



明光集團
BENG KUANG GROUP

Forging Ahead and Overcoming Adversity



FORGING AHEAD AND OVERCOMING ADVERSITY



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OUR VISION

We aspire to be the "Preferred Partner" in providing total solutions for the marine, offshore and oil & gas industries.

OUR MISSION

We will strategically develop and execute our business profitably, bearing safety and innovations in mind, through total integration of solutions, together with the support from our employees to customers and partners.

CORPORATE PROFILE



GROWING STRATEGICALLY

Beng Kuang Marine Limited (together with its subsidiaries called Beng Kuang Group) was founded in 1994 and has been listed on Singapore Exchange since 15 October 2004.

Over the years, Beng Kuang Group has been striving to be the “Preferred Partner” in providing total solutions for the offshore oil and gas and marine industries.

As a testament to our commitment to quality, health and safety, many of our subsidiaries have been accredited with the ISO and OHSAS certifications. Likewise, we have also received numerous letters of appreciation from customers on our work quality.

Beng Kuang Group leverages its resources and talents to strategically grow its key businesses in Infrastructure Engineering, Corrosion Prevention, Supply & Distribution and Shipping.



Infrastructure Engineering Division (“IE Division”)

- Shipbuilding / Conversion
- Offshore Construction
- Turnkey Projects
- Sandwich Plate System (SPS) License
- Offshore Asset Integrity Management
- Project Management Services
- Shop Blasting & Painting
- Thermal Spray Coating
- Supply of Cranes & Deck Equipment
- Rental of Industrial Equipment & Machinery

Our Infrastructure Engineering Division has been accredited with ISO9001:2015 certification and has received numerous letters of appreciation from shipyard operators and vessel owners alike.

We provide a spectrum of turnkey engineering services from planning and project management to implementation involving procurement, fabrication, corrosion prevention, testing, installation and pre-commissioning of steel work modules and structures mainly for customers in the marine, offshore oil and gas industries.

We are currently operating two waterfront fabrication yards, a 1 hectare yard on the western side of Singapore along Benoi Basin, and 32.8 hectare yard on the eastern side of Batam Island, Kabil.

Since 2009, we have constructed and delivered a number of vessels such as semi-submersible barges, a patrol vessel, various types of crane barges, tug boats and cargo barges. Apart from new construction, we have also successfully converted vessels to

AMSA approved livestock carriers and fabricated complex steel structures and products for the marine and offshore industries.

In 2014, we have extended our services to provide asset integrity solutions for floating asset owners and operators. Our services include proficient and cost-efficient “one-stop” offshore in-situ turnkey repairs (periodical maintenances, repairs as per class requirements, life extension, warranty repairs, major repairs, upgrade, etc).

In 2015, we invested in an engineering company which is engaged in the manufacturing of pedestal cranes, marine and offshore deck equipment and supply of ship spares.

In 2018, we invested in a company that provide general engineering design and consultancy as well as rental of industrial equipment and machinery.

Going forward, IE division is moving on to secure more sophisticated engineering, procurement and construction projects.



Corrosion Prevention Division (“CP Division”)

- Abrasive & Non-Abrasive Blasting
- Paint Application
- Processing & Distributing of Copper Slag
- Rental of Machineries and Equipment

Our past vast record and reputation for reliability have enabled us to secure appointments such as “Resident Contractor”

to provide corrosion prevention services in several established shipyards in Singapore and Batam, Indonesia. Our customers include Keppel Group of companies, Singapore Technologies Group of companies and DDW-PaxOcean Group of companies.



Supply and Distribution Division (“SD Division”)

- Personal Protective Equipment
- Blasting Equipment & Accessories
- Welding Equipment & Accessories
- Painting Equipment & Accessories
- Other General Hardware Products

SD Division carries over 400 types of products (marine hardware equipment, tools and other products) under our house brands like MASTER, PROMASTER and SPLASH, all of which are commonly used in the marine, offshore, oil and gas, construction and other industries.



Shipping Division (“SH Division”)

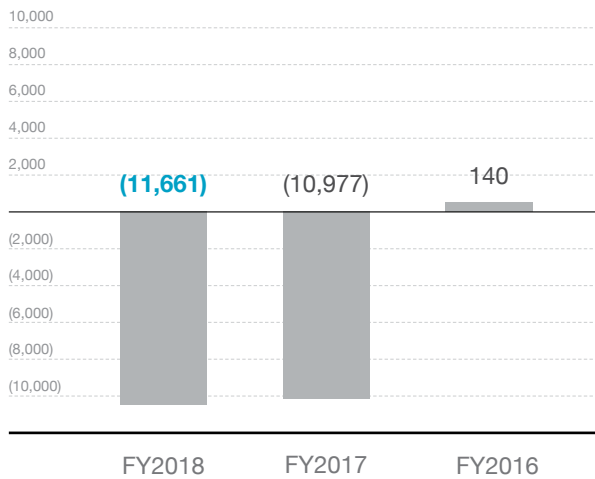
- Livestock Carriers
- Tugs & Barges
- Ship Management

The Shipping Division mainly operates two livestock vessels that trade from Australia to Vietnam, China, Indonesia and Malaysia and occasionally to South Africa countries. Currently, we have four Indonesian flagged tugs and two cargo barges which are currently on short term freight charters while we are actively seeking for buyers.

FINANCIAL HIGHLIGHTS

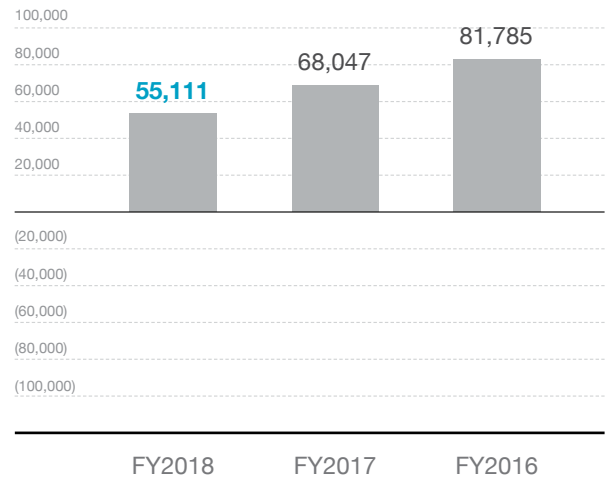
Attributable profit / (loss) (S\$'000)

(11,661)



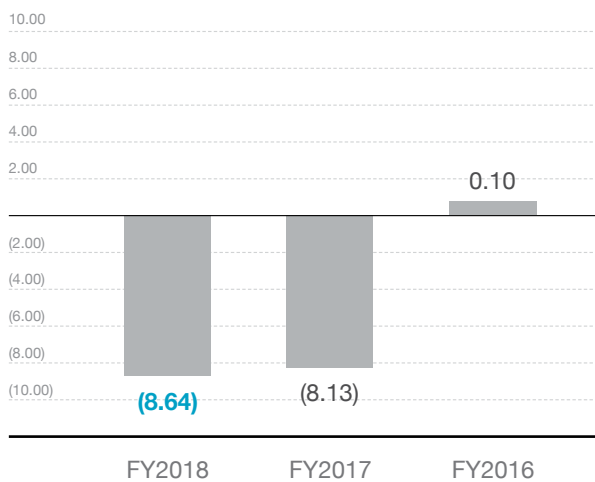
Tangible Net Worth (S\$'000)

55,111



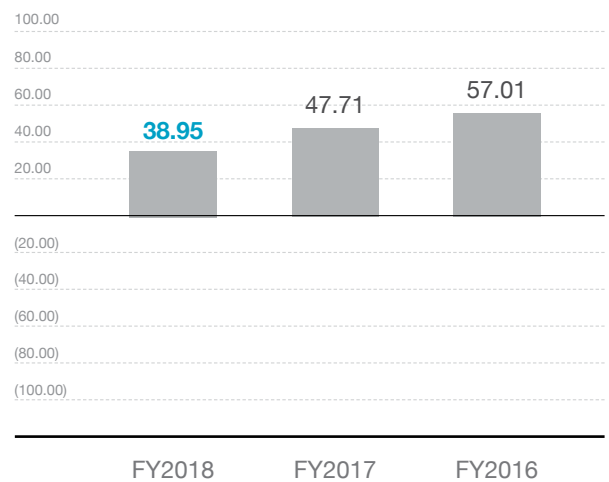
Basic Earnings per Share (in cents)

(8.64)



NAV per Share (in cents)

38.95



	2018	2017	2016
Operating Results			
Turnover	55,315,822 *	45,245,684 *	49,605,093 *
Loss before tax	(6,984,800)*	(6,188,399)*	(1,059,533)*
EBITDA	976,918	2,661,981	13,277,586
Attributable (loss) / profit	(11,661,100)	(10,977,020)	140,406
Financial Position			
Total assets	129,905,689	141,940,414	164,097,018
Total liabilities	(74,730,951)	(73,829,686)	(82,248,456)
Net debt	(29,757,860)	(46,955,046)	(52,388,870)
Tangible Net Worth	55,110,901	68,046,891	81,784,725
Gearing ratio	54%	69%	64%
Per Share Data (In cents)			
Basic Earnings per Share – Basic	(8.64)	(8.13)	0.10
– Diluted	(8.64)	(8.13)	0.10
NAV per share	38.95	47.71	57.01
Segment results			
<u>Turnover</u>			
Infrastructure Engineering	11,979,975	5,682,252	8,667,248
Corrosion Prevention	14,704,328	18,894,813	20,656,121
Supply & Distribution	6,493,686	9,392,003	9,367,506
Shipping	22,137,833	11,276,616	10,914,218
<u>Profit / (loss) from operating segments</u>			
Infrastructure Engineering	617,139	406,663	323,378
Corrosion Prevention	(241,259)	747,412	2,666,619
Supply & Distribution	(71,713)	75,208	770,953
Shipping	(4,251,406)	(4,287,524)	(1,860,922)
Others	(80,450)	(84,167)	(84,394)
<u>Capital Expenditure</u>			
Infrastructure Engineering	1,279,259	536,321	6,510,237
Corrosion Prevention	163,775	151,054	507,914
Supply & Distribution	15,348	-	467,800
Shipping	336,310	1,691,666	1,573,298

* from continuing operations

EXECUTIVE CHAIRMAN'S STATEMENT



“
COMPETITION FOR
THE AVAILABLE WORK IN OUR
MARKET SEGMENTS REMAINED
INTENSE WITH FURTHER
EROSION ON PROFIT
MARGINS.

”

Chua Beng Kuang
Executive Chairman

Dear Shareholders,

In FY2018 the global marine and offshore oil and gas markets remained challenging despite slight movements in oil prices. Despite slight improvements in the market conditions of the offshore oil and gas industry in the first half of FY2018, market conditions subsequently worsened due to decline of crude oil prices in the second half of FY2018. Competition for the available work in our market segments remained intense with further erosion on profit margins. Against this backdrop, the Group did not secure any large shipbuilding or fabrication contract and this was a major contributing factor to the Group's results in FY2018.

On 23 January 2019, the Company announced that it has entered into a sale and purchase agreement for proposed disposal of the entire issued and paid-up share capital of ASE, its wholly owned subsidiary. In compliance with SFRS (I) 5 Non-current Assets Held for Sale and Discontinued Operations, the assets and liabilities of ASE are classified as assets held for sale and liabilities held for sale respectively on the consolidated balance sheet. ASE's results for FY2018 and prior year has been classified as "Discontinued Operations". The remaining businesses of the Group are classified as "Continuing Operations". The change in classification and presentation has no effect to the

profit or loss after tax and net asset value of the Group.

The sale of ASE was necessary to reduce the Group's borrowings and improve its gearing and cash liquidity, and is subject to shareholders' approval at an extra-ordinary general meeting to be convened and fulfilment of conditions set out in the relevant sale and purchase agreement.

The Group's total revenue from Continuing Operations increased by \$10.07 million or 22% from \$45.25 million in FY2017 to \$55.32 million in FY2018. Although the Infrastructure Engineering (IE) and Shipping Divisions achieved higher revenue in FY2018, these were not sufficient to cover overhead costs and depreciation.

The IE Division's revenue increased 110.9% to \$11.98 million compared to \$5.68 million in FY2017 due to increase in repairs and maintenance services and fabrication works.

The Corrosion Prevention Division's turnover declined by \$4.19 million or 22.2% in FY2018 to \$14.70 million compared to \$18.89 million in FY2017 because of weak demand for blasting and painting works in major shipyards in Singapore and Batam.



Revenue from the Supply and Distribution (SD) Division also dropped by \$2.91 million or 31.0% from \$9.40 million in FY2017 to \$6.49 million in FY2018 as demand for marine and industrial products also weakened in the challenging market environment.

Revenue from Shipping Division increased significantly by 96.30% to \$22.14 million compared to \$11.28 million in FY2017 due to the sale of four sets of tugs and barges and higher utilisation of the two livestock carriers.

The Group's loss attributable to equity holders of the Company increased to \$11.66 million in FY 2018 compared to the loss of \$10.98 million in FY 2017 mainly attributable to absence of higher value contracts.

In view of the loss suffered by the Group, your Board has decided not to recommend any dividend for FY2018.

The Group will continue with drastic measures to reduce costs and improve operational efficiencies of all Divisions and we are fully aware that we need to do more to return to profitability. We will continue to actively explore all business opportunities including the sale of underperforming assets.

Recognising the importance and benefit from sustainability reporting and in compliance with the Listing Rules of Singapore Exchange Securities Trading Limited, we submitted our first Sustainability Report in August 2018. This report which is in line with GRI Standards; Core option, is available at our website.

Dr. Wong Chiang Yin who has been an Independent Director of the Board since 2004 has expressed his desire to retire at the Annual General Meeting of the Company on 22 April 2019. On behalf of the Board, I would like to place on record our thanks and appreciation to Dr. Wong for his counsel and guidance for the past 15 years. I also wish to thank my fellow Directors for their advice and contributions in FY2018.

Your Board would also like to take this opportunity to express our heartfelt gratitude to our bankers, customers, suppliers and partners whose tremendous support have been invaluable; and to our management team and staff for showing much dedication, commitment and sacrifice in these difficult times.

Chua Beng Kuang
Executive Chairman

FINANCIAL & OPERATIONS REVIEW



BKM FY18 FINANCIAL & OPERATIONS REVIEW

FY2018 continued to be an adverse year for the marine offshore oil and gas sectors. Companies in these sectors kept a tight ship to ride through the tough market conditions. During FY2018, our yards in Singapore and Batam operated below capacity because of the prolonged weak market environment. Though the Group's revenue registered an improvement of 22% or S\$10.07 million from S\$45.25 million in FY2017 to S\$55.32 million in FY2018 the increase in revenue and operating profits for the continuing operations were not sufficient to cover the administrative and financial expenses.

SEGMENTAL REVIEW

On 23 January 2019, the Company announced that it has entered into a sale and purchase agreement in relation to the Company's proposed disposal of the entire issued and paid-up share capital of Asian Sealand Engineering Pte Ltd ("ASE"). Hence, ASE is classified as "Discontinued Operations" and prior year's comparative figures were restated.

Infrastructure Engineering ("IE") Division

Revenue for our IE division increased by 110.9% or S\$6.30 million from S\$5.68 million to S\$11.98 million as there was an increase in business activities from repairs and maintenance services to vessels and some fabrication projects secured by our yard in Batam (Indonesia) for FY2018. Nevertheless, IE division's business remained weak as no sizeable marine or fabrication contract was secured and this resulted in our fabrication yards being under-utilised.

IE division reported segment operating profits in FY2018 of S\$0.62 million as compared to profit of S\$0.40 million for FY2017 on continuing operations.

Corrosion Prevention ("CP") Division

Revenue for our CP division decreased by S\$4.19 million from S\$18.89 million in FY2017 to S\$14.70 million in FY2018 because of fewer newbuildings and offshore projects in major shipyards in Singapore and Batam.

Supply & Distribution ("SD") Division

Revenue from our SD division decreased by S\$2.91 million from S\$9.40 million in FY2017 to S\$6.49 million in FY2018 due to weaker demand for marine and industrial hardware products. The SD division is restructuring its operations to ensure cost efficiency.

Shipping and Others ("SH") Division

Revenue from our SH division increased by S\$10.86 million from S\$11.28 million in FY2017 to S\$22.14 million in FY2018. The increase was due to sale of 4 sets of tugs and barges at S\$6.3 million in June 2018. The livestock carriers performed better due to regular charters and lesser downtime in FY2018 compared to FY2017.

At end of FY2018, one of our livestock carriers, MV. Diamantina commenced her five-year mandatory drydocking survey and repairs.

OPERATING PROFITS

Continuing Operations

Our gross profit declined by S\$2.50 million from S\$12.10 million in FY2017 to S\$9.60 million in FY2018. This was primarily due to settlement at lower profit margins of several IE and CP projects because of the very tough market conditions. Our SH division incurred higher direct cost because of a surge in the marine fuel oil price in FY2018 as compared to FY2017. In addition, the SH division incurred impairment costs on existing tugs and barges which were adjusted to net realisable value.

EBITDA declined S\$2.36 million from S\$4.41 million in FY2017 to S\$2.05 million in FY2018. The reduction in EBITDA was mainly due to settlement at lower profit margins of several IE and CP projects.

The Group registered other gains of S\$0.58 million in FY2018 as compared to other losses of S\$1.04 million in FY2017. This was mainly attributable to foreign exchange gain of \$0.57 million as a result of the strengthening of US Dollar against Singapore Dollar during the year 2018.

The Group's loss attributable to shareholders was S\$11.66 million for FY2018 compared to S\$10.98 million loss for FY2017. This was because of continuing depressed market in the marine, offshore oil and gas industries where the operating profits generated after vessel impairment costs were unable to cover the administrative overheads and finance costs.

Discontinued Operations and disposal group classified as held for sale

Net loss for the period from discontinued operations was S\$4.45 million for FY2018 compared to S\$4.99 million for FY2017 as no sizeable marine or fabrication contract was secured and resulting in under-utilisation of our fabrication yard.

CASH FLOW STATEMENT

Net cash inflows generated from operating activities was S\$7.41 million in FY2018. During the year, there was a decrease in inventory by S\$10.00 million; an increase in trade and other receivables by S\$7.03 million; a decrease in contract assets by S\$0.89 million and an increase in trade and other payables by S\$7.44 million.

Net cash inflows in investing activities was S\$0.44 million in FY2018.

Net cash outflows in financing activities was S\$8.40 million in FY2018 which comprised mainly repayment of borrowings, finance lease liabilities and bills payable. During FY2018, there was payment of S\$1.37 million in dividends for FY2017 to minority shareholders of one of our subsidiaries.

As a result of the above, the Group registered a net decrease in cash and cash equivalents of S\$0.55 million for FY2018.

ASSETS AND LIABILITIES

The Group registered total assets of S\$129.91 million as at 31 December 2018.

The Group's current assets increased from S\$48.71 million as at 31 December 2017 to S\$58.18 million as at 31 December 2018. This was largely due to the assets of disposal group classified as held-for-sale of S\$13.51 million when the Company entered into sale and purchase agreement ("SPA") on 23 January 2019 for disposal of all the shares of ASE at consideration S\$14.0 million. The decrease in inventories by S\$3.84 million was mainly due to sale of 4 sets of tugs and barges at S\$6.30 million.

The Group's non-current assets decreased from S\$93.23 million as at 31 December 2017 to S\$71.73 million as at 31 December 2018 largely due to assets of disposal group classified as held-for-sale where S\$10.32 million was registered as non-current assets previously. There was a reclassification in FY2018 of 2 sets of tugs and barges to inventories as these were earmarked for sale. The decrease was also due to S\$7.92 million on depreciation of property, plant and equipment as well as disposal of various redundant equipment in FY2018. The Group recorded non-current trade receivables of S\$4.03 million on the instalment sale of 4 sets of tugs and barges which is due after one year.

Total liabilities for the Group increased by S\$0.90 million from S\$73.83 million at end of FY2017 to S\$74.73 million at end of FY2018 primarily because of an increase of S\$5.00 million on trade and other creditors to S\$24.46 million as a result of increase in business activities in FY2018. The Group's borrowings on Continuing Operations reduced by S\$6.31 million to S\$34.97 million and S\$11.39 million was registered under Discontinued Operations as at 31 December 2018.

The Group registered net current liabilities of S\$5.39 million as at 31 December 2018 as compared to S\$5.72 million as at 31 December 2017. There was a reclassification of S\$4.96 million convertible bond from non-current liabilities to current liabilities as the maturity date is within a year. The Group has entered into an agreement to dispose of ASE to improve the Group's gearing and working capital position.



BOARD OF DIRECTORS



Mr. Chua Beng Kuang

- Executive Chairman

Mr. Chua Beng Kuang is our Executive Chairman and one of our founders. He was first appointed Director on 8 January 1994 and last re-elected on 28 April 2016. He is primarily in charge of the overall management, including developing and steering corporate plans, business directions and strategies for the Group. He has more than 35 years of experience within the marine industry. He leads the management in pursuing the Group's mission and objectives and has been instrumental to our growth.



Mr. Chua Meng Hua

- Managing Director and Chief Executive Officer

Mr. Chua Meng Hua is our Managing Director and one of our founders. He was first appointed Director on 8 January 1994 and last re-elected on 25 April 2018. He oversees the overall administrative, safety and operational systems, including developing and steering plans, and directions for the Group. He has more than 25 years of experience within the marine industry.



Dr. Wong Chiang Yin

- Lead Independent Director
- Chairman, Remuneration Committee
- Member, Audit Committee
- Member, Nominating Committee

Dr. Wong Chiang Yin was first appointed as our Independent Director on 30 August 2004 and was last re-elected on 26 April 2017. He is an Independent Director of RHT Health Trust and also a Director of two institutions of public character; Academy of Medicine Singapore and SMA Charity Fund Limited.

He was the Group CEO and Executive Director of Cordlife Group Limited, a company publicly-listed on the mainboard of SGX from 2016 to 2018. From 2011 to 2015, he was the GCEO and Executive Director of TMC Life Sciences Berhad, a company public-listed in the mainboard of Bursa, Malaysia. Before that, he was the CEO of Pantai Hospitals Berhad.

