VIKING OFFSHORE & MARINE

Annual Report 2018

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report including the correctness of any of the statements or opinions made or reports contained in this annual report. The contact person for the Sponsor is Mr Ken Lee, Associate Director, Investment Banking. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, Telephone: +65 6337 5115.

Our Business

Viking Offshore and Marine Limited is listed on the Catalist Board of Singapore Exchange and based in Singapore with a presence in the Asian region and customers all over the world. Further complementing our regional presence, we have a network of service agents spanning the globe. Through our wholly owned subsidiaries, Viking provides offshore and marine system solutions to yards, vessels owners and oil majors around the world. The strength of our products and solutions lies in our robust engineering designs, superior project delivery and many track records over the years.

Our deep engineering and systems know-how, coupled with our years of experience, allow us to adapt our system solution to be portable for onshore and non-oil and gas-centric applications. Increasingly, our system solutions are being accepted and popularised beyond our oil and gas, and offshore and marine customers.

To strengthen our business with more stable and predictable earning streams, we made a strategic move into asset management services. We are constantly on the lookout for attractively valued assets and chartering them to customers from the offshore and marine, and oil and gas industry. As our value proposition, we offer tailored and creative solutions and structures that allow our customers the use of assets for their operational needs and to accommodate their financial capacity.

Viking's business is now cemented along two major pillars – offshore and marine services and asset chartering services.

OFFSHORE AND MARINE SERVICES

- Heating, Ventilation, Air-Conditioning & Refrigeration
- Fire & Gas Detection
- Control & Instrumentation
- Marine Telecommunication
- Winches, Power Pack & Deck Machinery

ASSET CHARTERING SERVICES

- Chartering Services
- Asset Financing

ANCILLARY SERVICES

- Facility Services

Group Structure

Viking Offshore & Marine Limited

Listed on Singapore Exchange

- Viking Airtech Pte Ltd
  - Viking Airtech (Shanghai) Co., Ltd
  - Viking Airtech (Yantai) Co., Ltd
  - Viking Offshore Malaysia Sdn Bhd
  - PT Viking Offshore
- Viking HVAC Pte Ltd
- Marshal Systems Pte Ltd
  - Marshal Offshore & Marine Engrg Co., Ltd
- Promoter Hydraulics Pte Ltd
- Viking Asset Management Pte Ltd
  - Viking LR1 Pte Ltd
  - Smart Earl Investment Limited
    30% shareholding ownership
  - Viking LR2 Pte Ltd
  - Quick Booms Investments Limited
    30% shareholding ownership
  - Viking Gold Pte Ltd
- Viking Offshore Global Pte Ltd
- Viking Facilities Management & Operations Pte Ltd

Financial Summary

FINANCIAL PERFORMANCE ($MILLION)

	2014	2015	2016	2017	2018
Revenue	79.0	84.5	46.4	38.7	30.4
Gross Profit	23.5	23.9	18.8	15.4	11.8
Gross Margin	30%	28%	41%	40%	39%
Net Profit/(Loss) Before Tax	1.5	(9.9)	(17.1)	(13.5)	(28.2)
Net Profit/(Loss) After Tax	1.0	(9.4)	(15.9)	(13.2)	(28.0)

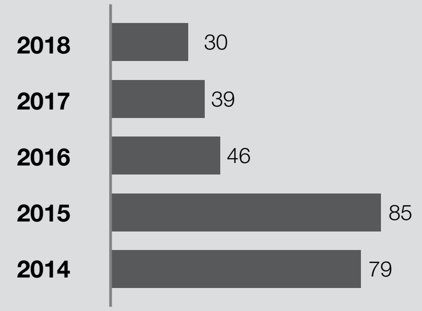
FINANCIAL POSITION ($MILLION)

	2014	2015	2016	2017	2018
Total Assets	156.7	171.4	146.5	130.1	101.8
Total Liabilities	58.8	81.0	71.6	65.2	64.8
Shareholder's Equity	97.9	90.4	74.9	64.9	37.0
Net Current Assets	32.3	4.1	5.5	25.4	12.1
Cash & Cash Equivalents	8.7	7.5	4.7	6.1	3.6

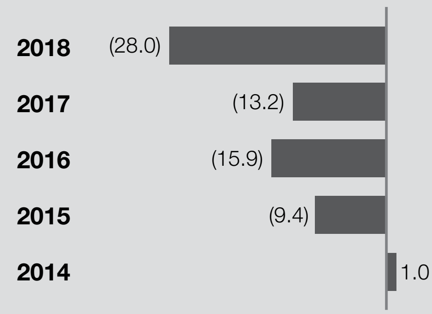
CASH FLOW ($MILLION)

	2014	2015	2016	2017	2018
Opening Cash Balance	19.0	8.7	7.5	4.7	6.0
Net Cash Flow From Operations	(11.5)	(6.7)	2.6	3.0	2.0
Net Cash Flow From Investing	(21.0)	(5.7)	(0.2)	-	-
Net Cash Flow From Financing	22.1	10.8	(5.2)	(1.6)	(4.6)
Ending Cash Balance	8.7	7.5	4.7	6.1	3.6

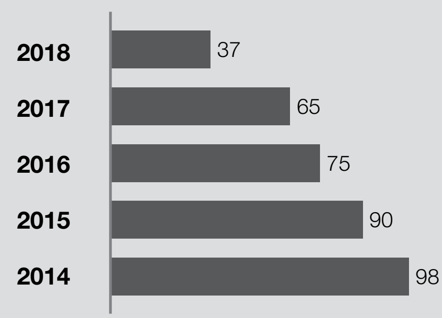
REVENUE ($MILLION)



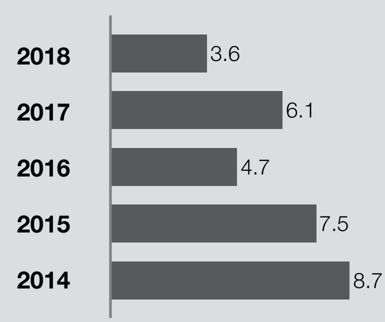
NET (LOSS) / PROFIT AFTER TAX ($MILLION)



NET ASSETS ($MILLION)



CASH AND EQUIVALENTS ($MILLION)



Chairman and CEO's Report

Dear Shareholders

Although oil prices trended upwards last year, price volatility has been high and the sporadic price rallies have been met with caution by most industry participants. The offshore and marine sector experienced tremendous pressure due to the simultaneous impact of limited projects, project delays and cancellations, tight credit conditions, and slow customer payments.

Viking continued to navigate this challenging business climate which has persisted in the last few years. Essentially, our main business and operational efforts centred around:

1. The acquisition of new customers and expansion of markets to sustain a right-sized capacity and to build a stronger backlog for the future.

2. Maintaining liquidity for operational capacity requirements through stringent working capital management and right-sizing initiatives.

3. Working in concert with our financial creditors to achieve a satisfactory solution to address our borrowing.

4. Monetizing assets and recovery of receivables to unlock cashflow.

Offshore and Marine Services

With the lower business volumes, we right-sized our business operations by rationalising our customer support requirements and our infrastructure and capacity. In order to meet varying resource requirements without adverse impact to customer support, we adopted flexible work arrangement, outsourcing and leveraging on resources in more cost-effective locations.

With lesser newbuild opportunities and customers looking to stretch the utilisation of their assets, we are getting better traction in securing and performing maintenance and upgrading jobs. As a result, our parts and services business grew at a faster pace than newbuild projects. While the margins for these services are higher, the contracts tend to be smaller and of a shorter tenure, and could not make up for the shortfalls in the newbuild area.

We have also reallocated our resources and efforts towards geographical markets and customer segments which present better opportunities. On a positive note, Malaysia, Indonesia, and the Middle East territories are yielding better orders and promising pipelines compared to Singapore and China. To improve our sales and marketing access for the Chinese markets, we collaborated through a joint venture agreement with a local Chinese entrepreneur to leverage on his local knowledge and networks.

Customer inquiries continued to be met with significant price pressure as many competitors sought to outbid each other for the limited opportunities. The Group hopes to sustain its offshore and marine services through acquisition of new projects utilising the strong established track record it has built over the years.

Asset Management Services

Low charter rates and utilisation, coupled with excess supply of offshore-related assets, continue to persist within the industry. Consequently, market demand and corresponding valuations remained depressed, and opportunistic distress transactions further pinned down asset values. Against this backdrop, we wrote down our asset carrying values in our chatering related assets.

Given the depressed outlook on offshore chartering, our focus has been on the monetising of our existing assets and the recovery of outstanding receivables from the charterers.

We obtained a favourable outcome from the arbitration with the Chinese charterer for the land drilling rigs. The Chinese courts have accepted our application for the recognition of the award, and we are working with the Chinese party on the settlement of outstanding charters.

In a separate legal dispute with the owners of the chemical tankers which we contracted under a charter and sub-charter arrangement, we are contesting the enforcement of the corporate guarantee and simultaneously seeking amicable settlement.

As the outlook in this business segment is expected to remain challenging, it is not envisaged that we will be making major investments, and will focus instead on the recovery of asset values.

Financial Review

The Group's profitability for the year was affected by declining revenues, impairment charges on assets, and higher financing costs accrued on overdue borrowings. Reductions in operational costs and the prudent management in spendings have not been adequate to cover the shortfalls.

Revenue and gross profit for the year declined year-on-year as a result of the smaller order book carried forward from last year, lower order intake during the year, and deferral of secured projects by customers. These difficult conditions are reflective of the state of the industry plaguing most industry peers.
The prudent spending management coupled with the right-

Chairman and CEO's Report

sizing efforts undertaken by the Group across the board translated to lower administrative and marketing expenses.

The increase in other operating expenses was mainly due to impairment charges recorded on the Group's chartering assets as the Group opined that the valuations were no longer able to substantiate the carrying value in the financial books. These impairments majorly relate to:

1. The depreciated value of the land drilling rig, given the ageing of the asset and the continued weak market demand for such assets.

2. The investment in associated companies for the offshore drilling rigs where recent market transactions reflected the depressed value.

3. The provision for doubtful debt against the finance lease receivables relating to the defaulted land drilling rig chartering contracts.

Finance Cost increased as the Group continues to accrue for the interest and associated cost at the original contract terms, notwithstanding the Group is in continued negotiation with respective lenders on the restructuring of debts.

The financial position of the Group as at year-end reflects the above financial performance during the year. The lower net assets for the Group are impacted by the financial losses, primarily from impairment charges against the assets. This impairment against the assets coupled with the depreciation on property, plant and equipment also accounted for the reduction in non-current assets.

The reclassification of land drilling rig from finance lease receivables to inventories due to the expiry of the charter contract led to the increase in Inventories and decrease in finance lease receivables. The increase in inventories was partially offset by the impairment of a land drilling rig as mentioned above. The increase in trade receivables was a consequence of the amortisation and reduction of finance lease receivables due to the timing of the charter contract expiry as at year end.

The reduction of bank term loans reflects the scheduled repayment made during the year. The increase in the redeemable exchangeable bonds and non-bank borrowings were due to the accrual of interest during the year.

Trade Payables decreased due to payments made to suppliers for goods received or services rendered, coupled with lesser purchases as a result of lower business volume. Other payables and accruals increased largely due to foreign exchange revaluation of payables denominated in US Dollars .

The net cash flows generated from operating activities were mainly due to the accounting of finance lease receivables and billing of amounts due from contract customers in accordance to the agreed project milestones. The repayments made on bank borrowings largely accounted for the cash in financing activities. Considering the above factors, the Group's cash position is lower compared to the prior year-end.

Moving Forward

Capital spending in the upstream oil and gas segment is unlikely to return to the levels prior to the downturn. In this regard, related asset values will continue to be depressed and a strong recovery in the offshore and engineering segment for newbuilds is unlikely in the short term.

We have to be prepared for a longer than expected recovery in our business sector and the continued challenges ahead. The key to riding through this difficult period is to ensure the necessary working capital and project financing resources are in place.

The Group is considering to apply for a debt moratorium and restructuring arrangement under Section 211 of the Companies Act (Cap. 50) to orderly and equitably address the outstanding borrowings and legal actions by the financial creditors. This will provide the Group the opportunity to facilitate the onboarding of any strategic investor which is key to the Group's restructuring efforts. We hope for our creditors' understanding and support during these difficult times to achieve the best outcome for all parties involved.

On this note, we would like to thank our shareholders, employees, suppliers, customers, and our creditors for their support and sacrifices through this difficult journey. We continue to maintain the faith to navigate our way out of this prolonged challenging business climate.

ANDY LIM
Chairman

NG YEAU CHONG
Chief Executive Officer

Board Members

ANDY LIM, 61
Chairman and Executive Director

Mr Lim was appointed Chairman and Executive Director of the Company on 15 June 2009. He is also the Founder and Chairman of private equity firm Tembusu Partners Pte Ltd, and Chairman of the MoneyWorld Group of Companies. His other board appointments include Board of Trustee for Honour Singapore and a member of the Home Affairs Uniformed Service Invest Board of Trustee. His past board appointments include President of Enterprise 50 Association, Chairman of Alpha Singapore and Council Member of the National Council for Anti-Drug Abuse. In 2016, Mr Lim was appointed Honorary Consul General to the Republic of Lithuania after serving as Honorary Consul for 12 years. Mr Lim holds an Engineering degree (First Class Honours) from Cambridge University and a Masters in Business Administration from University of California at Los Angeles (UCLA).

LOW JOOI KOK, 55
Executive Director

Mr Low was appointed Chief Executive Officer and Executive Director of the Group on 26 April 2016. Mr Low relinquished his position as Chief Executive Officer on 30 April 2019. Mr Low previously held the positions of Chief Operating Officer and Chief Financial Officer of the Group, a role he has assumed since he joined the Group in March 2010. Mr Low has more than 25 years of commercial experience spanning sales, marketing and line-of-business executive management, financial and operations management. He was the Chief Financial Officer of IBM Singapore in 1998, and then Director of Business Partner Sales for ASEAN and South Asia till 2009. Prior to joining IBM, Mr Low was with Visa International, holding various appointments overseeing financial planning and management of strategic business investments for Visa within Asia-Pacific region. Mr Low holds a Master of Business Administration from Southern Illinois University, Carbondale and a Bachelor of Accounting degree from Nanyang Technological University of Singapore, and is a CPA.

NG YEAU CHONG, 52
Chief Executive Officer and Executive Director

Mr Ng was appointed Executive Director of the Company on 22 February 2018 and subsequently appointed Chief Executive Officer on 30 April 2019. Mr Ng joined the Group in August 2010 as the Chief Operating Officer of the Company and Managing Director of Promoter Hydraulics Pte Ltd. He subsequently relinquished these positions and was appointed Executive Director of Viking Airtech Pte Ltd in May 2012, and as Managing Director in January 2015. He stepped down as Managing Director of Viking Airtech Pte Ltd and was appointed Managing Director of Marshal Systems Private Limited in October 2018. Mr Ng has more than 25 years of professional experience covering Sales & Marketing, Program Management, and Operations & Training in both public and private sectors. An Overseas Merit Scholar (SAF), Mr Ng was with the Republic of Singapore Navy for more than 10 years. Prior to joining the Group, he served as Asia Consulting Solution Director (Oracle Consulting Services, 2007-2010), Vice President (UOB, 2000-2007), and Assistant Head (Spring Singapore 1999-2000). Mr Ng holds a Master of Arts from University of Oxford and a MBA (Accountancy) from Nanyang Technological University. Mr Ng is a Certified Financial Analyst (CFA), and a Financial Risk Manager (FRM).

