Equity attributable to owners of the Company		61,327	75,366	91,346	77,747	78,237	78,658
Non-controlling interest		20	–	–	–	–	–
		61,347	75,336	91,346	77,747	78,237	78,658
Liabilities							
Loans and borrowings	13	22,474	17,893	17,553	3,822	–	–
Deferred tax liabilities	14	10,885	10,286	10,286	–	–	–
Non-current liabilities		33,359	28,179	27,839	3,822	–	–
Bank overdrafts	9	2,985	–	–	–	–	–
Loans and borrowings	13	12,384	11,510	7,474	738	–	–
Trade and other payables	15	11,484	8,933	10,279	224	252	263
Current tax payables		178	505	42	–	–	–
Current liabilities		27,031	20,948	17,795	962	252	263
Total liabilities		60,390	49,127	45,634	4,784	252	263
Total equity and liabilities		121,737	124,463	136,980	82,531	78,489	78,921

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Revenue	17	38,060	27,438
Cost of sales		(32,688)	(21,976)
Gross profit		5,372	5,462
Other income	18	1,244	2,352
Distribution expenses		(1,056)	(787)
Administrative expenses		(12,277)	(12,208)
Impairment loss on trade receivables		(736)	(1,360)
Other expenses		(3,692)	(6,905)
Results from operating activities		(11,145)	(13,446)
Finance costs	19	(1,448)	(878)
Loss before tax	20	(12,593)	(14,324)
Tax expense	21	(915)	(988)
Loss for the year		(13,508)	(15,312)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign operations, net of tax		33	(109)
Total comprehensive income for the year		(13,475)	(15,421)
Net (loss)/profit attributable:			
Owners of the company		(13,528)	(15,312)
Non-controlling interest		20	–
Loss for the year		(13,508)	(15,312)
Loss per share			
Basic and diluted loss per share (cents)	22	(1.9)	(2.2)

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Note	Share capital $'000	Treasury shares $'000	Merger deficit $'000	Translation reserve $'000	Accumulated profits $'000	Total equity $'000
At 1 January 2017		74,409	–	(32,763)	–	49,700	91,346
Total comprehensive income for the year							
Loss for the year		–	–	–	–	(15,312)	(15,312)
Other comprehensive income							
Translation differences relating to financial statements of foreign operations		–	–	–	(109)	–	(109)
Total comprehensive income for the year		–	–	–	(109)	(15,312)	(15,421)
Transactions with owners, recognised directly in equity							
Distributions to owners							
Purchase of treasury shares		–	(92)	–	–	–	(92)
Dividends	11	–	–	–	–	(497)	(497)
Total transactions with owners		–	(92)	–	–	(497)	(589)
At 31 December 2017		74,409	(92)	(32,763)	(109)	33,891	75,336

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

Consolidated Statement of Changes in Equity (Cont'd)

Year ended 31 December 2018

	Note	Share capital $'000	Treasury shares $'000	Merger deficit $'000	Translation reserve $'000	Accumulated profits $'000	Total equity attribute to equity holders of the company $'000	Non-controlling interest $'000	Total equity $'000
At 1 January 2018		74,409	(92)	(32,763)	(109)	33,891	75,336	–	75,336
Total comprehensive income for the year									
Loss for the year		–	–	–	–	–	(13,528)	20	(13,508)
Other comprehensive income									
Translation differences relating to financial statements of foreign operations		–	–	–	33	–	33	–	33
Total comprehensive income for the year		–	–	–	33	(13,528)	(13,495)	20	(13,475)
Transactions with owners, recognised directly in equity									
Distributions to owners									
Purchase of treasury shares		–	(18)	–	–	–	(18)	–	(18)
Dividends	11	–	–	–	–	(496)	(496)	–	(496)
Total transactions with owners		–	(18)	–	–	(496)	(514)	–	(514)
At 31 December 2018		74,409	(110)	(32,763)	(76)	19,867	61,327	20	61,347

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

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Note	Group 2018 $'000	2017 $'000
Cash flows from operating activities			
Loss before tax		(12,593)	(14,324)
Adjustments for:			
Depreciation of property, plant and equipment	4	6,876	7,146
Gain on disposal of property, plant and equipment -net	18	(89)	(633)
Allowance for impairment loss on property, plant and equipment	18	–	3,601
Interest income	18	(6)	(80)
Interest expense	19	1,448	878
		(4,364)	(3,412)
Changes in:			
- inventories		25	437
- trade and other receivables		(1,316)	(1,271)
- trade and other payables		1,470	(871)
Cash used in operations		(4,185)	(5,117)
Income tax paid		(643)	(525)
Net cash used in operating activities		(4,828)	(5,642)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,939)	(13,189)
Proceeds from disposal of property, plant and equipment		2,866	2,736
Acquisition of club memberships		(11)	–
Interest received		6	80
Net cash used in investing activities		(1,078)	(10,373)
Cash flows from financing activities			
Interest paid		(1,448)	(878)
Dividends paid		(496)	(497)
Purchase of treasury shares		(18)	(92)
Repayment of finance lease liabilities		(2,609)	(4,541)
Repayment of term loans		(4,976)	(6,117)
Proceeds from trust receipts		1,990	–
Proceeds from term loans		11,000	12,500
Deposits withdrawn		395	3,030
Net cash from financing activities		3,838	3,405
Net decrease in cash and cash equivalents		(2,068)	(12,610)
Cash and cash equivalents at 1 January		3,728	16,382
Effect of exchange rate fluctuations on cash held		25	(44)
Cash and cash equivalents at 31 December	9	1,685	3,728
Significant non-cash transactions			
Purchase of property, plant and equipment under finance leases		50	2,534

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 5 April 2019.

1 Domicile and activities

Kim Heng Offshore & Marine Holdings Limited (the "Company" or "KHOMH"), is a company incorporated in the Republic of Singapore. The address of the Company's registered office is 9 Pandan Crescent, Singapore 128465.

The financial statements of the Group as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The principal activity of the Company is that of an investment holding company.

The principal activities of subsidiaries are as follows:

Name of company	Principal activities
Kim Heng Offshore & Marine Pte. Ltd.	Investment holding
Kim Heng Marine & Oilfield Pte Ltd	Chartering, freight, servicing and repair of vessels, provision of services of marine engineers, consultants, sub-contractors and labour supply
Kim Heng Maritime Pte Ltd	Vessel chartering and provision of port operation services
Kim Heng Tubulars Pte Ltd	Trading in drill pipes and related drilling materials, provision of services and rental of marine equipment
Kim Heng Shipbuilding & Engineering Pte. Ltd.	Offshore engineering, shipbuilding and fabrication services
Alpine Progress Shipping Pte. Ltd.	Vessel chartering and provision of port operating services
Kim Heng Heavy Equipment Pte. Ltd.	Lease, sale, repair and maintenance and after sale services of cranes and industrial equipments
KH Mazu Offshore & Marine Sdn Bhd	Repairing and/or docking of ships and other kinds of vessels, supply chain and crew management, heavy-lift equipment, rental and investment holding

Notes to the Financial Statements

1 Domicile and activities (Cont'd)

Name of company	Principal activities
Bridgewater 130 Pte. Ltd.	Ship ownership and provision of ship chartering and marine support services
Bridgewater 131 Pte. Ltd.	Ship ownership and provision of ship chartering and marine support services
Bridgewater 132 Pte. Ltd.	Ship ownership and provision of ship chartering and marine support services
Mazu Land & Marine Works Pte Ltd	Marine construction
RUHM Mazu Sdn Bhd	Provision of ship chartering and marine support services
Bridgewater 131 Sdn Bhd	Ship ownership and provision of ship chartering and marine support services
Bridgewater 132 Sdn Bhd	Ship ownership and provision of ship chartering and marine support services
Mazu 60 Sdn Bhd	Ship ownership and provision of ship chartering and marine support services

2 Basis of preparation

2.1 Going concern

The Group incurred net loss of $13.5 million during the year ended 31 December 2018. As at 31 December 2018, the Group's current liabilities exceeded its current assets by $7.8 million.

Notwithstanding these, the financial statements have been prepared on a going concern basis because management, having assessed the sources of liquidity and funding available to the Group, believes that the Group can continue as a going concern for the foreseeable future.

In analysing the validity of going concern basis applied in the preparation of the financial statements of the Group, the following sources of liquidity and funding were considered:

- Future cash inflows from the Group's operating activities;
- Subsequent to year end, the Group has obtained additional credit financing lines of $7.0 million from a bank and a financial institution; and
- The ability to realise its property, plant and equipment to fund financial obligations of the Group, when required. Subsequent to year end, the Group managed to dispose of certain of its vessels and cranes for an aggregate cash consideration of $1.9 million.

Notes to the Financial Statements

2 Basis of preparation (Cont'd)

2.2 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)"). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore ("FRS"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in note 2.6.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.4 Functional and presentational currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.5 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes:

- Note 4 – Impairment test of property, plant and equipment
- Note 6 – Impairment test of investments in subsidiaries
- Note 16 – Measurement of expected credit loss ("ECL") for trade and other receivables
- Note 21 – Tax expense

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

Notes to the Financial Statements

2 Basis of preparation (Cont'd)

2.5 Measurement of fair values (Cont'd)

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit & Risk Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is 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 (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following note 16 – financial instruments.