From 1998 to April 2008, Dr. Wong held various senior positions in the public sector, including Chief Operating Officer of Changi General Hospital and Singapore General Hospital, Director of the Projects Office of Singapore Health Services and Assistant Director in the Ministry of Health of Singapore. He is a council member of both the Singapore Medical Association and Academy of Medicine Singapore. He was President of the Singapore Medical Association from 2006 to 2009.

Dr. Wong is the Chairman of the Citizen's Consultative Committee of the Holland-Bukit Timah Group Representation Constituency, Cashew Division. He holds a Master of Medicine (Public Health) from the National University of Singapore in 1999 and a Master in Business Administration (Finance) from the University of Leicester in 2001.



Mr. Goh Chee Wee

- Independent Director
- Chairman, Nominating Committee
- Member, Audit Committee
- Member, Remuneration Committee

Mr. Goh Chee Wee was first appointed as our Independent Director on 30 August 2004 and was last re-elected on 25 April 2018. He is also a director of Chailease Holding Company Ltd, King Wan Corporation Ltd, Stamford Tyres Corporation Ltd and Sin Ghee Huat Corporation Ltd, all listed companies.

Mr. Goh was formerly a Member of Parliament and Minister of State for Trade and Industry, Labour and Communications. He was the Group Managing Director and Chief Executive Officer of Comfort Group Ltd until 2003.

Mr. Goh holds a Bachelor of Science (First Class Honours) degree from the then University of Singapore and a Master of Science (Engineering) degree from the University of Wisconsin, USA.



Mr. Low Wee Siong

- Independent Director
- Chairman, Audit Committee
- Member, Remuneration Committee
- Member, Nominating Committee

Mr. Low Wee Siong was appointed as our Independent Director on 19 May 2017. He is also a Director of Wong Tan & Molly Lim LLC and an independent director of PropNex Limited. Mr. Low has more than a decade of experience in capital markets and corporate finance. He has been named amongst Singapore's 70 most influential lawyers aged 40 and under in 2016 by the Singapore Business Review and as a recommended lawyer for capital markets in Singapore by The Legal 500 Asia Pacific 2018 Edition.

Mr. Low Wee Siong holds degrees in law and accountancy from the National University of Singapore and the Nanyang Technological University respectively. He is an Advocate and Solicitor of the Supreme Court of Singapore, a Solicitor on the Roll of Solicitors of England and Wales and a Chartered Accountant of Singapore.

KEY EXECUTIVES



Mr. Chua Beng Yong

• Chief Operating Officer

Mr. Chua Beng Yong is one of the founders and the Head for our Infrastructure Engineering (“IE”) Division.

He is currently overseeing the Group’s business divisions, including developing and steering plans, directions in the marketing, business development and operations. He has over 25 years of experience in the marine, offshore, oil and gas industries. He leads the IE Division in pursuing the Group’s mission and objectives and has been pivotal in the growth of the IE Division.



Mr. Chua Beng Hock

• Deputy Chief Operating Officer

Mr. Chua Beng Hock is one of the founders and the Head for our Corrosion Prevention (“CP”) Division.

He is currently overseeing the Group’s business divisions, particularly in the CP Division, including developing and steering plans, directions in the marketing, business development and operations aspects. He has over 23 years of experience in the corrosion prevention business in the marine, offshore, oil and gas industries. He leads the CP Division in pursuing the Group’s mission and objectives and has been instrumental in the market expansion in CP Division.

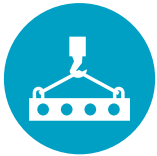


Mr. William Lee

• Chief Financial Officer

Mr. William Lee is our Chief Financial Officer and has overall responsibility on all financial related matters of the Group. He joined the Group as Finance Manager in 2000 and was promoted as Chief Financial Officer in 2012. Prior to joining the Group, his services were rendered to Bob Low and Company as an Audit Assistant to Audit Senior from 1998 to 2000. He obtained a Bachelor of Accountancy from Queensland University of Technology in 1999.

CORPORATE STRUCTURE



Infrastructure Engineering

- Shipbuilding / Conversion
- Offshore Construction
- Turnkey Projects
- Sandwich Plate System (SPS) License
- Offshore Asset Integrity Management
- Project Management Services
- Shop Blasting & Painting
- Thermal Spray Coating
- Supply of Cranes & Deck Equipment
- Rental of Industrial Equipment & Machinery

- **100%** Asian Sealand Engineering Pte Ltd
- **51%** International Offshore Equipments Pte Ltd
- **51%** International Offshore Equipment Canada Inc
- **100%** MTM (ASE) Metalization Pte Ltd
- **100%** PT. Nexus Engineering Indonesia
- **100%** PT. Master Indonesia
- **51%** Asian Sealand Offshore and Marine Pte Ltd
- **51%** ASIC Engineering Sdn Bhd
- **26%** Asian Sealand Equipment Solutions Pte Ltd
- **51%** Venture Automation & Electrical Engineering Pte Ltd



Corrosion Prevention

- Abrasive & Non-Abrasive Blasting
- Paint Application
- Processing & Distributing of Copper Slag
- Rental of Machineries and Equipment

- **100%** Beng Kuang Marine (B&Chew) Pte Ltd
- **100%** Beng Kuang Marine (B&M) Pte Ltd
- **100%** B&K Marine Pte Ltd
- **100%** OneHub Tank Coating Pte Ltd
- **100%** PT. Nexelite CP Indonesia
- **80%** Nexus Hydrotech Pte Ltd
- **51%** Pangco Pte Ltd
- **51%** PT. Berger Batam



Supply & Distribution

- Personal Protective Equipment
- Blasting Equipment & Accessories
- Welding Equipment & Accessories
- Painting Equipment & Accessories
- Other General Hardware Products

- **100%** Nexus Sealand Trading Pte Ltd
- **100%** Picco Enterprise Pte Ltd



Shipping & Others

- Livestock Carriers
- Tugs & Barges
- Ship Management

- **100%** Quill Marine Pte Ltd
- **100%** Drako Shipping Pte Ltd
- **100%** PT. Marina Shipping
- **70%** Cattle Line Two Pte Ltd
- **70%** Cattle Line One Pte Ltd
- **51%** Water & Environmental Technologies (WET) Pte Ltd

Group Corporate Services

- // Corporate Finance & Special Project
- // Corporate Administration
- // Corporate Management
- // Corporate Development
- // Quality, Health, Safety & Environment

*Percentage is computed based on Beng Kuang Marine Limited's effective interest in subsidiaries.

CORPORATE INFORMATION

BOARD OF DIRECTORS

- **Mr. Chua Beng Kuang**
Executive Chairman
- **Mr. Chua Meng Hua**
Managing Director and Chief Executive Officer
- **Dr. Wong Chiang Yin**
Lead Independent Director
- **Mr. Goh Chee Wee**
Independent Director
- **Mr. Low Wee Siong**
Independent Director

AUDIT COMMITTEE

- **Mr. Low Wee Siong**
Chairman
- **Mr. Goh Chee Wee**
- **Dr. Wong Chiang Yin**

REMUNERATION COMMITTEE

- **Dr. Wong Chiang Yin**
Chairman
- **Mr. Goh Chee Wee**
- **Mr. Low Wee Siong**

NOMINATING COMMITTEE

- **Mr. Goh Chee Wee**
Chairman
- **Dr. Wong Chiang Yin**
- **Mr. Low Wee Siong**

COMPANY SECRETARIES

- **Ms. Wee Woon Hong**
- **Mr. Srikanth Rayaprolu**

REGISTERED OFFICE

55 Shipyard Road, Singapore 628141
Tel: (65) 6266 0010
Fax: (65) 6264 0010
Email: bkm@bkmgrou.com.sg
Website: www.bkmgrou.com.sg

AUDITORS

- **Nexia TS Public Accounting Corporation**
100 Beach Road
#30-00 Shaw Tower
Singapore 189702

Partner-In-Charge: Mr. Loh Ji Kin
(Appointed since Financial Year Ended 2015)

BANKERS

- **United Overseas Bank Limited**
- **CIMB Bank Berhad**
- **DBS Bank Limited**
- **Oversea-Chinese Banking Corporation Limited**
- **Malayan Banking Berhad**
- **RHB Bank Berhad**
- **PT Bank Mandiri (Persero) Tbk, Singapore**

REGISTRAR AND THE SHARE TRANSFER OFFICE

M & C Services Private Limited
112 Robinson Road,
#05-01, Singapore 068902
Tel: (65) 6228 0530
Fax: (65) 6225 1452

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REPORT OF CORPORATE GOVERNANCE

The Board of Directors (the “Board”) of Beng Kuang Marine Limited is committed to maintaining a high standard of corporate governance within the Group. The Company has, put in place and adopted various principles, policies, and practices complying with revised Code of Corporate Governance 2012 (“the Code”) where it is applicable and practical to the Group in the context of the Group’s business and organisation structure.

The Company is pleased to report that it has generally adhered to the principles and guidelines as set out in the Code and exceptions are explained below.

(A) BOARD MATTERS

Principle 1: The Board’s Conduct of Its Affairs

The Board is entrusted with the responsibility of the overall management of the business and corporate affairs of the Group. Every Director is expected, in the course of carrying out his duties, to act in good faith and to consider at all times the interests of the Company.

The principal functions of the Board are to:-

- (a) approve the Group’s key business strategies and financial objectives, including the review of annual budgets, major investments / divestments, and funding proposals;
- (b) oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- (c) review and monitor the Management performance;
- (d) set the Company’s values and standards, and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (e) approval of interested person transactions

Matters that specifically require the Board’s decision or approval are:-

- Corporate strategy and business plans;
- Material investment and divestment proposals;
- Funding decisions of the Group;
- Nominations of Directors and appointment of key personnel;
- Announcement of financial results, the annual report and accounts;
- Material acquisitions and disposal of assets and material expenditures ; and
- All matters of strategic importance.

All other matters are delegated to committees whose actions will be monitored by the Board. These committees include the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”) which operate within clearly defined terms of reference and functional procedures.

The Board conducts regular scheduled meetings on a quarterly basis and where the circumstances require, ad-hoc meetings are arranged. Attendance of the Directors via telephone conference is allowed under Regulation 120(2) of the Company’s Constitution. The Board may also make decisions by resolutions in writing. The number of Board and Board committees meetings held and attended by each Director during FY2018 are as follows:-

REPORT OF CORPORATE GOVERNANCE

Name	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	No of meetings		No of meetings		No of meetings		No of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Chua Beng Kuang	4	4	–	–	–	–	–	–
Chua Meng Hua	4	4	–	–	–	–	–	–
Low Wee Siong	4	4	4	4	1	1	1	1
Goh Chee Wee	4	3	4	3	1	1	1	1
Dr. Wong Chiang Yin	4	4	4	4	1	1	1	1

Where necessary, the Directors will be updated on the latest governance and listing policies that are relevant to the Group. All Directors are also updated regularly concerning any changes in company policies.

The Directors are welcome to request further explanations, briefings or informal discussions on any aspects of the Company's operations or business issues from the Management. The Chairman and Managing Director will make the necessary arrangements for the briefings, informal discussions or explanations required by the Director.

Newly appointed Directors will undergo an orientation programme and will be provided with materials to help them familiarise themselves with the business and governance practices of the Company.

Principle 2: Board Composition and Guidance

- (i) As at the date of this report, the Board comprises three Independent Directors and two Executive Directors as follows:-

Executive Directors

Chua Beng Kuang	(Executive Chairman)
Chua Meng Hua	(Managing Director and Chief Executive Officer)

Independent Directors

Dr. Wong Chiang Yin	(Lead Independent Director)
Goh Chee Wee	(Independent Director)
Low Wee Siong	(Independent Director)

As the Independent Directors make up majority of the Board, there is a strong independent element on the Board, thereby allowing it to exercise objective judgement on all matters independently from the Management.

- (ii) The independence of each Director is reviewed annually by the NC, which adopts the Code's definition of what constitutes an independent director. The NC is of the view that the Independent Directors, namely Mr. Goh Chee Wee, Dr. Wong Chiang Yin and Mr Low Wee Siong are independent.

Mr. Goh Chee Wee and Dr. Wong Chiang Yin were first appointed Directors on 30 August 2004 and have held their office as Directors for more than 14 years and the Code requires their independence should be subject to rigorous review. In this context, the NC and the Board have separately reviewed the independence of Mr. Goh Chee Wee and Dr. Wong Chiang Yin and are satisfied that their long tenure does not impair their independence and they are able to discharge the duties as Directors independently and objectively. They remained independent in character and judgement and there are no relationships or circumstances which are likely to affect their judgement. Both of them are well qualified and experienced and have the ability to make impartial and well balanced decisions and to act in the best interests of the Company and shareholders.

REPORT OF CORPORATE GOVERNANCE

- (iii) The NC is satisfied that the Board consists of persons who, together, will provide core competencies necessary to meet the Company's objectives. It is also of the view that the current Board size of five Directors is appropriate for effective decision making, taking into account the scope and nature of the Company's business. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making processes.

Principle 3: Chairman and Chief Executive Officer

The Company keeps the posts of Chairman and Chief Executive Officer separate. There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, which will ensure a balance of power and authority. Keeping the two posts separate will also ensure increased accountability and greater capacity of the Board for decision-making.

The Managing Director and Chief Executive Officer, Mr. Chua Meng Hua, with the team of key executive officers, is responsible for the day to day management of the Group's operations.

The Executive Chairman, Mr. Chua Beng Kuang is primarily responsible for the effective workings of the Board. He works together with the Managing Director and Chief Executive Officer in scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations. The Chairman and the Managing Director and Chief Executive Officer (with the assistance of the Company Secretary) also prepare the meeting agenda in consultation with the Directors.

The Chairman and the Managing Director and Chief Executive Officer also exercise control over quality, quantity and timeliness of the flow of information between the Management and the Board and assist in ensuring the Group's compliance with the Code.

Mr. Chua Beng Kuang (Executive Chairman) and Mr. Chua Meng Hua (Managing Director and Chief Executive Officer) are brothers.

Dr Wong Chiang Yin is the Lead Independent Director of the Company, who is available to address Shareholders' concerns on issues that has not been satisfactorily resolved or cannot be appropriately dealt with by the Executive Chairman, Managing Director and Chief Executive Officer or the Chief Financial Officer.

Principle 4: Board Membership

The NC has been established with written terms of reference and as at the date of this report comprises three Independent Directors. They are:-

Goh Chee Wee	(Chairman, Independent Director)
Dr. Wong Chiang Yin	(Member, Lead Independent Director)
Low Wee Siong	(Member, Independent Director)

The main terms of reference of the NC are as follows:-

- To review nominations for the appointment and re-appointment to the Board and the various Board committees;
- To decide on the evaluation criteria of the Board, propose an objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each Director;
- To decide whether a Director is able to and has been adequately carrying out his duties as Director of the Company (in a case where the Director has multiple board representations);
- To ensure that Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years; and
- To determine, on an annual basis, whether a Director is independent.

REPORT OF CORPORATE GOVERNANCE

The NC is responsible for the re-nomination of the Directors. Regulation 107 of the Company's Constitution requires one-third of the Directors to retire from office at least once in every three years at the Company's AGM whereas Regulation 112 provides that each term of appointment of the Managing Director shall not exceed five years. Retiring Directors are eligible to offer themselves for re-election pursuant to Regulation 109. Dr. Wong Chiang Yin, Lead Independent Director of the Company and Chairman of RC and member of AC and NC, who would be retiring under Regulation 107 of the Company's constitution, has decided not to seek re-election at the forthcoming AGM to facilitate renewal of independent Directors having been a Director for more than 14 years. The NC has recommended to the Board that Mr Chua Beng Kuang be nominated for re-election at the forthcoming AGM pursuant to Regulation 107 of the Company's Constitution. In making the recommendations, the NC had considered the Directors' overall contributions and performance. Mr Chua Beng Kuang will, upon re-election as Director of the Company, remain as the Executive Chairman of the Company.

Pursuant to Dr. Wong Chiang Yin not seeking re-election at the forthcoming AGM, he will cease to be the chairman of RC, member of the AC and NC and Lead Independent Director, upon conclusion of the forthcoming AGM. His replacement for each committee will be announced by the Company in due course.

The NC will determine the criteria for the appointment of new Directors. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills and knowledge, the NC, in consultation with the Board, determines the selection criteria for the position based on the skills and knowledge deemed necessary for the Board to best carry out its responsibilities. Candidates may be suggested by directors or management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment. The Board then appoints the most suitable candidate who must stand for election at the next AGM of shareholders.

Having regard to the Directors' attendance and deliberations at meetings of the Board and Board Committees and the time spent on the Company's affairs, the NC and the Board are of the view that a maximum limit on the number directorship in listed companies for a director is not necessary.

Key information regarding the Directors is set out under "Board of Directors" section of this Annual Report.

Principle 5: Board Performance

Based on the recommendation of the NC, the Board has established processes and objective performance criteria for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director. The objective performance criteria address how the Board has enhanced long-term shareholders' value and include a comparison with the industry peers. The performance evaluation also includes consideration of return on equity, the Company's share price vis-à-vis the Singapore Straits Times Index. The selected performance criteria will not be changed from year to year unless they are deemed necessary and the Board is able to justify the changes.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

Principle 6: Access to Information

The Company makes available to all Directors the management accounts, as well as the relevant background or explanatory information relating to matters that are to be discussed at the Board meetings. Detailed board papers are sent out to the Directors before the scheduled meetings so that the members may be informed of the issues before hand and have sufficient time to formulate questions that they may have. In respect of budgets, any material variance between the forecasts and actual results is reviewed by the Board and disclosed and explained by the Management, where required by the Board.

REPORT OF CORPORATE GOVERNANCE

The Directors have also been provided with the contact details of the Company's Senior Management and Company Secretary to facilitate separate and independent access.

The Company Secretaries and/or his/her representatives attend Board meetings and assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act, Chapter 50, and the provisions in the Listing Manual of the SGX-ST. The appointment and removal of the Company Secretaries would be a matter for the Board as a whole to decide.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

(B) REMUNERATION

Principle 7: Procedures for Developing Remuneration Policies

As at the date of this report, the RC comprises the following three members:-

Dr. Wong Chiang Yin	(Chairman, Lead Independent Director)
Goh Chee Wee	(Member, Independent Director)
Low Wee Siong	(Member, Independent Director)

The RC members are familiar with executive compensation matters as they are performing executive functions in the companies where they are employed and/or are holding directorships in other public listed companies.

The RC recommends to the Board (in consultation with the Chairman) a framework of remuneration for the Board and the Executive Officers as well as specific remuneration packages for the Executive Director and the Managing Director and Chief Executive Officer. The recommendations were submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' and Executive Officers' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. The members of the RC do not participate in any decision concerning their own remuneration package.

Principle 8: Level and Mix of Remuneration

The remuneration packages for Executive Directors take into account the performance of the Group and the individual Director. The RC also ensures that the Executive Directors are adequately remunerated as compared to industry and comparable companies. The Non-Executive Directors' remuneration in the form of directors' fees take into account the roles that the individual Director play, including but not limited to the efforts, time spent and responsibilities of the Non-Executive Director. The Directors' fees are subject to shareholders' approval at the forthcoming AGM.

The Company has entered into separate service agreements with Mr. Chua Beng Kuang and Mr. Chua Meng Hua for an initial period of three years commencing 1 January 2004 which shall be automatically renewed on a three-year basis. There are no onerous removal clauses in the service agreements. Other than a fixed salary, Mr. Chua Beng Kuang and Mr. Chua Meng Hua are also entitled to an additional variable performance related bonus that is designed to align their interests with those of the shareholders and link rewards to corporate and individual performance.

Principle 9: Disclosure on Remuneration

The remuneration of each individual Director to the nearest thousand is not disclosed as the Board believes that the disclosure may be prejudicial to its business interests given the highly competitive marine business environment the Group operates in.

REPORT OF CORPORATE GOVERNANCE

A summary compensation table of the directors' remuneration for the financial year ended 31 December 2018 is set out below:

Name of Directors	Salary [#] (%)	Bonus (%)	Fees [*] (%)	Benefits (%)	Total (%)
S\$250,001 to S\$500,000					
Chua Beng Kuang	95.08	-	-	4.92	100.00
Chua Meng Hua	94.37	-	2.20	3.43	100.00
Up to S\$250,000					
Goh Chee Wee	-	-	100.00	-	100.00
Dr. Wong Chiang Yin	-	-	100.00	-	100.00
Low Wee Siong	-	-	100.00	-	100.00

* These fees are subject to approval of the shareholders at the forthcoming AGM.

Salary is inclusive of fixed allowance and CPF contributions.

A summary compensation table of the top five Executive Officers' remuneration for the financial year ended 31 December 2018 is set out below:

Name of Top 5 Executive Officers	Salary (%)	Bonus (%)	Fees (%)	Benefits (%)	Total (%)
S\$250,001 to S\$500,000					
Chua Beng Yong	100.00	-	-	-	100.00
Up to S\$250,000					
Chua Beng Hock	98.33	-	1.67	-	100.00
Lee Wei Liang	90.60	-	1.20	8.20	100.00
Tan Say Tian	100.00	-	-	-	100.00
Irene Lim	100.00	-	-	-	100.00

The top five Executive Officers of the Group are Mr. Chua Beng Yong (Chief Operating Officer, Head of Infrastructure Engineering Division), Mr. Chua Beng Hock (Deputy Chief Operating Officer, Head of Corrosion Prevention Division), Mr. Lee Wei Liang (Chief Financial Officer), Mr. Tan Say Tian (General Manager, Infrastructure Engineering Division) and Ms. Irene Lim (Senior Manager).

Mr. Chua Beng Kuang and Mr. Chua Meng Hua (Executive Directors) and Mr. Chua Beng Yong and Mr. Chua Beng Hock (Executive Officers) are brothers. The Code recommends that the remuneration of employees who are immediate family member of a Director or CEO be disclosed within the bands of S\$50,000. However, the Board is of the opinion that the remuneration details of Mr. Chua Beng Yong and Mr. Chua Beng Hock are confidential and disclosure of their remuneration in the bands of S\$50,000 would not be in the interest of the Company. Mr. Chua Min Kong who is also a brother of Mr. Chua Beng Kuang and Mr. Chua Meng Hua is employed by the Group as a Manager and his total remuneration in 2018 was between S\$50,000 to S\$100,000.

Save as disclosed above, there is no employee who is an immediate family member of any Director or CEO, whose remuneration for FY2018 exceeds S\$50,000.

The aggregate total remuneration paid to or accrued to top five Executive Officers (who are not Directors or CEO) for FY2018 amounted to S\$1,068,793.