LEE SUAN HIANG, 68
Lead Independent Director

Mr Lee was appointed Independent Director of the Company on 16 April 2010. A Colombo Plan Scholar in Industrial Design (Engineering), he had a varied career in public service as Deputy Managing Director of the Economic Development Board and Chief Executive of SPRING Singapore, National Productivity Board, Singapore Institute of Standards and Industrial Research and National Arts Council. He was also the Chairman of PSB Corporation, Deputy Chairman of the International Federation of Arts Councils and Cultural Agencies and Council Member of the International Standards Organisation. He is the current President of the EDB Society and a Fellow of the UK Chartered Management Institute, Chartered Institute of Marketing, and World Academy for Productivity Science and currently holds directorship appointments with several other private and public listed companies. Mr Lee was awarded the Public Administration (Gold) Medal in 1998, World SME Association Award in 2001, Japan External Trade Organisation Award in 2002 and Chevalier de l'Ordre des Arts et Lettres from France in 2010.

TAN WEE PENG KELVIN, 54
Independent Director

Mr Tan was appointed Independent Director of the Company on 25 June 2009. He has more than 20 years of professional experience including senior management positions at AETOS Security Management, PSA International, and Temasek Holdings, the last being the Managing Director of its Private Equity Funds Investment Unit. He was a consultant advising companies investing in China, and also served with the Singapore Police Force. Mr Tan is an Adjunct Associate Professor with the NUS Business School. A Local Merit Scholar (Police Service), Mr Tan holds a Bachelor in Accountancy (First Class Honours) and a Master in Business Administration from the National University of Singapore. He also attended the Programme for Management Development at Harvard Business School. Mr Tan currently holds directorship appointments and advisory positions with several other private and public-listed companies.

Board Members

PHUA SIOK GEK CYNTHIA, 60
Independent Director

Ms Phua was appointed as Independent Director of the Company on 1 June 2015. Ms Phua has over 30 years of experience in the real estate industry having held the position of Executive Vice President of Singbridge Corporate Pte Ltd, Executive Director of Retail Services in Knight Frank Pte Ltd, General Manager of the Real Estate Unit in NTUC FairPrice, Managing Director of SLF Management Services Pte Ltd and CEO of Bishan-Toa Payoh Town Council. Cynthia was involved in the overseas projects in Singbridge and in Knight Frank. At FairPrice, Cynthia headed the company's real estate investment, development, sourcing and management of the retail spaces. Under Cynthia's leadership, FairPrice and Cheers expanded their footprint in Singapore from 103 to over 254 outlets island-wide. Between 2001 and 2011 Cynthia was also an elected Member of Parliament in the Aljunied Group Representation Constituency and Chairman of Aljunied Town Council. Cynthia holds a B. Sc (Estate Management) Honors from the National University of Singapore. She also attended the Advanced Management Programme in Harvard Business School. Cynthia currently is a management consultant and holds directorship and advisory appointments in other charitable and social organisations.

Executive Management

LAW REN KAI KENNETH, 35
Chief Financial Officer

Mr Law was appointed Chief Financial Officer in April 2016. Mr Law previously held the position of Group Financial Controller when he joined the Group in April 2015. Mr Law began his career in a professional service firm in London before joining a Big 4 accounting firm providing assurance services to public listed companies and multinational clients in various industries including healthcare, manufacturing, property development and banking. He was also involved in corporate exercises in relation to fund raising during his assurance tenure. He subsequently had a stint in an SME company as CFO and was responsible for the corporate affairs and finance function of the company. Mr Law holds a Bachelor of Science (Honours) degree in Accounting and Finance from the London School of Economics and Political Science and is an associate of the Institute of Chartered Accountants in England and Wales and associate member of the Institute of Singapore Chartered Accountants.

RAYMOND GOH TIAN CHOO, 41
Group General Manager, Viking Airtech Pte Ltd

Raymond Goh joined Viking Airtech Pte Ltd in 2002 and was appointed as Group General Manager since September 2018. Since joining, Raymond has been responsible for sales, marketing, tender, and procurement. Having spending 18 years working in the marine & offshore industry, Raymond's insights on the markets was instrumental in securing a number of large and complex onshore, offshore & marine projects in Singapore and abroad. Raymond also played an important role in setting up the operations of Viking Airtech in Malaysia, Indonesia, and Vietnam. Raymond holds a Masters in Business Administration from University of Adelaide, and has working experience at shipyards before joining Viking Airtech.

ANDY LIM, 61
Chairman and Executive Director

LOW JOOI KOK, 54
Executive Director

NG YEAU CHONG, 52
Chief Executive Officer and Executive Director

Corporate Information

COMPANY REGISTRATION

Viking Offshore and Marine Limited
(listed on the Singapore Exchange)
Registration: 199307300M

REGISTERED OFFICE

Viking Offshore and Marine Limited
21 Kian Teck Road
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Tel: (65) 6601 9500
Fax: (65) 6601 9600
Email: info@vikingom.com
Website: www.vikingom.com

BANKERS

United Overseas Bank Limited
Overseas-Chinese Banking Corporation Limited
Malayan Banking Berhad
Standard Chartered Bank
Australia and New Zealand Banking Group Limited
RHB Bank Berhad
Hong Leong Finance Limited

AUDITOR

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower Level 18
Singapore 048583
Partner-In-Charge:
Yee Woon Yim
(wef financial year ended 31 December 2018)

COMPANY'S SPONSOR

CIMB Bank Berhad
Singapore Branch
50 Raffles Place #09-01
Singapore Land Tower
Singapore 048623
Tel: (65) 6337 5115
Contact Person: Ken Lee

SHARE REGISTRAR & SHARE TRANSFER OFFICE

M&C Services Pte Ltd
112 Robinson Road #05-01
Singapore 068902

BOARD OF DIRECTORS

Andy Lim
Chairman and Executive Director

Ng Yeau Chong
Chief Executive Officer and Executive Director

Low Jooi Kok
Executive Director

Lee Suan Hiang
Lead Independent Director

Tan Wee Peng Kelvin
Independent Director

Phua Siok Gek Cynthia
Independent Director

AUDIT COMMITTEE

Tan Wee Peng Kelvin (Chairman)
Lee Suan Hiang
Phua Siok Gek Cynthia

NOMINATING COMMITTEE

Lee Suan Hiang (Chairman)
Tan Wee Peng Kelvin
Phua Siok Gek Cynthia

REMUNERATION COMMITTEE

Phua Siok Gek Cynthia (Chairwoman)
Tan Wee Peng Kelvin
Lee Suan Hiang

ADVISORS

Bo Johansson
Ong Choo Guan

COMPANY SECRETARY

Lin Moi Heyang
Lotus Isabella Lim Mei Hua

Financial Review

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Proxy Form

INTRODUCTION

Viking Offshore and Marine Limited ("VOM" or the "Company" or the "Group") is firmly committed to observing and maintaining high standards of corporate governance in compliance with the principles and guidelines set out in the Code of Corporate Governance 2012 ("Code"). The Company believes that its corporate conduct and growth must be supported by well-defined policies, transparent and consistent processes, a system of stringent internal checks and controls, and accountability.

Guided by the Code, VOM adheres and applies them in both substance and form, and continually seeks to modify, improve and keep current to its ever-changing business dynamics. The Company believes that only in doing so, Shareholders' interests are safeguarded, and the Company is better able to deliver its long-term strategic commitments of maximising Shareholder value and returns.

To attain this aim, our well-diversified and qualified Board Members work closely with our experienced Management personnel, drawing upon close adherence to the principles and guidelines prescribed in the Code, and other applicable rules and regulations.

This Report sets out our corporate governance framework and practices with specific reference to guidelines set out in the Code.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board sets the benchmark and is responsible for VOM's corporate governance standards and policies. Its leadership responsibilities entail oversight on the Group's business performance and operating and financial affairs, providing entrepreneurial leadership, setting its strategic direction and performance objectives, and setting long term goals for VOM and high standards of corporate governance. Specifically, the principal functions of the Board are to:

1. Approve the corporate direction and strategy of the Company and monitor the performance of the Management;

2. Approve the nomination of Directors and appointment of key managerial personnel;

3. Approve the annual budget, major funding proposals and investment proposals, and ensuring the necessary financial and human resources are in place for the Company to meet its objectives;

4. Establish a framework of prudent and effective controls which enables risks to be properly assessed and managed, including safeguarding of Shareholders' interests and Company's assets;

5. Identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

6. Review the financial performance and necessary reporting compliance;

7 Set Company values and standards (including ethical standards) and ensure that obligations to Shareholders and other stakeholders are understood and met;

8. Assume responsibility for corporate governance; and

9. Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Besides the formal Board meetings, the Directors also speak on specific subjects. During the year, the Directors consulted one another several times with respect to the Group's business plans.

The key roles of the Board are:

1. Mr Andy Lim, Chairman and Executive Director
2. Mr Low Jooi Kok, Chief Executive Officer and Executive Director
3. Mr Ng Yeau Chong, Executive Director
4. Mr Lee Suan Hiang, Lead Independent Director
5. Mr Kelvin Tan Wee Peng, Independent Director
6. Ms Cynthia Phua Siok Gek, Independent Director

Delegation of Authority on certain Board Matters

To assist the Board to effectively discharge its oversight duties and functions, it delegates specific areas of responsibilities, without abdicating its responsibilities, to three Board Committees namely; the Audit Committee, the Nominating Committee, and the Remuneration Committee, each of which is governed by clear terms of reference which have been approved by the Board. Minutes of all Board Committee meetings are circulated to Board members so that they are kept abreast of proceedings and matters discussed at such meetings. To address and manage possible conflicts of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures including requiring such Directors to refrain from participating in meetings or discussions (or relevant segments thereof), in addition to abstaining from voting, on any matter in which they are so interested or conflicted.

The Board has delegated the day-to-day operations to the Management while reserving key matters for Board approval. Key functions include approving the consolidated financial statements for the Group, conflict of interest checks for Directors, disposal of assets, strategic planning and material acquisitions, share issuances, dividends, and matters which require Board approval as specified under the Company's Interested Person Transaction Policy.

The Board's approval is required for transactions or matters such as major investments, corporate restructuring, mergers and acquisitions, material acquisitions or disposal of assets, the release of the Group's financial results announcements, interested person transactions of a material nature and declaration of dividends.

Management had conducted briefings and orientation programmes to familiarise newly appointed Directors and existing

Directors with the various businesses, operations and processes of the Group.

Meetings of the Board and Board Committees

The Board convenes regularly for scheduled meetings and any ad-hoc meetings are arranged when required; to review the key activities, financial performance, business plans, corporate strategies, potential acquisitions and divestments, and significant operational and/or management matters of the Group. During Board meetings, the Directors actively participate, discuss, deliberate and appraise the matters requiring its attention and decision. If Directors are unable to attend Board meetings physically, such meetings may be conducted via telephone, video conference or any other form of electronic or instantaneous communications.

The Directors are given direct and full access to the Management team of the Group's three main subsidiaries through attendances at formal Board Meetings as well as ad-hoc meetings during the year.

The number of Board meetings and Board Committee meetings held during the financial year ended 31 December 2018 and the attendance of Directors at these meetings are as follows:

Attendance of Board Members	Board	Audit Committee	Nominating Committee	Remuneration Committee
No of Meetings	4	4	1	1
Mr Andy Lim	4	N/A	N/A	N/A
Mr Low Jooi Kok	4	N/A	N/A	N/A
Mr Ng Yeau Chong	4	N/A	N/A	N/A
Mr Lee Suan Hiang	4	4	1	1
Mr Kelvin Tan Wee Peng	4	4	1	1
Ms Cynthia Phua Siok Gek	4	4	1	N/A

Upon appointment, each new Director is put through an orientation program to familiarise new Directors with the Group's business activities, strategic directions, policies, major impending projects as well as corporate governance practices of the Group. In addition, new Directors are also encouraged to attend the relevant courses and programs from the Singapore Institute of Directors ("SID") to be acquainted with the role and responsibilities of a Director in the context of a listed company.

Directors are continually and regularly updated on the Group's businesses and the regulatory and industry-specific environments in which the entities of the Group operate. Updates on relevant legal, regulatory and accounting developments may be in writing or disseminated by way of briefings or presentations. In addition, the Audit Committee Chairman will regularly keep the Board abreast of changes and development within the accounting and financial reporting areas. During the year, briefings were also conducted for the Board and some Directors also attended external briefings on the Director's disclosure obligations, recent developments in the laws on insider trading, and the proposed changes to Code by the regulators. The Company also encourages the Directors to be members of the SID, and for them to receive regular journal updates and training from SID to stay abreast and be apprised of developments in financial, legal, regulatory requirements, and the business environment.

Principle 2: Board Composition and Guidance

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

The Board comprises six members, with Independent Directors comprising half of the composition of the Board. The Company conducts an annual review of the size and composition of the Board to ensure that both aspects continue to meet the needs of the Group in managing the businesses as well as maintaining a strong independent element within the composition of the Board. The Board will continuously review this with a view to enhance corporate governance practices in tandem to proposed changes to the Code.

The Nominating Committee is of the view that the current size and composition is appropriate and conducive to the scope and nature of the Group's business, and for facilitating effective exchanges and decision making. The Board proactively seeks to maintain a balanced mix of experiences, competences, and attributes among the Directors, and this is reflected in the diversity of the Board composition in terms of background and competencies. Such experiences and competencies include finance and accounting, sales and marketing, strategic planning, investment management, relevant industry knowledge, entrepreneurial and management experience, familiarity with regulatory requirements and risk management. The Management is provided with full and direct access to the Board which also actively provides guidance and a broad range of views and perspectives.

There exists active participation and engagement among the Directors in often dynamic and stimulating exchanges of views and opinions at both the Committee and Board meetings. The Directors make decisions using their collective wisdom and exercise their individual opinions whilst at all times acting in the best interest of the Group. No individual or group within the Board dominates or is able to dominate the discussion process and decision making. The Non-Executive Directors also meet regularly without Management's presence to discuss matters such as the Board's effectiveness and Management's performance. As and when required, the Non-Executive Directors are also invited to participate to review and deliberate with Management on the Group's business culture, plans and long-term strategies.

On an annual basis, the Directors are each required to provide information on their current shareholding interests, areas of conflicts (if any), Directorship in other companies; and declare their independence (for Independent Directors) and time commitment towards discharging of their responsibilities. The Nominating Committee will determine the independence of each Director based on the definitions and guidelines of independence set out in the Code. In respect of the financial year ended 31 December 2018, the Nominating Committee is satisfied with the independent status of the Independent Directors and the independent element on the Board is maintained.