2.6 Explanation of transition to SFRS(I) and adoption of new standards

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in note 2.2, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

Notes to the Financial Statements

2 Basis of preparation (Cont'd)

2.6 Explanation of transition to SFRS(I) and adoption of new standards (Cont'd)

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS(I) – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration.*

The application of the above standards and interpretations do not have material effect on the financial statements, except for SFRS(I) 9 on the classification .

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 have affected the Group's financial position, financial performance and cash flows is set out under the summary of quantitative impact and the accompanying notes.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) and SFRS(I) 9 on the Group's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017. There were no adjustments to the Group's statement of cash flows for the year ended 31 December 2017 arising on the transition to SFRS(I).

Notes to the Financial Statements

2 Basis of preparation (Cont'd)

2.6 Explanation of transition to SFRS(I) and adoption of new standards (Cont'd)

	Note	31 December 2017 FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) framework $'000	1 January 2018 SFRS(I) 9 $'000	SFRS(I) framework $'000
Assets						
Property, plant and equipment	A(i)	100,454	(1,095)	99,359	–	99,359
Others		25,104	–	25,104	–	25,104
Total assets		125,558	(1,095)	124,463	–	124,463
Equity						
Share capital		74,409	–	74,409	–	74,409
Reserves	A(i), A(ii)	(10,296)	(22,668)	(32,964)	–	(32,964)
Accumulated profits	A(i), A(ii)	12,132	21,759	33,891	–	33,891
Total equity attributable to owners of the Company		76,245	(909)	75,336	–	75,336
Liabilities						
Deferred tax liabilities	A(i)	10,472	(186)	10,286	–	10,286
Others		38,841	–	38,841	–	38,841
Total liabilities		49,313	(186)	49,127	–	49,127
Total equity and liabilities		125,558	(1,095)	124,463	–	124,463

Reconciliation of the Group's equity
Transition impact on equity

	Note	1 January 2017 FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) framework $'000
Equity				
Share capital		74,409	–	74,409
Reserves	A(i), A(ii)	(11,004)	(21,759)	(32,763)
Accumulated profits	A(i), A(ii)	27,941	21,759	49,700
Total equity		91,346	–	91,346

Notes to the Financial Statements

2 Basis of preparation (Cont'd)

2.6 Explanation of transition to SFRS(I) and adoption of new standards (Cont'd)

Notes to the reconciliations

A. SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

(i) Fair value as deemed cost for freehold land and buildings classified as property, plant and equipment

The Group elected the optional exemption in SFRS(I) 1 to measure the freehold land and buildings held at the date of transition to SFRS(I) at fair value and used that fair value as its deemed cost in its SFRS(I) financial statements.

As the freehold land and buildings value have appreciated significantly since its acquisition, the Group considers that the election of fair value at the date of transition as its deemed cost would result in more relevant financial information. The fair value of the freehold land and buildings were determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. As such, the carrying amount of freehold land and buildings of the Group increased by $25,863,260 and retained earnings increased by $21,466,506 as at 1 January 2017. The aggregate fair value of these freehold land and buildings at 1 January 2017 was determined to be $43,023,400 compared to the carrying amount of $17,160,140 under FRS. The carrying amount of freehold land and buildings of the Group decreased by $1,094,366, deferred tax liabilities decreased by $186,042 and reserves decreased by $908,324 as at 31 December 2017.

(ii) Foreign currency translation reserve (FCTR)

The Group considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of $293,000 as at 1 January 2017 determined in accordance with FRS to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition. By electing this optional exemption, the cumulative FCTR decreased by $293,000 and retained earnings increased by the same amount as at 1 January 2017.

2 Basis of preparation (Cont'd)

2.6 Explanation of transition to SFRS(I) and adoption of new standards (Cont'd)

Notes to the reconciliations (Cont'd)

B. SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new ECL model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held; and
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest of the principal amount outstanding.

The impact upon adoption of SFRS(I) 9 are described below.

(i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, fair value through other comprehensive income – debt instrument, fair value through other comprehensive income – equity instrument; or fair value through profit or loss ("FVTPL"). The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see note 3.3.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

Notes to the Financial Statements

2 Basis of preparation (Cont'd)

2.6 Explanation of transition to SFRS(I) and adoption of new standards (Cont'd)

Notes to the reconciliations (Cont'd)

B. SFRS(I) 9 (Cont'd)

(i) Classification of financial assets and financial liabilities (Cont'd)

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

			1 January 2018	
Group	**Original classification under FRS 39**	**New classification under SFRS(I) 9**	**Original carrying amount under FRS 39 $'000**	**New carrying amount under SFRS(I) 9 $'000**
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	8,440	8,440
Cash and cash equivalents	Loans and receivables	Amortised cost	4,405	4,405
Total financial assets			12,845	12,845
Company				
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	42,163	42,163
Cash and cash equivalents	Loans and receivables	Amortised cost	182	182
Total financial assets			42,345	42,345

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables, separately in the statement of profit or loss. As a result, the Group reclassified impairment loss amounting to $1,360,167, recognised under FRS 39, from 'other expenses' to 'impairment loss on trade receivables' in the statement profit or loss for the year ended 31 December 2017.

The application of SFRS(I) 9 impairment requirements at 1 January 2018 results in no additional allowances for impairment at 31 December 2017.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Additional information about how the Group and the Company measure the allowance for impairment is described in note 3.8.

Notes to the Financial Statements

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) *Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Acquisitions from 1 January 2017

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I).

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.1 Basis of consolidation (Cont'd)

(i) *Business combinations (Cont'd)*

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Acquisitions before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from these acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) *Acquisitions from entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(iv) *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.1 Basis of consolidation (Cont'd)

(v) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) *Subsidiaries in the separate financial statements*

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interests in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income - debt investment; fair value through other comprehensive income - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the changes in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

3 Significant accounting policies (Cont'd)

3.3 Financial instruments (Cont'd)

(ii) Classification and subsequent measurement (Cont'd)

Financial assets: Business model assessment – Policy applicable from 1 January 2018 (Cont'd)

- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition that are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payment of principal and interest – Policy applicable from 1 January 2018

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.3 Financial instruments (Cont'd)

(ii) Classification and subsequent measurement (Cont'd)

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on recognition is recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classified non-derivative financial assets into loans and receivables.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised trade and other receivables, and cash and cash equivalents.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

All financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method, interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risk and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not recognised.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.3 Financial instruments (Cont'd)

(iii) Derecognition (Cont'd)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

(vii) Financial guarantees

Financial guarantees contracts are regarded as insurance contracts under which the Group accepts significant insurance risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event. Provisions are recognised when it is probable that the guarantee will be called upon and an outflow of resources embodying economic benefits will be required to settle the obligations.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2017, the Group's date of transition to SFRS(I), was determined with reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bring the asset to a working condition for its intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the cost of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment and is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.4 Property, plant and equipment (Cont'd)

(iii) Depreciation (Cont'd)

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Property, plant and equipment under construction are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Leasehold lands and buildings	remaining lease term of 19 - 20 years
Renovation and improvements	5 years
Machinery and equipment	3 - 20 years
Vessels	5 - 20 years
Motor vehicles	5 years
Furniture, fittings, office equipment and computers	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

3.5 Club memberships

Club memberships are stated at cost less allowance for impairment losses.

3.6 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. Allowance is made for all deteriorated, damaged and slow-moving inventories.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.8 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 month after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowances to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial statements improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.8 Impairment (Cont'd)

(i) Non-derivative financial assets (Cont'd)

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.8 Impairment (Cont'd)

(i) Non-derivative financial assets (Cont'd)

Policy applicable before 1 January 2018 (Cont'd)

Objective evidence that financial assets (including equity investments) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, on adverse changes in the payment status of borrowers or issuers.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables were assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and receivables that were not individually significant were collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss was calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account against loans and receivables. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.8 Impairment (Cont'd)

(ii) Non-financial assets (Cont'd)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Non-current assets held for sale

Non-current assets that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not depreciated.

3.10 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.12 Revenue

(i) Goods and services sold

Revenue from sale of goods and services rendered in the course of ordinary activities is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not been previously sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of the PO.

(ii) Chartering, towage and rental of equipment

Chartering and towage income, and equipment rental income are recognised on an accrual basis over the period for which the vessels are chartered and the period of rental of equipment, respectively.

3 Significant accounting policies (Cont'd)

3.13 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is, or contains a lease. This will be the case if the following two criterias; are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.14 Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income
- Interest expense

Interest income or expense is recognised using the effective interest method.

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(1) 1-37 *Provisions, Contingent Liabilities and Contingent assets.*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary difference, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.15 Tax (Cont'd)

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent it has become probable that future taxable profits will be made available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

3.18 New standards and interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however. The Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(1) are effective for annual periods beginning after 1 January 2018.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.18 New standards and interpretations not yet adopted (Cont'd)

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as financial or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including 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 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group plans to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

Notes to the Financial Statements

3 Significant accounting policies (Cont'd)

3.18 New standards and interpretations not yet adopted (Cont'd)

(i) The Group as lessee

The Group expects to measure lease liabilities by applying a single discount rate to their portfolio. Furthermore, the Group is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group expects to use hindsight in determining the lease term.

The Group expects their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I). Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

As at 1 January 2019, the Group expects an increase in ROU assets and lease liabilities of $9,571,885.

The nature of expenses related to those lease will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases.