REPORT OF CORPORATE GOVERNANCE

The gross remuneration disclosed is computed on gross salaries, allowances and other benefits accruing during the financial year. There are no termination, retirement or any post-employment benefits to directors and key executive officers.

The Company is of the opinion that it is not in the best interest of the Company to disclose the total remuneration of each Director and Key Executive in dollar terms, given the sensitivity of remuneration matters and the competitiveness of the industry for key talent.

The BKM Performance Share Plan was adopted at an Extraordinary General Meeting held on 27 April 2009. The BKM Performance Share Plan is administered by Dr. Wong Chiang Yin, Mr Goh Chee Wee and Mr Low Wee Siong and contemplates the award of fully paid shares, free of charge, when or after prescribed performance targets are achieved by the selected employees of the Group. No shares have been issued under this plan during the financial year.

(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Company has taken efforts to comply with the Listing Manual of the SGX-ST on the disclosure requirements of material information. The Board is mindful of the obligation to provide shareholders of all major developments that affect the Group and strives to maintain a high standard of transparency.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis. This responsibility extends to reports to regulators. The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

Principle 11: Risk Management and Internal Controls

The Board believes in the importance of maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board committees and the Board, the Board, with concurrence of the AC, is of the view that, the system of internal control maintained by the Group provides reasonable assurance of the adequacy and effectiveness of the internal controls in addressing the financial, operational (including information technology) and compliance risks and risk management systems of the Group. This is in turn supported by assurance from the Managing Director and the Chief Executive Officer and the Chief Financial Officer that:

- (a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and are in accordance with the relevant accounting standards; and
- (b) they have evaluated the effectiveness of the Company's internal controls and have discussed with the Company's external and internal auditors of their reporting points and note that the Company has put in place and will continue to maintain a reliable, comprehensive and sound system of risk management and internal control.

The Company does not have a Board Committee for Risk Management. The Board and the AC has supervised the setting up of an enterprise risk management framework to evaluate and continuously improve the effectiveness of risk management capabilities, control and governance processes. The internal auditors have assisted in setting up this structure and have presented their key findings of their review to the AC and the Board. Key operational (including information technology), business, and financial risks faced by the Group generally and in major contracts and transactions are continuously analysed and identified so that all key risks (including information technology risk) are addressed and internal controls are in place and reviewed periodically by Management, the AC and the Board.

REPORT OF CORPORATE GOVERNANCE

The Board and AC noted that all internal controls contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process with a view to improve the Group's internal control systems.

Principle 12: Audit Committee

The AC has been established with written terms of reference and as at the date of this report comprises three Independent Directors. They are:-

Low Wee Siong	(Chairman, Independent Director)
Goh Chee Wee	(Member, Independent Director)
Dr. Wong Chiang Yin	(Member, Lead Independent Director)

Mr Low Wee Siong chairs this Committee. The AC met four times in the financial year under review. It performs the following functions:-

- Reviewing the audit plans and reports of the independent auditor and to consider the effectiveness of the actions taken by the Management on the auditor's recommendations;
- Reviewing the internal audit plans, the scope and results of internal audit procedures;
- Review Enterprise Risk Management structure, governance and processes;
- Reviewing the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 December 2018 and other announcements to shareholders and the SGX-ST before submission to the Board of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheets of the Company and the Consolidated financial statements of the Group;
- Appraising and reporting to the Board on the audits undertaken by the independent auditor, the adequacy of disclosure of information, and the adequacy and effectiveness of the system of management internal audit function and internal controls;
- Reviewing the assistance and co-operation given by the Management to the independent auditor;
- Evaluating quality of work performed by independent auditor;
- Discussing problems and concerns, if any, arising from the interim and final audits;
- Considering and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;
- Reviewing the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- Reviewing interested person transactions, as defined in the Listing Manual of SGX-ST.

The AC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation by the Management. It also has full discretion to invite any Director or Executive Officer to attend its meetings and reasonable resources to enable it to discharge its functions properly.

The AC, having reviewed all non-audit services provided by the independent auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the independent auditors and it has accordingly recommended to the Board that Nexia TS Public Accounting Corporation be nominated for reappointment as auditors of the Company at the forthcoming annual general meeting of the Company ("AGM").

The aggregate amount of fees paid or payable to the independent auditors of the Company, broken down into audit and non-audit services during FY2018 are as follows:-

Audit fees	: S\$149,895
Non-audit fees	: S\$32,869

The Company is in compliance with Rules 712 and 715 of the Listing Manual in relation to its independent auditors.

REPORT OF CORPORATE GOVERNANCE

Whistle Blowing Policy

The AC has put in place a whistle-blowing arrangement whereby the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters to Mr Low Wee Siong, the AC Chairman. There are arrangements in place for the independent investigation of such matters for appropriate follow-up actions to be taken.

Where the need arises, the AC will meet with the independent auditors, without the presence of the Management, to review the adequacy of audit arrangement with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the auditors. The AC has reasonable resources to enable it to discharge the functions properly. The external auditors present to the AC the audit plan and updates relating to any change of accounting standards which have a direct impact on financial statements during the AC meetings.

Principle 13: Internal Audit

The Company outsourced its internal audit function to an external professional firm, who reports directly to the AC and administratively to the Executive Directors. The objective of the internal audit function is to determine whether the Group's risk management, internal controls and governance processes, as designed by the Company, are adequate and functioning in the required manner. The internal auditors have identified the Group's main business processes and developed an audit plan that covers the main business process over a 1-3 year audit cycle.

The AC will review the adequacy of the internal audit function annually and ensures that the internal audit function is adequately resourced and has appropriate standing within the Company.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders Rights

The Company recognises and accepts the principle that all shareholders are treated fairly and equitably and that they have been accorded certain rights under the Singapore Companies Act and the Company's Constitution. Information to all shareholders is disclosed to in a timely and transparent manner and in compliance with SGX disclosure requirements.

Shareholders are given ample opportunity to attend, participate and vote at the Company's general meetings.

Principle 15: Communication with Shareholders

The Company has complied with the Listing Manual on the disclosure requirements of material information to shareholders. The Board is mindful of the obligation to provide shareholders of all major developments that affect the Group and strives to maintain a high standard of transparency.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis. This responsibility extends to reports to regulators.

Information is communicated to shareholders on a timely basis through quarterly financial results and annual reports that are prepared and issued to all shareholders within the mandatory period, SGXNET, press releases and the Company's website at which the shareholders can access information on the Group. The Company does not practice selective disclosure and price sensitive information is first publicly released before the Company meets with any group of investors or analysts.

In view of the Group's weak operating results in FY2018, the Board has decided not to declare any dividend for FY2018.

REPORT OF CORPORATE GOVERNANCE

Principle 16: Conduct of Shareholders' Meetings

Shareholders are given the opportunity to pose questions to the Directors or the Management at the AGM and all extraordinary general meetings. Shareholders are informed of shareholders' meetings through notices published in the newspapers, annual reports and circulars sent to all shareholders. Each item of special business included in the notices of shareholders' meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues. The members of the AC, NC and RC will be present at these meetings to answer questions relating to matters that are overseen by these committees. The independent auditors will also be present to assist the Directors in addressing any queries posed by the shareholders.

The Constitution of the Company allows for members to appoint up to two proxies to attend and vote in place of the member. In line with the amendments to the Companies Act, Chapter 50 of Singapore, corporate shareholders of the Company who provide nominee or custodial services to third parties are allowed to appoint more than two proxies to attend and vote on their behalf at general meetings. The Company does not intend to implement absentia voting methods until security, integrity and other pertinent issues are resolved.

All resolutions at general meetings are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.

(E) DEALINGS IN SECURITIES

The Company has adopted policies in line with the Rule 1207(19) set out in the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company and its officers are not allowed to deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before full financial year and ending on the date of announcement of the relevant results.

(F) INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested person which set out the procedures for review and approval of such transactions.

All interested person transactions will be documented and submitted on a quarterly basis to the AC for their review to ensure that such transactions are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The Company has not entered into interested person transactions with aggregate value of more than S\$100,000 during FY2018 pursuant to Rule 907 of the Listing Manual of the SGX-ST.

(G) MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that except as disclosed in the Directors' Statement and Financial Statements, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the Managing Director or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

REPORT OF CORPORATE GOVERNANCE

TABLE A

Pursuant to Rule 720(6) of the SGX-ST Listing Manual, the information of the Director, who is retiring and being eligible, offered himself for re-election at the upcoming AGM, is as follows:-

Name of Director	Chua Beng Kuang
Date of appointment	8 January 1994
Date of last election	28 April 2016
Age	61
Country of principal residence	Singapore
The Board's comments on the NC's recommendation for re-election	The Board of Directors of the Company has accepted the NC's recommendation, who has reviewed and considered Mr Chua Beng Kuang's performance as an Executive Chairman of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Responsible for the overall management, including developing and steering corporate plans, business directions and strategies for the Group.
Job title	Executive Chairman
Professional qualifications	Nil
Working experience and occupation(s) during past 10 years	Beng Kuang Marine Limited 8 January 1994 to current – Executive Chairman
Shareholdings interest in the listed issuer and its subsidiaries	Mr Chua Beng Kuang holds 9,066,875 ordinary shares (6.71%) in the share capital of the Company.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Chua Beng Kuang and Mr Chua Meng Hua, Managing Director and Chief Executive Officer of the Company, are brothers. Both Mr Chua Beng Kuang and Mr Chua Meng Hua are Substantial Shareholders of the Company.
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments Including Directorships	<u>Past (for the last 5 years)</u> Nil <u>Present</u> Nil

REPORT OF CORPORATE GOVERNANCE

The general statutory disclosures of the Director are as follows:

Question	Chua Beng Kuang
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c) Whether there is any unsatisfied judgment against him?	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—	
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

In the opinion of the directors,

- (i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 35 to 130 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (ii) at the date of this statement, subject to the going concern assumption as set out in Note 4 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.

DIRECTORS

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

Chua Beng Kuang
Chua Meng Hua
Goh Chee Wee
Dr. Wong Chiang Yin
Low Wee Siong

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee	
	At 31.12.2018	At 1.1.2018
The Company		
(No. of ordinary shares)		
Chua Beng Kuang	9,066,875	9,066,875
Chua Meng Hua	8,829,875	8,829,875
Dr. Wong Chiang Yin	25,000	25,000

The directors' interests in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

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

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

AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Low Wee Siong	(Chairman, Independent Director)
Goh Chee Wee	(Member, Independent Director)
Dr. Wong Chiang Yin	(Member, Lead Independent Director)

The AC met four times in the financial year under review and carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the audit plans and reports of the independent auditor and to consider the effectiveness of the actions taken by Management on the auditor's recommendations;
- the internal audit plans, the scope and results of internal audit procedures;
- the Enterprise Risk Management structure, governance and processes;
- the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 December 2018 and other announcements to shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST") before submission to the Board of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;
- the audit conducted by the independent auditor, the adequacy of disclosure of information;
- the assistance and co-operation given by Management to the independent auditor;
- the quality of work performed by the independent auditor;
- the problems and concerns, if any, arising from the interim and final audits;
- the considerations and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;
- the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- the interested person transactions, as defined in the Listing Manual of SGX-ST.

The AC has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

INDEPENDENT AUDITOR

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Chua Beng Kuang
Executive Chairman

Chua Meng Hua
Managing Director and
Chief Executive Officer

27 March 2019

INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 35 to 130.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the 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 financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. 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 year. These matters were addressed in 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

to the Members of Beng Kuang Marine Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the matter
<p>1. Completeness and accuracy of revenue recognition on infrastructure engineering and corrosion prevention services</p> <p>For the financial year ended 31 December 2018, the revenue recognised from infrastructure engineering and corrosion prevention services was \$26.68 million (2017: \$24.58 million).</p> <p>The Group has significant long-term contracts in relation to the provision of infrastructure engineering services and corrosion prevention services. The recognition of revenue in accordance with SFRS(I) 15 is based on the stage of completion of contract activity. This is assessed by reference to the proportion of contract costs incurred for the work performed as at balance sheet date relative to the estimated total costs of contract at completion.</p> <p>We focused on this area because of the significant judgements required in preparing reasonable estimates of the initial budgeted costs, and subsequently, the inherent uncertainties in determining the actual costs attributable to the respective contracts which directly impacts the revenue recognised on the said contracts. Factual errors or imprecise estimations in the computation of both budgeted costs and actual amounts incurred could result in material variance in the amount of profit or loss recognised to date and therefore also in the current period.</p> <p>Furthermore, the budgeted profit on contracts includes key judgements over the expected recovery of costs arising from variations to the contract not uncommonly requested by the customer, compensation events, and claims made against the contractor for delays or other additional costs for which the customer is jointly or severally liable. The inclusion of these amounts in the budget where they are not recoverable could result in a material error in the level of profit or loss recognised by the Group.</p> <p>The accounting policies for infrastructure engineering and corrosion prevention services are set out in Note 2.3 (a) and (b) respectively to the consolidated financial statements and the different revenue streams for the Group have been disclosed in Note 5 to the consolidated financial statements.</p>	<p>Our audit approach comprises of both controls testing and substantive procedures as follows:</p> <ul style="list-style-type: none">• understood and evaluated the design and implementation of key controls over the budgeting process, recognition of contract costs and testing of these key controls, on a sample basis, to determine whether these controls were operating effectively throughout the year;• discussed with management and understood the estimation and bidding process of contracts and ascertained there are procedures in place to ensure accuracy and completeness of estimated total contract cost;• selected a sample of contracts in order to challenge both current and future financial performance. Samples were selected based on a number of quantitative and qualitative factors, as well as other randomly selected contracts;• for sampled contracts, challenged management's key judgements inherent in the estimated costs to complete as well as tested details of actual costs incurred, both of which drive the accounting under the stage of completion method, including the following procedures:<ul style="list-style-type: none">– reviewed the contract terms and conditions through scrutiny of contract documentation;– verified contract costs incurred from suppliers in respect of materials needed and reviewed the estimation basis of overheads allocated;– reviewed actual cost incurred including accrued costs vis-à-vis estimated contract cost;– tested the existence and completeness of claims and variation orders within contract costs via inspection of correspondence with customers and the suppliers; and– identified inventories during stock take observations which have not been utilised but charged out as project cost incurred, if any.• assessed the need for, and adequacy of, provision for onerous loss-making contracts, if any, for those contracts with losses and low profit margin.

INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the matter
<p>2. Credit loss allowance on trade receivables and contract assets</p> <p>As at 31 December 2018, trade receivables and contract assets amounted to \$17.95 million and \$5.42 million respectively. Trade receivables and contract assets are carried at amortised cost less appropriate allowance for credit losses.</p> <p>The Group assesses at each reporting date whether there is objective evidence that the credit risk on trade receivables and contract assets has increased. In carrying out this assessment, judgement is applied by the management to determine appropriate parameters and assumptions used to calculate credit loss allowance.</p> <p>Typically, credit terms given to customers ranges between 30 to 120 days. However, due to the deteriorated market outlook in which the Group operates in, an increasing trend of customers requiring a longer time over and above their respective credit terms to make payments have been noted and certain amounts of such are outstanding for more than 365 days, invariably heightening the risk of default. In assessing the recoverability of these amounts, management is required to exercise judgement based on the credit-worthiness of the customers, historical payment trend and business relationship fostered with the respective customers.</p> <p>Allowance for credit loss is a subjective area due to the level of judgement applied by the management in determining the credit loss allowance. Due to the significance of trade receivables and contract assets (representing 18% of total assets) and the related estimation uncertainty, this is considered a key audit matter.</p> <p>The accounting policies for provision for credit loss allowance are set out in Note 2.11 to the consolidated financial statements. The credit risk and the aging of the trade receivables are disclosed in Note 30(b) to the consolidated financial statements.</p>	<p>Our audit procedures focused on evaluating the key judgements and assumptions used by the management in conducting the impairment review. These procedures included the following:</p> <ul style="list-style-type: none">• understood, evaluated and validated key controls over sales and receivables cycle;• assessed the recoverability of sampled outstanding trade receivable balances by:<ul style="list-style-type: none">– comparing management's views of recoverability of amounts outstanding to historical patterns of receipts, in conjunction with assessing cash received subsequent to year end for its effect in reducing amounts outstanding as at year end;– analysed significant receivables aged over 120 days for which impairment allowance were not provided for by the Group and challenged management's assessment to determine whether there were any indicators of impairment; and– inspected arrangements and/or correspondences with external parties to assess the recoverability of long outstanding receivables.• assessed the recoverability of aged contract assets by:<ul style="list-style-type: none">– comparing management's assessment of recoverability of these amounts to historical patterns of billings and receipts;– verifying progress billings issued and cash received subsequent to financial year up to the date of our Independent Auditor's report; and– reviewing correspondences with external parties to assess recoverability of long overdue contract assets.

INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the matter
<p>3. Valuation of property, plant and equipment</p> <p>As at 31 December 2018, property, plant and equipment ("PPE") amounting to \$67.28 million represent 52% of total assets.</p> <p>Management identified separate cash-generating units ("CGU") and has calculated the recoverable amount of CGU where there were indicators of impairment, as the higher of value-in-use and fair value less costs to sell. For the former, the value-in-use is based on discounted future cash flow forecasts over which management makes judgements on certain key inputs including, for example, discount rates and long-term growth rates. For the latter, the fair value less costs of disposal are estimated by an independent third party valuer based on their knowledge of each CGU and the relevant markets.</p> <p>Management's assessment of the valuation of PPE was significant to our audit because of the magnitude of the assets under consideration and also as this process involves inherent judgement in determining key assumptions such as future sales growth, profit margins, discount rates and inflation rates. Furthermore, there is an increased risk of impairment due to the pessimistic market sentiment in which the Group operates in.</p> <p>The accounting policies for impairment for property, plant and equipment are set out in Note 2.10(b) to the consolidated financial statements.</p>	<p>Our audit procedures focused on evaluating the key assumptions used by the management in preparing the impairment assessment. These procedures included the following:</p> <ul style="list-style-type: none">• tested management's assumptions used in the value-in-use calculations and assessed the accuracy of the historical data used by management as the basis of arriving at the estimates;• involved our valuation expert to assist us in the evaluation of the reasonableness of the discount rates used by the Group, performed sensitivity analyses where considered necessary, and assessed the consistency of valuation methodologies applied throughout the relevant entities within the Group; and• in instances where the Group has obtained a valuation by an independent third-party valuer, we assessed the competence and independence of the external valuers to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitation on their work. Considering the fair value of the CGU has been determined by the valuer using the sales comparison method and/or market replacement method, we evaluated the valuation process, methodologies applied, inputs used, adjustments made to reflect the market conditions prevalent in the particular location as well as any other relevant significant assumptions and critical judgement areas.

INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

to the Members of Beng Kuang Marine Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by 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 director on the audit resulting in this independent auditor's report is Loh Ji Kin.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

27 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 \$	2017 \$
Continuing operations			
Revenue	5	55,315,822	45,245,684
Cost of sales		(45,722,141)	(33,149,536)
Gross profit		9,593,681	12,096,148
Other gains/(losses) – net	8	578,336	(1,036,882)
Expenses			
- Selling and distribution		(897,389)	(1,336,105)
- Administrative		(14,073,103)	(13,723,192)
- Finance	9	(2,186,325)	(2,188,368)
Loss before income tax		(6,984,800)	(6,188,399)
Income tax expense	10	(98,433)	(336,700)
Net loss from continuing operations		(7,083,233)	(6,525,099)
Discontinued operations			
Net loss from discontinued operations	11	(4,449,129)	(4,992,200)
Total loss		(11,532,362)	(11,517,299)
Other comprehensive loss, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation – losses		(129,628)	(1,975,535)
Total comprehensive loss		(11,661,990)	(13,492,834)
(Loss)/profit attributable to:			
Equity holders of the Company		(11,661,100)	(10,977,020)
Non-controlling interests		128,738	(540,279)
		(11,532,362)	(11,517,299)
Loss attributable to equity holders of the Company relates to:			
Loss from continuing operations		(7,211,971)	(5,984,820)
Loss from discontinued operations		(4,449,129)	(4,992,200)
		(11,661,100)	(10,977,020)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(11,827,831)	(12,557,413)
Non-controlling interests		165,841	(935,421)
		(11,661,990)	(13,492,834)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 \$	2017 \$
Loss per share from continuing and discontinued operations attributable to equity holders of the Company (cents per share)			
Basic loss per share			
From continuing operations	12	(5.34)	(4.43)
From discontinued operations	12	(3.30)	(3.70)
Diluted loss per share			
From continuing operations	12	(5.34)	(4.43)
From discontinued operations	12	(3.30)	(3.70)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	Group		
		31 December		1 January
		2018	2017	2017
		\$	\$	\$
ASSETS				
Current assets				
Cash and cash equivalents	13	5,212,048	5,714,330	4,985,041
Trade and other receivables	14	22,800,657	21,144,054	26,987,602
Contract assets	5(b)	5,417,268	6,770,031	11,202,857
Inventories	15	11,238,111	15,081,166	14,219,375
		44,668,084	48,709,581	57,394,875
Assets of disposal group classified as held-for-sale	11	13,511,137	–	–
		58,179,221	48,709,581	57,394,875
Non-current assets				
Trade and other receivables	14	4,030,000	–	–
Intangible assets	17	63,837	63,837	63,837
Property, plant and equipment	18	67,276,491	92,057,023	105,562,511
Deferred income tax assets	24	356,140	1,109,973	1,075,795
		71,726,468	93,230,833	106,702,143
Total assets		129,905,689	141,940,414	164,097,018
LIABILITIES				
Current liabilities				
Trade and other payables	19	24,455,635	19,448,461	22,802,981
Contract liabilities	5(b)	482,682	373,615	449,758
Deferred income	20	250,271	375,877	345,341
Current income tax liabilities	10(b)	625,342	510,987	526,051
Borrowings	21	23,898,855	33,723,143	31,625,685
		49,712,785	54,432,083	55,749,816
Liabilities directly associated with disposal group classified as held-for-sale	11	13,859,349	–	–
		63,572,134	54,432,083	55,749,816
Non-current liabilities				
Deferred income	20	76,613	290,899	505,184
Borrowings	21	11,071,053	18,946,233	25,748,226
Deferred income tax liabilities	24	11,151	160,471	245,230
		11,158,817	19,397,603	26,498,640
Total liabilities		74,730,951	73,829,686	82,248,456
NET ASSETS		55,174,738	68,110,728	81,848,562