The duties and responsibilities of the Executive Directors are clearly set out in their service agreements. The Company has an on-going budget for all Directors to receive relevant training. Board members are encouraged to attend seminars and receive training in connection with their duties as Directors in areas such as accounting and legal knowledge, particularly on latest developments to relevant laws, regulations, accounting standards and changing commercial risks to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities at the top of the Company – the working of the Board and the executive responsibility of the Company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Chairman and the Chief Executive Officer ("CEO") positions are held by separate individuals. This is so that an appropriate balance of power and authority, with clear divisions of responsibilities and accountability, can be attained. This segregation of roles also facilitates a healthy, open exchange of views and opinions between the Board and Management in their deliberation of the business, strategic plans and key activities of the Company. The Chairman is not related to the CEO.

The Chairman bears the primary responsibility for the workings of the Board, ensuring its effective function, sets its agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues. He promotes a culture of openness and debate at the Board. He also ensures that the Board meetings, are held whenever necessary; the Directors receive accurate, clear and timely information, encourages constructive relations between Management and the Board, as well as between Executive and Independent Directors and facilitates the effective contribution of Independent Directors; and ensures effective communication with Shareholders. The Chairman also plays an instrumental role in charting corporate directions and strategies, developing business for the Group and providing the Group with strong leadership and vision. He is responsible for promoting high standards of corporate governance.

The CEO is primarily responsible for the day-to-day management of the operations and performance of the Group; and reports to the Board on the Group's operations and performance. He has overall responsibility for the organisational effectiveness and the implementation of policies and decisions of the Board. The CEO works closely with the Chairman on formulating the Group's operational strategies and matters to be tabled at the Board level.

The presence of a strong, independent and active participation of the Independent Directors ensures the proper functioning of the Board and good check and balance. All major decisions made by the Chairman and CEO are reviewed by the Audit Committee. Their performance and appointment to the Board is reviewed by the Nominating Committee and their remuneration packages are reviewed by the Remuneration Committee periodically. As such, the Board believes that there are adequate safety measures in place against an uneven concentration of power and authority, and the Chairman and CEO do not have unfettered powers of decisions.

Mr Lee Suan Hiang, as the Lead Independent Director, coordinates and leads the Independent Directors in providing a non-executive perspective and contributing to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the Independent Directors and the Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Chairman and CEO or Chief Financial Officer ("CFO") has failed to resolve or is inappropriate.

The Lead Independent Director may call for meetings of Independent Directors from time to time without the presence of other Directors and provide feedback to the Chairman after such meetings.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

Nominating Committee

All the members of this Committee, including the Chairman, are independent Non-Executive Directors. The Nominating

Committee ("NC") comprises:

1.	Mr Lee Suan Hiang	Lead Independent Director	Chairman
2.	Mr Kelvin Tan Wee Peng	Independent Director	Member
3.	Ms Cynthia Phua Siok Gek	Independent Director	Member

The NC is guided by the Terms of Reference approved by the Board and set out the duties and responsibilities of this committee. The NC's principal functions are to:

1. Establish procedures for and make recommendations to the Board on all Board and Committees appointments;

2. Determine orientation programs for new Directors, and recommend opportunities for the continued training and professional development of the Directors;

3. Review and make recommendations to the Board for the re-nomination of Directors, taking into consideration the individual Director's competencies, commitment, contribution and performance, such as his attendance at meetings of the Board and/or Board committees, participation, candour and any special contribution. The NC is able to determine if a Director has adequately and is able to continue carrying out his/her duties as a Director of the Company. Internal guidelines have been set in place to address the competing time commitments faced when Directors serve on multiple boards;

4. Assess a Director's independence annually, bearing in mind the relevant provisions of the Code and all other salient factors;

5. Review the size and composition of the Board with the objective of achieving a balanced Board with a proper mix of experience and expertise and progressive renewal of the Board;

6. Recommend to the Board the performance criteria and processes for appraisals to be used for the evaluation of individual Directors, as well as the effectiveness of the Board as a whole; the criteria and processes are subject to the Board's approval;

7. Review the appointment of relatives of Directors and/or Substantial Shareholders to managerial positions; and

8. Review of board succession plans for Directors, in particular, the Chairman and the CEO.

In its annual review, the NC evaluates and affirms the independent status of the Directors having considered the guidelines set out in the Code. The NC has confirmed the status of the Non-Executive Directors of the Company as follows:

1.	Mr Lee Suan Hiang	Independent
2.	Mr Kelvin Tan Wee Peng	Independent
3.	Ms Cynthia Phua Siok Gek	Independent

Guideline 2.4 of the Code requires that the independence of any Director who has served on the Board beyond nine years, from the date of first appointment be subject to particularly rigorous review. Mr Kelvin Tan Wee Peng, who was appointed as an Independent Director on 25 June 2009, would have served on the Board for more than nine years. The Board is of the view that Mr Tan has demonstrated strong independent character and judgement over the years in discharging his duty and responsibility as Independent Director of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. He has expressed his viewpoint, debated issues and objectively scrutinised Management. He has sought clarification and amplification as he deemed necessary, including through direct access to the Management. Taking into account the above, and also having weighed the need for the Board's refreshment against tenure for relative benefit, the Board has recommended that Mr Tan continue to be considered as Independent Director.

Although some of the Directors have multiple Board memberships, the NC has considered and is satisfied that each of them is able to and has adequately carried out his duties as a Director of the Company. As time requirements of each director are subjective, the NC has decided not to fix a maximum limit on the number of Directorships a Director can hold. The NC considers that the multiple board representations held presently by its Directors do not impede their respective performance in carrying out their duties to the Company.

The Company's Constitution ("Constitution") provides that at least one-third of its Directors shall retire from office and are subject to re-election at every Annual General Meeting ("AGM"). All Directors are required to retire from office at least once every three years. The NC is satisfied that the Directors who are retiring in accordance with the Constitution at the forthcoming AGM are properly qualified for re-appointment by virtue of their skills, experience and contribution. Newly appointed Directors must also submit themselves for retirement and re-election at the next AGM immediately following their appointment. The Shareholders approve the appointment or re-appointment of Board members at the AGM.

Description of Nominating Process of New Directors

The search and nomination process for new Directors involves a review of the existing size and composition of the Board. In such reviews, the NC endeavours to ensure that the size of the Board is adequate and not unwieldy to interfere with efficiency in decision-making; and the composition of the Board is appropriately diverse with views and opinions for discussion and decision-making. The NC considers factors such as the ability of the potential candidate to contribute to discussions, deliberations and activities of the Board. In addition, the relevant experience, qualification, competence and attributes of the prospective candidates are evaluated in considering their appointment to the Board. In doing so, where necessary and appropriate, the NC may rely on its networking contacts and/or recommendations from fellow Board members to assist with identifying and short listing of candidates.

Key Information regarding Directors

Key information of the Board members is set out in the "Board of Directors" section of this Annual Report. Additional disclosure of information on Directors seeking re-election is set out on page 150 of this annual report.

Principle 5: Board Performance

There should be formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The Board has established and implemented a formal process for assessing the effectiveness of the Board collectively and individually as well as its board committees. Annually, the NC will lead the Board effectiveness review through an open face-to-face meeting where each predetermined attribute and criteria is discussed and challenged rigorously to reach a consensus on the assessment. Each of the attributes will be scored and instances are cited to demonstrate and substantiate against each attribute score as evidential support. Quantitative and qualitative factors are considered in developing the attributes which include areas of evaluation with respect to Board functions, Board meetings, Board structure and communication. In addition, the Board is also measured on its effectiveness in formulating strategic plans for the Management and monitoring the progress and performance against the set objectives. The Board committees are also evaluated for their effectiveness against their respective terms of reference.

When considering the re-appointment of any Director, the NC evaluates the performance of the Director, with the aim of determining the Director's ability to continue to contribute effectively and demonstrate commitment to the role. This assessment will be done on an annual basis. The criteria adopted in the assessment includes whether the Director will continue to demonstrate commitment to the role (including commitment of time for Board and Committee meetings, intensity of participation at meetings and special contributions).

Principle 6: Access to Information

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

In order for the Board to make an informed decision and to facilitate meaningful deliberated discussions during meetings of the Board and Board Committees, Management provides the Board with adequate and timely information on matters which require the Board's decision or approval, or which the Board should have knowledge of. These include reports relating to the financial and operational performance of the Company, which are circulated to the Board prior to its meetings. Information provided also include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained. For decisions and/or resolutions required on major business plans, the Management provides the Board with detailed Board papers, specifying relevant information and justifications for each proposal for which the Board approval is sought. Such information include relevant historical financial information coupled with future forecasts, opportunities and risk analyses, mitigation plans, and other key integral commercial issues requiring the Board to focus on.

The Board receives from Senior Management quarterly management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects. Besides the provision of such information to the Board, Senior Management also conducts presentations to discuss the information and encourage active exchanges of views and sharing. Monthly meetings are held whereby the Senior Management will review monthly performance and associated results. Directors are given separate and independent access to the Company's key management personnel to address any enquiries. Directors are also entitled to request from Management and are provided such additional information as needed in a timely manner to make informed decisions.

Attendance of Senior Management is also required at Board meetings to discuss business units' performances and outlook, challenges, future key business initiatives, and provide additional insights into matters being discussed or respond to queries arising out of these meetings. In addition to Board meetings, the Board also has separate, independent and direct access to the Company's Executive Management team and the Company Secretary. The Audit Committee members are also provided uninterrupted access to the Company's Corporate Sponsor, External and Internal Auditors.

The Company Secretary, and/or her representatives, attends all Board meetings, ensures that Board procedures are complied with, and provides guidance on corporate governance, and on legal and statutory compliance. Under the direction of the Chairman, the Company Secretary ensures that Board procedures and applicable rules and regulations are complied with. The minutes of all Board meetings are circulated to the Board for review. The Directors have separate and independent access to the Company Secretary. The Board reviews and determines the appointment and removal of the Company Secretary. The Directors, whether collectively or individually, may, at the expense of the Company, seek and obtain independent professional advice necessary to discharge their duties effectively.

REMUNERATION MATTERS

Principle 7: Policy for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

Remuneration Committee

There is a formal and transparent procedure in place for developing policy on executive remuneration and for fixing the remuneration packages of each Director. Directors are not involved in deciding their own remuneration. The Remuneration Committee ("RC") comprises entirely of Independent Directors. The RC also provides oversight on Executive Management's remuneration packages and policy framework. The RC comprises of the following members:

1.	Ms Cynthia Phua Siok Gek	Independent Director	Chairwoman
2.	Mr Lee Suan Hiang	Lead Independent Director	Member
3.	Mr Kelvin Tan Wee Peng	Independent Director	Member

The principal duties and responsibilities of the RC are to:

a. Recommend for the entire Board's approval an appropriate framework for remuneration (including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind), and specific remuneration packages, of the Board and Senior Management to ensure that it is competitive and sufficient to attract, retain and motivate personnel of the required quality;

b. Determine the policy for establishing the remuneration packages for Executive Directors and the CEO (or equivalent) and review the service contracts of such employees;

c. Review the performance of Senior Management to enable the committee to determine their annual remuneration, bonus rewards, etc;

d. Ensure accountability and transparency in the Company's policies and procedures when determining the remuneration of the Directors and Senior Management; and

e. Review all matters concerning the remuneration of Non-Executive Directors to ensure that the remuneration is commensurate with the contribution and responsibilities of the Directors.

The RC reviews the performance objectives (including weightage between quantitative financial performance figures as well as qualitative business development and management attributes). Directors' fees are set according to remuneration framework. All Independent Directors are paid Directors' fees, subject to approval at the AGM.

The RC may, from time to time, and where necessary or required, seek advice from external consultants in designing the remuneration framework and policies, and fixing the remuneration packages of individual Directors and Executive Management of the Company. This is to ensure that competitive compensation and progressive policies, with appropriate mix of short and long term incentives, are in place to attract, retain and motivate competent and committed Management.

In 2018, no external advice was sought.

Principle 8: Level and Mix of Remuneration

The level of remuneration should be aligned with the long-term interest and risk policies of the Company appropriate to attract, retain and motivate the Directors needed to run the Company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In making its recommendations to the Board on the level and mix of remuneration, the Remuneration Committee seeks to be competitive in order to attract, motivate and retain high-performing executives to drive the Group's businesses whilst operating within the Group's risk parameters, so as to maximise long-term Shareholder value. In its deliberation of remuneration level and mix, the RC takes into consideration industry practices and benchmarks against relevant industry players as well as comparable positional responsibilities to ensure that its remuneration practices are competitive. The Company adopts a performance-driven and meritocratic approach to compensation, with rewards linked to individual and corporate performance to align interests of Management with those of Shareholders and promote the long-term success of the Company. Such performance-related remuneration should take into account the risk policies of the Company, be symmetric with risk outcomes and be sensitive to the time horizon of risks.

The Company's remuneration framework comprises a fixed component in the form of a basic salary, a variable component linked to the performance of the individual and the Company, and a long-term incentive. The Executive Director's and Executive Management's service contract is for a fixed period (average and mostly on a 3-year term) which is not excessively long. It also does not contain onerous removal clauses.

The Board is satisfied that there are adequate safeguards in the control and governance framework to ensure the Executive Directors and key management personnel uphold a high standard of integrity and conduct in the best interest of the Company. The Board also recognize the value of the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company, and will appropriately implement them in the next renewal or revision of their service contract.

Long Term Incentive Plans

The RC also administers the Company's share-based remuneration incentive plans; namely, the Viking Long Term Incentive Plan (the "VLTIP"), and the Viking Offshore and Marine Limited Share Option Scheme (the "VOM Scheme").

Through the VLTIP and VOM Scheme, the Company aims to foster a greater ownership culture within the Group by directly aligning the interests and rewards of key executives with the interest of the Shareholders, and to participate and share in the Group's growth and success.

Under the terms of the VOM Scheme and VLTIP, all employees of the Group companies are eligible to participate in the incentive scheme. The Company plans to use these incentive schemes towards the remuneration mix of Senior Management and Senior Executives. This will afford the Company greater flexibility and effectiveness in designing compensation packages in its efforts to attract, motivate and retain valued talented Senior Executives and to also reward them for the performance of the Company and that of the individual.

While the Company intends to use the VOM Scheme towards efforts to retain talented Senior Executives and Management, the VLTIP is geared towards motivating Senior Executives and Management towards achievement of target-based performance objectives. The VLTIP targets Senior Management in key positions who shoulder the responsibility of the Company's performance as well as influence the growth and performance of the Company through high performance. It also serves as motivation to key Senior Management in delivering high performance and aligning to enhancing longer-term Shareholder value.

Under the VLTIP, most of the grant of share award will be conditional upon the achievement of pre-determined and agreed performance targets for the year for the individuals or collective group of individuals. These share awards represent individual's right to receive fully-paid shares of the Company when and if their predetermined conditions have been met. The number of shares to be released will vary with the achievement level of the individual employee.

In using the VOM Scheme towards the retention of talented employees, the grant of options is made based on the retention value assessed on the individual on whom the options were granted. There are no predetermined performance targets on which the grant is conditional upon, these options are expected to vest after twelve (12) months and exercisable within sixty (60) months from date of grant.

The RC is of the opinion that the current share scheme, including the vesting period and exercise conditions is in line with the remuneration and incentive framework for the directors and key management personnel. The RC will evaluate the use of vesting schedules, whereby only a portion of the benefits can be exercised each year, as and when appropriate.

The directors and key management personnel are encouraged to keep their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.