(ii) The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

The Group will reassess the classification of sub-leases in which the Group is a lessor.

No significant impact is expected for other leases in which the Group is a lessor.

Notes to the Financial Statements

4 Property, plant and equipment

Group	Note	Leasehold lands and buildings $'000	Renovations and improvements $'000	Machinery and equipment $'000	Vessels $'000	Furniture, fittings, office equipment and computers $'000	Assets under construction $'000	Total $'000
Cost or deemed cost								
At 1 January 2017		45,557	143	50,428	51,421	911	1,643	150,103
Additions		332	–	1,375	13,261	88	667	15,723
Disposals		–	(143)	(4,733)	(1,057)	(192)	–	(6,125)
Reclassifications		80	–	54	–	787	(921)	–
Reclassification to assets held for sale	10	–	–	(16,521)	(1,879)	–	–	(18,400)
Translation differences		–	–	(1)	(194)	–	–	(195)
At 31 December 2017		45,969	–	30,602	61,552	1,594	1,389	141,106
Additions		23	–	412	1,301	45	2,208	3,989
Disposals		–	–	(690)	(2,444)	(1)	–	(3,135)
Reclassification from assets held for sale	10	–	–	7,189	–	–	–	7,189
Translation differences		–	–	–	282	–	–	282
At 31 December 2018		45,992	–	37,513	60,691	1,638	3,597	149,431

4 Property, plant and equipment (Contd'd)

Group	Note	Leasehold lands and buildings $'000	Renovations and improvements $'000	Machinery and equipment $'000	Vessels $'000	Furniture, fittings, office equipment and computers $'000	Assets under construction $'000	Total $'000
Accumulated depreciation and impairment								
At 1 January 2017		3,882	143	20,037	17,082	574	–	41,718
Depreciation for the year		2,134	–	2,327	2,494	191	–	7,146
Disposals		–	(143)	(3,077)	(613)	(189)	–	(4,022)
Impairment loss	10	–	–	3,489	112	–	–	3,601
Reclassification to assets held for sale	10	–	–	(5,521)	(1,172)	–	–	(6,693)
Translation differences		–	–	(1)	(2)	–	–	(3)
At 31 December 2017		6,016	–	17,254	17,901	576	–	41,747
Depreciation for the year		2,146	–	1,621	2,826	283	–	6,876
Disposals		–	–	(609)	(1,081)	–	–	(1,690)
Translation differences		–	–	–	10	–	–	10
At 31 December 2018		8,162	–	18,266	19,656	859	–	46,943
Carrying amounts								
At 1 January 2017		41,675	–	30,391	34,339	337	1,643	108,385
At 31 December 2017		39,953	–	13,348	43,651	1,018	1,389	99,359
At 31 December 2018		37,830	–	19,247	41,035	779	3,597	102,488

Notes to the Financial Statements

4 Property, plant and equipment (Cont'd)

Assets under construction mainly relate to yard development located at 9 Pandan Crescent, Singapore and a vessel under re-activiation.

The carrying amounts of property, plant and equipment (including assets held for sale) of the Group as at the reporting date include $11,486,000 in respect of machinery and equipment held under finance leases (2017: $14,380,000; 1 Jan 2017: $16,271,000).

As at the reporting date, property, plant and equipment amounting to $32,424,000 (2017: $36,291,000; 1 Jan 2017: $33,860,000) is pledged as collaterals for secured term loans.

	Furniture, fittings, office equipment and computers $'000
Company	
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	6
Accumulated depreciation	
At 1 January 2017, 31 December 2017 and 31 December 2018	6
Carrying amounts	
At 1 January 2017, 31 December 2017 and 31 December 2018	–

Depreciation and impairment of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be ranging from 1 year to 20 years. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilisation, internal technical evaluation, technological changes and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease non-current assets.

In view of the recurring losses in difficult industry conditions and the Group's market capitalisation being lower than its net assets as at 31 December 2018, the Group performed an impairment assessment of its property, plant and equipment. The estimated recoverable amounts are based on valuation reports obtained from independent professional valuers, being the estimated amount for which the property, plant and equipment could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The recoverable amounts were estimated based on fair value less costs of disposal using external valuations performed by independent professional valuers, having appropriate recognised professional qualifications and experience in the assets being valued. An impairment loss of $nil (2017: $3,601,000) was recognised in the profit or loss. The recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the market value.

Notes to the Financial Statements

5 Club memberships

	Group		
	2018	2017	1 Jan 2017
	$'000	$'000	$'000
Cost	120	108	108
Impairment losses	(63)	(62)	(62)
	57	46	46

6 Subsidiaries

	Company		
	2018	2017	1 Jan 2017
	$'000	$'000	$'000
Equity investments at cost	36,133	36,133	36,133

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business/Country of incorporation	Effective equity held by the Company		
		2018	2017	1 Jan 2017
		%	%	%
Kim Heng Offshore & Marine Pte. Ltd.*	Republic of Singapore	100	100	100
Kim Heng Marine & Oilfield Pte Ltd*	Republic of Singapore	100	100	100
Kim Heng Maritime Pte Ltd*	Republic of Singapore	100	100	100
Kim Heng Tubulars Pte Ltd*	Republic of Singapore	100	100	100
Kim Heng Shipbuilding & Engineering Pte. Ltd.*	Republic of Singapore	100	100	100
Alpine Progress Shipping Pte. Ltd.*	Republic of Singapore	100	100	100
Kim Heng Heavy Equipment Pte. Ltd.*	Republic of Singapore	100	100	100
Bridgewater 130 Pte. Ltd.*	Republic of Singapore	100	100	–
Bridgewater 131 Pte. Ltd.*	Republic of Singapore	100	100	–
Bridgewater 132 Pte. Ltd.*	Republic of Singapore	100	100	–
Mazu Land & Marine Works Pte Ltd*	Republic of Singapore	100	–	–
KH Mazu Offshore & Marine Sdn Bhd (KH Mazu)#	Malaysia	100	100	100
RUHM Mazu Sdn Bhd#	Malaysia	49^	–	–
Bridgewater 131 Sdn Bhd#	Malaysia	49^	–	–
Bridgewater 132 Sdn Bhd#	Malaysia	49^	–	–
Mazu 60 Sdn Bhd#	Malaysia	49^	–	–

Notes to the Financial Statements

6 Subsidiaries (Cont'd)

* Audited by KPMG LLP, Singapore

Audited by a member firm of KPMG International

^ The management has determined that the Group fully controls the entities because of the majority board representation in the entities. Accordingly, the Group has consolidated the entities as subsidiaries.

Impairment of investments in subsidiaries

The carrying values of the investments in subsidiaries are reviewed for impairment whenever there is any indication that the investment is impaired. If an indication of impairment exists, the investment's recoverable amount is estimated in accordance with the accounting policy described in note 3.8. This determination requires significant judgement. The Company evaluates, amongst other factors, the future profitability of the subsidiaries, the financial health and the near-term business outlook including factors such as industry performance and operational and financing cash flows. The recoverable amount of the investment could change significantly as a result of changes in market conditions and assumptions used in determining the recoverable amount.

7 Inventories

		Group	
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Raw materials	–	–	296
Finished goods	1,544	1,550	1,874
	1,544	1,550	2,170
Allowance for inventory obsolescence	(1,376)	(1,357)	(1,540)
	168	193	630

Changes in inventories recognised in cost of sales in profit or loss amounted to $35,000 (2017: $513,000; 1 Jan 2017: $44,000).

Notes to the Financial Statements

8 Trade and other receivables

	Group			Company		
	2018 $'000	**2017 $'000**	**1 Jan 2017 $'000**	**2018 $'000**	**2017 $'000**	**1 Jan 2017 $'000**
Trade receivables	8,469	13,752	14,434	–	–	–
Allowance for impairment loss	(1,368)	(8,093)	(8,601)	–	–	–
Net trade receivables	7,101	5,659	5,833	–	–	–
Deposits	480	723	414	–	–	–
Accrued revenue	1,129	932	238	876	715	1,328
Amounts due from subsidiaries:						
- Trade	–	–	–	1,078	1,111	3,452
- Non-trade	–	–	–	44,408	40,335	25,271
Other receivables	950	1,126	1,069	3	2	13
Financial assets at amortised cost	9,660	8,440	7,554	46,365	42,163	30,064
Prepayments	312	279	276	13	11	88
Advance payment to suppliers	257	34	–	–	–	–
	10,229	8,753	7,830	46,378	42,174	30,152

Amounts due from subsidiaries

Outstanding balances with subsidiaries are unsecured, interest-free and are repayable on demand. There is no allowance for doubtful debts arising from these outstanding balances as the ECL is not material.

Credit and market risks, and impairment losses

The Group's exposure to credit and currency risks, and impairment losses for trade and other receivables is disclosed in note 16.

Notes to the Financial Statements

9 Cash and cash equivalents

	Group			Company		
	2018 $'000	2017 $'000	1 Jan 2017 $'000	2018 $'000	2017 $'000	1 Jan 2017 $'000
Cash at bank and in hand	4,661	3,716	4,338	20	182	592
Fixed deposits	291	689	15,751	–	–	12,044
Cash and cash equivalents	4,952	4,405	20,089	20	182	12,636
Deposits pledged	(282)	(677)	(3,707)	–	–	–
Bank overdrafts	(2,985)	–	–	–	–	–
Cash and cash equivalents in the statement of cash flows	1,685	3,728	16,382	20	182	12,636

The fixed deposit amounting to $nil is pledged as security deposit for its office premises and warehouse (2017: $400,000; 1 Jan 2017: $406,000). The remaining fixed deposits amounting to $282,000 are pledged to secure term loans and finance lease liabilities (2017: $277,000; 1 Jan 2017: $3,301,000) (see note 13).