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	Group		
		31 December		1 January
		2018	2017	2017
		\$	\$	\$
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	25	49,651,347	49,651,347	49,651,347
Other reserves	26	(1,553,551)	(1,386,820)	193,573
Retained profits	27	4,483,542	16,144,642	27,121,662
		52,581,338	64,409,169	76,966,582
Non-controlling interests	16	2,593,400	3,701,559	4,881,980
Total equity		55,174,738	68,110,728	81,848,562

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

BALANCE SHEET

As at 31 December 2018

	Note	Company		
		31 December		1 January
		2018 \$	2017 \$	2017 \$
ASSETS				
Current assets				
Cash and cash equivalents	13	1,428,057	31,852	73,873
Trade and other receivables	14	77,311,993	73,850,760	66,995,354
		78,740,050	73,882,612	67,069,227
Non-current asset classified as held-for-sale	11	7,800,000	–	–
		86,540,050	73,882,612	67,069,227
Non-current assets				
Investments in subsidiary corporations	16	4,675,923	12,519,401	12,519,401
Property, plant and equipment	18	380,707	449,377	592,949
Deferred income tax assets	24	17,040	16,570	15,370
		5,073,670	12,985,348	13,127,720
Total assets		91,613,720	86,867,960	80,196,947
LIABILITIES				
Current liabilities				
Trade and other payables	19	17,944,369	13,146,879	6,572,173
Borrowings	21	17,637,397	13,640,775	15,118,711
		35,581,766	26,787,654	21,690,884
Non-current liabilities				
Borrowings	21	1,983,338	6,984,493	4,948,399
		37,565,104	33,772,147	26,639,283
Total liabilities		37,565,104	33,772,147	26,639,283
NET ASSETS		54,048,616	53,095,813	53,557,664
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	25	49,651,347	49,651,347	49,651,347
Other reserves	26	163,297	163,297	163,297
Retained profits	27	4,233,972	3,281,169	3,743,020
Total equity		54,048,616	53,095,813	53,557,664

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	← ——— Attributable to equity holders of the Company ——— →					Non-controlling	
	Note	Share capital	Retained profits	Other reserves	Total	interests	Total
		\$	\$	\$	\$	\$	\$
2018							
Beginning of financial year		49,651,347	16,144,642	(1,386,820)	64,409,169	3,701,559	68,110,728
Increase in share by non-controlling interests		—	—	—	—	98,000	98,000
Total comprehensive (loss)/income for the financial year		—	(11,661,100)	(166,731)	(11,827,831)	165,841	(11,661,990)
Dividend paid to non-controlling interests	16	—	—	—	—	(1,372,000)	(1,372,000)
End of financial year		49,651,347	4,483,542	(1,553,551)	52,581,338	2,593,400	55,174,738
2017							
Beginning of financial year		49,651,347	27,121,662	193,573	76,966,582	4,881,980	81,848,562
Total comprehensive losses for the financial year		—	(10,977,020)	(1,580,393)	(12,557,413)	(935,421)	(13,492,834)
Dividend paid to non-controlling interests	16	—	—	—	—	(245,000)	(245,000)
End of financial year		49,651,347	16,144,642	(1,386,820)	64,409,169	3,701,559	68,110,728

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Net loss		(11,532,362)	(11,517,299)
<i>Adjustments for:</i>			
Credit loss allowance	6	220,183	212,580
Inventories written back	6	(595)	(38,962)
Income tax expense	10	105,022	269,580
Loss/(gain) on disposal of property, plant and equipment	8	283,296	(261,652)
Property, plant and equipment written off	8	36,362	20,503
Depreciation of property, plant and equipment	18	7,916,512	9,462,131
Interest income	8	(14,139)	(5,874)
Interest expense	9	2,811,251	2,827,862
Unrealised currency translation (gains)/losses		(705,839)	3,356,370
		(880,309)	4,325,239
<i>Change in working capital</i>			
Inventories		10,006,109	(822,829)
Contract assets		888,180	4,432,826
Trade and other receivables		(7,032,636)	5,630,968
Trade and other payables		7,440,331	(3,575,670)
Contract liabilities		109,067	(76,143)
Deferred income	20	(339,892)	(183,749)
Cash generated from operations		10,190,850	9,730,642
Interest received		14,139	5,874
Interest paid		(2,319,174)	(2,307,364)
Income tax paid		(471,584)	(403,581)
Net cash generated from operating activities		7,414,231	7,025,571
Cash flows from investing activities			
Additions to property, plant and equipment	18(a)	(1,693,812)	(2,271,065)
Proceeds from disposal of property, plant and equipment		2,130,427	497,084
Interest paid		–	(107,976)
Net cash generated from/(used in) investing activities		436,615	(1,881,957)
Cash flows from financing activities			
Proceeds from borrowings		1,483,500	5,129,325
Repayment of borrowings		(7,303,161)	(8,509,283)
Repayment of finance lease liabilities		(211,467)	(1,254,701)
(Repayment of)/increase in bills payable		(714,335)	298,100
Interest paid		(379,915)	(277,050)
Dividend paid to non-controlling interests		(1,372,000)	(245,000)
Proceeds from subscription of ordinary shares by non-controlling interests		98,000	–
Net cash used in financing activities		(8,399,378)	(4,858,609)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 \$	2017 \$
Net (decrease)/increase in cash and cash equivalents		(548,532)	285,005
Cash and cash equivalents			
Beginning of financial year		1,955,425	1,600,475
Effects of currency translation on cash and cash equivalents		(2,125)	69,945
End of financial year	13	1,404,768	1,955,425

Reconciliation of liabilities arising from financing activities

	Non-cash changes							31 December 2018
	1 January 2018	Principal and interest payments	Trade and other payables	Addition to property, plant and equipment	Asset held- for-sale	Interest expense	Foreign exchange movement	
	\$	\$	\$	\$	\$	\$	\$	
Bank borrowings	41,235,473	(5,819,661)	-	-	(11,386,192)	26,453	165,411	24,221,484
Bills payable	2,335,850	(714,335)	-	-	-	-	-	1,621,515
Finance lease liabilities	397,988	(211,467)	-	100,880	-	-	-	287,401
Convertible bonds	4,941,160	(360,000)	(40,000)	-	-	445,708	-	4,986,868

	Non-cash changes							31 December 2017
	1 January 2017	Principal and interest payments	Trade and other payables	Addition to property, plant and equipment	Asset held- for-sale	Interest expense	Foreign exchange movement	
	\$	\$	\$	\$	\$	\$	\$	
Bank borrowings	45,399,606	(3,379,958)	-	-	-	(19,562)	(764,613)	41,235,473
Bills payable	2,037,749	298,101	-	-	-	-	-	2,335,850
Finance lease liabilities	1,652,689	(1,254,701)	-	-	-	-	-	397,988
Convertible bonds	4,899,301	(178,849)	(221,150)	-	-	441,858	-	4,941,160

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

1 GENERAL INFORMATION

Beng Kuang Marine Limited (the “Company”) is a limited liability company, which is incorporated in the Republic of Singapore and publicly traded on the Singapore Stock Exchange. The address of its registered office is 55 Shipyard Road, Singapore 628141 which is also its principal place of business.

The principal activities of the Company are provision of corrosion prevention services relating to repairing of ships, tankers and other ocean-going vessels and investment holding. The principal activities of subsidiary corporations are shown in Note 16 of the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group’s previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards (“SFRS”).

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group’s opening balance sheet has been prepared as at 1 January 2017, which is the Group’s date of transition to SFRS(I) (“date of transition”).

(a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Adoption of SFRS(I) (cont'd)

(a) Optional exemptions applied (cont'd)

(i) Business combinations

SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

The Group has not applied SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under FRS 21.

(ii) Cumulative translation differences

The Group has not elected to deem the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017.

(iii) Leases

The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

(iv) Borrowing costs

The Group has elected to apply the requirements in the SFRS(I) 1-23 *Borrowing Costs* from the date of transition to SFRS(I) on 1 January 2017. Borrowing costs that were accounted for previously under SFRS prior to date of transition are not restated.

(v) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

(vi) Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Adoption of SFRS(I) (cont'd)

(a) Optional exemptions applied (cont'd)

(vi) Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers* (cont'd)

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows: (cont'd)

- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and
- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

	Reported under SFRS \$	Effects of applying SFRS(I) 15 \$	Reported under SFRS(I) \$
As at 1 January 2017			
Trade and other receivables	38,190,459	(11,202,857)	26,987,602
Contract assets	–	11,202,857	11,202,857
Trade and other payables	23,252,739	(449,758)	22,802,981
Contract liabilities	–	449,758	449,758
As at 31 December 2017			
Trade and other receivables	27,914,085	(6,770,031)	21,144,054
Contract assets	–	6,770,031	6,770,031
Trade and other payables	19,822,076	(373,615)	19,448,461
Contract liabilities	–	373,615	373,615

There were no material impact to the Group's balances on adoption of SFRS(I), except for the effects arising from the application of SFRS(I) 15, as follows.

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. As disclosed in Note 2.2(a)(vi), the Group has also elected to apply the transition provisions under paragraph C5 of the SFRS(I) 15 at 1 January 2018.

The adoption of SFRS(I) 15 resulted in adjustments to the previously issued FRS financial statements as explained below:

Presentation of contract assets and contract liabilities

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

- (i) Contract assets relating to construction contracts were previously presented "as amounts due from customers arising from construction contracts" of \$6,770,031 (1 January 2017: \$11,202,857) under FRS.
- (ii) Contract liabilities in relation to construction contracts were previously presented as "amounts due to customers arising from construction contracts" of \$373,615 (1 January 2017: \$449,758) under FRS.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Adoption of SFRS(I) (cont'd)

- (c) There were no material adjustments to the Group's total comprehensive income and Group's statement of cash flows arising from the transition from FRS to SFRS(I).

2.3 Revenue recognition

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

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

- (a) Infrastructure engineering services

Revenue from infrastructure engineering is recognised over time based on the stage of completion or to the extent of contract costs incurred where it is probable those costs will be recoverable. Infrastructure engineering service contract includes fabrication and construction of steel structures and/or vessels. Stage of completion for a given contract is measured by reference to the contract costs incurred to date against the estimated total costs for the contract. Revenue is recognised to the extent of contract costs incurred in situations where the contract outcome cannot be reliably measured.

Invoices for service rendered are raised in accordance with contract and/or works order agreement. Payment terms differ from contract to contract. Payment is generally upon acceptance of progressive claims, milestone achieved as well as handing over project completion as stated in the contractual agreement and/or works order. In most contracts, down payment is required before commencement of work to facilitate mobilisation of project and purchase of materials. No element of financing is deemed present as the credit terms are consistent with market practice. Hence, no interest is charged to customers.

If the value of the goods and services transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the goods and services transferred, a contract liability is recognised.

- (b) Corrosion prevention services

The Group provides corrosion prevention services, comprising blasting and painting services. Revenue from corrosion prevention service is recognised over time based on the stage of completion or to the extent of contract costs incurred where it is probable that those costs will be recoverable. The stage of completion for a given contract is measured by reference to the contract costs incurred to date against the estimated total costs for the contract. Revenue is recognised to the extent of contract costs incurred, in situations where the contract outcome cannot be reliably measured. Proforma invoices ("PI") for service rendered are issued to customers with supporting work done and/or work completion report. Final invoice is issued upon agreement on the final contract price. Payment for these services is due within 30 days upon issuance of agreed final invoice. No element of financing is deemed present as the credit terms are consistent with market practice. Hence, no interest is charged to customers.

If the value of the services transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Revenue recognition (cont'd)

(c) Supply and distribution of products

The Group supplies and distributes hardware equipment, tools and other products used in marine, oil and gas, and construction industries. Revenue from the sale of these products is recognised at a point in time when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Invoices for sales of products are issued to the customers when the products are delivered. Payment for these products is due after 30 days from date of invoice. No element of financing is deemed present as the credit terms are consistent with market practice. Hence, no interest is charged to customers.

(d) Charter income

Revenue from ship charter is recognised over time progressively over the course of voyage and when collection of payment is reasonably assured. Invoices for charter are raised when the voyage is confirmed and payment is due when cargo is loaded on the vessel or the vessel begins its voyage.

(e) Sale of vessels

Revenue from the sale of vessels is recognised at a point in time when the customer takes control of the vessel represented by when the vessel is delivered to the customer. Invoices for sales of vessels are issued to the customers when the contract is signed.

(f) Interest income

Interest income is recognised using the effective interest method.

(g) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(h) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2.4 Government grants

Government grants are recognised as a receivable at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately in "other gains/(losses) – net".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the entity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interest having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to paragraph "Intangible assets – Goodwill on acquisition" for the subsequent accounting policy on goodwill.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Group accounting (cont'd)

(a) Subsidiary corporations (cont'd)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.6 Property, plant and equipment

(a) Measurement

(i) Drydockings

Components of vessel which are required to be replaced at the next drydocking are identified. The cost of these components is depreciated over the period to the next estimated drydocking date. Costs incurred on subsequent drydocking of vessels are capitalised and depreciated over the period to the next drydocking date. When significant drydocking costs recur prior to the expiry of the depreciation period, the remaining costs of the previous drydocking are written off in the month of the subsequent drydocking.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.8) directly attributable to the acquisition or construction of property, plant and equipment.

Property, plant and equipment are transferred to inventories at carrying amount on the date of transfer when the Group intends to sell items of property, plant and equipment in the ordinary course of business.

Inventories are transferred to property, plant and equipment at cost when the Group held the items for use in production or supply of goods or services and are expected to be used during more than one period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 *Property, plant and equipment (cont'd)*

(b) Depreciation

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Motor vehicles	8 – 10 years
Furniture, fittings and equipment	3 – 10 years
Forklifts, machinery, tools and equipment	2 – 15 years
Leasehold improvement and renovation	3 – 10 years
Leasehold building	20 – 30 years
Leasehold land	30 years
Yard development	20 – 30 years
Vessels	15 – 20 years
Drydockings	3 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when changes arise.

(c) Subsequent expenditure

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

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains/(losses) – net".

2.7 *Intangible assets*

Goodwill on acquisition

Goodwill on acquisition of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 *Borrowing costs*

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

2.9 *Investments in subsidiary corporations*

Investments in subsidiary corporations are stated at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.10 *Impairment of non-financial assets*

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) *Intangible assets*

Property, plant and equipment

Investments in subsidiary corporations

Intangible assets, property, plant and equipment and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Impairment of non-financial assets (cont'd)

- (b) *Intangible assets*
Property, plant and equipment
Investments in subsidiary corporations (cont'd)

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.11 Financial assets

The accounting for financial assets from 1 January 2018 is as follows:

- (a) Classification and measurement

The Group classifies its financial assets under amortised cost. The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

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

At subsequent measurement

Debt instruments – Amortised cost

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables and contract assets.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets (cont'd)

The accounting for financial assets from 1 January 2018 is as follows: (cont'd)

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

The accounting for financial assets before 1 January 2018 is as follows:

(d) Classification

The Group classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” (Note 14) and “cash and cash equivalents” (Note 13) on the balance sheet.

(e) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Financial assets (cont'd)*

The accounting for financial assets before 1 January 2018 is as follows: (cont'd)

(e) Recognition and derecognition (cont'd)

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(f) Measurement

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

(g) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.12 *Offsetting of financial instruments*

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

2.13 *Financial guarantees*

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

- (a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial guarantees (cont'd)

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of: (cont'd)

- (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

2.14 Borrowings

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

- (a) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

- (b) Convertible bonds

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component, which are separately presented on balance sheet.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.16 Leases

- (a) When the Group is the lessee:

The Group leases land, motor vehicles and certain plant and machineries under finance leases and land, factories and warehouses under operating leases from non-related parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Leases (cont'd)

(a) When the Group is the lessee: (cont'd)

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) When the Group is the lessor:

The Group leases warehouse and vessels under operating leases to non-related parties.

Lessor – Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.17 Inventories

Inventories relate to trading goods and construction materials to be used in the course of rendering services. Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average method. Work-in-progress represents vessel under construction for future sale. The cost of work-in-progress comprise of direct material, direct labour cost, subcontractors cost, appropriate allocation of fixed and variable production overheads but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date; and
- (b) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax taxes are recognised as income and expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.19 Provisions

Provisions for warranty and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of economic resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair products still under warranty at the balance sheet date. This provision is calculated based on historical experience of the level of repairs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as finance expense. Changes in the estimated timing or amount of the expenditure are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Employee compensation

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

(a) Defined contribution plans

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

(b) Short-term compensated absences

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

(c) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

2.21 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in income statement within "other gains/(losses) – net".

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Currency translation (cont'd)

- (c) Translation of Group entities' financial statements (cont'd)
 - (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
 - (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

2.23 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

2.24 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital account.

2.25 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.26 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary corporation acquired exclusively with a view to resale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates, assumptions and judgements

(a) *Impairment of property, plant and equipment*

Property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

Management identifies separate CGUs where there is any objective evidence or indication of impairment, and has calculated the recoverable amount of CGUs at the higher of value-in-use and fair value less costs to sell. For the former, the value-in-use is based on discounted cash flow forecasts over which management makes judgements on certain key inputs including, among others, discount rates and long term growth rates. For the latter, the fair value less costs of disposal is estimated by an independent third party valuer based on their knowledge of each CGU and the relevant markets.

If the management estimated revenue growth rate used in the value-in-use calculation for shipping CGU as at 31 December 2018 had been lowered by 1% (2017: 1%), the recoverable amount of the property, plant and equipment in shipping CGU would have been reduced by \$8,177,321 (2017: \$1,414,784) and the Group would have recognised an impairment charge on property, plant and equipment in shipping CGU of \$6,505,015 (2017: \$329,320).

If the management estimated weighted average cost of capital used in determining the pre-tax discount rate applied to the pre-tax cash flows projections for shipping CGU had been raised by 1% from management's estimates (for example, 10% instead of 9%), the Group would have recognised an impairment charge on property, plant and equipment of shipping CGU of \$912,285 (2017: \$527,470).

If the independent third party valuation of property, plant and equipment for infrastructure engineering and corrosion prevention CGUs had been lowered by 10%, the combined recoverable amount would be \$37,475,598 (2017: \$58,160,192) instead of \$41,639,553 (2017: \$64,622,435), while the combined carrying amount of the infrastructure engineering and corrosion prevention CGUs is \$19,349,685 (2017: \$27,514,880). No allowance for impairment has been recognised in the shipping, infrastructure engineering and corrosion prevention CGUs for the financial year ended 31 December 2018.

(b) *Estimation of total contract costs*

The Group has significant ongoing contracts for infrastructure engineering and corrosion prevention services. For these contracts, revenue is recognised over time by reference to the stage of completion. The stage of completion is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of contract revenue. When it is probable that the total contract costs will exceed the total contract revenue, a provision for onerous contracts is recognised immediately.

Significant judgement is used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of the surveying engineers to determine the progress of the work and also on past experience of completed projects.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

3.1 Critical accounting estimates, assumptions and judgements (cont'd)

(b) *Estimation of total contract costs (cont'd)*

As at 31 December 2018, \$1,018,788 of the Group's contract assets is subject to the estimation of stage of completion using the input method. If the total contract cost of on-going contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's revenue and contract assets would have been lower/higher by \$86,118 and \$52,782 respectively.

(c) *Impairment of loans and receivables*

As at 31 December 2018, the Group's gross trade receivables (Note 14) and contract assets (Note 5(b)) amounted to \$19,487,004 (2017: \$17,925,560) and \$5,417,268 (2017: \$6,770,031) respectively, arising from the Group's different revenue segments – infrastructure engineering, corrosion prevention, supply and distribution and shipping.

Based on the Group's historical credit loss experience, trade receivables exhibited significantly different loss patterns for different aging group. Accordingly, management has determined the expected loss rates by grouping the receivables based on shared credit risk characteristics and days past due. A loss allowance of \$1,534,636 (2017: \$1,717,364) for trade receivables was recognised as at 31 December 2018.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately.

The Group's and the Company's credit risk exposure for trade receivables and contract assets by different revenue segment is set out in Note 30(b)(i).

(d) *Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 30 years. The carrying amounts of the Group's property, plant and equipment at 31 December 2018 were \$62,276,491 (2017: \$92,057,023). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If the actual useful lives of the property, plant and equipment differ by 10% from management's estimate, the carrying amount of the property, plant and equipment will be approximately higher/lower by \$671,814 and \$821,107 (2017: \$847,781 and \$1,036,176) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4 GOING CONCERN

The Group incurred a total comprehensive loss of \$11,661,990 for the financial year ended 31 December 2018 (2017: \$13,492,834) and, as of that date, the Group's current liabilities exceeded its current assets by \$5,392,913 (2017: \$5,722,502). These conditions indicate the existence of events and conditions that may cast significant doubt on the Group's ability to continue as a going concern.

The Directors have considered the operations of the Group as going concern and the financial statements of the Group were prepared on a going concern basis as they believe the Group will be able to turnaround the results and meet its obligations as and when they fall due within the next twelve months because of the following:

- (i) the Group's ability to generate positive operating cash flow;
- (ii) continuous support from financial institutions as the Group has not historically defaulted on repayment of its borrowings; and
- (iii) planned streamlining of operations to cut costs and overheads.