The maximum number of Company's shares which can be released under the combined limits of both the VLTIP and VOM Scheme will not exceed ten percent (10%) of the issued share capital of the Company.

Details of employee share schemes which include, size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant and vesting schedule are disclosed in the Directors' Report and the notes to financial statements in this Annual Report.

Principle 9: Disclosure on Remuneration

Each Company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.

Remuneration of Directors and Key Management Personnel

Although the Code recommends full disclosure in aggregate to the nearest thousand dollars of the total remumeration paid to each individual Director and the CEO on a named basis, the Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of their remuneration due to the competitiveness of the industry for key talent.

The remuneration of Directors and Key Management Personnel (who are not also Directors) of the Group, is set out below:

Directors' Remuneration

Directors	Fee	Salary	Bonus	Allowance	Shares	Total
Less than $250,000						
Andy Lim	0%	100%	0%	0%	0%	100%
Low Jooi Kok	0%	100%	0%	0%	0%	100%
Ng Yeau Chong	0%	98%	0%	2%	0%	100%
Lee Suan Hiang	100%	0%	0%	0%	0%	100%
Kelvin Tan Wee Peng	100%	0%	0%	0%	0%	100%
Cynthia Phua Siok Gek	100%	0%	0%	0%	0%	100%

Top 3 Key Management Personnel's Remuneration

Key Management Personnel	Salary	Bonus	Allowance	Shares	Others	Total
Less than $250,000						
Law Ren Kai Kenneth	94%	0%	6%	0%	0%	100%
Raymond Goh (1)	95%	0%	4%	0%	1%	100%
Frederic Louis Serna (2)	97%	0%	3%	0%	0%	100%

(1) Raymond Goh was appointed as Group General Manager, Viking airtech Pte Ltd, since September 2018.
(2) Frederic Louis Serna resigned on September 2018.

The aggregate total remuneration for the top 3 (2017 – top 3) key management personnel (who are not Directors or CEO) approximate $0.41 million (2017 - $0.72 million) for the year ended 31 December 2018.

Save as disclosed above, there are no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds $50,000 during the year.

The Company did not grant any termination, retirement and post-employment benefits to the directors, the CEO and the rest of the key management personnel.

Directors' Fees

The remuneration of Independent Directors takes into account their level and quality of contribution and their respective responsibilities, including committees' appointment holder, attendance and time spent at Board and/or Committee meetings. Directors are paid basic and attendance fees for attending Board meetings. Independent Directors who serve on the respective Board Committees are paid additional basic and attendance fees for such services. Directors who assume Chairmanship appointment at the subsidiary level are paid an advisory fee by the subsidiary for performing such services. The Directors' fees are pro-rated according to their appointment and retirement date for the year, where applicable. No Director decides his own fees.

To ensure competitiveness, the Company conducts periodic reviews of Directors' remuneration to benchmark its Directors' fees against the amounts paid by other comparable listed companies. There is no change to the current fee structure.

It remains the practice of the Company to pay Directors' fees throughout the year during their respective tenure of service. In this regard, the Company will be seeking Shareholders' approval at the AGM of the Company, for the payment of Directors' fees proposed for the financial year ending 31 December 2018 amounting to $150,000 (2017: $150,000).

For better alignment with Shareholders' interest, Directors and key executives of the Company are encouraged to purchase the Company's shares from the open market and to hold such shares on a long term basis, subject to their compliance with applicable laws and regulations. Independent Directors may purchase and hold Company's shares provided their independence remain uncompromised during the period and at any point in time. All shareholdings of the Company's shares by Directors and key executives will be declared in a timely manner and fully disclosed in compliance with regulations and reporting requirements.

ACCOUNTABILITY AND AUDIT Principle 10: Accountability

The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Company prepares its financial statements in accordance with the Singapore Financial Reporting Standards ("FRS") prescribed by the Accounting Standards Council. Effective 1 January 2011, the Company disseminates quarterly, half-year and full-year financial results and other related material information of the Group to Shareholders via announcements to the SGX-ST and, where appropriate, press releases, and media and analyst briefings. In communicating and disseminating its results, the Company aims to present a balanced and clear assessment of the Group's performance, position and prospects. In addition, where appropriate and necessary, details on the Group's diverse business operations are also discussed to provide Shareholders and public with clarity and better understanding of its business portfolio.

The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements, including requirements pursuant to the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**"). Senior Management also provides all members of the Board with management accounts on a quarterly basis and such explanation and information as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

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

RISK MANAGEMENT

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. The Company has an Enterprise Risk Management Framework in place for the Group. The said Framework has been reviewed by the Audit Committee ("AC") and approved by the Board of Directors. The AC and the Management will continually assess the adequacy and effectiveness of the risk management framework and processes.

INTERNAL CONTROLS

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard Shareholders' interests and the Group's assets, and to manage risks. The Board recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Company's internal auditor conducts an annual review of the effectiveness of the Company's material internal control systems including financial, operational, compliance and information technology controls and risk assessment to ensure the adequacy thereof. In addition, an annual review is also conducted to ensure that safeguards, checks and balances are put in place to prevent any conflict of interest or any weakening of internal controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal auditor in this respect.

The Board has also received assurance from the CEO and the CFO that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (ii) the Company's risk management and internal control systems in place are effective.

Based on the internal controls established and maintained by the Group, works performed by external and internal auditors and actions taken by the management on the on-going review and continuing efforts at enhancing controls and processes, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 December 2018 to address financial, operational, compliance risks and information technology risks which the Group considers relevant and material to its operations.

Principle 12: Audit Committee

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

On behalf of the Board, AC undertakes the monitoring and review of the system of internal controls. Amongst others, the primary responsibilities are to assist the Board in providing oversight over the Company's performance in areas of internal controls, financial and accounting practices, operational and compliance controls, and corporate and financial risk management. Significant findings are reported to the Board and recommended remedial plans are implemented towards improving overall controls and risk management posture of the Company.

The AC is guided by the established Terms of Reference endorsed by the Board which sets out its duties and responsibilities. It is fully empowered to investigate any matter within the Terms of Reference, and has full access to and the cooperation of the Management, as well as the full discretion to invite any Director or executive officers of the Management to attend its meetings, or provide such information/documents as it may require, and assist in its investigation. The AC is kept abreast by the external auditors of changes to accounting standards, Catalist Rules and other regulations which could have an impact on the Group's business and financial statements.

The AC comprises the following Independent Directors:

1.	Mr Kelvin Tan Wee Peng	Independent Director	Chairman
2.	Mr Lee Suan Hiang	Lead Independent Director	Member
3.	Ms Cynthia Phua Siok Gek	Independent Director	Member

All the members of the AC, including the Chairman, are Independent Directors. The members of the AC possess the necessary and appropriate attributes and qualifications. Their individual and collective wealth of experience and expertise on accounting and financial management enables them to effectively carry out their duties and discharge their responsibilities competently. The Board is satisfied that the AC has reasonable resources and competencies to perform its functions and to provide effective oversight over the Group's internal controls and risk management.

The principal duties, responsibilities and activities of the AC are to:

1. Review the audit plans of the internal and external auditors of the Company and ensure the adequacy of the Group's system of accounting controls and the co-operation given by the Company's Management to the external and internal auditors;

2. Review the quarterly, half-yearly and annual financial statements and the auditors' report of the Group and the Company before submitting to the Board of Directors; such reviews will also include the review of the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Group's financial performance;

3. Review and report to the Board at least annually, with the management and the internal auditor the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems established by the Management;

4. Review the adequacy and effectiveness of the Group's internal audit function; including the audit plans for the year;

5. Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;

6. Review the cost effectiveness and the independence and objectivity of the external auditors;

7. Review the nature and extent of non-audit services provided by the external auditors;

8. Review the currency of the whistle-blowing policies and the reported incidents, including the appropriate investigations and ensuring appropriate follow-up actions, where necessary;

9. Make recommendations to the Board on the proposals to the Shareholders on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor; and

10. Review interested person transactions in accordance with the requirements of the Catalist Rules.

The AC also meets with internal and external auditors without the presence of the Management at at least once a year to obtain feedback on the competency and adequacy of the finance function and to ascertain if there is any material weakness in control effectiveness in the Group's financial reporting and operational systems. Besides scheduled meetings, the external auditors and the AC Chairman have direct and open access channels of communication.

The AC met the Management and the external auditors in November 2018 to discuss the FY2018 audit plans, during which significant financial reporting issues including identification of significant issues were discussed. These material issues included the appropriateness of going concern assumption, revenue recognition, impairment of trade and other receivables, impairment of intangible assets, impairment of investment in subsidiaries, impairment of investment in associates and impairment of finance lease receivables.

The AC reviewed the work performed by the Management and made enquiries relevant to the significant issues. In addition, the AC also reviewed and discussed the findings presented and related work performed by the external auditors. The AC was satisfied that these material issues have been properly addressed and appropriately adopted and disclosed in the financial statements.

The AC confirms that the Company and the Group complies with Listing Rule 712, 715 and 716 of the Catalist Rules.

The AC reviews and makes recommendations to the Board for approval by Shareholders, the appointment, re-appointment and removal of the Company's external auditors. It also reviews and approves the remuneration and terms of engagement of the external auditors. The AC also reviews the independence and objectivity of the external auditors annually. Having reviewed all non-audit services provided by the external auditors to the Group, the AC is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The amount paid and payable to external auditors for audit and non-audit services fees were $155,779 and $64,686 respectively, for the financial year under review.

The AC also conducts a review of Interested Person Transactions ("IPT") to ensure that there are no improper activities of the Company. The Company does not have any IPT that are entered into pursuant to Shareholders' mandate approved at the AGM. All other IPTs which are not subjected to any Shareholders' mandate are also reviewed by the AC and ensured the proper disclosures made. Accordingly, the AC is satisfied that all material IPTs which warrant disclosure or further discussion have been properly reviewed and announced, where applicable; and there are no improprieties in this area.

Code of Conduct

The Directors, officers and employees of the Company are required to observe, uphold and maintain high standards of integrity and propriety in carrying out their roles and responsibilities, and to comply with applicable laws and regulations as well as the Group's human resource and finance processes. Similarly, such behaviour and conduct is expected of our employees in their dealings with fellow employees, customers, suppliers and business associates.

The Company has in place a whistle-blowing framework where employees of the Company may raise concerns about possible corporate improprieties in matters of financial reporting or other matters in confidence. To ensure an independent investigation of such matters and appropriate follow-up action is taken, all Whistle-blowing reports are sent to the AC Chairman and/or members who are also Independent Directors. Details of Whistle-blowing policy and arrangements have been made available to all employees.

Principle 13: Internal Audit

The Company should establish an effective internal audit function that adequately sources and independent of the activities it audits.

The Board recognises that it is its responsibility to maintain a system of internal control processes to safeguard Shareholders' investments and the Group's business and assets. Periodic review and testing of the system of internal controls is an important exercise to ensure that the control mechanism in place is working in the intended manner for which it is designed for. While the importance of working internal controls cannot be discounted, the Board also recognised that the size of the Group may not warrant and it will not be a cost-effective or efficient solution to have an internal audit function and team within the organisational setup.

Accordingly, the Group will achieve the objective of an internal audit function through engaging an outside reputable professional accounting firm, BDO LLP to perform an internal audit on the business operations. The internal auditor meets or exceeds the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The scope of the internal audit as well as the terms of engagement is determined by the AC. The Internal Auditor has unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC. All such internal audit reports, including findings and recommendations, are communicated to the AC for review and concurrence, with the Management provided with similar report for implementation and follow-up actions. Key audit findings and recommendations are tabled for discussion at the AC meetings, and the timeliness and progress of implementing the corrective or improvement actions are measured and reported.

The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The AC reviews at least annually the internal audit report and approves the annual internal audit plans to ensure the adequacy and effectiveness of this alternate internal audit function. The AC will implement the changes when the Group's operations and size grows to a point whereby a staffed internal audit team will be required. Considering the above condition and solution, the AC and the Board is reasonably assured that the objective of an internal audit function can and is achieved through a balanced and measured manner. The AC has reviewed the internal audit plan and the reported audit findings for FY2017; and is satisfied that the internal audit functions have been adequately carried out.

SHAREHOLDER RIGHTS

Principle 14: Shareholder Rights

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

To facilitate Shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis. The Company recognises that the release of timely and relevant information is central to good corporate governance and enables Shareholders to make informed decisions in respect of their investments in the Company. All Shareholders are entitled to attend the AGM and are accorded the opportunity to participate effectively in the AGM. The Constitution allows a Shareholder to appoint up to two proxies to attend and vote in the Shareholders' place at the AGM.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Communication with Shareholders

Companies should actively engage their Shareholders and put in places an investor relations policy to promote regular, effective and fair communication with Shareholders.

The Company aims to provide fair, relevant, comprehensive and timely information regarding the Group's performance and progress, and other pertinent information to Shareholders and investment community to enable them to make informed investment decisions. The Board is mindful of its obligation to provide timely and fair disclosure of any material information in accordance with the Corporate Disclosure Policy of the Singapore Exchange.

Material price sensitive and other pertinent information of interest to these communities and the general public are communicated and/or made publicly available on a timely basis. Material information is simultaneously disseminated to the SGX-ST, and where relevant, the press and posted on the Company's website at www.vikingom.com. Results and Annual Report are announced or issued within the mandatory period and are available on the Company's website.

Contact details and channels of communications with Shareholders and public remain open and relevant information is duly updated and conveyed via the Company's websites and email channels.

The Group does not have a fixed dividend policy. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

Principle 16: Conduct of Shareholder Meetings

Companies should engage greater Shareholder participation at general meetings of Shareholders, and allow Shareholders the opportunity to communicate their views on various matters affecting the Company.

The Board welcomes the view of Shareholders on matters affecting the Company, whether at Shareholders' meetings or on an *ad hoc* basis. The Board encourages active Shareholder participation in general Shareholders meetings, including AGMs and EGMs. It believes that general meetings are an opportune forum and suitable platform for Shareholders and the Board and Management of the Company to engage in active exchange of ideas. In addition, the Company holds such Shareholders' meetings onsite at its premises in order to provide Shareholders with greater opportunity to understand and appreciate the Company's business operations.

The Company sends its Annual Report and Notice of AGM to all Shareholders. The Notice will also be published in either The Straits Times or The Business Times newspapers and will be made available on SGXNET and the Company website.

The Company provides for separate resolutions at general meetings on each distinct issue. All the resolutions at the general meetings are single item resolutions. Detailed information on each item in the AGM agenda is in the explanatory notes to the AGM Notice in the Annual Report.

At its AGM, Shareholders have the opportunity to raise questions to the Board and Senior Management, and clarify with them any issues they may have relating to the resolutions to be passed. Board members and Senior Management are required to attend Shareholders' meetings and are on hand to address any questions raised. The Company's external auditors are also present to address Shareholders' queries on the conduct of audit and the preparation and content of the auditors' report, where necessary and appropriate.

The Company Secretary or her representative prepares minutes of Shareholders' meetings which captures the essence of the comments and queries from Shareholders and responses to them from the Board and management.

The Company conducts the voting for all the resolutions by poll at all the forthcoming AGM and EGMs for greater transparency in the voting process.