The Group and Company's exposure to interest rate and currency risks is disclosed in note 16.

10 Assets held for sale

In November 2018, the Group has entered into a sales and purchase agreement with Hup Hin Heavy Equipment Pte. Ltd. ("Buyer") to sell 24 cranes and 2 luffing jibs for an aggregate consideration of $12.5 million. In February 2019, the Buyer informed the Group that they are only able to complete the sales for 10 cranes at $4.2 million instead. The Group has received a deposit of $625,000 which was recorded in "deposits from customers" under trade and other payables. The remaining cranes have been reclassified to property, plant and equipment at 31 December 2018. The sale was completed in March 2019.

11 Share capital

	2018 No. of shares '000	2017 No. of shares '000
Issued and fully paid ordinary shares, with no par value:		
At 1 January	709,051	710,000
Purchase of treasury shares	(219)	(949)
At 31 December	708,832	709,051

Notes to the Financial Statements

11 Share capital (Cont'd)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All shares rank equally with regard to the Group's residual assets.

All issued shares are fully paid, with no par value.

Capital management

The Group defines "capital" as its share capital and reserves. The primary objective of the Group's capital management is to ensure that it maintains a sound capital base to support its business and maximise shareholders' value. The Board of Directors monitors the revenue, profit or loss before tax and hence, the return on capital.

The Board of Directors ensures that the Group is adequately capitalised in order to meet its contractual obligations. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements except for a subsidiary whose loan facilities require the subsidiary to maintain its financial position in excess of specified financial thresholds at all times. The subsidiary complied with these covenants at the reporting date.

The Group declared and paid dividends as follows:

	Group and Company	
	2018	2017
	$'000	$'000
Final tax exempt one-tier dividend of $0.007 per ordinary share proposed for financial year ended 31 December 2017 (2017: 31 December 2016) and paid in FY2018 (2017: FY 2017)	496	497

12 Reserves

The reserves comprise the following balances:

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Treasury shares	(110)	(92)	–	(110)	(92)	–
Merger deficit	(32,763)	(32,763)	(32,763)	–	–	–
Translation reserve	(76)	(109)	–	–	–	–
	(32,949)	(32,964)	(32,763)	(110)	(92)	–

Notes to the Financial Statements

12 Reserves (Cont'd)

Treasury shares

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

During the financial year, the Company purchased 218,500 of its ordinary shares by way of on-market purchases at share prices ranging from $0.074 to $0.087. The total amount paid to purchase the shares was $18,000 (2017: $92,000).

Merger deficit

The merger deficit arises from the difference between the nominal value of the shares issued by the Company and the nominal value of shares of the subsidiaries acquired under the pooling-of-interest method of consolidation as described in note 3.1(iii).

Translation reserve

The translation reserve comprises the foreign exchange differences arising from the translation of financial statements of operations whose functional currencies are different from the presentation currency of the Group.

13 Loans and borrowings

		Group	
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Non-current liabilities			
Term loans	21,477	17,440	12,924
Finance lease liabilities	997	453	4,629
	22,474	17,893	17,553
Current liabilities			
Term loans	8,504	6,517	4,650
Finance lease liabilities	1,890	4,993	2,824
Trust receipts	1,990	–	–
	12,384	11,510	7,474

		Company	
	2018	**2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Non-current liabilities			
Term loans	3,822	–	–
Current liabilities			
Term loans	738	–	–

Notes to the Financial Statements

13 Loans and borrowings (Cont'd)

The banking facilities for term loans and finance lease liabilities are secured as follows:

- Corporate guarantees by the Company amounted to $63,049,000; and
- Property, plant and equipment and fixed deposits as disclosed in notes 4 and 9 respectively.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group				
31 December 2018				
Term loans				
- Fixed rate	3.05% - 6.25%	2019-2024	17,675	17,675
- Floating rate	Cost of fund +1.75%, 3 months cost of fund +1.50%	2022-2026	12,306	12,306
Trust receipts	5%	2019	1,990	1,990
Finance lease liabilities	1.50% - 4.69%	2019-2024	3,036	2,887
			35,007	34,858
31 December 2017				
Term loans				
- Fixed rate	1.80% - 5.50%	2018-2023	9,889	9,889
- Floating rate	Cost of fund +1.75%, 3 months cost of fund +1.50%	2022-2026	14,068	14,068
Finance lease liabilities	1.50% - 3.50%	2018-2024	5,750	5,446
			29,707	29,403

Notes to the Financial Statements

13 Loans and borrowings (Cont'd)

	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group				
1 January 2017				
Term loans				
- Fixed rate	1.80% - 2.25%	2018-2020	4,431	4,431
- Floating rate	Prime rate, cost of fund +2.00%, 3 months cost of fund +1.50%	2017-2026	13,143	13,143
Finance lease liabilities	1.35% - 2.99%	2017-2022	7,867	7,453
			25,441	25,027
Company				
31 December 2018				
Term loans				
- Fixed rate	5.50%	2024	4,560	4,560

Information about the Group and Company's exposure to interest rate and liquidity risks is disclosed in note 16.

At the reporting date, the Group had obligations under finance leases that are payable as follows:

	Future minimum lease payment $'000	Interest $'000	Present value of minimum lease payments $'000
31 December 2018			
Payable within 1 year	1,890	109	1,999
Payable after 1 year but within 5 years	983	40	1,023
Payable after 5 years	14	–	14
	2,887	149	3,036
31 December 2017			
Payable within 1 year	4,993	271	5,264
Payable after 1 year but within 5 years	416	32	448
Payable after 5 years	37	1	38
	5,446	304	5,750
1 January 2017			
Payable within 1 year	2,824	195	3,019
Payable after 1 year but within 5 years	4,532	218	4,750
Payable after 5 years	97	1	98
	7,453	414	7,867

Notes to the Financial Statements

13 Loans and borrowings (Cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities	Equity		
	Loans and borrowings $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2017	25,027	(32,763)	49,700	41,964
Changes from financing cash flows				
Interest paid	(878)	–	–	(878)
Dividend paid	–	–	(497)	(497)
Purchase of treasury shares	–	(92)	–	(92)
Repayment of finance lease liabilities	(4,541)	–	–	(4,541)
Repayment of term loans	(6,117)	–	–	(6,117)
Proceeds from term loans	12,500	–	–	12,500
Total changes from financing cash flows	964	(92)	(497)	375
The effect of changes in foreign exchange rates	–	(109)	–	(109)
Other changes				
New finance lease	2,534	–	–	2,534
Interest expense	878	–	–	878
Total other changes	3,412	–	–	3,412
Total equity-related other changes	–	–	(15,312)	(15,312)
Balance at 31 December 2017	29,403	(32,964)	33,891	30,330
Balance at 1 January 2018	29,403	(32,964)	33,891	30,330
Changes from financing cash flows				
Interest paid	(1,448)	–	–	(1,448)
Dividend paid	–	–	(496)	(496)
Purchase of treasury shares	–	(18)	–	(18)
Repayment of finance lease liabilities	(2,609)	–	–	(2,609)
Repayment of term loans	(4,976)	–	–	(4,976)
Proceeds from trust receipts	1,990			1,990
Proceeds from term loans	11,000	–	–	11,000
Total changes from financing cash flows	3,957	(18)	(496)	3,443
The effect of changes in foreign exchange rates	–	33	–	33
Other changes				
New finance lease	50	–	–	50
Interest expense	1,448	–	–	1,448
Total other changes	1,498	–	–	1,498
Total equity-related other changes	–	–	(13,528)	(13,528)
Balance at 31 December 2018	34,858	(32,949)	19,867	21,776

Notes to the Financial Statements

14 Deferred tax liabilities

Deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

	At 1 January $'000	Recognised in profit or loss (Note 21) $'000	At 31 December $'000
31 December 2018			
Deferred tax liabilities			
Property, plant and equipment	11,141	599	11,740
Deferred tax assets			
Accruals	(78)	–	(78)
Receivables	(777)	–	(777)
	(855)	–	(855)
	10,286	–	10,885
31 December 2017			
Deferred tax liabilities			
Property, plant and equipment	11,141	–	11,141
Deferred tax assets			
Accruals	(78)	–	(78)
Receivables	(777)	–	(777)
	(855)	–	(855)
	10,286	–	10,286

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the statements of financial position as follows:

	Group	
	2018 $'000	2017 $'000
Deferred tax liabilities	10,885	10,286

14 Deferred tax liabilities (Cont'd)

As at the reporting date, no deferred tax assets have been recognised in respect of the following temporary differences:

	Group	
	2018	2017
	$'000	$'000
Unutilised tax losses	14,977	9,733
Unutilised capital allowances	1,327	659
	16,304	10,392

The unutilised tax losses and unabsorbed capital allowances are available for set-off against future taxable profits subject to compliance with the Singapore Income Tax Act Chapter 134. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

15 Trade and other payables

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables	5,785	5,228	5,565	126	123	95
Accrued operating expenses	3,871	3,056	3,459	98	129	168
Advance billings	107	41	550	–	–	–
Deposits from customers	1,596	516	590	–	–	–
Other payables	125	92	115	–	–	–
	11,484	8,933	10,279	224	252	263

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 16.