In the event that the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5 REVENUE

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

	At a point in time	Over time	Total
	\$	\$	\$
2018			
Infrastructure engineering			
- Singapore	20,570	4,472,086	4,492,656
- Indonesia	1,943,779	3,460,640	5,404,419
- Others	–	2,082,900	2,082,900
	1,964,349	10,015,626	11,979,975
Corrosion prevention			
- Singapore	4,579	11,581,744	11,586,323
- Indonesia	–	2,953,545	2,953,545
- Others	164,460	–	164,460
	169,039	14,535,289	14,704,328
Supply and distribution			
- Singapore	5,996,644	–	5,996,644
- Indonesia	495,002	–	495,002
- Others	2,040	–	2,040
	6,493,686	–	6,493,686
Shipping			
- Indonesia	6,436,375	2,243,497	8,679,872
- Others	–	13,457,961	13,457,961
	6,436,375	15,701,458	22,137,833
Total	15,063,449	40,252,373	55,315,822

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5 REVENUE (CONT'D)

(a) Disaggregation of revenue from contracts with customers (cont'd)

	At a point in time \$	Over time \$	Total \$
2017			
Infrastructure engineering			
- Singapore	–	258,405	258,405
- Indonesia	219,103	1,799,543	2,018,646
- Others	–	3,405,201	3,405,201
	219,103	5,463,149	5,682,252
Corrosion prevention			
- Singapore	13,286	15,473,776	15,487,062
- Indonesia	67,229	3,340,522	3,407,751
	80,515	18,814,298	18,894,813
Supply and distribution			
- Singapore	8,708,348	–	8,708,348
- Indonesia	652,419	–	652,419
- Others	31,236	–	31,236
	9,392,003	–	9,392,003
Shipping			
- Indonesia	106,265	2,473,828	2,580,093
- Others	–	8,696,523	8,696,523
	106,265	11,170,351	11,276,616
Total	9,797,886	35,447,798	45,245,684

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5 REVENUE (CONT'D)

(b) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	31 December		1 January
	2018	2017	2017
	\$	\$	\$
Trade receivables (Note 14)	17,952,368	16,208,196	22,039,364
Contract assets	5,417,268	6,770,031	11,202,857
Contract liabilities	(482,682)	(373,615)	(449,758)

Contract assets represent the Group's right to consideration in exchange for infrastructure engineering and corrosion prevention services that the Group has transferred to a customer but remained unbilled as at year end. Upon billing, the amounts recognised as contract assets are reclassified to trade receivables. The significant decrease in contract assets in 2017 is the result of the fewer ongoing infrastructure engineering and corrosion prevention services at the end of the year.

Contract liabilities for infrastructure engineering contracts have decreased due to lesser contracts in which the Group billed and received consideration ahead of the provision of services.

Revenue recognised in relation to contract liabilities

	2018	2017
	\$	\$
Revenue recognised in current period that was included in the contract liabilities balance at the beginning of the period	50,578	733,021

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

6 EXPENSES BY NATURE

	Group	
	2018	2017
	\$	\$
Purchases of inventories and construction materials	15,664,230	11,076,574
Subcontractors' fees	5,421,353	1,652,255
Depreciation of property, plant and equipment (Note 18)	6,850,701	8,408,848
Inventories written down (Note 15)	1,178,829	267,578
Inventories written back (Note 15)	(595)	(38,962)
Allowance for impairment of trade receivables – net (Note 30(b))	220,183	212,580
Total depreciation and impairment	8,249,118	8,850,044
Fees on audit services paid/payable to:		
- Auditor of the Company	149,895	169,282
- Other auditor	11,420	18,418
Total fees on audit services	161,315	187,700
Fees on non-audit services paid/payable to:		
- Auditor of the Company	32,869	31,563
- Other auditor	1,402	2,780
Total fees on non-audit services	34,271	34,343
Employees' accommodation and utilities	2,116,090	2,042,514
Employee compensation (Note 7)	15,435,131	17,046,310
Foreign worker levies	995,587	1,248,738
Insurance	695,951	749,750
Maintenance of equipment and machinery	1,007,226	1,067,868
Office related expenses	413,888	494,145
Professional fees	546,643	369,709
Rental on operating lease and repair of equipment and machinery	285,213	507,203
Shipping related expenses	3,308,389	1,823,964
Transport and travelling	997,368	1,044,018
Other expenses	1,517,806	875,489
Changes in inventories	3,843,054	(861,791)
Total cost of sales, selling and distribution and administrative expenses	60,692,633	48,208,833

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7 EMPLOYEE COMPENSATION

	Group	
	2018	2017
	\$	\$
Wages and salaries	14,806,186	16,264,722
Employer's contribution to defined contribution plans including Central Provident Fund	730,340	880,287
Other short-term benefits	1,192,538	1,314,650
	16,729,064	18,459,659
Less: Amount attributable to discontinued operations	(1,293,933)	(1,413,349)
Amount attributable to continuing operations (Note 6)	15,435,131	17,046,310

8 OTHER GAINS/(LOSSES) – NET

	Group	
	2018	2017
	\$	\$
Interest income from bank deposits	14,139	5,874
(Loss)/gain on disposal of property, plant and equipment	(283,296)	261,652
Property, plant and equipment written off	(36,362)	(20,503)
Currency translation gains/(losses), net	571,747	(1,550,632)
Government grants ^(a)	206,220	179,704
Miscellaneous back-charge of services	268,319	375,076
	740,767	(748,829)
Less: Amount attributable to discontinued operations	(162,431)	(288,053)
Amount attributable to continuing operations	578,336	(1,036,882)

^(a) There is no condition attached to government grants.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

9 FINANCE EXPENSES

	Group	
	2018	2017
	\$	\$
Interest expense		
- Bank borrowings	2,103,852	2,124,358
- Bank overdrafts	173,786	171,079
- Finance lease liabilities	19,915	98,201
- Bills payable	67,990	100,342
- Convertible bonds	445,708	441,858
	2,811,251	2,935,838
Less: Amount capitalised in property, plant and equipment	–	(107,976)
	2,811,251	2,827,862
Less: Amount attributable to discontinued operations	(624,926)	(639,494)
Amount attributable to continuing operations	2,186,325	2,188,368

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10 INCOME TAX EXPENSE

(a) Income tax expense

	Group	
	2018	2017
	\$	\$
Tax expense/(credit) attributable to the loss is made up of:		
- Loss for the financial year:		
From continuing operations		
Current income tax – Singapore	471,017	426,496
– Foreign	25,574	32,702
	496,591	459,198
Deferred income tax (Note 24)	(391,646)	(88,508)
	104,945	370,690
From discontinued operations		
Deferred income tax – Singapore	(141,592)	(292,610)
	(36,647)	78,080
- Under/(over) provision in prior financial years:		
From continuing operations		
Current income tax – Singapore	28,619	317,675
– Foreign	60,729	(388,356)
	52,701	7,399
Deferred income tax (Note 24)	(95,860)	36,691
	(43,159)	44,090
From discontinued operations		
Deferred income tax – Singapore	148,181	225,490
	105,022	269,580
Tax expense is attributable to:		
- Continuing operations	98,433	336,700
- Discontinued operations (Note 11(a))	6,589	(67,120)
	105,022	269,580

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10 INCOME TAX EXPENSE (CONT'D)

(a) Income tax expense (cont'd)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2018	2017
	\$	\$
Loss before income tax		
- Continuing operations	(6,984,800)	(6,188,399)
- Discontinued operations (Note 11(a))	(4,442,540)	(5,059,320)
	(11,427,340)	(11,247,719)
Tax at the applicable tax rate of 17% (2017: 17%)	(1,942,648)	(1,912,112)
Effects of:		
- expenses not deductible for tax purposes	1,496,026	1,083,561
- income not subject to tax	(29,047)	(307,980)
- tax incentives	(51,711)	(68,408)
- different tax rates in other countries	135,804	(153,518)
- deferred tax assets not recognised	316,685	1,412,543
- others	38,244	23,994
- under-provision of tax in prior years	141,669	191,500
Tax charge	105,022	269,580

(b) Movement in current income tax liabilities

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Beginning of financial year	510,987	526,051	-	-
Income tax paid	(471,584)	(403,581)	-	-
Tax expense	496,591	459,198	-	-
Under/(over)-provision in prior financial years	89,348	(70,681)	-	-
End of financial year	625,342	510,987	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

On 14 August 2018, the Company entered into a non-binding term sheet with a potential buyer for the proposed disposal of all the issued share capital of its wholly-owned subsidiary, Asian Sealand Engineering Pte. Ltd. ("ASE"). On 23 January 2019, the Company has entered into a sale and purchase agreement in relation to the Company's proposed disposal of the entire issued and paid-up share capital of ASE. The entire assets and liabilities related to ASE are presented as disposal group held-for-sale, and the results for the current financial period reported on and the corresponding period of the immediately preceding financial year are presented separately in the statement of comprehensive income as "Discontinued operations". The change in classification and presentation has no effect to the profit or loss after tax and net asset value of the Group.

(a) The results of the discontinued operations and the re-measurement of the disposal group are as follows:

	2018	2017
	\$	\$
Revenue	8,830,406	9,499,697
Expenses	(13,435,275)	(14,847,070)
Other gains, net	162,329	288,053
Loss before tax from discontinued operations	(4,442,540)	(5,059,320)
Tax (Note 10(a))	(6,589)	67,120
Loss after tax from discontinued operations	(4,449,129)	(4,992,200)

(b) The impact of the discontinued operations on the cash flows of the Group for the financial year ended 31 December 2018 was as follows:

	2018
	\$
Operating cash inflows	1,122,797
Investing cash inflows	12,783
Financing cash outflows	(1,308,093)
Total cash outflows	(172,513)

(c) Details of the assets of disposal group classified as held-for-sale were as follows:

	2018
	\$
Cash and bank balances	45,360
Property, plant and equipment (Note 18)	10,322,808
Trade and other receivables	1,125,850
Contract assets	464,583
Inventories	467,106
Deferred income tax assets (Note 24)	1,085,430
	13,511,137

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

(d) Details of assets in non-current asset classified as held for sale as at 31 December 2018 were as follows:

	2018 \$
Investments in subsidiary corporations (Note 16)	7,800,000

(e) Details of liabilities directly associated with disposal group classified as held-for sale as at 31 December 2018 were as follows:

	2018 \$
Trade and other payables	2,473,157
Borrowings	11,386,192
	13,859,349

12 LOSS PER SHARE

	Continuing operations		Discontinued operations	
	2018	2017	2018	2017
Loss attributable to equity holders of the Company (\$)	(7,211,971)	(5,984,820)	(4,449,129)	(4,992,200)
Weighted average number of ordinary shares for basic loss per share	135,010,406	135,010,406	135,010,406	135,010,406
Basic loss per share (cents per share)	(5.34)	(4.43)	(3.30)	(3.70)
Diluted loss per share (cents per share)	(5.34)	(4.43)	(3.30)	(3.70)

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

The Group has no dilution in its loss per share as at 31 December 2018 and 2017. The dilutive potential ordinary shares arising from convertible bonds have not been included in the calculation of diluted loss per share because they are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13 CASH AND CASH EQUIVALENTS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Cash at bank and on hand	4,659,062	5,618,952	4,985,041	1,428,057	31,852	73,873
Short-term bank deposits	552,986	95,378	–	–	–	–
	5,212,048	5,714,330	4,985,041	1,428,057	31,852	73,873

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group		
	31 December		1 January
	2018	2017	2017
	\$	\$	\$
Cash and bank balances	5,212,048	5,714,330	4,985,041
Less: Bank overdrafts (Note 21)	(3,852,640)	(3,758,905)	(3,384,566)
Add: Assets in disposal group classified as held-for-sale	45,360	–	–
Cash and cash equivalents per consolidated statement of cash flows	1,404,768	1,955,425	1,600,475

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14 TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Trade receivables						
- Subsidiary corporations	–	–	–	2,338,822	1,744,494	1,116,192
- Related parties	–	109	1,175,330	–	–	–
- Non-related parties	19,487,004	17,925,451	22,741,689	163,776	–	–
	19,487,004	17,925,560	23,917,019	2,502,598	1,744,494	1,116,192
Less: Loss allowance	(1,534,636)	(1,717,364)	(1,877,655)	–	–	–
Trade receivables – net	17,952,368	16,208,196	22,039,364	2,502,598	1,744,494	1,116,192
Non-trade receivables						
- Subsidiary corporations	–	–	–	74,750,890	72,058,083	65,804,899
- Non-related parties	7,706,702	2,404,687	2,738,145	47,919	11,879	66,699
	7,706,702	2,404,687	2,738,145	74,798,809	72,069,962	65,871,598
Retentions	605,269	836,128	583,467	–	–	–
Deposits	218,616	374,641	968,430	1,520	1,520	–
Prepayments	347,702	1,320,402	658,196	9,066	34,784	7,564
	8,878,289	4,935,858	4,948,238	74,809,395	72,106,266	65,879,162
	26,830,657	21,144,054	26,987,602	77,311,993	73,850,760	66,995,354
Current	22,800,657	21,144,054	26,987,602	77,311,993	73,850,760	66,995,354
Non-current	4,030,000	–	–	–	–	–
	26,830,657	21,144,054	26,987,602	77,311,993	73,850,760	66,995,354

The non-trade receivables from subsidiary corporations are unsecured, interest-free and are receivable on demand except for:

Amounts of \$32,764,946 (31 December 2017: \$31,316,765; 1 January 2017: \$26,901,843) due from certain subsidiary corporations which bear fixed interest rate from the range of 2.44% to 5.83% (31 December 2017: 1.6% to 5.65%; 1 January 2017: 1.5% to 5.61%) per annum and are receivable on demand.

The fair values of non-current trade and other receivables are computed based on cash flows discounted at market borrowing rates. The fair values are within level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14 TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Fair value

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Trade receivables	3,989,712	-	-	-	-	-

(b) Market borrowing rates

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	%	%	%	%	%	%
Trade receivables	2.04	-	-	-	-	-

15 INVENTORIES

	Group		
	31 December		1 January
	2018	2017	2017
	\$	\$	\$
Construction materials and components	1,169,706	2,625,504	5,129,978
Trading goods	10,068,405	12,455,662	9,089,397
	11,238,111	15,081,166	14,219,375

The cost of inventories related to construction materials and trading goods recognised as an expense and included in "cost of sales" amounted to \$700,013 (2017: \$3,541,222) and \$13,806,370 (2017: \$7,420,385) respectively.

The Group provided for inventory write-down of \$1,178,829 (2017: \$267,578) for inventories were expected to be sold below the carrying amounts. The amount provided for has been included in "cost of sales".

The Group reversed \$595 (2017: \$38,962) of previous inventory write-down in prior financial years, as the inventories were sold above the carrying amounts in subsequent period. The amount reversed has been included in "cost of sales".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2018	2017
	\$	\$
<i>Equity investments at cost</i>		
Beginning of financial year	12,519,401	12,519,401
Disposal	(43,478)	–
Reclassified to non-current asset classified as held-for-sale (Note 11(d))	(7,800,000)	–
End of financial year	4,675,923	12,519,401

Disposal of interest in a subsidiary corporation without loss of control

On 22 June 2018, the Company disposed its entire shareholding in its wholly-owned Malaysia subsidiary corporation, ASIC Engineering Sdn Bhd (“ASIC”) to its 51% owned subsidiary, Asian Sealand Offshore and Marine Pte. Ltd. (“ASOM”) for a consideration of \$333,000 which is equivalent to ASIC net asset value. Following the disposal, the Company still controls ASIC, retaining 51% of the equity interests through ASOM. There is no impact at group level for this disposal.

Acquisition of a subsidiary corporation

On 9 October 2018, Asian Sealand Offshore and Marine Pte. Ltd., (“ASOM”) had subscribed for 102,000 ordinary shares representing approximately 51% in the share capital of Asian Sealand Equipment Solutions Pte. Ltd. (“ASES”) for an aggregate subscription amount of \$102,000. Following the aforesaid subscription, the Company holds an effective interest of 26% in ASES.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Details of the subsidiary corporations as at 31 December 2018 and 2017 are as follows:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Company		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2018	2017	2018	2017	2018	2017
			%	%	%	%	%	%
Subsidiary corporations held by the Company								
Nexus Sealand Trading Pte. Ltd. ⁽¹⁾	Supply and distribution of hardware equipment, tools and other products	Singapore	100	100	100	100	–	–
Asian Sealand Engineering Pte. Ltd. ⁽¹⁾	Provision of infrastructure engineering services	Singapore	100*	100	100	100	–	–
PT. Nexus Engineering Indonesia ⁽²⁾	Provision of infrastructure engineering services	Indonesia	100 ⁽⁵⁾	100 ⁽⁵⁾	100 ⁽⁵⁾	100 ⁽⁵⁾	–	–
PT. Master Indonesia ⁽⁴⁾	Sourcing and procurement of material and equipment in engineering and construction	Indonesia	100 ⁽⁵⁾	100 ⁽⁵⁾	100 ⁽⁵⁾	100 ⁽⁵⁾	–	–
B & K Marine Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	100	100	100	100	–	–
Beng Kuang Marine (B&Chew) Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	100	100	100	100	–	–
Beng Kuang Marine (B&M) Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	100	100	100	100	–	–
Nexus Hydrotech Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services (utilising hydro-jetting machines)	Singapore	80	80	80	80	20	20
ASIC Engineering Sdn Bhd ⁽³⁾	Provision of infrastructure engineering services	Malaysia	–	100	51	100	49	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Details of the subsidiary corporations as at 31 December 2018 and 2017 are as follows: (cont'd)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Company		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2018	2017	2018	2017	2018	2017
			%	%	%	%	%	%
Subsidiary corporations held by the Company (cont'd)								
Venture Automation & Electrical Engineering Pte. Ltd. ⁽¹⁾	Provision of industrial and marine automation works	Singapore	51	51	51	51	49	49
Pangco Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	51	51	51	51	49	49
Water and Environmental Technologies (WET) Pte. Ltd. ⁽¹⁾	Provision of research and development, and solution for waste management	Singapore	51	51	51	51	49	49
Asian Sealand Offshore and Marine Pte. Ltd. ⁽¹⁾	Provision of offshore repair and maintenance services	Singapore	51	51	51	51	49	49
PT. Nexelite CP Indonesia ⁽⁴⁾	Provision of corrosion prevention services	Indonesia	100 ⁽⁵⁾	100 ⁽⁵⁾	100 ⁽⁵⁾	100 ⁽⁵⁾	–	–
Quill Marine Pte. Ltd. ⁽¹⁾	Investment holding company and provision of freight transport services	Singapore	100	100	100	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Details of the subsidiary corporations as at 31 December 2018 and 2017 are as follows: (cont'd)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2018 %	2017 %	2018 %	2017 %
Held by Nexus Sealand Trading Pte. Ltd.						
MTM (ASE) Metalizing Pte. Ltd. ⁽¹⁾	Provision of metalising services	Singapore	100	100	–	–
Picco Enterprise Pte. Ltd. ⁽¹⁾	Supply and distribution of beverage products	Singapore	100	100	–	–
OneHub Tank Coating Pte. Ltd. ⁽¹⁾	Provision for internal tank coating services	Singapore	100	100	–	–
Held by Pangco Pte. Ltd.						
PT. Berger Batam ⁽⁴⁾	Provision of corrosion prevention services	Indonesia	51 ⁽⁵⁾	51 ⁽⁵⁾	49	49
Held by Quill Marine Pte. Ltd.						
Drako Shipping Pte. Ltd. ⁽¹⁾	Provision of freight transport services	Singapore	100	100	–	–
Cattle Line Two Pte. Ltd. ⁽¹⁾	Provision of freight transport services	Singapore	70	70	30	30
Held by Asian Sealand Engineering Pte. Ltd.						
International Offshore Equipments Pte. Ltd. ⁽¹⁾	Provision of design, manufacture, and fabricate offshore equipment and ship parts	Singapore	51	51	49	49
Held by Drako Shipping Pte. Ltd.						
PT. Marina Shipping ⁽⁴⁾	Provision of freight transport services	Indonesia	100	100	–	–
Held by Cattle Line Two Pte. Ltd.						
Cattle Line One Pte. Ltd. ⁽⁴⁾	Provision of freight transport services	Marshall Islands	70	70	30	30
Held by International Offshore Equipments Pte. Ltd.						
International Offshore Equipment Canada Inc. ⁽⁶⁾	Design, manufacture and fabricate offshore equipment and ship parts	Canada	51	51	49	49

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Details of the subsidiary corporations as at 31 December 2018 and 2017 are as follows: (cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2018	2017	2018	2017
			%	%	%	%
Held by Asian Sealand Offshore and Marine Pte. Ltd.						
Asian Sealand Equipment Solutions Pte. Ltd. ⁽¹⁾	General engineering design, consultancy and rental of industrial equipment and machinery	Singapore	26	–	74	–
ASIC Engineering Sdn Bhd ⁽³⁾	Provision of infrastructure engineering services	Malaysia	51	100	49	–

⁽¹⁾ Audited by Nexia TS Public Accounting Corporation, Singapore

⁽²⁾ Audited by Kantor Akuntan Publik Charles & Nurlena, Indonesia and audited by Nexia TS Public Accounting Corporation for consolidation purposes

⁽³⁾ Audited by S.H. Lim & Co., Malaysia

⁽⁴⁾ Audited by Nexia TS Public Accounting Corporation for consolidation purposes. Not required to be audited under the laws of the country of incorporation

⁽⁵⁾ 1% of the shareholding is held in trust for the Group by an employee of the Group

⁽⁶⁾ Not required to be audited under the laws of the country of incorporation

* The carrying amount of investment has been reclassified to non-current asset held-for-sale

Carrying value of non-controlling interests

	31 December		1 January
	2018	2017	2017
	\$	\$	\$
Nexus Hydrotech Pte. Ltd.	660,966	745,732	678,807
Pangco Pte. Ltd.	261,382	426,650	514,826
Venture Automation & Electrical Engineering Pte. Ltd.	291,938	325,270	356,609
Water and Environmental Technologies (WET) Pte. Ltd.	243,889	283,310	324,561
Cattle Line Two Pte. Ltd. and its subsidiary corporation	2,916,474	3,281,230	4,369,462
Asian Sealand Offshore and Marine Pte. Ltd. and its subsidiary corporations	2,521,774	2,506,550	1,562,691
International Offshore Equipments Pte. Ltd. and its subsidiary corporation	(4,303,023)	(3,867,183)	(2,924,976)
	2,593,400	3,701,559	4,881,980

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Summarised financial information of subsidiary corporations with material non-controlling interests

Set out below are the summarised unaudited financial information for each subsidiary corporation that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised balance sheets

	Asian Sealand Offshore and Marine Pte. Ltd.		Cattle Line Two Pte. Ltd.		International Offshore Equipments Pte. Ltd.	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
As at 31 December						
Current						
Assets	7,090,222	6,964,208	16,287,171	16,985,047	2,160,498	2,823,425
Liabilities	(2,739,799)	(1,945,842)	(26,439,793)	(25,273,231)	(10,000,577)	(9,091,572)
Total current net assets/(liabilities)	4,350,423	5,018,366	(10,152,622)	(8,288,184)	(7,840,079)	(6,268,147)
Non-current						
Assets	533,111	110,629	25,067,157	26,110,335	739,466	44,036
Liabilities	(5,300)	(8,590)	(4,001,855)	(5,522,800)	–	–
Total non-current net assets	527,811	102,039	21,065,302	20,587,535	739,466	44,036
Net assets/ (liabilities)	4,878,234	5,120,405	10,912,680	12,299,351	(7,100,613)	(6,224,111)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Summarised statements of comprehensive income

	Asian Sealand Offshore and Marine Pte. Ltd.		Cattle Line Two Pte. Ltd.		International Offshore Equipments Pte. Ltd.	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Revenue	12,455,965	10,444,912	7,425,959	5,292,702	973,538	1,216,009
Profit/(loss) before income tax	2,990,379	2,888,741	(1,614,085)	37,940	(876,501)	(1,877,107)
Income tax expense	(432,549)	(462,499)	–	–	–	–
Profit/(loss) for the financial year	2,557,830	2,426,242	(1,614,085)	37,940	(876,501)	(1,877,107)
Profit/(loss) for the financial year allocated to non-controlling interests	1,253,336	1,188,859	(484,225)	11,382	(429,486)	(919,782)
Dividends paid to non-controlling interests	1,372,000	245,000	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Summarised statement of cash flows

	Asian Sealand Offshore and Marine Pte. Ltd.		Cattle Line Two Pte. Ltd.		International Offshore Equipments Pte. Ltd.	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Cash flows from operating activities						
Cash generated from operations	2,549,875	1,131,247	2,577,174	3,364,239	1,200,455	717,259
Interest received	83,243	72,890	213	123	–	–
Interest paid	–	–	(753,420)	(378,444)	(231,504)	(31,667)
Income tax paid	(322,920)	(320,868)	16	(16)	–	–
Net cash generated from operating activities	2,310,198	883,269	1,823,983	2,985,902	968,951	685,592
Net cash used in investing activities	(132,472)	(11,339)	(1,580)	(814,060)	(1,008,587)	(1,212)
Net cash used in financing activities	(2,800,000)	(500,000)	(2,333,834)	(1,489,937)	–	(692,835)
Net (decrease)/increase in cash and cash equivalents	(622,274)	371,930	(511,431)	681,905	(39,636)	(8,455)
Cash and cash equivalents						
Beginning of financial year	2,226,170	1,854,240	809,643	127,738	59,588	68,043
End of financial year	1,603,896	2,226,170	298,212	809,643	19,952	59,588

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17 INTANGIBLE ASSETS

	31 December		1 January
	2018	2017	2017
	\$	\$	\$
Composition:			
Goodwill arising on consolidation	63,837	63,837	63,837

(a) Goodwill arising on consolidation

	Group	
	2018	2017
	\$	\$
Cost		
Beginning and end of financial year	2,368,545	2,368,545
Accumulated impairment		
Beginning and end of financial year	2,304,708	2,304,708
	63,837	63,837

Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified to countries of operation and business segments where goodwill is tested annually for impairment or more frequently if there are indications of impairment. The Group's CGU is allocated to the shipping segment in Indonesia.