DEALINGS IN SECURITIES

Listing Rule 1204 sub-Rule (19) of the Catalist Rules

In line with Listing Rule 1204(19) of the Catalist Rules regarding the Dealings in Securities, the Company issues a quarterly circular to its Directors, officers and employees reminding them of the restrictions on dealings in listed securities of the Group during the period commencing (i) two weeks before the announcement of quarterly results and (ii) one month before announcement of full-year results, and ending on the date of such announcements. Directors, officers and employees are also directed to refrain from dealing in listed securities of the Group at any time they are in possession of unpublished price sensitive information, or on short-term considerations.

MATERIAL CONTRACTS

Save for those disclosed under the section "Interested Person Transactions", there were no material contracts entered into by the Company and its subsidiaries involving the interests of its CEO, Directors or Controlling Shareholders.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions.

The AC and the Board reviews all transactions conducted with interested person to satisfy themselves that transactions are carried out at arm's length and under normal commercial terms, and the terms of the transactions are not prejudicial to the interests of the Company or its minority Shareholders.

The Company does not have any prior Shareholders' mandate pursuant to Listing Rule 920 of the Catalist Rules. There were IPTs conducted during the financial year with the details of these IPTs set out as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year (excluding transactions less than $100,000 and transactions conducted under Shareholders' mandate pursuant to Listing Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Listing Rule 920 of the Catalist Rules (excluding transactions less than $100,000)
Mr Andy Lim (Chairman and Executive Director, and Controlling Shareholder)	1,568,601	There are no Shareholders' mandate pursuant to Listing Rule 920 of the Catalist Rules

Note:

1. The above IPT relates mainly to financial assistance provided by companies which are controlled by Mr Andy Lim to the Company's subsidiaries in support of funding requirements for specific transactions and purposes.

2. Viking LR2 Pte Ltd (the "LR2"), a wholly-owned subsidiary of Viking Asset Management Pte Ltd which in turn is wholly-owned by Viking Offshore and Marine Limited, entered into a loan agreement with Tembusu Growth Fund II Ltd ("Tembusu") whereby Tembusu will grant a 2-year term loan to LR2 up to an aggregate amount of S$6 million. Mr Andy Lim is the Chairman and Executive Director of the Company, and the Controlling Shareholder of the Company. He is also a director and shareholder of Tembusu Partners Pte Ltd (being the investment vehicle and fund manager of Tembusu). Accordingly, the Company is of the view that Tembusu should be deemed an associate of Mr Andy Lim and thus an "interested person" for the purposes of Chapter 9 of the Catalist Rules. The interest on the loan shall be at the rate of 5% per annum and payable every 6-monthly period. LR2 shall repay the loan in full after 24 months from the First Drawdown Date (the "Maturity Date") by way of paying to Tembusu such amount representing an internal rate of return of 15% per annum on the loan (less all interest which have been paid prior to the Maturity Date). The Maturity Date was extended for 6 months to June 2017 on similar terms and subsequently a portion of the loan amounting to $4 million was agreed to be extended to April 2018. As at 11 December 2018, the loan remains outstanding. The loan is secured via a corporate guarantee provided by Viking Offshore and Marine Limited.

SPONSOR

No fees relating to non-sponsorship activities or services were paid to the Company's Sponsor for the financial year ended 31 December 2018.

Directors' Statement

The directors hereby present their statement to the members together with the audited consolidated financial statements of Viking Offshore and Marine Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, based on the factors as described in Note 2.1 to the financial statements, there are reasonable grounds to believe that the Company will be able to restructure its debts and subsequently pay as and when they fall due.

2. Directors

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

Lim Andy
Low Jooi Kok
Ng Yeau Chong
Lee Suan Hiang
Tan Wee Peng Kelvin
Phua Siok Gek, Cynthia

3. Arrangements to enable directors to acquire shares, debentures and warrants

Except as described in the paragraph below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares, debentures or warrants of the Company or any other body corporate.

4. Directors' interests in shares, debentures and warrants

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct Interest			**Deemed Interest**		
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At 21 January 2019**	**At the beginning of financial year**	**At the end of financial year**	**At 21 January 2019**
Ordinary shares of the Company						
Lim Andy	243,643,120	243,643,120	243,643,120	29,400,000	29,400,000	29,400,000
Low Jooi Kok	1,700,000	1,700,000	1,700,000	–	–	–
Lee Suan Hiang	3,570,000	3,570,000	3,570,000	–	–	–
Ng Yeau Chong	–	1,540,000	1,540,000	–	–	–
Tan Wee Peng Kelvin	2,000,000	2,000,000	2,000,000	–	–	–
Share options of the Company						
Lim Andy	–	–	–	–	–	–
Low Jooi Kok	–	–	–	–	–	–
Lee Suan Hiang	–	–	–	–	–	–
Tan Wee Peng Kelvin	–	–	–	–	–	–
Warrants						
Lim Andy	66,252,760	34,806,160	34,806,160	8,103,389	8,103,389	8,103,389
Lee Suan Hiang	956,101	510,000	510,000	–	–	–
Tan Wee Peng Kelvin	548,050	325,000	325,000	–	–	–
Low Jooi Kok	275,000	275,000	275,000	–	–	–
Ng Yeau Chong	-	220,000	220,000	–	–	–

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

5. Options

The Company does not currently have an Employees' Share Option Scheme. The previous scheme has lapsed on 7 June 2017 and has since been discontinued.

6. Viking Long Term Incentive Plan

The Viking Long Term Incentive Plan (the "VLTIP") was approved by the shareholders at an extraordinary general meeting held on 15 December 2011 and is administered by the Committee. Persons eligible to participate in the VLTIP are selected by Group Employees (including Group Executive Directors) and Group Non-Executive Directors at the absolute discretion of the Committee.

The awards under the VLTIP (the "Awards") give the right to a participant to receive fully-paid ordinary shares free of charge, upon the participant achieving the prescribed performance targets and upon expiry of the prescribed vesting period.

The performance targets to be set shall take into account both the medium-term to long-term corporate objectives of the Group and the individual performance of the participant and will be aimed at sustaining long-term growth. The corporate objectives shall cover market competitiveness, business growth and productivity growth. In addition, the participant's length of service with the Group, achievement of past performance targets, value-add to the Group's performance and development and overall enhancement to shareholder value, amongst others, will be taken into account.

No Awards were granted during the financial year.

7. Warrants

At the end of the financial year, details of the outstanding warrants are as follows:

Date of issue	Warrants outstanding at 1.1.2018	Warrants issued	Warrants exercised	Warrants expired	Warrants outstanding at 31.12.2018	Date of expiration
26.04.2013	132,840,897	–	–	(132,840,897)	–	25.04.2018
3.07.2017	97,491,109	–	–	–	97,491,109	2.07.2022

7. Warrants (con't)

On 26 April 2013, the Company allotted and issued 119,114,466 new ordinary shares ("Rights Shares 1") at an issue price of $0.08 for each Rights Share 1 and 119,114,466 free detachable warrants ("Warrants 1") pursuant to a renounceable and partially underwritten rights issue. Each Warrant 1 carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of $0.138 for each new ordinary share and is exercisable during a five year period from the date of issue. Warrant 1 was expired during the current financial year.

On 3 July 2017, the Company allotted and issued 194,982,219 new ordinary shares ("Right Shares 2") at an issue price of $0.018 for each Right Share 2, 13,727,831 additional Warrants 1 and 97,491,109 free detachable warrants ("Warrants 2") pursuant to a renounceable and non-underwritten right cum warrants issue. Each Warrant 2 carries the right to subscribe for two new ordinary share in the capital of the Company at an exercise price of $0.025 for each new ordinary share and is exercisable during a five year period from the date of issue.

8. Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Review the audit plans of the internal and external auditors of the Group and the Company and ensure the adequacy of the Group's system of accounting controls and the Group and the co-operation given by the Company's management to the external and internal auditors;
- Review the quarterly, half-yearly and annual financial statements and the auditors' report on the annual financial statements of the Group and the Company before submitting to the Board of Directors; such reviews will also include the review of the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Group's financial performance;
- Review and report to the Board at least annually, with the management and the internal auditor on the adequacy and effectiveness of the Group's internal controls including financial, operational, compliance and information technology controls, and risk management policies and systems established by the management;
- Review the adequacy and effectiveness of the Group's internal audit function; including the audit plans for the year;
- Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Review the cost effectiveness and the independence and objectivity of the external auditor;
- Review the nature and extent of non-audit services provided by the external auditor;
- Review the currency of the whistle-blowing policies and the reported incidents, including the appropriate investigations and ensuring appropriate follow-up actions, where necessary;

8. Audit Committee (cont'd)

- Make recommendations to the Board on the proposals to the shareholders on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor; and

- Review interested person transactions in accordance with the requirements of the listing rules of the Singapore Exchange.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

9. Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Lim Andy Director	Ng Yeau Chong Director

11 June 2019

Report on the audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Viking Offshore and Marine Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

The Group incurred a net loss after tax of $28,048,157. As at 31 December 2018, the Group's total borrowings amounted to $33,847,385, of which $24,965,226 were classified as current liabilities. Included in the total borrowings classified as current liabilities are borrowings amounting to $15,041,687 that, as at 31 December 2018, are in default. As disclosed in Note 2.1, the Group's loans and borrowings that are in default and due for repayment in the next 12 months exceeded its cash and bank balances of $3,603,944 as at 31 December 2018.

Further, as disclosed in Note 37, subsequent to year-end, the Company was served with an application to the High Court of the Republic of Singapore by one of the Group's lenders, for a winding up order to be made against the Company. The court hearing of the winding up proceedings has not commenced as at the date of this report.

These conditions and events indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern.

The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 2.1 to the financial statements. However, based on the information available to us, we have not been able to obtain sufficient audit evidence to satisfy ourselves as to the appropriateness of the use of the going concern assumption in the preparation of the financial statements.

Independent Auditor's Report

For the financial year ended 31 December 2018

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matter referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yee Woon Yim.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
11 June 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 $	2017 $
Revenue	4	30,146,108	38,662,119
Cost of sales		(18,606,363)	(23,295,068)
Gross profit		11,539,745	15,367,051
Other items of income			
Other income	5	957,126	593,747
Finance income	8	12,504	8,502
Other items of expense			
Marketing and distribution expenses		(168,595)	(387,472)
Administrative expenses		(10,325,552)	(10,044,645)
Other operating expenses	6(a)	(8,861,788)	(7,111,971)
Finance costs	8	(3,508,404)	(2,836,523)
Impairment losses on financial assets	6(c)	(2,487,184)	(9,074,356)
Share of results of associates, net of tax		(15,402,872)	(993)
Loss before tax	6	(28,245,020)	(13,486,660)
Taxation	9	196,863	245,651
Loss for the year, net of tax		(28,048,157)	(13,241,009)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		157,885	(1,502,116)
Other comprehensive income for the year, net of tax		157,885	(1,502,116)
Total comprehensive income for the year		(27,890,272)	(14,743,125)
Loss attributable to:			
Owners of the Company, net of tax		(28,048,157)	(13,241,009)
Total comprehensive income attributable to:			
Owners of the Company, net of tax		(27,890,272)	(14,743,125)
Loss per share (cents per share)			
- Basic	10	(2.55)	(1.21)
- Diluted	10	(2.55)	(1.21)

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

Balance Sheets

As at 31 December 2018

	Note	Group 31.12.2018 $	Group 31.12.2017 $	Group 1.1.2017 $	Company 31.12.2018 $	Company 31.12.2017	Company 1.1.2017 $
Non-current assets							
Property, plant and equipment	11	21,336,316	23,316,448	25,486,684	2,327	4,541	22,441
Intangible assets	12	13,510,266	13,529,440	13,552,253	–	–	–
Investment in subsidiaries	13	–	–	–	54,111,085	65,347,525	68,545,743
Investment in associates	14	–	15,402,872	15,403,865	–	–	–
Quoted equity investments	15	50,409	165,796	271,213	50,409	165,796	271,213
Finance lease receivables	16	–	–	32,459,308	–	–	–
Deferred tax assets	9	5,531	19,578	12,859	–	–	–
		34,902,522	52,434,134	87,186,182	54,163,821	65,517,862	68,839,397
Current assets							
Inventories	17	28,299,319	24,885,069	10,744,074	–	–	–
Trade receivables	18	27,271,747	25,451,854	26,117,797	–	–	–
Prepayments		76,319	112,650	1,901,538	36,525	42,702	44,160
Other receivables and deposits	19	1,063,226	1,943,409	2,184,451	43,469	57,833	48,122
Contract assets	20	6,597,236	6,866,818	9,197,593	–	–	–
Finance lease receivables	16	–	12,385,123	4,464,237	–	–	–
Due from subsidiaries (non-trade)	24	–	–	–	18,226,601	17,735,644	19,297,370
Cash and cash equivalents	21	3,603,944	6,050,657	4,693,936	49,747	340,674	192,863
		66,911,791	77,695,580	59,303,626	18,356,342	18,176,853	19,582,515
Current liabilities							
Trade payables	22	3,118,350	3,445,859	4,222,129	–	–	–
Contract liabilities	20	2,843,292	3,541,627	2,681,418	–	–	–
Other payables and accruals	23	23,896,483	21,404,581	25,469,538	747,270	496,095	2,005,679
Tax payable		4,694	5,382	20,000	–	–	–
Due to subsidiaries (non-trade)	24	–	–	–	28,525,932	26,009,822	26,890,937
Finance lease obligations	25	25,690	28,000	32,200	–	–	–
Loans and borrowings	26	17,884,392	17,548,255	18,770,930	160,081	1,332,523	1,991,707
Derivatives	27	–	–	174,222	–	–	174,222
Redeemable exchangeable bonds	28	7,080,834	6,303,302	2,465,107	–	–	–
		54,853,735	52,277,006	53,835,544	29,433,283	27,838,440	31,062,545
Net current assets/(liabilities)		12,058,056	25,418,574	5,468,082	(11,076,941)	(9,661,587)	(11,480,030)
Non-current liabilities							
Deferred tax liabilities	9	1,049,255	1,273,912	1,503,815	–	–	–
Finance lease obligations	25	15,373	41,070	69,070	–	–	–
Loans and borrowings	26	8,882,159	11,633,663	13,151,429	–	117,082	803,604
Redeemable exchangeable bonds	28	–	–	3,041,608	–	–	–
		9,946,787	12,948,645	17,765,922	–	117,082	803,604
Net assets		37,013,791	64,904,063	74,888,342	43,086,880	55,739,193	56,555,763
Equity attributable to owners of the Company							
Share capital	29(a)	102,604,532	102,604,532	97,843,470	102,604,532	102,604,532	97,843,470
Treasury shares	29(b)	(527,775)	(527,775)	(525,559)	(527,775)	(527,775)	(525,559)
Reserves		(65,062,966)	(37,172,694)	(22,429,569)	(58,989,877)	(46,337,564)	(40,762,148)
Total equity		37,013,791	64,904,063	74,888,342	43,086,880	55,739,193	56,555,763