16 Financial risk management

The Group has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Notes to the Financial Statements

16 Financial risk management (Cont'd)

Risk management framework

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all new customers.

The carrying amounts of the financial assets in the statement of financial position represent the Group's maximum exposure to credit risk before taking into account any collateral held. The Group and the Company do not require any collateral in respect of their financial assets.

The exposure to credit risk for trade and other receivables at the reporting date (by geographical region) was:

	Group			Company		
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	5,022	6,473	1,897	46,364	42,162	30,063
Southeast Asia excluding Singapore	2,285	1,302	4,262	1	1	1
Australasia	304	70	271	–	–	–
Middle East	95	4	16	–	–	–
Europe and others	1,954	591	1,108	–	–	–
	9,660	8,440	7,554	46,365	42,163	30,064

At reporting date, the Group has a concentration of credit risk with 8 customers (2017: 9 customers; 1 Jan 2017: 7 customers) engaged in the Oil and Gas sector accounting for approximately 40% (2017: 41%; 1 Jan 2017: 44%) of the total trade receivables.

Notes to the Financial Statements

16 Financial risk management (Cont'd)

Comparative information under FRS 39

The ageing of loans and receivables (excluding cash and cash equivalents) at the reporting date was:

	Gross 2017 $'000	Impairment losses 2017 $'000	Gross 1 Jan 2017 $'000	Impairment losses 1 Jan 2017 $'000
Group				
Not past due	4,567	–	3,462	–
Past due 0 – 30 days	1,019	(65)	1,533	–
Past due 31 – 90 days	2,207	(377)	1,512	–
Past due 91 days	8,740	(7,651)	9,648	(8,601)
	16,533	(8,093)	16,155	(8,601)
Company				
Not past due	42,163	–	30,064	–

Expected credit loss assessment for individual customers as at 1 January and 31 December 2018

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at 31 December 2018.

	Weighted average loss rate %	Net carrying amount $'000	Impairment loss allowance $'000	Credit impaired
Group				
Current (not past due)	0.00	1,622	–	No
1 – 30 days past due	0.28	1,732	(5)	No
31 – 120 days past due	2.51	2,366	(59)	No
More than 120 days past due	11.14	1,381	(154)	Yes
		7,101	(218)	

Loss rates are based on actual credit loss experience over the past three years. These rates are adjusted by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. These scalar factors are calculated using statistical models that determine numeric co-relation of loss rates with relevant economic variables.

Notes to the Financial Statements

16 Financial risk management (Cont'd)

Movements in allowance for impairment in respect of trade and other receivables

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Group Individual impairments $'000
At 1 January 2017 per FRS 39	8,601
Impairment loss recognised	1,360
Amounts utilised	(1,658)
Translation differences	(210)
At 31 December 2017 per FRS 39	8,093

	Group Lifetime ECL $'000
At 1 January 2018 per FRS 39/ SFRS (I) 9	8,093
Impairment loss recognised	736
Amounts utilised	(7,445)
Translation differences	(16)
At 31 December 2018 per SFRS(I) 9	(1,368)

The cash and cash equivalents are held with reputable banks and financial institutions which are regulated.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

The Company held non-trade receivables from its subsidiaries. These balances are amounts lent to subsidiaries to satisfy short term funding requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

16 Financial risk management (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

To ensure the continuity of funding, the Group's policy is to use a mix of long-term and short-term financing. Short-term funding is obtained through overdrafts and trust receipts. Long-term funding is primarily used for acquisition of property, plant and equipment. The Group evaluates various alternative financing arrangements to balance its debt leverage. As at the date of this report, the Group maintains the following lines of credit:

- $1.5 million overdraft facility;
- $5.0 million term loan facility; and
- $2.0 million money market loan facility that can be drawn down to meet short-term financing needs.

The Group monitors current and expected liquidity requirements to ensure that it maintains sufficient working capital and adequate external financing to meet its liquidity requirements in the short and longer term. The sources of liquidity and funding available to the Group are the financing from various financial institutions and the realisation of the property, plant and equipment, if required.

The following are the contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude impact of netting agreements:

		Cash flows			
Group	**Carrying amount $'000**	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 1 to 5 years $'000**	**More than 5 years $'000**
31 December 2018					
Term loans					
- Fixed rate	17,675	(19,804)	(7,621)	(11,805)	(378)
- Floating rate	12,306	(13,693)	(2,050)	(8,145)	(3,498)
Trust receipts	1,990	(2,090)	(2,090)	–	–
Bank overdrafts	2,985	(3,155)	(3,155)	–	–
Finance lease liabilities	2,887	(3,036)	(1,999)	(1,023)	(14)
Trade and other payables	11,377	(11,377)	(11,377)	–	–
	49,220	(53,155)	(28,292)	(20,973)	(3,890)

Notes to the Financial Statements

16 Financial risk management (Cont'd)

		Cash flows			
Group	**Carrying amount $'000**	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 1 to 5 years $'000**	**More than 5 years $'000**
31 December 2017					
Term loans					
- Fixed rate	9,889	(10,839)	(5,209)	(5,140)	(490)
- Floating rate	14,068	(15,867)	(2,080)	(9,018)	(4,769)
Finance lease liabilities	5,446	(5,750)	(5,264)	(448)	(38)
Trade and other payables	8,892	(8,892)	(8,892)	–	–
	38,295	(41,348)	(21,445)	(14,606)	(5,297)
1 January 2017					
Term loans					
- Fixed rate	4,431	(4,718)	(1,809)	(2,909)	–
- Floating rate	13,143	(14,717)	(3,153)	(6,125)	(5,439)
Finance lease liabilities	7,453	(7,867)	(3,019)	(4,750)	(98)
Trade and other payables	9,729	(9,729)	(9,729)	–	–
	34,756	(37,031)	(17,710)	(13,784)	(5,537)
Company					
31 December 2018					
Term loan					
- Fixed rate	4,560	(5,379)	(1,000)	(4,001)	(378)
Trade and other payables	224	(224)	(224)	–	–
	4,784	(5,603)	(1,224)	(4,001)	(378)
31 December 2017					
Trade and other payables	252	(252)	(252)	–	–
1 January 2017					
Trade and other payables	263	(263)	(263)	–	–

The maturity analysis show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash outflows disclosed relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity.

Notes to the Financial Statements

16 Financial risk management (Cont'd)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's profit or loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to currency risk and interest rate risk.

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency in which these transactions primarily is denominated is the United States dollar.

The Group's and the Company's exposure to foreign currency is as follows:

		Group			Company	
	2018	2017	1 Jan 2017	2018	2017	1 Jan 2017
	$'000	$'000	$'000	$'000	$'000	$'000
United States dollar						
Trade and other receivables	1,858	7,378	8,026	–	60	65
Cash and cash equivalents	1,248	999	2,269	–	–	–
Trade and other payables	(1,395)	(1,608)	(810)	–	–	(16)
	1,711	6,769	9,485	–	60	49

The Group does not have a formal policy to hedge its financial assets and liabilities denominated in foreign currencies.

Sensitivity analysis

A 10% strengthening of the United States dollar against the functional currencies of the respective entities within the Group at the reporting date would (increase)/decrease the loss before tax by the amounts below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017 and 2018, albeit that the reasonably possible foreign exchange rate variances may have been different.

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
United States dollar	171	677	–	6

A 10% weakening of the United States dollar against the functional currencies of the respective entities within the Group would have the equal but opposite effect on the loss before tax to the amounts shown above, on the basis that all other variables remain constant.

Notes to the Financial Statements

16 Financial risk management (Cont'd)

Interest rate risk

The Group is exposed to changes in interest rates primarily due to the Group's loans and borrowings which are subject to variable interest rates. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

At the reporting date, the interest rate profile of the Group's and the Company's interest bearing financial instruments, as reported to the management, was as follows:

	2018 $'000	2017 $'000
Group		
Fixed rate instruments		
Fixed rate loans	(17,675)	(9,889)
Trust receipts	(1,990)	–
Bank overdrafts	(2,985)	–
Finance lease liabilities	(2,887)	(5,446)
	(25,537)	(15,335)
Variable rate instruments		
Fixed deposits	291	689
Floating rate loans	(12,306)	(14,068)
	(12,015)	(13,379)
Company		
Fixed rate instruments		
Fixed rate loan	(4,560)	–

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

Notes to the Financial Statements

16 Financial risk management (Cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (increased)/decreased loss before tax of the Group and the Company by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group	
	2018	**2017**
	$'000	**$'000**
100 bp increase		
Variable rate instruments	120	134
100 bp decrease		
Variable rate instruments	(120)	(134)

Estimations of the fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial assets and liabilities of the Group.

Non-derivative financial liabilities (non-current)

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases and term loans, the market rate of interest is determined by reference to similar lease and loan agreements, respectively.

The carrying amounts of floating interest loans and borrowings, where interest rates reprice within 1 year from reporting date, are assumed to reflect the corresponding fair values of the financial liabilities, given the short repricing period.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables) are assumed to approximate their fair values due to the short period to maturity.