The recoverable amounts of the CGUs are determined based on value-in-use. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a thirteen-year to seventeen-year period (representing estimated remaining useful lives of vessels and tugboats) with an estimated average revenue growth rate of 2.8% (2017: 3.6%). The growth rate did not exceed the long term average growth rate in which the CGU operates. The pre-tax discount rate applied to the pre-tax cash flow projections is 9% (2017: 8%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18 PROPERTY, PLANT AND EQUIPMENT

Group 2018	Motor vehicles \$	Furniture, equipment \$	Forklifts, machinery, tools and equipment \$	Leasehold renovation and improvement \$	Leasehold building \$	Leasehold land \$	Yard development in-progress \$	Construction \$	Vessels \$	Drydockings \$	Total \$
Cost											
Beginning of financial year	3,117,825	3,216,187	36,650,042	990,647	16,452,217	2,224,933	16,765,407	55,865	64,545,484	3,231,488	147,250,095
Transfer to inventory	-	-	-	-	-	-	-	-	(10,812,963)	(701,149)	(11,514,112)
Reclassified to disposal group (Note 11(c))	(71,248)	(691,989)	(5,326,660)	(315,376)	(7,084,001)	-	(727,500)	-	-	-	(14,216,774)
Additions	201,871	23,180	1,212,508	22,801	-	-	-	-	2,548	331,784	1,794,692
Disposals	(876,385)	(4,076)	(8,544,241)	-	-	-	-	-	-	-	(9,424,702)
Written-off	(7,500)	(169,775)	(616,551)	-	-	-	-	-	-	-	(793,826)
Currency translation differences	(7,926)	(16,742)	(109,062)	26	-	-	(123,585)	-	1,053,434	53,413	849,558
End of financial year	2,356,637	2,356,785	23,266,036	698,098	9,368,216	2,224,933	15,914,322	55,865	54,788,503	2,915,536	113,944,931
Accumulated depreciation											
Beginning of financial year	2,139,186	2,634,227	25,140,524	602,301	2,597,983	650,138	4,515,335	-	14,898,799	2,014,579	55,193,072
Transfer to inventory	-	-	-	-	-	-	-	-	(4,361,074)	(523,473)	(4,884,547)
Reclassified to disposal group (Note 11(c))	(55,392)	(313,405)	(2,960,011)	(52,150)	(465,116)	-	(47,892)	-	-	-	(3,893,966)
Depreciation charge											
- Continuing operations (Note 6)	211,427	81,056	1,482,345	5,694	469,176	80,634	729,090	-	3,050,672	740,617	6,850,701
- Discontinued operations	4,879	83,514	653,361	30,207	266,483	-	27,367	-	-	-	1,065,811
Disposals	(692,093)	(3,541)	(6,315,345)	-	-	-	-	-	-	-	(7,010,979)
Written-off	(7,500)	(165,580)	(584,384)	-	-	-	-	-	-	-	(757,464)
Currency translation differences	(5,941)	(15,556)	(87,969)	5	-	-	(45,896)	-	229,055	32,114	105,812
End of financial year	1,594,566	2,300,715	17,328,521	586,047	2,868,526	730,772	5,178,004	-	13,817,452	2,263,837	46,668,440
Net book value											
End of financial year	762,071	56,070	5,937,515	112,051	6,499,690	1,494,161	10,736,318	55,865	40,971,051	651,699	67,276,491

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2017	Forklifts, Leasehold Furniture, machinery, improvement and Leasehold										Construction in-progress	Vessels	Drydockings	Total	
	Motor vehicles	equipment	tools and renovation	and building	Leasehold land	Yard development	Construction in-progress	Vessels	Drydockings	Total					
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Cost															
Beginning of financial year	3,143,783	3,209,508	38,068,640	3,298,081	9,807,682	2,224,933	16,279,899	8,212,152	73,898,316	3,652,456	161,795,450				
Transfer from/(to)	-	332,056	-	292,575	7,084,001	-	727,500	(8,436,132)	-	-	-	-	-	-	-
Transfer from inventory	-	-	-	-	-	-	-	-	3,935,691	-	3,935,691	-	-	-	-
Transfer to inventory	-	-	-	-	-	-	-	-	(9,370,527)	(1,815,724)	(11,186,251)	-	-	-	-
Additions	171,773	24,194	202,258	10,790	-	-	-	279,845	171,027	1,519,154	2,379,041	-	-	-	-
Disposals	(182,594)	(4,469)	(928,952)	-	-	-	-	-	-	-	(1,116,015)	-	-	-	-
Written-off	-	(311,702)	(469,921)	(2,610,799)	(439,466)	-	-	-	-	-	(3,831,888)	-	-	-	-
Currency translation differences	(15,137)	(33,400)	(221,983)	-	-	-	(241,992)	-	(4,089,023)	(124,398)	(4,725,933)	-	-	-	-
End of financial year	3,117,825	3,216,187	36,650,042	990,647	16,452,217	2,224,933	16,765,407	55,865	64,545,484	3,231,488	147,250,095				
Accumulated depreciation															
Beginning of financial year	2,006,186	2,805,327	24,159,704	3,188,469	2,369,640	569,504	3,839,879	-	15,319,324	1,974,906	56,232,939				
Transfer to inventory	-	-	-	-	-	-	-	-	(3,493,762)	(1,277,395)	(4,771,157)				
Depreciation charge - Continuing operations (Note 6)	296,439	98,509	1,576,113	2,661	469,176	80,634	734,593	-	3,767,129	1,383,594	8,408,848				
- Discontinued operations	3,659	72,930	735,593	21,943	198,633	-	20,525	-	-	-	1,053,283				
Disposals	(157,420)	(4,469)	(718,694)	-	-	-	-	-	-	-	(880,583)				
Written-off	-	(309,943)	(451,204)	(2,610,772)	(439,466)	-	-	-	-	-	(3,811,385)				
Currency translation differences	(9,678)	(28,127)	(160,988)	-	-	-	(79,662)	-	(693,892)	(66,526)	(1,038,873)				
End of financial year	2,139,186	2,634,227	25,140,524	602,301	2,597,983	650,138	4,515,335	-	14,898,799	2,014,579	55,193,072				
Net book value															
End of financial year	978,639	581,960	11,509,518	388,346	13,854,234	1,574,795	12,250,072	55,865	49,646,685	1,216,909	92,057,023				
Beginning of financial year	1,137,597	404,181	13,908,936	109,612	7,438,042	1,655,429	12,440,020	8,212,152	58,578,992	1,677,550	105,562,511				

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

<u>Company</u> 2018	Motor vehicles	Furniture, fittings and equipment	Total
	\$	\$	\$
Cost			
Beginning of financial year	1,344,494	837,451	2,181,945
Additions	107,000	–	107,000
Disposals	(333,226)	(135,549)	(468,775)
Written-off	–	(12,700)	(12,700)
Transfer to a subsidiary corporation	–	(420)	(420)
End of financial year	1,118,268	688,782	1,807,050
Accumulated depreciation			
Beginning of financial year	903,079	829,489	1,732,568
Depreciation charge	108,825	3,259	112,084
Disposals	(272,746)	(135,538)	(408,284)
Written-off	–	(8,846)	(8,846)
Transfer to a subsidiary corporation	–	(1,179)	(1,179)
End of financial year	739,158	687,185	1,426,343
Net book value End of financial year	379,110	1,597	380,707
2017			
Cost			
Beginning of financial year	1,406,281	832,531	2,238,812
Additions	24,394	–	24,394
Transfer (to)/from a subsidiary corporation	(86,181)	4,920	(81,261)
End of financial year	1,344,494	837,451	2,181,945
Accumulated depreciation			
Beginning of financial year	825,688	820,175	1,645,863
Depreciation charge	130,346	4,397	134,743
Transfer (to)/from a subsidiary corporation	(52,955)	4,917	(48,038)
End of financial year	903,079	829,489	1,732,568
Net book value End of financial year	441,415	7,962	449,377
Beginning of financial year	580,593	12,356	592,949

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Assets held under finance lease

The carrying amounts of motor vehicles and forklifts, machinery, tools and equipment held under finance leases amounted to \$466,930 (31 December 2017: \$389,145; 1 January 2017: \$615,997) and \$Nil (31 December 2017: \$171,269; 1 January 2017: \$4,050,190) respectively as at the balance sheet date.

For the purpose of the consolidated statement of cash flows, during the financial year the Group acquired property, plant and equipment with an aggregate cost of \$1,794,692 (31 December 2017: \$2,379,041; 1 January 2017: \$9,059,249) of which \$100,880 (31 December 2017: \$Nil; 1 January 2017: \$439,354) were acquired under finance leases and cash payments of \$1,693,812 (31 December 2017: \$2,271,065; 1 January 2017: \$8,619,895).

(b) Assets pledged as security

The Group's leasehold building and vessels with carrying amounts of \$25,573,245 (31 December 2017: \$27,160,995; 1 January 2017: \$29,082,486) and \$37,360,400 (31 December 2017: \$45,776,150; 1 January 2017: \$56,952,390) respectively, are mortgaged to secure the Group's bank borrowings (Note 21 (a)).

(c) Impairment testing

The Group performed impairment assessment for property, plant and equipment during the financial year because of the losses made by certain subsidiary corporations which operate in the shipping, infrastructure engineering and corrosion prevention segments.

The recoverable amounts of the shipping CGU are determined based on value-in-use. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a thirteen-year to seventeen-year period (representing estimated remaining useful lives of vessels and tugboats) with an estimated average revenue growth rate of 2.8% (2017: 3.6%). The growth rate did not exceed the long-term average growth rate in which the CGU operates. The pre-tax discount rate applied to the pre-tax cash flow projections is 9% (2017:8%).

The recoverable amount of the infrastructure engineering and corrosion prevention CGU as at 31 December 2018 is measured based on fair value less costs to sell. The fair values of leasehold building, leasehold land and yard development are determined by independent valuers and the fair value of other categories of property, plant and equipment are measured based on quotation from non-related suppliers, therefore, are classified under level 2. The most significant input into valuation approach is the estimated selling prices.

During the financial year, no allowance for impairment is recognised for property, plant and equipment under shipping, infrastructure engineering and corrosion prevention segments as the recoverable amounts exceed the carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19 TRADE AND OTHER PAYABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Trade payables						
- Subsidiary corporations	-	-	-	26,857	-	1,391
- Related parties	3,305	98,727	94,455	-	-	-
- Non-related parties	9,476,711	10,450,916	13,090,136	42,095	29,369	17,307
	9,480,016	10,549,643	13,184,591	68,952	29,369	18,698
Non-trade payables						
- Subsidiary corporations	-	-	-	10,355,233	9,088,973	3,505,148
- Related parties	-	-	1,097	-	-	-
- Non-related parties	7,002,599	3,864,321	2,381,087	2,563,915	877,627	100,127
	7,002,599	3,864,321	2,382,184	12,919,148	9,966,600	3,605,275
Accruals for operating expenses	6,735,746	2,574,781	2,404,764	4,956,269	3,150,910	2,948,200
Accruals for project expenses	1,237,274	2,459,716	4,831,442	-	-	-
	7,973,020	5,034,497	7,236,206	4,956,269	3,150,910	2,948,200
	24,455,635	19,448,461	22,802,981	17,944,369	13,146,879	6,572,173

The non-trade payables due to subsidiary corporations and related parties are unsecured, interest-free and are payable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20 DEFERRED INCOME

	Group		
	31 December		1 January
	2018	2017	2017
	\$	\$	\$
Current	250,271	375,877	345,341
Non-current	76,613	290,899	505,184
	326,884	666,776	850,525

As at 31 December 2018, deferred income includes \$290,899 (31 December 2017: \$505,185; 1 January 2017: \$719,470) gain from sale and leaseback transaction entered into by a subsidiary corporation in the financial year 2012 that was deferred and amortised in proportion to the lease payment over the lease period.

Movement of deferred income is as follows:

	Group	
	2018	2017
	\$	\$
Beginning of financial year	666,776	850,525
Charter	35,985	161,592
Recognised in profit or loss	(375,877)	(345,341)
End of financial year	326,884	666,776

Charter represents ship chartering revenue received in advance and is non-refundable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21 BORROWINGS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
<i>Current</i>						
Bank borrowings	13,344,355	27,500,834	24,962,927	9,625,065	10,648,747	12,348,921
Bank overdrafts (Note 13)	3,852,640	3,758,905	3,384,566	2,996,373	2,975,777	2,753,849
Bills payable	1,621,515	2,335,850	2,037,749	–	–	–
Convertible bonds (Note 22)	4,986,868	–	–	4,986,868	–	–
Finance lease liabilities (Note 23)	93,477	127,554	1,240,443	29,091	16,251	15,941
	23,898,855	33,723,143	31,625,685	17,637,397	13,640,775	15,118,711
<i>Non-current</i>						
Bank borrowings	10,877,129	13,734,639	20,436,679	1,916,666	2,000,000	–
Convertible bonds (Note 22)	–	4,941,160	4,899,301	–	4,941,160	4,899,301
Finance lease liabilities (Note 23)	193,924	270,434	412,246	66,672	43,333	49,098
	11,071,053	18,946,233	25,748,226	1,983,338	6,984,493	4,948,399
Total borrowings	34,969,908	52,669,376	57,373,911	19,620,735	20,626,268	20,067,110

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
6 months or less	17,214,037	32,100,672	26,092,994	12,538,104	13,624,524	15,102,770
6 – 12 months	1,364,889	1,494,917	4,070,026	–	–	–
1 – 5 years	6,116,712	8,734,639	17,104,940	–	–	–
Over 5 years	–	–	3,331,739	–	–	–
	24,695,638	42,330,228	50,599,699	12,538,104	13,624,524	15,102,770

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21 BORROWINGS (CONT'D)

(a) Security granted

Total borrowings included amounts of \$9,142,586 (31 December 2017: \$22,983,645, 1 January 2017: \$30,787,055) and \$95,796 (31 December 2017: \$59,583, 1 January 2017: \$65,038) for the Group and the Company respectively which are secured over certain assets of the Group.

Bank borrowings of the Group are secured over vessels and certain leasehold building (Note 18(b)). Finance lease liabilities of the Group and the Company are effectively secured over the leased motor vehicles and machineries (Note 18(a)), as the legal title is retained by the lessor and will be transferred to the Group and the Company upon full settlement of the finance lease liabilities.

The bank overdrafts, bills payable and other short-term bank borrowings were supported by corporate guarantees given by the Company (Note 30(c)).

(b) Fair value of non-current borrowings

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Bank borrowings	10,709,778	13,207,720	18,844,123	1,708,513	1,710,967	–
Convertible bonds	–	4,941,160	4,899,301	–	4,941,160	4,899,301
Finance lease liabilities	193,924	254,664	402,826	66,672	40,459	46,707

The fair value above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group and the Company as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	%	%	%	%	%	%
Bank borrowings	5.33	5.28	3.20 – 3.72	5.33	5.28	–
Convertible bonds	–	8.00	8.00	–	8.00	8.00
Finance lease liabilities	4.87	5.06	2.80 – 3.25	4.87	5.06	3.25

The fair values are within Level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21 BORROWINGS (CONT'D)

(c) Breaches of loan covenants

The Group's loan agreements are subjected to covenant clauses, whereby the Group is required to meet certain key financial ratios. As at 31 December 2018 and 2017, the Group did not fulfil the key financial ratios of certain banks.

Due to these breaches of covenant clauses, the banks are contractually entitled to request for immediate repayment of the outstanding loans amounted to \$825,391 from continuing operations and \$11,386,192 from disposal group (2017: \$14,419,542).

As at 31 December 2018, management was able to obtain in-principle approval from the banks to waive the above, hence non-current borrowings were not reclassified as current borrowings.

As at 31 December 2017, non-current borrowings were reclassified as current borrowings as the management obtained in-principle approval from the banks to waive the above subsequent to balance sheet date.

22 CONVERTIBLE BONDS

On 27 April 2015, the Company issued convertible bonds with a nominal value of \$5 million bearing interest at 8% per annum. All or any part of the bonds may be converted to new shares at \$0.84 nominal value after 12 months from the date of issue or redeemable within 4 years from the date of issue.

The fair value of the liability component, included in non-current borrowings, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 26(b)(ii)), net of deferred income taxes.

The carrying amount of the liability component of the convertible bonds at the balance sheet date is derived as follows:

	Group and Company		
	31 December		1 January
	2018	2017	2017
	\$	\$	\$
Face value of convertible bonds issued on 27 April 2015	5,000,000	5,000,000	5,000,000
Equity conversion component on initial recognition (Note 26(b)(ii))	(163,297)	(163,297)	(163,297)
Liability component on initial recognition	4,836,703	4,836,703	4,836,703
Accumulated amortisation of interest expense	1,621,947	1,176,239	734,380
Accumulated payment of interests	(1,471,782)	(1,071,782)	(671,782)
Liability component at end of financial year (Note 21)	4,986,868	4,941,160	4,899,301

23 FINANCE LEASE LIABILITIES

The Group and the Company leases land, motor vehicles and certain plant and machineries from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group and the Company with options to purchase the leased assets at nominal values at the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23 FINANCE LEASE LIABILITIES (CONT'D)

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Minimum lease payment due						
- Not later than one year	102,971	143,198	1,335,632	31,848	17,544	18,156
- Between one and five years	204,343	291,032	451,457	73,341	46,782	55,922
- Not later than one year	-	-	2,503	-	-	-
	307,314	434,230	1,789,592	105,189	64,326	74,078
Less: Future finance charges	(19,913)	(36,242)	(136,903)	(9,426)	(4,742)	(9,039)
Present value of finance lease liabilities	287,401	397,988	1,652,689	95,763	59,584	65,039

The present value of finance lease liabilities are analysed as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Not later than one year (Note 21)	93,477	127,554	1,240,443	29,091	16,251	15,941
Later than one year (Note 21)						
- Between one and five years	193,924	270,434	409,743	66,672	43,333	49,098
- Later than five years	-	-	2,503	-	-	-
	193,924	270,434	412,246	66,672	43,333	49,098
Total	287,401	397,988	1,652,689	95,763	59,584	65,039

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Deferred income tax assets	(356,140)	(1,109,973)	(1,075,795)	(17,040)	(16,570)	(15,370)
Deferred income tax liabilities	11,151	160,471	245,230	–	–	–
Net deferred tax liabilities	(344,989)	(949,502)	(830,565)	(17,040)	(16,570)	(15,370)

Movement in deferred income tax account is as follows:

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Beginning of financial year	(949,502)	(830,565)	(16,570)	(15,370)
Reclassified to disposal group (Note 11(c))	1,085,430	–	–	–
Tax credited to profit or loss (Note 10)	(480,917)	(118,937)	(470)	(1,200)
End of financial year	(344,989)	(949,502)	(17,040)	(16,570)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24 DEFERRED INCOME TAX (CONT'D)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same jurisdiction) is as follows:

Deferred income tax assets

	Accelerated tax depreciation	Allowance for impairment	Tax losses	Total
	\$	\$	\$	\$
Group				
2018				
Beginning of financial year	(934,717)	(73,625)	(139,100)	(1,147,442)
Reclassified to disposal group	1,081,420	4,010	–	1,085,430
(Credited)/charged to profit or loss	(205,322)	22,425	(122,880)	(305,777)
End of financial year	(58,619)	(47,190)	(261,980)	(367,789)
2017				
Beginning of financial year	(1,076,240)	(82,935)	42,730	(1,116,445)
Charged/(credited) to profit or loss	141,523	9,310	(181,830)	(30,997)
End of financial year	(934,717)	(73,625)	(139,100)	(1,147,442)

Deferred income tax liabilities

	Accelerated tax depreciation	Allowance for impairment	Tax losses	Total
	\$	\$	\$	\$
Group				
2018				
Beginning of financial year	197,940	–	–	197,940
Credited to profit or loss	(175,140)	–	–	(175,140)
End of financial year	22,800	–	–	22,800
2017				
Beginning of financial year	285,880	–	–	285,880
Credited to profit or loss	(87,940)	–	–	(87,940)
End of financial year	197,940	–	–	197,940

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24 DEFERRED INCOME TAX (CONT'D)

Deferred income tax (assets)/ liabilities

	Accelerated tax depreciation	Provision	Total
	\$	\$	\$
Company			
2018			
Beginning of financial year	1,350	(17,920)	(16,570)
Charged/(credited) to profit or loss	190	(660)	(470)
End of financial year	1,540	(18,580)	(17,040)
2017			
Beginning of financial year	5,700	(21,070)	(15,370)
(Credited)/charged to profit or loss	(4,350)	3,150	(1,200)
End of financial year	1,350	(17,920)	(16,570)

As at 31 December 2018, the Group has no unremitted earnings from overseas subsidiary corporations that may be subject to withholding and other taxes when remitted to holding corporation, hence no deferred income tax liability were recognised.