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

Statements of Changes in Equity

For the year ended 31 December 2018

2018 Group	Note	Attributable to owners of the Company					Total equity
		Share capital (Note 29(a))	Treasury shares (Note 29(b))	Accumulated profits	Other reserves (Note 30)	Total reserves	
		$	$	$	$	$	$
Opening balance at 1 January 2018 (FRS framework)		102,604,532	(527,775)	(37,586,628)	413,934	(37,172,694)	64,904,063
Cumulative effetcs of adopting SFRS(I)		–	–	1,801,994	(1,801,994)	–	–
Opening balance at 1 January 2018 (SFRS(I) framework)		102,604,532	(527,775)	(35,784,634)	(1,388,060)	(37,172,694)	64,904,063
Loss for the year		–	–	(28,048,157)	–	(28,048,157)	(28,048,157)
Other comprehensive income							
Foreign currency translation	30(a)	–	–	–	157,885	157,885	157,885
Other comprehensive income for the year, net of tax		–	–	–	157,885	157,885	157,885
Total comprehensive income for the year		–	–	(28,048,157)	157,885	(27,890,272)	(27,890,272)
At 31 December 2018		102,604,532	(527,775)	(63,832,791)	(1,230,175)	(65,062,966)	37,013,791

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

Statements of Changes in Equity

For the year ended 31 December 2018

2017 Group	Note	Share capital (Note 29(a)) $	Treasury shares (Note 29(b)) $	Accumulated profits $	Other reserves (Note 30) $	Total reserves $	Total equity $
		Attributable to owners of the Company					
Opening balance at 1 January 2018 (FRS framework)		97,843,470	(525,559)	(24,753,832)	2,324,263	(22,429,569)	74,888,342
Cumulative effetcs of adopting SFRS(I)		–	–	1,801,994	(1,801,994)	–	–
Opening balance at 1 January 2017 (SFRS(I) framework)		97,843,470	(525,559)	(22,951,838)	522,269	(22,429,569)	74,888,342
Loss for the year		–	–	(13,241,009)	–	(13,241,009)	(13,241,009)
Other comprehensive income							
Foreign currency translation	30(a)	–	–	–	(1,502,116)	(1,502,116)	(1,502,116)
Other comprehensive income for the year, net of tax		–	–	–	(1,502,116)	(1,502,116)	(1,502,116)
Total comprehensive income for the year		–	–	(13,241,009)	(1,502,116)	(14,743,125)	(14,743,125)
Contributions by and distribution to owners							
Purchase of treasury shares	29(b)	–	(2,216)	–	–	–	(2,216)
Issuance of shares	29(a)	3,509,680	–	–	–	–	3,509,680
Issuance of shares pursuant to the exercise of REB	29(a)	1,551,796	–	–	–	–	1,551,796
Share issuance expenses	29(a)	(300,414)	–	–	–	–	(300,414)
Share option expired	30(b)	–	–	408,213	(408,213)	–	–
Total transactions with owners in their capacity as owners		4,761,062	(2,216)	408,213	(408,213)	–	4,758,846
At 31 December 2017		102,604,532	(527,775)	(35,784,634)	(1,388,060)	(37,172,694)	64,904,063

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

Statements of Changes in Equity

For the year ended 31 December 2018

2018 Company	Note	Attributable to owners of the Company					Total equity
		Share capital (Note 29(a))	Treasury share (Note 29(b))	Accumulated profits	Other reserves (Note 30)	Total reserves	
		$	$	$	$	$	$
At 1 January 2018		102,604,532	(527,775)	(46,451,620)	114,056	(46,337,564)	55,739,193
Loss for the year, representing total comprehensive income for the year		–	–	(12,652,313)	–	(12,652,313)	(12,652,313)
At 31 December 2018		102,604,532	(527,775)	(59,103,933)	114,056	(58,989,877)	43,086,880

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

Statements of Changes in Equity

For the year ended 31 December 2018

2017 Company	Note	Attributable to owners of the Company Share capital (Note 29(a)) $	Treasury shares (Note 29(b)) $	Accumulated profits $	Other reserves (Note 30) $	Total reserves $	Total equity $
At 1 January 2017		97,843,470	(525,559)	(41,284,417)	522,269	(40,762,148)	56,555,763
Loss for the year, representing total comprehensive income for the year		–	–	(5,575,416)	–	(5,575,416)	(5,575,416)
Contribution by and distribution to owners							
Purchase of treasury shares	29(b)	–	(2,216)	–	–	–	(2,216)
Issuance of shares	29(a)	3,509,680	–	–	–	–	3,509,680
Issuance of shares pursuant to the exercise of REB	29(a)	1,551,796	–	–	–	–	1,551,796
Share issuance expenses	29(a)	(300,414)	–	–	–	–	(300,414)
Share option expired	30(b)	–		408,213	(408,213)	–	–
Total transactions with owners in their capacity as owners		4,761,062	(2,216)	408,213	(408,213)	–	4,758,846
At 31 December 2017		102,604,532	(527,775)	(46,451,620)	114,056	(46,337,564)	55,739,193

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

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Loss before taxation		(28,245,020)	(13,486,660)
Adjustments for:			
Amortisation of intangible assets	6(a)	19,201	21,896
Depreciation of property, plant and equipment	6(a)	2,101,598	2,228,697
Impairment loss on finance lease receivables	6(a)	–	687,798
Impairment loss on trade receivables	6(a)	2,487,184	6,910,582
Gain on disposal of plant and equipment	5	(2,974)	(7,675)
Write back of allowance for doubtful debt		(50,032)	-
Interest expense	8	3,508,404	2,836,523
Interest income	8	(12,504)	(8,502)
Gain on disposal of quoted equity investment	5	–	(5,484)
Inventories written down	6(a)	6,785,945	756,681
Share of results of associates, net of tax		15,402,872	993
Fair value gain of derivative on redeemable exchangeable bonds	5	–	(174,222)
Impairment loss on other receivables	6(c)	–	1,475,976
Impairment loss on quoted equity investments	6(a)	–	110,880
Unrealised exchange (gain)/loss		(633,431)	1,405,040
Fair value gain on quoted equity investments	5	(44,324)	(27,112)
Operating cashflows before working capital changes		1,316,919	2,725,411
Changes in working capital:			
Inventories		4,911,402	(14,897,676)
Trade receivables		(6,830,276)	(6,118,110)
Other receivables, deposits and prepayments		916,514	553,947
Contract assets		269,582	2,330,775
Finance lease receivables		155,503	23,200,834
Trade payables		(456,206)	(887,131)
Other payables and accruals		2,606,095	(4,827,007)
Contract liabilities		(879,731)	942,339
Cash flows from operations		2,009,802	3,023,382
Interest received		12,504	8,502
Income taxes (paid)/refunded		(28,482)	14,602
Net cash flows from operating activities		1,993,824	3,046,486

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

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Note	2018	2017
		$	$
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(126,420)	(65,303)
Proceeds from disposal of property, plant and equipment		6,354	12,028
Net proceeds from quoted equity investments		159,817	27,132
Cash flows generated from/(used in) investing activities		39,751	(26,143)
Cash flows from financing activities			
Interest paid		(2,088,220)	(1,287,774)
Proceeds from bank borrowings		750,000	3,450,000
Repayment of bank borrowings		(3,216,225)	(6,960,275)
Purchase of treasury shares	29(b)	–	(2,216)
Net proceeds from issuances of shares	29(a)	–	3,509,680
Repayment of finance lease obligations		(28,007)	(32,200)
Share issue expenses	29(a)	–	(300,414)
Cash flows used in financing activities		(4,582,452)	(1,623,199)
Net (decrease)/increase in cash and cash equivalents		(2,548,877)	1,397,144
Effects of exchange rate changes on cash and cash equivalents		102,164	(40,423)
Cash and cash equivalents at beginning of year		6,050,657	4,693,936
Cash and cash equivalents at end of year	21	3,603,944	6,050,657

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

1. Corporate information

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

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

The principal activities of the Company are the provision of management and other services to related companies and investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

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

Going concern

The Group incurred a net loss of $28,048,157 (2017: $13,241,009) during the financial year ended 31 December 2018. As at 31 December 2018, the Group's total borrowings amounted to $33,847,385 of which $24,965,226 were classified as current liabilities. The Group's loans and borrowings that are due for repayment in the next 12 months exceeded its cash and bank balances of $3,603,944 as at 31 December 2018.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2018 is still appropriate after taking into consideration the following assumptions and measures:

(a) The Group and the Company will be applying for a debt moratorium and debt restructuring arrangement under the Section 211 of the Companies Act (Cap. 50) in order to address its outstanding past due loans and borrowings;

(b) The Group is in discussions and/or looking for potential strategic investor(s) to secure additional funding;

(c) The Group is taking active steps in respect of certain properties and assets divestment plan to pare down its borrowings;

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

2.1 ***Basis of preparation (cont'd)***

Going concern (cont'd)

(d) The Group expects that it will generate adequate cash flows from operations to repay its trade-related debt obligations as and when they fall due; and

(e) The Group continues to pursue the enforcement of the favourable arbitration award in China against the assets of the defendant.

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

2.2 ***First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))***

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, being the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

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

2.2 ***First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)***

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of $1,801,994 was adjusted against the opening retained earnings as at 1 January 2017.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

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

2.2 ***First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)***

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

<u>Classification and measurement</u>

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retropectively to those financial assets that were not derecognied before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group has a mixed business model. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income. For equity securities, the Group continues to measure its available-for-sale quoted equity securities at FVPL.

<u>Impairment</u>

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

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

2.2 ***First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)***

SFRS(I) 9 Financial Instruments (cont'd)

Impairment (cont'd)

The is no additional impairment recognised arising from adoption of SFRS(I) 9 above in retained earnings as at 1 January 2018.

The initial applications of SFRS(I) 9 does not have any reclassification effect to the Group's and Company's financial statements.

There is no corresponding tax impact to the Group and the Company arising from adoption of SFRS(I) 9.

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the partial expedients in accordance with the transition provision in SFRS(I) 15.

Customer advances were previously recognised under other payables and accruals. Upon adoption of SFRS(I) 15, these advances were reclassed to contract liabilities. Arising from this change, the Group recognised an increase in contract liabilities and corresponding decrease in other payables and accruals of $288,016 as at 31 December 2017 and $370,146 as at 1 January 2017.

Other than the abovementioned, there is no significant impact arising from first time adoption of SFRS(I) 15 for the Group and Company.

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

2.2 *First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)*

SFRS(I) 9 Financial Instruments (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

	Group			
	1 January 2017 (FRS)	**SFRS(I) 1 adjustments**	**SFRS(I) 15 adjustments**	**1 January 2017 (SFRS(I))**
	$	$	$	$
Assets				
Non-current assets				
Other non-current assets	71,782,317	–	–	71,782,317
Investment in associates	15,403,865	–	–	15,403,865
	87,186,182	–	–	87,186,182
Current assets				
Due from customers for contract work-in-progress	9,197,593	–	(9,197,593)	–
Contract assets	–	–	9,197,593	9,197,593
Inventories	10,744,074	–	–	10,744,074
Other current assets	39,361,959	–	–	39,361,959
	59,303,626	–	–	59,303,626
Total assets	146,489,808	–	–	146,489,808
Equity and liabilities				
Current liabilities				
Income tax payable	20,000	–	–	20,000
Trade and other payables	30,061,813	–	(370,146)	29,691,397
Due to customers for contract work-in-progress	2,311,272	–	(2,311,272)	–
Contract liabilities	–	–	2,681,418	2,681,688
Other current liabilities	21,442,459	–	–	21,442,459
	53,835,544	–	–	53,835,544
Non-current liabilities				
Deferred tax liabilities	1,503,815	–	–	1,503,815
Other non-current liabilities	16,262,107	–	–	16,262,107
	17,765,922	–	–	17,765,922
Total liabilities	71,601,466	–	–	71,601,466
Equity attributable to owners of the Company				
Share capital	97,843,470	–	–	97,843,470
Treasury shares	(525,559)	–	–	(525,559)
Retained earnings	(24,753,832)	1,801,994	–	(22,951,838)
Other reserves	2,324,263	(1,801,994)	–	522,269
	74,888,342	–	–	74,888,342
Total equity and liabilities	146,489,808	–	–	146,489,808

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

2.2 ***First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)***

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

	Group			
	31 December 2017 (FRS)	**SFRS(I) 1 adjustments**	**SFRS(I) 15 adjustments**	**31 December 2017 and 1 January 2018 (SFRS(I))**
	$	$	$	$
Assets				
Non-current assets				
Other non-current assets	37,031,262	–	–	37,031,262
Investment in associates	15,402,872	–	–	15,402,872
	52,434,134	–	–	52,434,134
Current assets				
Due from customers for contract work-in-progress	6,866,818	–	(6,866,818)	–
Contract assets	–	–	6,866,818	6,866,818
Inventories	24,885,069	–	–	24,885,069
Trade and other receivables	27,395,263	–	–	27,395,263
Other current assets	18,548,430	–	–	18,548,430
	77,695,580	–	–	77,695,580
Total assets	130,129,714	–	–	130,129,714
Equity and liabilities				
Current liabilities				
Income tax payable	5,382	–	–	5,382
Trade and other payables	25,138,456	–	(288,016)	24,850,440
Due to customers for contract work-in-progress	3,253,611	–	(3,253,611)	–
Contract liabilities	–	–	3,541,627	3,541,627
Other current liabilities	23,879,557	–	–	23,879,557
	52,277,006	–	–	52,277,006
Non-current liabilities				
Deferred tax liabilities	1,273,912	–	–	1,273,912
Other non-current liabilities	11,674,733	–	–	11,674,733
	12,948,645	–	–	12,948,645
Total liabilities	65,225,651	–	–	65,225,651

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

2.2 ***First-time adoption of (SFRS(I)) (cont'd)***

	Group			
	31 December 2017 (FRS)	SFRS(I) 1 adjustments	SFRS(I) 15 adjustments	31 December 2017 and 1 January 2018 (SFRS(I))
	$	$	$	$
Equity attributable to owners of the Company				
Share capital	102,604,532	–	–	102,604,532
Treasury shares	(527,775)	–	–	(527,775)
Retained earnings	(37,586,628)	1,801,994	–	(35,784,634)
Other reserves	413,934	(1,801,994)	–	(1,388,060)
Total equity	64,904,063	–	–	64,904,063
Total equity and liabilities	130,129,714	–	–	130,129,714

The adoption of SFRS(I) did not have any impact to the balance sheet of the Company as at 1 January 2017, 31 December 2017 and 1 January 2018.

The adoption of SFRS(I) did not have any impact to the statement of comprehensive income of the Group for the year ended 31 December 2017.

2.3 ***Standards issued but not yet effective***

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

Description	**Effective for annual periods beginning on or after**
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) 1-19 *Plan Amendment, Curtailment of Settlement*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to References to the Conceptual Framework in SFRS(I) Standard	1 January 2020
Amendments to Illustrative Examples, Implementation Guidance and SFRS(I) Standard	1 January 2020
Amendments to SFRS(I) 3: *Definitions of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS (I) 1-8: *Definition of Material*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

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

2.3 ***Standards issued but not yet effective (cont'd)***

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below:

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees - leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information and expects that the adoption of SFRS(I) 16 will result in an increase in total assets, total liabilities, EBITDA and gearing ratio. The assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

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

2.4 ***Basis of consolidation and business combinations***

(a) *Basis of consolidation*

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

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

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

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

(b) *Business combinations and goodwill*

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 ***Foreign currency***

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

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

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

2.6 ***Property, plant and equipment***

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

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

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

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

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

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

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

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

2.7 ***Intangible assets***

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

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

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

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

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

(i) *Customer relationships*

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

(ii) *Software*

An acquired software is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributed cost of preparing the asset for its intended use. These costs are amortised to the profit or loss using the straight-line method over their estimated useful lives of 10 years. The remaining amortisation period of software is 2 years (31.12.2017: 3 years, 1.1.2017: 4 years).