Notes to the Financial Statements

16 Financial risk management (Cont'd)

Fair values versus carrying amounts

The fair values of the financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

		Carrying amount			Fair value			
	Note	Amortised cost $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group								
31 December 2018								
Assets								
Trade and other receivables	8	9,660	–	9,660				
Cash and cash equivalents	9	4,952	–	4,952				
		14,612	–	14,612				
Liabilities								
Bank overdrafts	9	–	(2,985)	(2,985)	–	(2,985)	–	(2,985)
Loans and borrowings	13	–	(34,858)	(34,858)	–	(33,706)	–	(33,706)
Trade and other payables	15	–	(11,377)	(11,377)				
		–	(49,220)	(49,220)				

Notes to the Financial Statements

16 Financial risk management (Cont'd)

		Carrying amount				Fair value			
	Note	Loans and receivables $'000	Other financial liabilities $'000	Other financial liabilities outside the scope of FRS 39 $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group									
31 December 2017									
Assets									
Trade and other receivables	8	8,440	–	–	8,440				
Cash and cash equivalents	9	4,405	–	–	4,405				
		12,845	–	–	12,845				
Liabilities									
Loans and borrowings	13	–	(23,957)	(5,446)	(29,403)	–	–	(29,155)	(29,155)
Trade and other payables	15	–	(8,892)	–	(8,892)				
		–	(32,849)	(5,446)	(38,295)				
1 January 2017									
Assets									
Trade and other receivables	8	7,554	–	–	7,554				
Cash and cash equivalents	9	20,089	–	–	20,089				
		27,643	–	–	27,643				
Liabilities									
Loans and borrowings	13	–	(17,574)	(7,453)	(25,027)	–	–	(26,585)	(26,585)
Trade and other payables	15	–	(9,729)	–	(9,729)				
		–	(27,303)	(7,453)	(34,756)				

Notes to the Financial Statements

16 Financial risk management (Cont'd)

	Note	Carrying amount			Fair value			
		Amortised cost $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company								
31 December 2018								
Assets								
Trade and receivables	8	46,365	–	46,365				
Cash and cash equivalents	9	20	–	20				
		46,385	–	46,385				
Liabilities								
Loans and borrowings	13	–	(4,560)	(4,560)	–	(4,647)	–	(4,647)
Trade and other payables	15	–	(224)	(224)				
		–	(4,784)	(4,784)				

16 Financial risk management (Cont'd)

		Carrying amount			Fair value			
	Note	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company								
31 December 2017								
Assets								
Trade and receivables	8	42,163	–	42,163				
Cash and cash equivalents	9	182	–	182				
		42,345	–	42,345				
Liability								
Trade and other payables	15	–	(252)	(252)				
1 January 2017								
Assets								
Trade and receivables	8	30,064	–	30,064				
Cash and cash equivalents	9	12,636	–	12,636				
		42,700	–	42,700				
Liability								
Trade and other payables	15	–	(263)	(263)				

Notes to the Financial Statements

17 Revenue

	Group 2018 $'000	Group 2017 $'000
Offshore Rig Services and Supply Chain Management		
- Marine offshore support services income	10,992	11,846
- Chartering and towage income	6,991	4,346
- Equipment rental income	7,196	6,298
- Trading in vessels	3,539	–
- Sale of goods	9,342	4,948
	38,060	27,438

Sale of goods

Nature of goods or services	Sales of goods segment principally generates revenue from trading of materials and equipment.
When revenue is recognised	Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance has been satisfied.
Significant payment terms	Payment is due according to customer terms when goods are delivered.

Trading in vessels

Nature of goods or services	Trading in vessels segment principally generates revenue from the trading of vessels.
When revenue is recognised	Revenue is recognised when the vessel is delivered to the customer and all criteria for acceptance has been satisfied.
Significant payment terms	Payment is due according when vessels are delivered.

Marine offshore support services

Nature of goods or services	Marine offshore support services principally generates revenue from offshore support services rendered and freight service income.
When revenue is recognised	Revenue is recognised when services are rendered over time.
Significant payment terms	Payment is due according to customer terms when services are rendered.

Notes to the Financial Statements

17 Revenue (Cont'd)

In the following table, revenue from contracts with customers is disaggregated by timing of revenue recognition.

	Group	
	2018	**2017**
	$'000	**$'000**
Timing of revenue recognition		
Products transferred at a point in time	12,881	4,948
Products and services transferred over time	10,992	11,846
	23,873	16,794

18 Other income

	Group	
	2018	**2017**
	$'000	**$'000**
Gain on disposal of property, plant and equipment	89	633
Interest income	6	80
Payables written-off	33	615
Rental income	422	351
Exchange gain - net	338	–
Miscellaneous income	356	673
	1,244	2,352

19 Finance costs

	Group	
	2018	**2017**
	$'000	**$'000**
Interest expenses on:		
- Bank overdrafts and term loans	1,232	665
- Finance lease liabilities	160	213
- Trust receipts	56	–
	1,448	878

Notes to the Financial Statements

20 Loss before tax

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

	Group 2018 $'000	Group 2017 $'000
Operating lease expenses	1,649	1,531
Staff costs	8,954	10,157
Contributions to defined contribution plans included in staff costs	1,248	1,302
Impairment loss on plant and equipment	–	3,601
Depreciation of property, plant and equipment	6,876	7,146
Audit fees paid/payable to:		
- auditors of the Company	250	250
- other auditors	15	–
Non-audit fees paid/payable to:		
- auditors of the Company	52	46
Directors' fees	150	208
Exchange (gain)/loss –net	(338)	523

21 Tax expense

	Group 2018 $'000	Group 2017 $'000
Current tax expense		
Under provision in prior years	316	988
Deferred tax expense		
Origination and reversal of temporary differences	599	–
	915	988

Reconciliation of effective rate

	2018	2017
Loss before income tax	(12,593)	(14,324)
Tax using the Singapore tax rate of 2018: 17% (2017: 17%)	(2,141)	(2,435)
Income not subject to tax	(340)	(384)
Non-deductible expenses	2,118	1,386
Deferred tax assets not recognised	1,005	1,374
Under provision in prior years	316	988
Others	(43)	59
	915	988

Notes to the Financial Statements

21 Tax expense (Cont'd)

Significant judgement is involved in determining the Group's provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

22 Loss per share

Basic and diluted loss per share are calculated based on the following:

	Group	
	2018	**2017**
	$'000	**$'000**
Loss for the year, attributable to the owners of the Company	(13,528)	(15,312)

The calculation of the basic and diluted loss per share was based on the weighted average number of ordinary outstanding shares of the Company of 708,948,000 (2017: 709,880,000) shares, calculated as follows:

Weighted average number of shares

	Group	
	2018	**2017**
	'000	**'000**
Issued ordinary shares at 1 January	709,051	710,000
Effect of own share held	(103)	(120)
Weighted average number of ordinary shares during the year	708,948	709,880

There were no dilutive potential ordinary shares in existence for the year ended 31 December 2018 and 2017.

Notes to the Financial Statements

23 Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer ("CEO") (the chief operating decision maker) review internal management reports on a monthly basis to make strategic decisions. The following summary describes the operations in each of the Group's reportable segments:

- Offshore Rig Services and Supply Chain Management: Includes chartering, freight, servicing and repair of vessels, provision of services of marine engineers, consultants, sub-contractors, labour supply, fabrication services, trading in drill pipes and related drilling materials, provision of services and rental of marine equipment and cranes.

- Vessel Sales and Newbuild: Includes trading of vessels and newbuild.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

	Offshore Rig Services and Supply Chain Management $'000	Vessel Sales and Newbuild $'000	Group $'000
31 December 2018			
Revenue from external customers	38,060	–	38,060
Other income	1,244	–	1,244
Finance costs	(1,448)	–	(1,448)
Segment results	(12,593)	–	(12,593)
Tax expense			(915)
Loss for the year			(13,508)
Segment assets	121,737	–	121,737
Segment liabilities	60,390	–	60,390
Capital expenditure	3,989	–	3,989
Other material non-cash items:			
- Depreciation of property, plant and equipment	6,876	–	6,876
- Gain on disposal of property, plant and equipment	(89)	–	(89)
- Impairment loss on trade and other receivables	736	–	736

Notes to the Financial Statements

23 Operating segments (Cont'd)

	Offshore Rig Services and Supply Chain Management $'000	Vessel Sales and Newbuild $'000	Group $'000
31 December 2017			
Revenue from external customers	27,438	–	27,438
Other income	2,352	–	2,352
Finance costs	(878)	–	(878)
Segment results	(14,324)	–	(14,324)
Tax expense			(988)
Loss for the year			(15,312)
Segment assets	124,463	–	124,463
Segment liabilities	49,127	–	49,127
Capital expenditure	15,723	–	15,723
Other material non-cash items:			
- Depreciation of property, plant and equipment	7,146	–	7,146
- Gain on disposal of property, plant and equipment	(633)	–	(633)
- Impairment loss on trade and other receivables	1,360	–	1,360
- Impairment loss on plant and equipment	3,601	–	3,601

Reconciliations of reportable segment revenues

	Group 2018 $'000	2017 $'000
Revenue		
Total revenue for reportable segments	41,951	28,648
Elimination of inter-segment revenue	(3,891)	(1,210)
Consolidated revenue	38,060	27,438

Notes to the Financial Statements

23 Operating segments (Cont'd)

Geographical Information

The Group's operations are mainly in the region of Southeast Asia, Australasia (comprising mainly Australia, Marshall Islands and Papua New Guinea), Middle East, Europe and North America.