As at 31 December 2017, deferred income tax liabilities of \$238,676 (2016: \$478,880) have not been recognised for the withholding and other taxes that will be payable on the earnings of certain overseas subsidiary corporations when remitted to the holding corporation. These unremitted earnings are permanently reinvested and amount to \$4,773,514 (2016: \$9,577,596) at the balance sheet date.

The Group has unutilised tax losses and unabsorbed capital allowances of approximately \$13,000,232 (31 December 2017: \$8,037,988; 1 January 2017: \$6,906,696) and \$44,244 (31 December 2017: \$43,852; 1 January 2017: \$92,995) respectively, available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with certain provision of the Singapore Income Tax Act. The tax losses and capital allowances have no expiry date.

Potential deferred tax assets of approximately \$1,903,398 (31 December 2017: \$1,376,773; 1 January 2017: \$1,189,947) have not been recognised in the financial statements in accordance with accounting policy stated in Note 2.18.

25 SHARE CAPITAL

	Group and Company	
	No. of shares	Amount
		\$
2018		
Beginning and end of financial year	135,010,406	49,651,347
2017		
Beginning and end of financial year	135,010,406	49,651,347

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25 SHARE CAPITAL (CONT'D)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and a right to dividends as and when declared by the Company.

26 OTHER RESERVES

(a) Composition:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Currency translation reserve	(1,664,581)	(1,497,850)	82,543	–	–	–
Equity component of convertible bonds (Note 22)	163,297	163,297	163,297	163,297	163,297	163,297
Premium paid on acquisition of non-controlling interests	(52,267)	(52,267)	(52,267)	–	–	–
	(1,553,551)	(1,386,820)	193,573	163,297	163,297	163,297

(b) Movements:

(i) Currency translation reserve

	Group	
	2018	2017
	\$	\$
Currency translation reserve		
Beginning of financial year	(1,497,850)	82,543
Net currency translation differences of financial statements of foreign subsidiary corporations	(166,731)	(1,580,393)
End of financial year	(1,664,581)	(1,497,850)

Currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26 OTHER RESERVES (CONT'D)

(b) Movements: (cont'd)

(ii) Equity component of convertible bonds

	Group and Company	
	2018	2017
	\$	\$
Beginning and end of financial year	163,297	163,297

(iii) Premium paid on acquisition of non-controlling interests

	Group	
	2018	2017
	\$	\$
Beginning and end of financial year	(52,267)	(52,267)

Other reserves are non-distributable.

27 RETAINED PROFITS

(a) Retained profits of the Group and the Company are distributable.

(b) Movement in retained profits for the Company is as follows:

	Company	
	2018	2017
	\$	\$
Beginning of financial year	3,281,169	3,743,020
Net profit/(loss)	952,803	(461,851)
End of financial year	4,233,972	3,281,169

28 CONTINGENT LIABILITIES

(a) Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of certain subsidiary corporations. These bank borrowings amount to \$23,241,377 (31 December 2017: \$25,398,158; 1 January 2017: \$30,448,437). The Company has evaluated the fair values of the corporate guarantees and considered not material and is of the view that the consequential liabilities derived from its guarantee to the banks with regard to the subsidiary corporations are minimal. The subsidiary corporations for which the guarantees were provided have no history of default in the payment of borrowings and credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28 CONTINGENT LIABILITIES (CONT'D)

(b) Financial support

The Company provides financial support to certain subsidiary corporations to enable these subsidiary corporations to operate as going concerns and to meet their liabilities as and when they fall due.

29 COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	\$	\$	\$
Property, plant and equipment	1,300,000	–	816,714

(b) Operating lease commitments – where the Group and the Company are the lessees

The Group and the Company lease land, factories and warehouses from non-related parties under non-cancellable operating lease arrangements. These leases have varying terms, escalation clauses and renewal rights.

Operating lease payments recognised in the Group's profit or loss during the financial year amounted to \$1,232,723 (2017: \$1,511,898).

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Not later than one year	868,079	1,460,633	1,649,631	–	–	5,520
Between one and five years	441,587	2,497,267	3,737,165	–	–	–
Later than five years	–	4,620,587	5,229,766	–	–	–
	1,309,666	8,578,487	10,616,562	–	–	5,520

(c) Operating lease commitments – where the Group is a lessor

The Group leases warehouse and vessels to non-related parties under non-cancellable operating leases. The lessees are required to pay fixed monthly lease payments for those vessels on hire.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29 COMMITMENTS (CONT'D)

- (c) Operating lease commitments – where the Group is a lessor (cont'd)

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group		
	31 December 2018	2017	1 January 2017
	\$	\$	\$
Not later than one year	36,468	5,892,990	6,303,226
Between one and five years	–	946,313	7,308,650
	36,468	6,839,303	13,611,876

30 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group is exposed to financial risks arising from its operations and the use of financial instruments. Though the Group does not have written risk management policies and guidelines, the Audit Committee and the Board of Directors meet periodically to review and analyse the Group's exposure to market risk (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group adopts a conservative strategy on managing its financial risks, thus, the exposure to market risk is kept at a minimum level. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

- (a) Market risk

- (i) Currency risk

The Group operates in South East Asia with dominant operations in Singapore and Indonesia. Currency risk arises when transactions are denominated in foreign currencies such as Indonesian Rupiah ("IDR") and United States Dollar ("USD"). The Group's exposure to currency translation risk is not considered as significant by management and the risk is primarily managed by natural hedges of matching assets and liabilities denominated in foreign currencies. The Group closely monitors the currency translation risk and will consider hedging significant currency translation exposure should the need arise in future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Group's currency exposure based on the information provided to key management is as follows:

At 31 December 2018	SGD \$	USD \$	IDR \$	Others \$	Total \$
Financial assets					
Cash and cash equivalents	4,004,409	915,083	269,641	22,915	5,212,048
Trade and other receivables	8,131,355	7,556,872	10,369,943	424,785	26,482,955
Receivables from subsidiary corporations	120,183,827	1,847,472	2,042,577	645,115	124,718,991
	132,319,591	10,319,427	12,682,161	1,092,815	156,413,994
Financial liabilities					
Borrowings	(29,321,580)	(5,648,328)	–	–	(34,969,908)
Trade and other payables	(15,027,498)	(3,876,360)	(5,438,066)	(113,711)	(24,455,635)
Payables to subsidiary corporations	(120,183,827)	(1,847,472)	(2,042,577)	(645,115)	(124,718,991)
	(164,532,905)	(11,372,160)	(7,480,643)	(758,826)	(184,144,534)
Net financial (liabilities)/assets	(32,213,314)	(1,052,733)	5,201,518	333,989	(27,730,540)
Add: Net non-financial assets/ (liabilities)					
- Continuing operations	4,593,677	38,299,121	34,930,199	13,225	77,836,222
- Disposal group	(348,212)	–	–	–	(348,212)
Add: Contract assets	2,686,861	390,428	2,013,288	326,691	5,417,268
Currency profile including non-financial liabilities and assets	(25,280,988)	37,636,816	42,145,005	673,905	55,174,738
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	–	3,276,035	(13,679)	354,086	3,616,442

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Group's currency exposure based on the information provided to key management is as follows: (cont'd)

At 31 December 2017	SGD \$	USD \$	IDR \$	Others \$	Total \$
Financial assets					
Cash and cash equivalents	3,168,452	1,936,808	572,722	36,348	5,714,330
Trade and other receivables	12,837,727	7,140,181	4,931,280	1,684,495	26,593,683
Receivables from subsidiary corporations	146,253,442	1,774,039	7,737,311	58,968	155,823,760
	162,259,621	10,851,028	13,241,313	1,779,811	188,131,773
Financial liabilities					
Borrowings	(44,850,268)	(7,819,108)	–	–	(52,669,376)
Trade and other payables	(11,936,575)	(3,328,993)	(3,981,205)	(201,688)	(19,448,461)
Payables to subsidiary corporations	(146,253,442)	(1,774,039)	(7,737,311)	(58,968)	(155,823,760)
	(203,040,285)	(12,922,140)	(11,718,516)	(260,656)	(227,941,597)
Net financial (liabilities)/assets	(40,780,664)	(2,071,112)	1,522,797	1,519,155	(39,809,824)
Add: Net non-financial assets	21,477,902	40,115,544	46,258,194	68,912	107,920,552
Currency profile including non-financial liabilities and assets	(19,302,762)	38,044,432	47,780,991	1,588,067	68,110,728
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	–	3,071,614	(1,372,336)	301,943	2,001,221

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Group's currency exposure based on the information provided to key management is as follows: (cont'd)

At 1 January 2017	SGD \$	USD \$	IDR \$	Others \$	Total \$
Financial assets					
Cash and cash equivalents	3,260,073	1,219,588	446,704	58,676	4,985,041
Trade and other receivables	21,721,374	5,554,728	9,010,475	1,245,686	37,532,263
Receivables from subsidiary corporations	99,259,132	1,520,966	3,141,096	78,639	103,999,833
	124,240,579	8,295,282	12,598,275	1,383,001	146,517,137
Financial liabilities					
Borrowings	(47,261,915)	(10,071,894)	–	(40,102)	(57,373,911)
Trade and other payables	(18,107,021)	(1,861,376)	(2,731,431)	(103,153)	(22,802,981)
Payables to subsidiary corporations	(99,259,132)	(1,520,966)	(3,141,096)	(78,639)	(103,999,833)
	(164,628,068)	(13,454,236)	(5,872,527)	(221,894)	(184,176,725)
Net financial (liabilities)/assets	(40,387,489)	(5,158,954)	6,725,748	1,161,107	(37,659,588)
Add: Net non-financial assets	32,830,720	44,719,037	41,872,295	86,098	119,508,150
Currency profile including non-financial liabilities and assets	(7,556,769)	39,560,083	48,598,043	1,247,205	81,848,562
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	–	3,583,144	2,756,439	1,247,205	7,586,788

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

- (a) Market risk (cont'd)
- (i) Currency risk (cont'd)

The Company's currency exposure based on the information provided to key management is as follows: (cont'd)

	← 31 December 2018 →		← 31 December 2017 →		← 1 January 2017 →	
	SGD \$	USD \$	SGD \$	USD \$	SGD \$	USD \$
Financial assets						
Cash and cash equivalents	1,420,688	7,369	1,428,057	22,223	9,629	31,852
Trade and other receivables	77,302,927	-	77,302,927	73,815,976	-	73,815,976
	78,723,615	7,369	78,730,984	73,838,199	9,629	73,847,828
					67,048,504	13,159
						66,987,790
						67,061,663
Financial liabilities						
Borrowings	(19,620,735)	-	(19,620,735)	(20,625,268)	-	(20,625,268)
Trade and other payables	(17,944,369)	-	(17,944,369)	(13,146,879)	-	(13,146,879)
	(37,565,104)	-	(37,565,104)	(33,772,147)	-	(33,772,147)
					(26,639,283)	-
						(26,639,283)
Net financial assets	41,158,511	7,369	41,165,880	40,066,052	9,629	40,075,681
Add: Net non-financial assets	5,082,736	-	5,082,736	13,020,132	-	13,020,132
Add: Assets held-for-sale	7,800,000	-	7,800,000	-	-	-
						40,409,221
						13,159
Currency profile including non-financial assets	54,041,247	7,369	54,048,616	53,086,184	9,629	53,095,813
						53,544,505
						53,557,664
Currency exposure of financial assets net of those denominated in the Company's functional currencies	-	7,369	7,369	-	9,629	9,629
						13,159
						13,159

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

If the IDR and USD change against the SGD by approximately 5% (31 December 2017: 8%; 1 January 2017: 5%) and approximately 2% (31 December 2017: 8%; 1 January 2017: 2%) respectively with all other variable including tax rate is being held constant, the effect arising from the net financial liability/asset position will be as follows:

	Group		
	31 December 2018	2017	1 January 2017
	Profit after tax \$	Profit after tax \$	Profit after tax \$
IDR against SGD			
- Strengthened	(568)	(91,123)	114,392
- Weakened	568	91,123	(114,392)
USD against SGD			
- Strengthened	54,382	203,955	59,480
- Weakened	(54,382)	(203,955)	(59,480)

The Company has no significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

(ii) Interest rate risk

The Group's exposure to interest rate risks relates primarily to interest earning financial assets and interest bearing financial liabilities. 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.

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favorable interest rates available in the market.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

The table below analyses the Group's and the Company's borrowings by different type of financing at fixed rate and floating rate and their maturity.

	Within 1 year \$	Within 2 to 5 years \$	More than 5 years \$	Total \$
Group				
31 December 2018				
Fixed rate				
Finance lease liabilities	93,477	193,924	–	287,401
Convertible bonds	4,986,868	–	–	4,986,868
Bank borrowings	239,583	4,177,083	583,334	5,000,000
Floating rate				
Bank borrowings	13,104,772	6,116,712	–	19,221,484
Bank overdrafts	3,852,640	–	–	3,852,640
Bills payable	1,621,514	–	–	1,621,514
31 December 2017				
Fixed rate				
Finance lease liabilities	127,554	270,434	–	397,988
Convertible bonds	–	4,941,160	–	4,941,160
Bank borrowings	–	3,295,833	1,704,167	5,000,000
Floating rate				
Bank borrowings	27,500,834	8,734,639	–	36,235,473
Bank overdrafts	3,758,905	–	–	3,758,905
Bills payable	2,335,850	–	–	2,335,850
1 January 2017				
Fixed rate				
Finance lease liabilities	1,240,443	409,743	2,503	1,652,689
Convertible bonds	–	4,899,301	–	4,899,301
Bank borrowings	222,222	–	–	222,222
Floating rate				
Bank borrowings	24,740,705	17,104,940	3,331,739	45,177,384
Bank overdrafts	3,384,566	–	–	3,384,566
Bills payable	2,037,749	–	–	2,037,749

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

The table below analyses the Group's and the Company's borrowings by different type of financing at fixed rate and floating rate and their maturity. (cont'd)

	Within 1 year \$	Within 2 to 5 years \$	More than 5 years \$	Total \$
Company				
31 December 2018				
Fixed rate				
Finance lease liabilities	29,091	66,672	–	95,763
Convertible bonds	4,986,868	–	–	4,986,868
Bank borrowings	83,333	1,333,333	583,334	2,000,000
Floating rate				
Bank borrowings	9,541,731	–	–	9,541,731
Bank overdrafts	2,996,373	–	–	2,996,373
31 December 2017				
Fixed rate				
Finance lease liabilities	16,251	43,333	–	59,584
Convertible bonds	–	4,941,160	–	4,941,160
Floating rate				
Bank borrowings	10,648,747	1,083,333	916,667	12,648,747
Bank overdrafts	2,975,777	–	–	2,975,777
1 January 2017				
Fixed rate				
Finance lease liabilities	15,941	49,098	–	65,039
Convertible bonds	–	4,899,301	–	4,899,301
Floating rate				
Bank borrowings	12,348,921	–	–	12,348,921
Bank overdrafts	2,753,849	–	–	2,753,849

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

For the floating rate financial assets and liabilities, a change of 100 basis points (bp) in the interest rate at the reporting date would increase/(decrease) profit or loss by the amount shown below. This analysis assumes that all variables including tax rate are being held constant.

	Group		Company	
	100 bp Increase \$	100 bp Decrease \$	100 bp Increase \$	100 bp Decrease \$
31 December 2018				
Floating rate instruments				
Singapore Dollar	119,878	(119,878)	95,417	(95,417)
United States Dollar	88,552	(88,552)	-	-
31 December 2017				
Floating rate instruments				
Singapore Dollar	307,522	(307,522)	126,487	(126,487)
United States Dollar	78,191	(78,191)	-	-
1 January 2017				
Floating rate instruments				
Singapore Dollar	373,213	(373,213)	123,489	(123,489)
United States Dollar	100,719	(100,719)	-	-

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis through the application of credit approvals, credit limits and debt monitoring procedures. Where appropriate, the Company and its subsidiary corporations obtain guarantees from the customer or arrange netting agreements. For customers of lower credit standing, the Group would usually enforce to transact in cash terms, advance payments and letters of credit. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Company		
	31 December 2018 \$	2017 \$	1 January 2017 \$
Corporate guarantees provided to banks on subsidiary corporations' bank borrowings (Note 28)	23,241,377	25,398,158	30,448,437

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

The trade receivables of the Group comprise of 3 debtors (31 December 2017: 4 debtors; 1 January 2017: 2 debtors) that individually represented 10% - 26% (31 December 2017: 8% - 28%; 1 January 2017: 11% - 25%) of the trade receivables.

The credit risk for trade receivables based on the information provided by management is as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
<u>By geographical areas</u>						
– Singapore	5,578,972	4,391,241	13,409,465	1,747,434	1,153,106	524,804
– Indonesia	6,281,502	5,621,028	5,892,619	591,388	591,388	591,388
– Malaysia	188,590	150,296	–	–	–	–
– Australia	4,614,472	4,455,503	1,499,248	–	–	–
– United Kingdom	–	734,302	226,329	–	–	–
– Switzerland	1,096,723	600,543	466,729	–	–	–
– Others	192,109	255,283	544,974	163,776	–	–
	17,952,368	16,208,196	22,039,364	2,502,598	1,744,494	1,116,192
<u>By types of customers</u>						
– Non-related parties	17,952,368	16,208,087	20,864,034	163,776	–	–
– Related parties	–	109	1,175,330	–	–	–
– Subsidiary corporations	–	–	–	2,338,822	1,744,494	1,116,912
	17,952,368	16,208,196	22,039,364	2,502,598	1,744,494	1,116,912

(i) Trade receivables and contract assets

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

(i) Trade receivables and contract assets (cont'd)

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 120 days from invoice date, and considers to write off or provide credit loss allowance when a debtor fails to make contractual payments after more than 365 days past due. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's and the Company's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

	Not past due nor impaired	Past due 0 to 30 days	Past due 31 to 180 days	Past due 181 to 365 days	More than one year	Total
	\$	\$	\$	\$	\$	\$
Group						
Infrastructure engineering						
Expected loss rate	0%	0%	0%	0%	29%	
Trade receivables	1,514,757	813,050	369,753	175,480	4,472,704	7,345,744
Contract assets	2,666,795	–	–	–	–	2,666,795
Loss allowance	–	–	–	–	1,323,035	1,323,035
Corrosion prevention						
Expected loss rate	0%	0%	0%	0%	33%	
Trade receivables	819,450	1,079,610	1,076,738	949,894	303,750	4,229,442
Contract assets	2,750,473	–	–	–	–	2,750,473
Loss allowance	–	–	–	–	100,296	100,296
Supply and distribution						
Expected loss rate	0%	0%	0%	0%	12%	
Trade receivables	436,418	264,664	534,472	186,494	917,602	2,339,650
Loss allowance	–	–	–	–	111,305	111,305

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

(i) Trade receivables and contract assets (cont'd)

The Group's and the Company's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows: (cont'd)

	Not past due nor impaired \$	Past due 0 to 30 days \$	Past due 31 to 180 days \$	Past due 181 to 365 days \$	More than one year \$	Total \$
Group						
Shipping						
Expected loss rate	0%	0%	0%	0%	0%	
Trade receivables	335,435	935,396	2,040,118	1,558,213	703,006	5,572,168
Loss allowance	–	–	–	–	–	–
Company						
Corrosion prevention						
Expected loss rate	0%	0%	0%	0%	0%	
Trade receivables	391,686	125,190	378,566	240,280	1,366,876	2,502,598
Loss allowance	–	–	–	–	–	–

The Group uses the following categories of internal credit risk rating for financial assets which are subject to expected credit losses under the 3-stage general approach. These four categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

Category of internal credit rating	Definition of category	Basis of recognition of expected credit losses
Performing	Borrower or issuer have a low risk of default and a strong capability to meet contractual cash flows	12-month expected credit losses
Under-performing	Borrower or issuer for which there is a significant increase in credit risk; as significant in credit risk is presumed if interest and/or principal repayment are 365 days past due	Lifetime expected credit losses
Non-performing	Interest and/or principal payment are 365 days past due	Lifetime expected credit losses
Write-off	Interest and/or principal repayments relating to debtor that failing to engage in a repayment plan with the Group and have no reasonable expectation of recovery.	Asset is written off

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

(i) Trade receivables and contract assets (cont'd)

Expected credit losses

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

	Group	
	Trade receivables	Contract assets
	2018	2018
	\$	\$
Beginning of financial year	1,717,364	–
Reclassified to disposal group	(376,227)	–
Allowance made (Note 6)	300,200	–
Allowance utilised	(26,684)	–
Allowance written back (Note 6)	(80,017)	–
End of the financial year	1,534,636	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Previous accounting policy for impairment of trade receivables

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out in the provision matrix as follows:

	← Past due →				Total \$
	Within 30 days \$	31 to 60 days \$	61 to 90 days \$	More than 90 days \$	
Group					
31 December 2017					
Trade receivables					
Gross carrying amount:					
- Not past due					4,922,046
- Past due but not impaired	1,596,806	1,016,302	778,380	6,791,170	10,182,658
- Past due and impaired	156,682	213,943	53,461	2,635,539	3,059,625
	1,753,488	1,230,245	831,841	9,426,709	18,164,329
Less: Estimated rebates/ discount					(238,769)
Less: Allowance for impairment					(1,717,364)
Net carrying amount					<u>16,208,196</u>
1 January 2017					
Trade receivables					
Gross carrying amount:					
- Not past due					6,848,364
- Past due but not impaired	3,103,713	1,912,577	1,021,076	7,112,196	13,149,562
- Past due and impaired	-	-	1,310,073	3,184,717	4,494,790
	3,103,713	1,912,577	2,331,149	10,296,913	24,492,716
Less: Estimated rebates/ discount					(575,697)
Less: Allowance for impairment					(1,877,655)
Net carrying amount					<u>22,039,364</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Previous accounting policy for impairment of trade receivables (cont'd)

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out in the provision matrix as follows: (cont'd)

	← Past due →				Total \$
	Within 30 days \$	31 to 60 days \$	61 to 90 days \$	More than 90 days \$	
Company					
31 December 2017					
Trade receivables					
Gross carrying amount:					
- Not past due					227,910
- Past due but not impaired	-	-	-	-	-
- Past due and impaired	176,550	58,850	58,850	1,222,334	1,516,584
	176,550	58,850	58,850	1,222,334	1,744,494
Less: Allowance for impairment					-
Net carrying amount					1,744,494
1 January 2017					
Trade receivables					
Gross carrying amount:					
- Not past due					235,079
- Past due but not impaired	-	-	-	-	-
- Past due and impaired	73,830	41,730	49,220	716,333	881,113
	73,830	41,730	49,220	716,333	1,116,192
Less: Allowance for impairment					-
Net carrying amount					1,116,192

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and the Company.