(iii) *Club membership*

Club membership was acquired separately and is amortised on a straight line basis over its finite useful life of 28 years. The remaining amortisation period of club membership is 16 years (31.12.2017: 17 years, 1.1.2017: 18 years).

2.8 ***Impairment of non-financial assets***

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

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

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

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

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

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

2.9 *Subsidiaries*

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

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

2.10 *Associates*

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

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

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

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

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

2.10 ***Associates (cont'd)***

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

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

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

2.11 ***Financial instruments***

(a) *Financial assets*

Initial recognition and measurement

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

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

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

Subsequent measurement

<u>Investments in debt instruments</u>

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

Amortised cost

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

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

2.11 ***Financial instruments (cont'd)***

(a) *Financial assets (cont'd)*

Subsequent measurement (cont'd)

Investments in equity instruments

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

Derecognition

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

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

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

2.11 ***Financial instruments (cont'd)***

(b) *Financial liabilities (cont'd)*

(ii) *Financial liabilities at amortised cost*

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

De-recognition

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

2.12 ***Impairment of financial assets***

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

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

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

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

2.13 ***Cash and cash equivalents***

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

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

2.14 *Inventories*

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

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

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

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

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

2.15 *Provisions*

General

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

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

Warranty provisions

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

2.16 *Borrowing costs*

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

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

2.17 ***Redeemable exchangeable bonds***

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

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

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

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

2.18 ***Employee benefits***

(a) *Defined contribution plans*

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

(b) *Employee leave entitlement*

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

(c) *Employee equity compensation plans*

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

2.19 ***Leases***

(a) *As lessee*

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases. The leased asset is de-recognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheets. The difference between the gross receivable and the present value of the lease payments receivable is recognised as unearned finance income. Each lease payment received is applied against the gross receivable in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net receivable in the finance lease receivable. Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20(d). Contingent rents are recognised as revenue in the period in which they are earned.

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

2.20 ***Revenue***

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

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

(a) *Sale of goods*

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

(b) *Project revenue*

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

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

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

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

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

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

(c) *Rendering of services*

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

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

2.20 ***Revenue (cont'd)***

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

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

(e) *Chartering services*

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

(f) *Management fee*

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

(g) *Dividend income*

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

(h) *Interest income*

Interest income is recognised using the effective interest method.

2.21 ***Taxation***

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

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

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

2.21 ***Taxation (cont'd)***

(b) *Deferred tax (cont'd)*

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

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

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

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

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

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

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

(c) *Sales tax*

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

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

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

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

2.22 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.23 *Share capital and share issuance expenses*

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

2.24 *Treasury shares*

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

2.25 *Government grants*

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

3. Significant accounting judgements and estimates

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

(a) *Judgements made in applying accounting policies*

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

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

(b) *Key sources of estimation uncertainty*

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

(i) <u>Revenue recognition from projects</u>

The Group recognises project revenue by when control over the products has been transferred to the customer over time, by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method). The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of contract assets and contract liabilities at the end of each reporting period are disclosed in Note 20 to the financial statements. If the estimated total contract cost had been 5% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been $3,452,030 (2017: $2,774,530) lower and $1,811,953 (2017: $1,915,826) higher respectively.

(ii) <u>Impairment of goodwill and investment in subsidiaries</u>

As disclosed in Notes 12 and 13 to the financial statements, the recoverable amounts of the cash generating units which goodwill and costs of investment in subsidiaries have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Notes 12 and 13 to the financial statements.

The carrying amounts of the goodwill and investment in subsidiaries as at 31 December 2018 are $13,448,296 (31.12.2017: $13,448,296, 1.1.2017: S$13,448,296) and $54,111,085 (31.12.2017: $65,347,525, 1.1.2017: $68,545,743) respectively.

(iii) <u>Provision for expected credit losses of trade receivables and contract assets</u>

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

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

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Notes 18 and 20.

The carrying amount of trade receivables and contract assets as at 31 December 2018 are $27,271,747 and $6,597,226 (31.12.2017: $25,451,854 and $6,866,818, 1.1.2017: $26,117,797 and $9,197,593) respectively.

(iv) Impairment of investment in associates

The Group assesses at the end of each reporting period whether there is any objective evidence that its investment in associates is impaired. The recoverable amounts of the carrying values of its investment in associates are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the charter and utilisation rates applied as well as the discount rate used for the discounted cash flow model, which also represents the key assumptions used for the determination of value in use. During the current year, investment in associate has been fully impaired. The carrying amount of the Group's investment in associates at the end of the reporting period is disclosed in Note 14 to the financial statements.

(v) Allowance for inventory obsolescence

Allowance for inventory obsolescence is estimated based on the best available facts and circumstances, including but not limited to, the inventories own physical conditions, their market selling prices, and estimated costs to be incurred for their sales. The allowances are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Company's inventories at the end of the reporting period is disclosed in Note 17 to the financial statements.

4. Revenue

(a) Disaggregation of revenue

Segments	Offshore and marine		Corporate		Chartering services		Total revenue	
	2018	2017	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$	$	$
Group								
Primary geographical markets								
Australia	544,252	13,735	–	–	–	–	544,252	13,735
Europe	401,613	387,521	–	–	–	1,045,816	401,613	1,433,337
Indonesia	4,958,678	1,674,223	–	–	–	–	4,958,678	1,674,223
Malaysia	1,459,012	829,686	–	–	–	–	1,459,012	829,686
Middle East	700,276	254,088	–	–	–	–	700,276	254,088
People's Republic of China	2,712,603	5,622,786	–	–	2,481,060	4,309,981	5,193,663	9,932,767
Singapore	13,818,092	19,920,554	1,177,841	1,122,440	–	1,296,103	14,995,933	22,339,097
Vietnam	698,358	29,702	–	–	–	–	698,358	29,702
Others	1,194,323	2,155,484	–	–	–	–	1,194,323	2,155,484
	26,487,207	30,887,779	1,177,841	1,122,440	2,481,060	6,651,900	30,146,108	38,662,119
Major service lines								
Sale of goods	4,740,577	8,838,008	–	–	–	–	4,740,577	8,838,008
Project revenue	15,839,077	16,176,168	–	–	–	–	15,839,077	16,176,168
Rendering services	5,907,553	5,855,103	–	–	–	–	5,907,553	5,855,103
Chartering services	–	18,500	–	–	2,481,060	6,651,900	2,481,060	6,670,400
Rental of industrial space	–	–	1,177,841	1,122,440	–	–	1,177,841	1,122,440
	26,487,207	30,887,779	1,177,841	1,122,440	2,481,060	6,651,900	30,146,108	38,662,119
Timing of transfer of goods or services								
At a point in time	4,740,577	8,838,008	–	–	–	–	4,740,577	8,838,008
Over time	21,746,630	22,049,771	1,177,841	1,122,440	2,481,060	6,651,900	25,405,531	29,824,111
	26,487,207	30,887,779	1,177,841	1,122,440	2,481,060	6,651,900	30,146,108	38,662,119

4. Revenue

(b) Recognition of project revenue over time

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

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

5. Other income

	Group	
	2018	**2017**
	$	$
Government grants	75,090	136,356
Foreign exchange gain, net	472,430	–
Gain on disposal of plant and equipment	2,868	7,675
Rental income	7,065	5,414
Sale of scrap material	9,154	9,428
Gain on disposal of quoted equity investment	–	5,484
Recharge of utilities	173,643	121,455
Fair value gain on conversion option arising from redeemable exchangeable bonds	–	174,222
Fair value gain on quoted equity investments	44,430	27,112
Write back of allowance for doubtful debts	50,032	–
Others	122,414	106,601
	957,126	593,747

6. Loss before tax

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

		Group	
		2018	2017
		$	$
(a)	*Other operating expenses include:*		
	Depreciation of property, plant and equipment	2,101,598	2,228,697
	Amortisation of intangible assets	19,201	21,896
	Inventories written down	6,785,945	756,681
	Impairment loss on quoted equity investments	–	110,880
	Foreign exchange loss, net	–	1,824,909
(b)	*Other disclosure items:*		
	Audit fees paid to:		
	- Auditors of the Company	142,450	142,450
	- Other auditors	13,329	9,886
	Non-audit fees paid to:		
	- Auditors of the Company	–	32,000
	- Other auditors	64,686	6,831
	Employee benefits expense (Note 7)	7,123,497	8,916,432
	Operating lease expenses	604,833	589,274
(c)	*Impairment loss on financial assets:*		
	Impairment loss on trade receivables	2,487,184	6,910,582
	Impairment loss on other receivables	–	1,475,976
	Impairment loss on finance lease receivables	–	687,798

7. Employee benefits

	Group	
	2018	2017
	$	$
Salaries and bonuses	5,660,181	7,285,815
Central Provident Fund contributions	898,905	859,945
Other short-term benefits	564,411	770,672
	7,123,497	8,916,432

These include the amount shown as key management personnel compensation in Note 31(b).

Notes to the Financial Statements

For the year ended 31 December 2018

8. Finance income/(costs)

	Group	
	2018	**2017**
	$	$
Finance income:		
Interest income on:		
- fixed deposits	12,504	8,502

	Group	
	2018	**2017**
	$	$
Finance costs:		
Interest expense on:		
- loans and borrowings	2,558,381	1,792,020
- finance lease obligations	1,869	1,869
- redeemable exchangeable bonds	948,154	1,042,634
	3,508,404	2,836,523

9. Taxation

The major components of income tax credit for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	**2017**
	$	$
Current income tax:		
- current year	27,794	(29,220)
Deferred income tax:		
- current year	–	(35,151)
- movement of temporary differences	(224,657)	(181,280)
Income tax credit recognised in profit or loss	(196,863)	(245,651)

9. Taxation (cont'd)

The reconciliation between tax credit and the product of accounting loss multiplied by the applicable corporate tax rates for the years ended 31 December 2018 and 2017 are as follows:

	Group	
	2018	**2017**
	$	$
Accounting loss before tax	(28,245,020)	(13,486,660)
Tax at the domestic rates applicable to profits in the countries where the Group operates	(4,801,653)	(2,752,558)
Adjustments:		
Non-deductible expenses	5,207,865	3,015,731
Income not subject to tax	(526,049)	(550,842)
Effect of partial tax exemption and tax reliefs	–	(17,638)
Deferred tax assets not recognised	167,040	458,640
Utilisation of previously unrecognised deferred tax assets	(146,186)	–
Over provision in respect of previous years	–	(36,942)
Tax effect of fair value adjustments	(224,657)	(194,139)
Tax benefits	–	(3,174)
Others	126,777	(164,727)
Income tax credit recognised in profit or loss	(196,863)	(245,651)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $14,850,463 (31.12.2017: $14,727,792, 1.1.2017: $12,029,910), available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which certain subsidiaries operate.

Unrecognised temporary differences relating to investment in subsidiaries

At the end of the reporting period, no deferred tax liability (31.12.2017: $Nil and 1.1.2017: $Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $1,939,335 (31.12.2017: $3,125,833, 1.1.2017: $626,000). The deferred tax liability is estimated to be $193,933 (31.12.2017: $312,583, 1.1.2017: $63,000)

9. Taxation (cont'd)

Deferred taxation at 31 December relates to the following:

Group		Consolidated balance sheet		Consolidated statement of comprehensive income	
	31.12.2018	**31.12.2017**	**1.1.2017**	**2018**	**2017**
	$	$	$	$	$
Deferred tax asset					
Provisions	5,531	19,578	12,859	(14,047)	6,719
Total deferred tax asset	5,531	19,578	12,859		
Deferred tax liabilities					
Differences in depreciation	(51,023)	(51,023)	(86,787)	–	(35,764)
Fair value adjustments on acquisition of subsidiaries	(998,232)	(1,222,889)	(1,417,028)	(224,657)	(194,139)
Exchange differences	–	–	–	14,047	6,753
Total deferred tax liabilities	(1,049,255)	(1,273,912)	(1,503,815)		
Deferred income tax				(224,657)	(216,431)

10. Loss per share

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

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

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

	Group	
	2018	**2017**
	$	$
Net loss attributable to owners of the Company	(28,048,157)	(13,241,009)

	Number of shares	
	2018	**2017**
Weighted average number of ordinary shares for basic loss per share computation*	1,098,719,574	1,098,719,574
Weighted average number of ordinary shares diluted loss per share computation*	1,098,719,574	1,098,719,574

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

10. Loss per share (cont'd)

As at year end, there is Nil (2017: Nil) share options granted to employees under the existing employee share option plans and warrants of 97,491,109 (2017: 327,823,115), have not been included in the calculation of diluted loss per share because they are anti-dilutive.

In 2017, the potential conversion of redeemable exchangeable bonds to a maximum of 630,809,841 ordinary shares has not been included in the calculation of diluted loss per share because it is anti-dilutive.

11. Property, plant and equipment

Group	Leasehold buildings $	Computers and office equipment $	Renovation, furniture and fixtures $	Motor vehicles $	Machinery $	Total $
Cost						
At 1.1.2017	29,620,196	2,038,766	1,884,096	383,172	2,039,337	35,965,567
Additions	8,750	35,802	1,832	17,920	999	65,303
Disposals	–	(9,734)	–	–	(15,054)	(24,788)
Exchange difference	–	(2,667)	(1,362)	(2,011)	(2,881)	(8,921)
At 31.12.2017	29,628,946	2,062,167	1,884,566	399,081	2,022,401	35,997,161
Additions	–	108,485	1,835	16,100	–	126,420
Disposals	–	(8,510)	–	–	(8,629)	(17,139)
Written off		(2,420)	–	–	–	(2,420)
Exchange difference	–	(6,589)	(3,403)	(4,732)	(6,347)	(21,071)
At 31.12.2018	29,628,946	2,153,133	1,882,998	410,449	2,007,425	36,082,951
Accumulated depreciation and impairment loss						
At 1.1.2017	5,804,925	1,644,241	1,415,236	323,988	1,290,493	10,478,883
Charge for the year	1,568,620	196,806	202,951	26,067	234,253	2,228,697
Disposals	–	(9,552)	–	–	(10,883)	(20,435)
Exchange difference	–	(2,643)	(814)	(1,746)	(1,229)	(6,432)
At 31.12.2017	7,373,545	1,828,852	1,617,373	348,309	1,512,634	12,680,713
Charge for the year	1,568,801	155,145	161,035	18,953	197,664	2,101,598
Disposals	–	(8,510)	–	–	(5,249)	(13,759)
Written off	–	(2,420)	–	–	–	(2,420)
Exchange difference	–	(6,766)	(3,115)	(4,675)	(4,941)	(19,497)
At 31.12.2018	8,942,346	1,966,301	1,775,293	362,587	1,700,108	14,746,635
Net carrying amount						
At 31.12.2018	20,686,600	186,832	107,705	47,862	307,317	21,336,316
At 31.12.2017	22,255,401	233,315	267,193	50,772	509,767	23,316,448
At 1.1.2017	23,815,271	394,525	468,860	59,184	748,844	25,486,684

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

	Computers and office equipment $	Renovation, furniture and fixtures $	Total $
<u>Company</u>			
Cost			
At 1.1.2017 and 31.12.2017	223,695	11,238	234,933
Additions	2,268	–	2,268
At 31.12.2018	225,963	11,238	237,201
Accumulated depreciation			
At 1.1.2017	202,037	10,455	212,492
Charge for the year	17,117	783	17,900
At 31.12.2017	219,154	11,238	230,392
Charge for the year	4,482	–	4,482
At 31.12.2018	223,636	11,238	234,874
Net carrying amount			
At 31.12.2018	2,327	–	2,327
At 31.12.2017	4,541	–	4,541
At 1.1.2017	21,658	783	22,441

During the financial year, the Group acquired property, plant and equipment amounting to $126,420 (2017: $65,303) of which $Nil (2017: $Nil) was acquired by means of finance leases. Cash payments of $126,420 (2017: $65,303) were made to purchase property, plant and equipment.