In presenting information on geographical segments, segment revenue are based on the delivery order address of customers. Segment assets which are based on the geographical location of the assets, are all in Singapore.

	Group	
	2018	**2017**
	$'000	**$'000**
Revenue		
Australia	1,070	3,030
Indonesia	889	839
Malaysia	7,570	2,338
Papua New Guinea	488	–
Singapore	17,994	13,762
United Arab Emirates	438	240
United States of America	4,957	3,464
Others	4,654	3,765
	38,060	27,438

24 Commitments

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Within 1 year	1,824	1,606
After 1 year but within 5 years	3,778	4,268
After 5 years	5,346	5,705
	10,948	11,579

The Group leases its office premises, warehouses and shipyards under operating leases. The leases run for periods of three to twenty years, with options to renew the leases upon expiry.

Notes to the Financial Statements

24 Commitments (Cont'd)

Leases as lessor

The Group leases out certain office spaces of its property. The future minimum lease payments under non-cancellable leases are receivable as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Within 1 year	422	422
After 1 year but within 5 years	69	491
	491	913

The Group has commitment towards capital expenditure amounting to $nil (2017: $670,000).

25 Contingent liabilities

There were contingent liabilities in respect of the following:

(a) Immigration bond given to Ministry of Manpower by three of the subsidiaries within the Group in respect of the employment of foreign workers amounting to $1,750,000 (2017: $1,750,000).

(b) Guarantees given to suppliers, customers, port authorities and immigration authorities by one of the entities within the Group in respect of services rendered amounted to $2,789,000 (2017: $603,000).

26 Related parties

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors are considered as key management personnel of the Group.

The key management personnel compensation comprises:

	Group	
	2018	**2017**
	$'000	**$'000**
Short term employee benefits	2,157	2,313
Contributions to defined contribution plans	61	83
	2,218	2,396

Other related party transactions

During the financial year, other than those transactions as disclosed elsewhere in the financial statements, there were no related party transactions.

Notes to the Financial Statements

27 Subsequent events

Subsequent to 31 December 2018, the Group:

(i) incorporated a subsidiary in East Malaysia, Kim Heng Marine Labuan Limited (the "KHML"). KHML was set up to expand the Group's offshore marine activities into East Malaysia and seek to extend the Group's offshore capabilities through a near market, near customer strategy, ensuring accessibility to the Group's customers;

(ii) obtained additional credit financing lines of $7.0 million from a bank and a financial institution;

(iii) disposed certain of its cranes and vessels for an aggregate cash consideration of $1.9 million. As at 31 December 2018, the net book value of these disposed assets was $2.5 million; and

(iv) signed a settlement agreement with one of its customers. The outstanding balance from this customer had been fully impaired as at 31 December 2018. The customer agreed to repay $765,000 to the Group. As at the date of this report, the Group has received $400,000. Management expects remaining balance of $365,000 to be received by end of June 2019.

Statistics of Shareholdings

As at 18 March 2019

SHARE CAPITAL

Issued and fully paid-up capital	:	S$76,133,121.00
No. of issued shares (excluding treasury shares)	:	708,832,300
No. of treasury shares	:	1,167,700
Percentage of treasury shares against total number of issued shares (excluding treasury shares)	:	0.16%
No. of subsidiary holdings	:	Nil
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

(As recorded in the Register of Members and Depositors Register)

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	28	1.66	19,050	0.00
1,001 – 10,000	372	22.02	2,596,200	0.37
10,001 – 1,000,000	1,252	74.13	123,499,770	17.42
1,000,001 and Above	37	2.19	582,717,280	82.21
TOTAL	1,689	100.00	708,832,300	100.00

*Excluding Treasury Shares as at 18 March 2019 - 1,167,700 shares

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

(As recorded in the Register of Members and Depositors Register)

No.	Shareholders' Name	No. of Shares	%
1.	KH GROUP HOLDINGS PTE LTD	**300,674,400**	**42.42**
2.	CREDENCE CAPITAL FUND II (CAYMAN) LIMITED	**124,999,600**	**17.63**
3.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	**24,950,250**	**3.52**
4.	MAYBANK KIM ENG SECURITIES PTE. LTD.	**19,915,630**	**2.81**
5.	DBS NOMINEES PTE LTD	**13,995,000**	**1.97**
6.	CITIBANK NOMINEES SINGAPORE PTE LTD	**11,637,700**	**1.64**
7.	OCBC SECURITIES PRIVATE LTD	**11,222,700**	**1.58**
8.	ONEEQUITY SG PRIVATE LIMITED	**9,000,000**	**1.27**
9.	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	**8,323,000**	**1.17**
10.	PEH KWEE CHIM	**8,199,800**	**1.16**
11.	RAFFLES NOMINEES (PTE) LIMITED	**4,856,800**	**0.69**
12.	PHILLIP SECURITIES PTE LTD	**3,476,800**	**0.49**
13.	YEO KHEE SENG BENNY	**3,015,900**	**0.43**
14.	NG THOR HUAT MOXHAM	**2,710,000**	**0.38**
15.	KOH HANG YONG	**2,650,000**	**0.37**
16.	BONG YEW KENG (HUANG YOUQING)	**2,570,000**	**0.36**
17.	TAN CHENG HIANG ROSALIND MRS ROSALIND LIM	**2,500,000**	**0.35**
18.	KOH NUI HOON MRS LIM NUI HOON	**2,339,000**	**0.33**
19.	CHEW THYE CHUAN OR TAN SEW MAI	**2,073,800**	**0.29**
20.	CHOU KIM LAN	**1,779,000**	**0.25**
	Total	**560,889,380**	**79.11**

Statistics of Shareholdings

As at 18 March 2019

SUBSTANTIAL SHAREHOLDERS

Names of Substantial Shareholders	No. of shares registered in the name of substantial shareholder or nominees	No. of shares in which substantial shareholders are deemed to be interested	Total	Percentage of issued Shares
KH Group Holdings Pte. Ltd.	300,674,400	–	300,674,000	42.42
Tan Keng Siong Thomas	4,075,000[(3)]	300,674,000[(1)]	304,749,400	42.99
Ng Chwee Lian Natalie Amanda	–	300,674,000[(1)]	300,674,000	42.20
Credence Capital Fund II (Cayman) Limited	124,999,600	–	124,999,600	17.63
Tan Chow Boon	–	124,999,600[(2)]	124,999,600	17.63
Seow Kiat Wang	–	124,999,600[(2)]	124,999,600	17.63
Koh Boon Hwee	–	124,999,600[(2)]	124,999,600	17.63
Credence Partners Pte. Ltd.	–	124,999,600[(2)]	124,999,600	17.63

Notes:

(1) Mr Tan Keng Siong Thomas and Mdm Ng Chwee Lian Natalie Amanda are deemed to be interested in 300,674,400 Shares which are held by KH Group Holdings Pte. Ltd.

(2) Credence Capital Fund II (Cayman) Limited is a private equity investment fund managed by Credence Partner Pte. Ltd. on a discretionary basis in accordance with the operating and investment conditions and other terms of the management agreement under which Credence Partners Pte. Ltd. is appointed. The shareholders of Credence Partners Pte. Ltd. are Mr Tan Chow Boon, Mr Koh Boon Hwee and Mr Seow Kiat Wang who each have a shareholding of 33.33%. Mr Tan Chow Boon, Mr Koh Boon Hwee, Mr Seow Kiat Wang and Credence Partners Pte. Ltd. are deemed to be interested in all the shares held by Credence Capital Fund II (Cayman) Limited.

(3) Mr Tan Keng Siong Thomas's shareholdings of 4,075,000 shares in the capital of the Company are held in name of a nominee company.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 18 March 2019, approximately 39.21% of the shareholdings of the Company is held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Kim Heng Offshore & Marine Holdings Limited (the "**Company**") will be held at The Chevrons, Carnation 1, Level 3, 48 Boon Lay Way, Singapore 609961 on Friday, 26 April 2019 at 9:30 a.m. for the following purposes:

ORDINARY BUSINESS

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

3. To approve the payment of Directors' fees of S$150,000 for the financial year ended 31 December 2018 (2017: S$208,000) **(Resolution 2)**

4. To re-elect the following Directors retiring pursuant to Article 103 of the Company's Constitution:

   (a) Mr Tan Keng Siong Thomas **(Resolution 3)**
   (b) Mr Ong Sie Hou Raymond *[See Explanatory Note (i) below]* **(Resolution 4)**

5. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions, with or without modifications:

6. **AUTHORITY TO ALLOT AND ISSUE SHARES** **(Resolution 6)**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") – Section B: Rules of Catalist ("**Catalist Rules**"), authority be and is hereby given to the Directors of the Company to:-

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

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

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

Notice of Annual General Meeting

PROVIDED ALWAYS that:

(1) the aggregate number of Shares to be issued pursuant to this authority (including the Shares to be issued in pursuance of Instruments, made or granted pursuant to this authority), shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), and provided further that where shareholders of the Company ("**Shareholders**") are not given the opportunity to participate in the same on a pro-rata basis ("**non pro-rata basis**"), then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments, made or granted pursuant to this authority) shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time this authority was conferred, after adjusting for:

   (i) new Shares arising from the conversion or exercise of any convertible securities;
   (ii) new Shares arising from the exercise of share options or the vesting of share awards which are outstanding or subsisting at the time this authority was conferred; and
   (iii) any subsequent bonus issue, consolidation or sub-division of the Shares;

   and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

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

(4) (unless revoked or varied by the Company in a general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law and the Catalist Rules to be held, whichever is earlier."