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 31 December 2017 and 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

Previous accounting policy for impairment of trade receivables (cont'd)

The movement in the related allowance for impairment is as follows:

	Group
	2017
	\$
Beginning of financial year	1,877,655
Allowance made (Note 6)	252,487
Allowance utilised	(372,871)
Allowance written back (Note 6)	(39,907)
End of the financial year	<u>1,717,364</u>

Trade receivables that are individually determined to be impaired at the end of the reporting period relates to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and having an adequate amount of committed credit facilities (Note 21) to enable the Group to meet its normal operating commitments. The Group's objective is to maintain a balance through the use of bank borrowings, bank overdrafts and finance lease liabilities. As at balance sheet date, assets held by the Group and the Company for managing liquidity risks included cash and bank balances as disclosed in Note 13.

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by the Group management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group also managed sufficient funding through short-term bank loans and overdraft facilities.

The table below analyses non-financial derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year \$	Between 1 to 5 years \$	Over 5 years \$
Group			
At 31 December 2018			
Trade and other payables	24,455,635	–	–
Borrowings	23,898,855	11,251,945	637,744
At 31 December 2017			
Trade and other payables	19,448,461	–	–
Borrowings	33,723,143	20,862,272	–
At 1 January 2017			
Trade and other payables	22,802,981	–	–
Borrowings	31,625,685	24,153,167	3,512,324

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

	Less than 1 year \$	Between 1 to 5 years \$	Over 5 years \$
Company			
At 31 December 2018			
Trade and other payables	17,944,369	–	–
Borrowings	17,637,397	1,737,577	637,744
Financial guarantee contracts	23,241,377	–	–
At 31 December 2017			
Trade and other payables	13,146,879	–	–
Borrowings	13,640,775	6,308,932	1,086,823
Financial guarantee contracts	25,398,158	–	–
At 1 January 2017			
Trade and other payables	6,572,173	–	–
Borrowings	15,118,711	4,955,223	–
Financial guarantee contracts	30,448,437	–	–

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group and the Company are also required by the banks to maintain certain gearing ratio. The Group's and the Company's strategies, which remain unchanged during the financial years ended 31 December 2018 and 31 December 2017, are to maintain a gearing ratio not exceeding 1.5 times of the tangible net worth.

The gearing ratio is calculated as net debt divided by tangible net worth. Net debt is calculated as interest bearing borrowings less cash and cash equivalents. Tangible net worth is calculated by shareholders' equity less intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Capital risk (cont'd)

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Net debt						
Interest bearing borrowings	34,969,908	52,669,376	57,373,911	19,620,735	20,625,568	20,067,110
Less: Cash and cash equivalents	(5,212,048)	(5,714,330)	(4,985,041)	(1,428,057)	(31,852)	(73,873)
	29,757,860	46,955,046	52,388,870	18,192,678	20,593,716	19,993,237
Tangible net worth						
Shareholders' equity	55,174,738	68,110,728	81,848,562	54,048,616	53,095,813	53,557,664
Less: Intangible assets	(63,837)	(63,837)	(63,837)	-	-	-
	55,110,901	68,046,891	81,784,725	54,048,616	53,095,813	53,557,664
Gearing ratio	0.54	0.69	0.64	0.34	0.39	0.37

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2018 and 2017 except for the breach of financial covenants by two of the subsidiary corporations of the Group for the financial years ended 31 December 2018 and 2017 which was disclosed in Note 21(c) to the financial statements.

(e) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	\$	\$	\$	\$	\$	\$
Financial assets at amortised cost	37,112,271	-	-	78,730,984	-	-
Loans and receivables	-	32,308,013	42,517,304	-	73,847,828	67,061,663
Financial liabilities at amortised cost	59,425,543	72,117,837	80,176,892	37,565,104	33,772,147	26,639,283

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Offsetting financial assets and financial liabilities

(i) Financial asset

The Group has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet		Related amounts not set off in the balance sheet		
	Gross amounts – financial assets (a) \$	Gross amounts – financial liabilities (b) \$	Net amounts – financial assets presented in the balance sheet (c) = (a)-(b) \$	Financial assets (d) \$	Net amount (e) = (c)+(d) \$
As at 31 December 2018					
Trade receivables	–	–	–	–	–
As at 31 December 2017					
Trade receivables	–	–	–	109	109
As at 1 January 2017					
Trade receivables	1,122,489	(6,029)	1,116,460	58,870	1,175,330

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Offsetting financial assets and financial liabilities (cont'd)

(i) Financial asset (cont'd)

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet	
	Gross amounts – financial assets (a) \$	Gross amounts – financial liabilities (b) \$	Net amounts – financial assets presented in the balance sheet (c) = (a)-(b) \$	Financial assets (d) \$	Net amount (e) = (c)+(d) \$
As at 31 December 2018					
Trade and other receivables	10,119,437	(3,173)	10,116,264	66,973,448	77,089,712
As at 31 December 2017					
Trade and other receivables	5,913,079	(28,020)	5,885,059	67,917,518	73,802,577
As at 1 January 2017					
Trade and other receivables	2,737,182	(42,871)	2,694,311	64,226,780	66,921,091

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Offsetting financial assets and financial liabilities (cont'd)

(ii) Financial liabilities

The Group has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet		Related amounts not set off in the balance sheet		
	Gross amounts – financial liabilities (a) \$	Gross amounts – financial assets (b) \$	Net amounts – financial liabilities presented in the balance sheet (c) = (a)-(b) \$	Financial liabilities (d) \$	Net amount (e) = (c)+(d) \$
As at 31 December 2018					
Trade payables	–	–	–	3,305	3,305
As at 31 December 2017					
Trade payables	–	–	–	98,727	98,727
As at 1 January 2017					
Trade payables	6,029	(6,029)	–	94,455	94,455

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30 FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Offsetting financial assets and financial liabilities (cont'd)

(ii) Financial liabilities (cont'd)

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet	
	Gross amounts – financial liabilities (a) \$	Gross amounts – financial assets (b) \$	Net amounts – financial liabilities presented in the balance sheet (c) = (a)-(b) \$	Financial liabilities (d) \$	Net amount (e) = (c)+(d) \$
As at 31 December 2018					
Trade and other payables	1,924,158	–	1,924,158	8,457,932	10,382,090
As at 31 December 2017					
Trade and other payables	1,820,429	(28,020)	1,792,409	7,296,564	9,088,973
As at 1 January 2017					
Trade and other payables	1,348,412	(42,871)	1,305,541	2,200,998	3,506,539

31 RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sale and purchase of goods and services

	Group	
	2018 \$	2017 \$
Sale of goods and/or services to related parties	–	1,482,685
Purchase of material and/or services from related parties	32,006	129,486

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31 RELATED PARTY TRANSACTIONS (CONT'D)

(a) Sale and purchase of goods and services (cont'd)

Related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members.

Outstanding balances at 31 December 2018, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 14 and 19 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2018	2017
	\$	\$
Wages and salaries	2,412,526	2,545,257
Employer's contribution to defined contribution plans, including Central Provident Fund	155,847	160,731
Other short-term benefits	46,624	44,412
	<u>2,614,997</u>	<u>2,750,400</u>
Directors of the Company	1,538,503	1,614,055
Executive officers of the Group	1,076,494	1,136,345
	<u>2,614,997</u>	<u>2,750,400</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 SEGMENT INFORMATION

Business segments

For management purposes, the Group organised their business units into five reportable operating segments as follows:

(a) Infrastructure Engineering

This relates to the turnkey engineering services from planning, project management to implementation involving fabrication, corrosion prevention services for steel work structure, piping modules of oil rigs and jack-up rigs and construction of new vessels.

(b) Corrosion Prevention

This relates to the provision of corrosion prevention services, mainly blasting and painting services as part of the shipbuilding, ship conversion and ship repair activities in the marine, oil and gas and other industries.

(c) Supply and Distribution

This relates to the supply and distribution of hardware equipment, tools and other products used in the marine, oil and gas, and construction industries.

(d) Shipping

This relates to the chartering of livestock carriers, and tugs and barges; and ship management services.

(e) Others

This relates to the provision of effective and efficient technological solution for water and waste water treatment; solid waste management; and other areas on recovery of natural resources.

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

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 SEGMENT INFORMATION (CONT'D)

The segment information provided to the Board of Directors for the reportable segments is as follows:

	Infrastructure Engineering	Corrosion Prevention	Supply and Distribution	Shipping	Others	Total for continuing operations
	\$	\$	\$	\$	\$	\$
2018						
Total segment sales	12,759,548	17,320,796	8,605,563	22,137,833	-	60,823,740
Inter-segment sales	(779,573)	(2,616,468)	(2,111,877)	-	-	(5,507,918)
Sales to external customers	11,979,975	14,704,328	6,493,686	22,137,833	-	55,315,822
Results:						
Segment results	1,040,518	(19,556)	45,221	(2,841,281)	(80,405)	(1,855,503)
Interest expense	(424,876)	(224,707)	(126,117)	(1,410,580)	(45)	(2,186,325)
Interest income	1,497	3,004	9,183	455	-	14,139
Profit/(loss) from operating segment	617,139	(241,259)	(71,713)	(4,251,406)	(80,450)	(4,027,689)
Unallocated administrative expenses						(2,957,111)
Loss before income tax						(6,984,800)
Income tax expense						(98,433)
Net loss						(7,083,233)
Profit attributable to non-controlling interests						(128,738)
Net loss includes:						(7,211,971)
- Depreciation of property, plant and equipment	2,068,051	941,022	48,761	3,792,867	-	6,850,701
Other information						
Segment assets	36,709,471	13,012,447	6,320,477	59,849,206	502,950	116,394,551
Segment assets include: -						
Additions to: Property, plant and equipment	1,279,259	163,775	15,348	336,310	-	1,794,692
Segment liabilities	(11,394,591)	(18,240,790)	(4,255,515)	(9,977,414)	(7,929)	(43,876,239)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 SEGMENT INFORMATION (CONT'D)

The segment information provided to the Board of Directors for the reportable segments is as follows: (cont'd)

	Infrastructure Engineering	Corrosion Prevention	Supply and Distribution	Shipping	Others	Total for continuing operations
	\$	\$	\$	\$	\$	\$
2017						
Total segment sales	7,852,003	19,762,883	11,568,632	11,276,616	-	50,460,134
Inter-segment sales	(2,169,751)	(868,070)	(2,176,629)	-	-	(5,214,450)
Sales to external customers	5,682,252	18,894,813	9,392,003	11,276,616	-	45,245,684
Results:						
Segment results	913,711	1,050,198	215,506	(3,055,086)	(84,167)	(959,838)
Interest expense	(509,904)	(304,758)	(140,298)	(1,233,408)	-	(2,188,368)
Interest income	2,856	1,972	-	970	-	5,798
Profit/(loss) from operating segment	406,663	747,412	75,208	(4,287,524)	(84,167)	(3,142,408)
Unallocated administrative expenses						(3,045,991)
Loss before income tax						(6,188,399)
Income tax expense						(336,700)
Net loss						(6,525,099)
Loss attributable to non-controlling interests						540,279
Net profit includes:						(5,984,820)
- Depreciation of property, plant and equipment	2,842,496	1,406,313	58,168	5,155,154	-	9,462,131
Other information						
Segment assets	52,258,397	17,289,239	7,761,694	64,047,792	583,292	141,940,414
Segment assets include: -						
Additions to: Property, plant and equipment	536,321	151,054	-	1,691,666	-	2,379,041
Segment liabilities	(25,398,306)	(14,510,825)	(4,641,806)	(11,621,458)	(7,800)	(56,180,195)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 SEGMENT INFORMATION (CONT'D)

(a) Reconciliations

(i) Segment assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, management monitors the property, plant and equipment, intangible assets, inventories, receivables and operating cash attributable to each segment. All assets are allocated to reportable segments.

Segment assets are reconciled to total assets as follows:

	2018	2017
	\$	\$
Segment assets for reportable segments	115,891,601	141,357,121
Other segment assets	502,951	583,293
Unallocated:		
Assets associated with disposal group	13,511,137	–
	129,905,689	141,940,414

(ii) Segment liabilities

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than certain borrowings.

Segment liabilities are reconciled to total liabilities as follows:

	2018	2017
	\$	\$
Segment liabilities for reportable segments	43,868,310	56,172,396
Other segment liabilities	7,929	7,800
Unallocated:		
Liabilities associated with disposal group	14,230,349	–
Borrowings	16,624,363	17,649,490
	74,730,951	73,829,686

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32 SEGMENT INFORMATION (CONT'D)

(b) Geographical information

The Group's five business segments operate in three main geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally the infrastructure engineering, the corrosion prevention, supply and distribution, and investment holdings;
- Indonesia – the operations in this area relate to all the reportable segments.
- Other countries – the operations include the shipping in Australia and the infrastructure engineering in China, Canada, South Africa, Myanmar and Malaysia.

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

	Revenue		Non-current assets	
	2018	2017	2018	2017
	\$	\$	\$	\$
Singapore	22,075,623	24,453,153	27,432,514	43,110,793
Indonesia	17,532,838	8,658,909	31,373,306	36,235,500
Others	15,707,361	12,133,622	12,920,648	13,884,540
	55,315,822	45,245,684	71,726,468	93,230,833

Non-current assets presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheet.

(c) Revenue from major services and customers

Revenue from external customers is derived from all reportable segments as disclosed in Note 5.

Revenue from a major customer amounted to \$5,594,289 (2017: \$7,104,388), arising from sales by the corrosion prevention segment.

33 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

(a) SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

(a) SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019) (cont'd)

As at 31 December 2018, the Group has non-cancellable operating lease commitments of \$1,309,666 (Note 29(b)). Of these commitments, approximately \$1,195,782 relate to short-term leases and \$113,884 to low-value leases which will both be recognised on a straight-line basis as expense in profit or loss.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

(b) SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions on the adoption of the interpretation on 1 January 2019.

34 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Beng Kuang Marine Limited on 27 March 2019.

SHAREHOLDING STATISTICS

As at 15 March 2019

Issued and fully paid	: S\$50,127,342.00
Number of shares	: 135,010,406
Number of Treasury Shares held	: Nil
Number of Subsidiary Holdings held	: Nil
Class of shares	: Ordinary shares
Voting rights	: 1 vote per ordinary share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2019, 56.30% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	20	1.14	900	0.00
100 - 1,000	105	5.98	65,700	0.05
1,001 - 10,000	935	53.25	4,558,700	3.38
10,001 - 1,000,000	680	38.72	36,481,027	27.02
1,000,001 and above	16	0.91	93,904,079	69.55
	1,756	100.00	135,010,406	100.00

SHAREHOLDING STATISTICS

As at 15 March 2019

TOP 21 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	CHAN KWAN BIAN	27,305,575	20.22
2	CHUA BENG KUANG	9,066,875	6.72
3	CHUA MENG HUA	8,829,875	6.54
4	MAYBANK KIM ENG SECURITIES PTE. LTD.	8,057,304	5.97
5	CHUA BENG HOCK	6,329,875	4.69
6	CHUA BENG YONG	6,329,875	4.69
7	TEO GIM TIONG	6,000,000	4.44
8	TEO GIM KIM	5,500,000	4.07
9	RAFFLES NOMINEES (PTE) LIMITED	4,880,075	3.61
10	LIM CHEE SAN	4,200,000	3.11
11	TAY YEW CHONG	1,521,250	1.13
12	SEH KIAN HOON	1,348,700	1.00
13	OCBC SECURITIES PRIVATE LTD	1,338,850	0.99
14	CHUA WUI WUI	1,115,000	0.83
15	DBS NOMINEES PTE LTD	1,064,850	0.79
16	RHB SECURITIES SINGAPORE PTE LTD	1,015,975	0.75
17	CHANG THIAM HUI	850,000	0.63
18	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	781,802	0.58
19	UNITED OVERSEAS BANK NOMINEES PTE LTD	748,550	0.55
20	CHUAH LAM SIANG	700,000	0.52
21	NGE YOCK HUA	700,000	0.52
		97,684,431	72.35

SUBSTANTIAL SHAREHOLDERS

	Direct Interests		Deemed Interests	
	Number of Shares	%	Number of Shares	%
Chua Beng Kuang	9,066,875	6.71	–	–
Chua Meng Hua	8,829,875	6.54	–	–
Chan Kwan Bian	27,305,575	20.22	–	–

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Beng Kuang Marine Limited (the “Company”) will be held at 55 Shipyard Road, Singapore 628141 on Monday, 22 April 2019 at 11.00 a.m., for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 31 December 2018 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Mr Chua Beng Kuang as a Director retiring pursuant to Regulation 107 of the Company’s Constitution. **(Resolution 2)**

[See Explanatory Note 1]
3. To record the retirement of Dr Wong Chiang Yin, Director retiring pursuant to Regulation 107 of the Company’s Constitution. Dr Wong Chiang Yin has decided not to seek re-election and will retire at the conclusion of the forthcoming AGM.

[See Explanatory Note 2]
4. To approve the payment of Directors’ fees of S\$109,400 (2017: S\$107,305) for the financial year ended 31 December 2018. **(Resolution 3)**
5. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without amendments:

Authority to allot and issue shares up to 50 per centum (50%) of issued share capital **(Resolution 5)**

“That pursuant to Section 161 of the Companies Act, Cap. 50, and the listing rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50 per centum (50%) of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20 per centum (20%) of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company (the percentage of issued share capital being based on the issued share capital (excluding treasury shares and subsidiary holdings) at the time such authority is given after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of awards outstanding or subsisting at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company or on the date by which the next AGM is required by law to be held, whichever is the earlier.”

[See Explanatory Note 3]

NOTICE OF ANNUAL GENERAL MEETING

- To transact any other business that may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Wee Woon Hong
Srikanth Rayaprolu
Company Secretaries

Singapore

5 April 2019

Explanatory Notes:

- Mr Chua Beng Kuang will, upon re-election as Director of the Company, remain as the Executive Chairman of the Company. Further information on Mr Chua Beng Kuang can be found in the Annual Report 2018. Please refer to Table A on the last page of the Corporate Governance Report on page 24 to page 25 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
- Dr Wong Chiang Yin will retire as Independent Director of the Company at the conclusion of the forthcoming AGM. Upon Dr Wong Chiang Yin's retirement, he will cease to be the Chairman of Remuneration Committee and member of Audit Committee and Nominating Committee and as a Lead Independent Director. His replacement for each committee will be announced in due course.
- The proposed Ordinary Resolution 5, if passed, will authorise the Directors of the Company to issue shares up to 50% of the Company's issued share capital (excluding treasury shares and subsidiary holdings), with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.

Notes:

- A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two (2) proxies to attend and vote instead of him.
- Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.
- If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the registered office of the Company at 55 Shipyard Road, Singapore 628141, not less than 48 hours before the time appointed for holding the above Meeting.
- A depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the above Meeting in order for the Depositor to be entitled to attend and vote at the above 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 and its proxy(ies)'s or representative's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 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) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) 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. Your and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

BENG KUANG MARINE LIMITED
(Registration No.: 199400196M)
(Incorporated in the Republic of Singapore)

PROXY FORM

ANNUAL GENERAL MEETING

IMPORTANT:

This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 April 2019. "Personal data" in this proxy form has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("PDPA"), which includes your and your proxy's and/or representative's name, address and NRIC/Passport No.

I/We, _____ (Name) NRIC/Passport/Company Registration No.* _____
of _____ (Address)

being a member/members of **BENG KUANG MARINE LIMITED** (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or*

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her*, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf at the AGM of the Company to be held at 55 Shipyard Road, Singapore 628141 on Monday, 22 April 2019 at 11.00 a.m., and at any adjournment thereof.

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

<input type="checkbox"/>	Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.
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All resolutions put to the vote at the AGM shall be decided by way of poll.

No.	Resolutions	Number of Votes For **	Number of Votes Against**
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2	Re-election of Mr Chua Beng Kuang as a Director of the Company		
3	Approval of Directors' Fees for the financial year ended 31 December 2018		
4	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors and authorise the Directors to fix their remuneration		
5	Authority to allot and issue of shares		

* Delete accordingly

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

Dated this _____ day of _____, 2019

Total Number of Shares held

Signature(s) of member(s)

or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF.



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore or any statutory modification thereof, as the case may be), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend and vote at an AGM of the Company. Where such member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at an AGM of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

"relevant intermediary" means:

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 55 Shipyard Road, Singapore 628141 not less than 48 hours before the time appointed for the AGM.
 5. A proxy need not be a member of the Company.
 6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
 7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
 9. The submission of an instrument or form appointing a proxy by a member does not preclude him/her from attending and voting in person at the AGM if he/she so wishes.
 10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the AGM, as certified by the Depository to the Company.



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BENG KUANG GROUP

BENG KUANG MARINE LIMITED

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