

PROPOSED CHANGE OF AUDITORS

The Board of Directors (“**Board**”) of Kim Heng Offshore and Marine Holdings Limited (“**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce the Company’s intention to change its auditors (“**Auditors**”) from KPMG LLP (“**KPMG**”) to Messrs Foo Kon Tan LLP (“**FKT**”) (the “**Proposed Change of Auditors**”) in respect of the financial year ending 31 December 2019.

The Company’s existing Auditors, KPMG LLP, has served as Auditors of the Group since FY2013 and has carried out 6 consecutive audits, of which the audit partners in-charge for the first four consecutive audits and the fifth and sixth audits were Mr Lucas Tran and Mr Lee Chin Siang, Barry respectively. KPMG was re-appointed as Auditors at the last annual general meeting (“**AGM**”) of the Company held on 26 April 2019 to hold office until the conclusion of the next AGM of the Company.

As part of the Group’s ongoing efforts to manage its overall business costs and expenses amidst the challenging business climate, the Board is of the view that it would be timely to effect a change of the Auditors. The Board also believes that a change of Auditors would be good corporate governance practice and would enable the Company to benefit from fresh perspectives and views of another professional audit firm and thereby further enhance the value of the audit.

Following an evaluation of several proposals from other audit firms and consideration of the factors in accordance with Rule 712(3) and 715 of the Catalist Rules, the Audit Committee has determined that FKT is best suited to meet the existing needs and audit requirements of the Group. The Audit Committee having considered, *amongst others*, the Audit Quality Indicators Disclosure Framework issued by the Accounting and Corporate Regulatory Authority of Singapore (“**ACRA**”), including the adequacy of the resources and experience of FKT and the audit engagement partner assigned to the audit, other audit engagements of FKT, the Group’s audit requirements, the size and complexity of the Group and the number and experience of supervisory and professional staff to be assigned to the audit, is of the opinion that FKT is suitable to be appointed as Auditors of the Company. Accordingly, the Board has recommended the appointment of FKT as auditors of the Company in place of KPMG. The quality and scope of audit services to be provided by FKT will be comparable to the services currently provided by KPMG. The change of auditors will allow the Group to save approximately S\$100,000 in audit fees based on the previous audit fees for the financial year ended 31 December 2018.

In connection with the above, the Company had on 28 June 2019, received a notice from KPMG informing the Company, *inter alia*, that KPMG had applied to ACRA to seek its consent to resign as Auditors. The Company had been notified by KPMG that it had on 12 July 2019 received ACRA’s consent to resign as Auditors and KPMG had accordingly provided the Company with its notice of resignation dated 15 July 2019.

FKT has given its consent to act as Auditors by way of a letter dated 8 July 2019, subject to its appointment being approved by the Shareholders at the extraordinary general meeting (“**EGM**”) to be convened in relation to the Proposed Change of Auditors in due course.

The resignation of KPMG and the appointment of FKT will be effective upon the approval of Shareholders being obtained at the EGM. Upon the appointment, FKT will hold office until the conclusion of the next AGM of the Company. The Directors would like to highlight that the Proposed Change of Auditors is in no way the result of any disagreement.

In accordance with the requirements of Rules 712(3) of the Catalist Rules:

- (i) KPMG has confirmed by way of a letter dated 4 July 2019 that it is not aware of any professional reasons why FKT should not accept appointment as Auditors;
- (ii) the Company confirms that there were no disagreements with KPMG on accounting treatments within the last twelve (12) months from the date of their resignation, being 15 July 2019;
- (iii) the Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders which has not been disclosed in this announcement;
- (iv) the Company confirms that the specific reasons for the Proposed Change of Auditors are disclosed above. The Proposed Change of Auditors is neither due to the dismissal of KPMG nor KPMG declining to stand for election; and
- (v) the Company confirms that it complies with Rules 712 and 715 of the Catalist Rules in relation to the proposed appointment of FKT as Auditors.

A circular to Shareholders setting out further details on the Proposed Change of Auditors, together with the notice of EGM, will be despatched to Shareholders in due course.

BY ORDER OF THE BOARD

Tan Keng Siong Thomas
Executive Director and Chief Executive Officer
17 July 2019

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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