[See Explanatory Note (ii) below]

7. **AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE KIM HENG EMPLOYEE SHARE OPTION SCHEME 2013** **(Resolution 7)**

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, authority be and is hereby given to the Directors of the Company to grant options in accordance with the provisions of the Kim Heng Employee Share Option Scheme 2013 ("**Kim Heng ESOS**") and to allot and issue from time to time such number of shares in the capital of the Company ("**Shares**") as may be required to be issued pursuant to the exercise of the options granted under the Kim Heng ESOS, provided always that the aggregate number of Shares to be allotted and issued pursuant to the Kim Heng ESOS, when aggregated together with the Shares issued and/or issuable in respect of all options granted under the Kim Heng ESOS and all Shares issued and/or issuable in respect of all options or awards granted under any other share schemes or share plans adopted by the Company for the time being, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (iii) below]

8. **AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE KIM HENG PERFORMANCE SHARE PLAN 2013 (Resolution 8)**

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, authority be and is hereby given to the Directors of the Company to grant awards in accordance with the provisions of the Kim Heng Performance Share Plan 2013 ("**Kim Heng PSP**") and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards granted under the Kim Heng PSP, provided always that the aggregate number of Shares to be allotted and issued pursuant to the Kim Heng PSP, when aggregated together with the Shares issued and/or issuable in respect of all awards granted under the Kim Heng PSP and all Shares issued and/or issuable in respect of all options or awards granted under any other share schemes or share plans adopted by the Company for the time being, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (iv) below]

9. **Proposed Renewal of the Share Buyback Mandate (Resolution 9)**

That:

(a) for the purposes of sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each an "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they may, in their absolute discretion, deem fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable (the "**Share Buyback Mandate**");

(b) the Directors of the Company may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the listing rules of the SGX-ST and the Companies Act, as they consider fit and in the interests of the Company in connection with or in relation to any equal access scheme(s);

Notice of Annual General Meeting

(c) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the absolute discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(d) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held or is required by law to be held;

(ii) the date on which the share buybacks are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Company in general meeting; and

(e) in this Resolution:

"**Prescribed Limit**" means the number of issued Shares representing not more than 10% of the total number of issued Shares (ascertained as at the date of the last annual general meeting held before the passing of this Resolution or as at the date of passing of this Resolution, whichever is higher, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares shall be taken to be the total number of Shares as altered (excluding any treasury shares and subsidiary holdings, if any) that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the last annual general meeting was held and expiring on the conclusion of the next annual general meeting or on the date by which the next annual general meeting is required by law to be held, whichever is the earlier, after the date of passing of this Resolution; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price,

where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as defined hereinafter) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five day period;

Notice of Annual General Meeting

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**market day**" means a day on which the SGX-ST is open for trading in securities; and

(f) the Directors of the Company and each of them be and are hereby authorised and empowered to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they/he/she may consider necessary, desirable or expedient to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (v)]

10. To transact any other business that may be properly transacted at an annual general meeting

By Order of the Board

Lotus Isabella Lim Mei Hua
Company Secretary
11 April 2019
Singapore

Explanatory Notes:

(i) Mr Ong Sie Hou Raymond will, upon re-election as Director of the Company, remain as the Chairman of the Remuneration Committee and the Nominating Committee as well as a Member of the Audit & Risk Committee. The Board considers Mr Ong Sie Hou Raymond to be independent for the purpose of Rule 704(7) of the Catalist Rules. Key information of Mr Ong Sie Hou Raymond can be found on page 13 of the Annual Report 2018. There are no relationships (including family relationship) between Mr Ong Sie Hou Raymond and the other Directors of the Company or its substantial shareholders.

(ii) Ordinary Resolution 6, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is carried or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares in the Company and/or the Instruments (as defined above). The aggregate number of Shares (including Shares to be made in pursuance of Instruments, made or granted pursuant to this Resolution) which the Directors may allot and issue, shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which the total number of Shares and convertible securities other than on a pro-rata basis to existing Shareholders, shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company.

(iii) Ordinary Resolution 7, if passed, will empower the Directors of the Company to grant options under the Kim Heng ESOS and to allot and issue Shares pursuant to the exercise of such options in accordance with the Kim Heng ESOS.

(iv) Ordinary Resolution 8, if passed, will empower the Directors of the Company to grant awards under the Kim Heng PSP and to allot and issue Shares pursuant to the vesting of such awards in accordance with the Kim Heng PSP.

(v) Ordinary Resolutions 9, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of on-market purchases or off-market purchases of up to ten per cent (10%) of the total number of issued shares in the capital of the Company at the Maximum Price as defined in the Appendix accompanying this Notice dated 11 April 2019.

Notice of Annual General Meeting

Notes:

(a) A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies, to attend and vote on his / her behalf, save that no such limit shall be imposed on the number of proxies appointed by members which are nominee companies. A proxy need not be a member of the Company.

(b) Where a member appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

(c) A member (who is a **Relevant Intermediary***) is entitled to appoint more than two proxies to attend and vote at the meeting. He shall specify the proportion of his shares (expressed as a percentage of the whole) to be represented by each proxy.

*__Relevant Intermediary__ is:

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

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

(iii) the Central Provident Fund Board established by the Central Provident Fund Act Chapter 36 of Singapore, in respect of shares purchased on behalf of CPF investors.

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

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

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

(g) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 9 Pandan Crescent, Singapore 128465, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

(h) In the case of joint shareholders, all shareholders must sign the instrument appointing a proxy or proxies.

(i) Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse the admission of any person or persons appointed under the instrument of proxy, to the Annual General Meeting.

(j) The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such member(s) are not shown to have shares entered against his/her/their name(s) in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

(k) A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his/her name appears on the Depository Register 48 hours before the time appointed for the Annual General Meeting.

Notice of Annual General Meeting

Personal Data Privacy:

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

This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), SAC Capital Private Limited, for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this notice.

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

The contact person for the Sponsor is Ms Tay Sim Yee (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

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KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

Registration Number: 201311482K
(Incorporated in the Republic of Singapore)

PROXY FORM

ANNUAL GENERAL MEETING

*I / We, ______________________________ (Name) ______________________________ (NRIC/Passport no.)

of ____ (Address)

being *a member/members of Kim Heng Offshore & Marine Holdings Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholding(s) to be presented by Proxy	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholding(s) to be presented by Proxy	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at The Chevrons, Carnation 1, Level 3, 48 Boon Lay Way, Singapore 609961 on Friday, 26 April 2019 at 9:30 a.m., and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

Resolution No.	Ordinary Resolutions	For#	Against#
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statement and the Auditors' Report thereon.		
2.	To approve the payment of Directors' fees of S$150,000 for the financial year ended 31 December 2018.		
3.	Re-election of Mr Tan Keng Siong Thomas as a Director of the Company.		
4.	Re-election of Mr Ong Sie Hou Raymond as a Director of the Company.		
5.	Re-appointment of Messrs KPMG LLP as Auditors of the Company and authority for Directors to fix their remuneration.		
6.	Authority to allot and issue shares.		
7.	Authority to allot and issue shares under the Kim Heng Employee Share Option Scheme 2013.		
8.	Authority to allot and issue shares under the Kim Heng Performance Share Plan 2013.		
9.	Proposed renewal of Share Buyback Mandate.		

Dated this ________ day of ____________________ , 2019

Total number of Shares in :	No. of Shares held
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s)/ Common Seal

* *Delete accordingly*
\# *If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate number of votes "For" or "Against" for each resolution within the box provided.*

IMPORTANT: Please read notes overleaf

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his / her behalf, save that no such limit shall be imposed on the number of proxies appointed by members which are nominee companies. A proxy need not be a member of the Company.
2. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
3. A member who is a **Relevant Intermediary*** is entitled to appoint more than two proxies to attend and vote at the meeting.\He shall specify the proportion of his shares (expressed as a percentage of the whole) to be represented by each proxy.

   ***Relevant Intermediary** is:

   (a) a banking corporation licensed under the Banking Act Chapter19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who hold shares in that capacity; or
   (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act Chapter 289 of Singapore and who holds shares in that capacity; or
   (c) the Central Provident Fund Board established by the Central Provident Fund Act Chapter 36 of Singapore, in respect of shares purchased on behalf of CPF investors.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 9 Pandan Crescent, Singapore 128465 not less than 48 hours before the time appointed for the Annual General Meeting.
7. In the case of joint shareholders, all shareholders must sign the instrument appointing a proxy or proxies.
8. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse the admission of any person or persons appointed under the instrument of proxy, to the Annual General Meeting.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such member(s) are not shown to have shares entered against his/her/their name(s) in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.
10. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his/her name appears on the Depository Register 48 hours before the time appointed for the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2019.

Fold along this line

Affix postage stamp here

The Company Secretary
KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED
9 Pandan Crescent
Singapore 128465

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KIM HENG
OFFSHORE & MARINE HOLDINGS LIMITED

Incorporated in the Republic of Singapore on 29 April 2013
Company Registration Number: 201311482K

9 Pandan Crescent, Singapore 128465
Tel : (65) 6777 9990
Fax : (65) 6778 9990
Website: www.kimheng.com.sg