The carrying amount of office equipment held by the Group under finance leases as at 31 December 2018 was $43,663 (31.12.2017: $60,339, 1.1.2017: $83,636).

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

<u>Assets pledged as security</u>

In addition to assets held under finance leases, the Group's leasehold properties with carrying amount of $20,686,600 (31.12.2017: $22,255,401, 1.1.2017: $23,815,271) are mortgaged to secure the Group's loans and borrowings (Note 26).

12. Intangible assets

	Goodwill	Customer relationships	Software	Club membership	Total
	$	$	$	$	$
<u>**Group**</u>					
Cost					
At 1.1.2017	29,721,296	9,648,000	162,567	70,000	39,601,863
Exchange differences	–	–	(807)	–	(807)
At 31.12.2017	29,721,296	9,648,000	161,760	70,000	39,601,056
Exchange differences	–	–	(5,127)	–	(5,127)
At 31.12.2018	29,721,296	9,648,000	156,633	70,000	39,595,929
Accumulated amortisation and impairment					
At 1.1.2017	16,273,000	9,648,000	103,447	25,163	26,049,610
Amortisation	–	–	19,406	2,490	21,896
Exchange differences	–	–	110	–	110
At 31.12.2017	16,273,000	9,648,000	122,963	27,653	26,071,616
Amortisation	–	–	16,710	2,491	19,201
Exchange differences	–	–	(5,154)	–	(5,154)
At 31.12.2018	16,273,000	9,648,000	134,519	30,144	26,085,663
Net carrying amount					
At 31.12.2018	13,448,296	–	22,114	39,856	13,510,266
At 31.12.2017	13,448,296	–	38,797	42,347	13,529,440
At 1.1.2017	13,448,296	–	59,120	44,837	13,552,253

12. Intangible assets (cont'd)

Customer relationships

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

Impairment testing of goodwill and customer relationships

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

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

The carrying amounts of goodwill allocated to each CGU as at 31 December are as follows:

	O&M HVAC	O&M Tele	Total
	$	$	$
31.12.2018			
Goodwill	4,603,918	8,844,378	13,448,296
31.12.2017			
Goodwill	4,603,918	8,844,378	13,448,296
1.1.2017			
Goodwill	4,603,918	8,844,378	13,448,296

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

	31.12.2018		31.12.2017		1.1.2017	
	O&M HVAC	O&M Tele	O&M HVAC	O&M Tele	O&M HVAC	O&M Tele
Long-term growth rates	1.0%	1.0%	1.0%	1.0%	1.0%	3.5%
Pre-tax discount rates	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%

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

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

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

12. Intangible assets (cont'd)

Sensitivity to changes in assumptions

For O&M HVAC CGU, the estimated recoverable amount exceeds its carrying amount by approximately $7,665,000 (31.12.2017: $7,864,684, 1.1.2017: $5,471,169) and, consequently, any adverse change in a key assumption would result in a further impairment loss.

The implication of the key assumptions for the recoverable amount is discussed below:

Long-term growth rates - Management recognises that the growth rates could yield a reasonably possible alternative to the estimated long-term growth rate of 1.0% (31.12.2017: 1.0%; 1.1.2017: 1.0%). A reduction of 0.5% (31.12.2017: 0.5%; 1.1.2017: 0.5%) in the long-term growth rate would result in decrease in surplus of approximately $492,000 (31.12.2017: $1,502,953; 1.1.2017: $1,308,438).

Pre-tax discount rates - Management recognises that the pre-tax discount rates at 9.5% (31.12.2017: 9.5%; 1.1.2017: 9.5%). An increase of 1% (31.12.2017: 1%; 1.1.2017: 1%) in the pre-tax discount rates would result in decrease in surplus of approximately $1,806,000 (31.12.2017: $3,738,975; 1.1.2017: $3,261,057).

For O&M Tele CGU, the estimated recoverable amount exceeds its carrying amount by approximately $3,541,000 (31.12.2017: $3,178,000; 1.1.2017: $1,178,000) and, consequently, any adverse change in a key assumption would result in a further impairment loss.

The implication of the key assumptions for the recoverable amount is discussed below:

Long-term growth rates - Management recognises that the growth rates could yield a reasonably possible alternative to the estimated long-term growth rate of 1.0% (31.12.2017: 1.0%; 1.1.2017: 3.0%). A reduction of 0.5% (31.12.2017: 0.5%; 1.1.2017: 0.5%) in the long-term growth rate would result in decrease in surplus of approximately $740,000 (31.12.2017: $1,001,183; 1.1.2017: $1,868,108).

Pre-tax discount rates - Management recognises that the pre-tax discount rates at 9.5% (31.12.2017: 9.5%; 1.1.2017: 9.5%). An increase of 1% (31.12.2017: 1%; 1.1.2017: 1%) in the pre-tax discount rates would result in decrease in surplus of approximately $1,890,000 (31.12.2017: $2,377,313; 1.1.2017: $4,101,535).

13. Investment in subsidiaries

		Company	
	31.12.2018	**31.12.2017**	**1.1.2017**
	$	$	$
Shares, at cost	101,824,965	101,824,965	101,824,965
Less: Impairment losses	(47,713,880)	(36,477,440)	(33,279,222)
	54,111,085	65,347,525	68,545,743

13. Investment in subsidiaries (cont'd)

The Group and the Company has the following subsidiaries:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest		
			31.12.2018	31.12.2017	1.1.2017
			%	%	%
Held by the Company					
Viking Offshore Global Pte. Ltd.*	Singapore	Investment holding	100	100	100
Viking HVAC Pte Ltd*	Singapore	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100	100
Promoter Hydraulics Pte Ltd*	Singapore	Manufacture and repair of marine engines and ship parts; retail and rental of marine equipment, marine accessories and parts	100	100	100
Viking Airtech Pte Ltd*	Singapore	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100	100
Marshal Systems Pte Ltd*	Singapore	Contractors for electronic and electrical engineering works	100	100	100
Viking Facilities Management & Operations Pte. Ltd.*	Singapore	Facilities management	100	100	100
Viking Asset Management Pte. Ltd.*	Singapore	Investment holding	100	100	100
Held through Viking Asset Management Pte. Ltd.					
Viking LR1 Pte Ltd*	Singapore	Ownership and charter of assets	100	100	100
Viking LR2 Pte Ltd*	Singapore	Ownership and charter of assets	100	100	100
Viking Gold Pte Ltd*	Singapore	Ownership and charter of assets	100	100	100

13. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest		
			31.12.2018	31.12.2017	1.1.2017
			%	%	%
Held through Viking Airtech Pte Ltd					
Viking Airtech (Yantai) Co., Ltd **	People's Republic of China	Marine air conditioning, manufacture, installation & design of marine refrigerating equipment maritime HVAC & R	100	100	100
Viking Offshore Malaysia Sdn Bhd **	Malaysia	Specialises in marine & offshore turkey HVAC & R systems	100	100	100
Viking Airtech (Shanghai) Co., Ltd**	People's Republic of China	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100	100
PT Viking Offshore**	Indonesia	Design, manufacture, project management, and commissioning of heating, ventilation, air conditioning systems, and refrigeration systems	100	100	100
Held through Marshal Systems Pte Ltd					
Marshal Offshore and Marine Engrg Co., Ltd **	People's Republic of China	Contractors for electronic and electrical engineering works	100	100	100

* Audited by Ernst & Young LLP, Singapore.

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

Impairment testing of investment in subsidiaries

During the financial year, the Company recognised an impairment loss of $11236,440 (2017: 3,198,218) as the recoverable amounts of subsidiaries are lower than the carrying amounts of investment in subsidiaries.

13. Investment in subsidiaries (cont'd)

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

	31.12.2018	31.12.2017	1.1.2017
Long-term growth rates	1.0%	1.0%	1.0%
Pre-tax discount rates	9.5%	9.5%	9.5%

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

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

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

Sensitivity to changes in assumptions

For the cost of investment in subsidiaries, the carrying amounts exceeded their estimated recoverable amounts by approximately $11,236,440 (31.12.2017: $3,198,218, 1.1.2017: $17,116,572) and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumption for the recoverable amount is discussed below:

Long-term growth rates – A reduction of 0.5% (31.12.2017: 0.5%, 1.1.2017: 0.5%) in the long-term growth rate would result in a further impairment of approximately $769,251 (31.12.2017: $561,000, 1.1.2017: $1,744,000).

Pre-tax discount rates – An increase of 1% (31.12.2017: 1.0%, 1.1.2017: 1.0%) in the pre-tax discount rate would result in a further impairment of approximately $2,594,345 (31.12.2017: $1,420,402, 1.1.2017: $4,296,763).

14. Investment in associates

	Group		
	31.12. 2018	**31.12.2017**	**1.1.2017**
	$	$	$
Unquoted equity shares, at cost	15,408,641	15,408,641	15,408,641
Share of post-acquisition reserves	(5,769)	(5,769)	(4,776)
Impairment losses (recorded in share of profits of associates, net of tax)	(15,402,872)	–	–
	–	15,402,872	15,403,865

Details of the associates are as follows:

Name of Company	Country of incorporation	Principal activities	Proportion (%) of ownership interest		
			31.12. 2018	**31.12.2017**	**1.1.2017**
Held through a subsidiary					
Smart Earl Investment Limited*	Republic of Seychelles	Ownership and charter of assets	30	30	30
Quick Booms Investments Limited*	British Virgin Islands	Ownership and charter of assets	30	30	30

* Not required to be audited by its country of incorporation

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

Impairment testing

The recoverable amounts for its investment in associates was assessed and compared against the carrying amounts, and an impairment loss of $15,402,872 was identified, during the current financial year.

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

15. Quoted equity investments

(a) Financial instruments as at 31 December 2018

	Group and Company 31.12.2018 $
At fair value through profit or loss	
Equity shares (quoted)	50,409
Net carrying amount	
Non-current	50,409

(b) Financial instruments as at 31 December 2017 and 1 January 2017

	Group and Company	
	31.12.2017 $	1.1.2017 $
Non-current		
Held for trading investments		
Quoted equity investments, at fair value	165,796	271,213

During the financial year ended 31 December 2017, the Group recognised an impairment loss of $110,880 on quoted equity investments as there was "significant" or "prolonged" decline in the fair value of these investments below their costs. The Group treats "significant" generally as 30% and "prolonged" as greater than 12 months.

16. Finance lease receivables

	Within a year $	More than a year but not later than five years $	Total $
Group			
31.12.2018			
Gross receivable	–	–	–
Unearned finance income	–	–	–
Less: Allowance for impairment	–	–	–
Present value of minimum lease payments receivable	–	–	–
31.12.2017			
Gross receivable	15,545,213	–	15,545,214
Unearned finance income	(2,472,292)	–	(2,472,293)
Less: Allowance for impairment	(687,798)	–	(687,798)
Present value of minimum lease payments receivable	12,385,123	–	12,385,123
1.1.2017			
Gross receivable	8,971,683	48,671,374	57,643,057
Unearned finance income	(4,507,446)	(15,878,847)	(20,386,293)
Less: Allowance for impairment	–	(333,219)	(333,219)
Present value of minimum lease payments receivable	4,464,237	32,459,308	36,923,545

The Group had entered into 2 Bareboat Charter agreement for its land rigs as at 1 January 2017 and 31 December 2017. These agreements were for lease terms of between 48 and 50 months. These agreements irrevocably granted the Group a put option to require the lessees to purchase the land rigs from the Group at any time during the period of 90 days prior to the end of the agreements, for a cash consideration equivalent to i) the value of the land rig as determined by independent valuers or ii) the amount of US$6,000,000, whichever is higher. In 2017, one of the lease agreements had been terminated due to non-payment from a lessee. The second lease agreement ended in 2018.

The Group had determined that it had transferred substantially all risks and rewards incidental to ownership of the land rigs to both lessees at the inception of the leases and the arrangements were therefore classified as finance lease receivables. The Group measured the amount of impairment loss as the difference between the asset's carrying amount and the value of the rig as determined based on the valuation reports conducted by an independent valuer.

Interest was earned at effective rates of 2.35% to 2.76% (31.12.2017: 2.35% to 2.76%, 1.1.2017: 2.35% to 2.76%) per annum.

In 2017, the Group terminated one of the Bareboat Charter Agreement for a land rig. As a result, the Group de-recognised the related finance lease receivable and recognised the land rig as part of the Group's inventories on the basis that the land rig is held for resale. Details of the inventories is disclosed in Note 17.

In 2017, the Group has assessed and impaired the receivables due from a lessee as it has defaulted on payments. These receivables are secured by land rigs.

In 2018, the second lease agreement ended and the Group recognised the land rig as part of the Group's inventories on the basis that the land rig is held for resale. Details of the inventories is disclosed in Note 17.

17. Inventories

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$	$	$
Balance sheets:			
Raw materials	1,643,282	2,187,613	2,658,777
Work-in-progress	3,266,225	3,643,965	4,330,454
Finished goods	23,389,812	19,053,491	3,754,843
	28,299,319	24,885,069	10,744,074
Statement of comprehensive income:			
Inventories recognised as an expense in cost of sales	10,868,131	18,490,586	6,875,530
Inclusive of the following charge:			
- Inventories written down	6,785,945	756,681	2,880,067

Included in finished goods as at 31 December 2018 are two land rigs (31.12.2017: one, 1.1.2017: Nil) amounting to $21.811.808 (31.12.2017: $16,572,091, 1.1.2017: Nil) held by the Group for resale, following the termination of the Bareboat Charter Agreements in 2017 and 2018.

18. Trade receivables

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$	$	$
Trade receivables	27,271,747	25,451,854	26,117,797

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

At the end of the reporting period, trade receivables of $Nil (31.12.2017: $223,590, 1.1.2017: $653,867) relate to export sales and have been arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$	$	$
United States Dollar	22,008,822	20,212,872	17,821,308
Chinese Renminbi	199,899	55,396	247,412
Malaysian Ringgit	179,110	254,422	64,350
Indonesian Rupiah	364,689	18,773	–

18. Trade receivables (cont'd)

Expected credit losses

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

	Group	
	Trade receivables 31.12.2018	Other receivables and deposits 31.12.2018
	$	$
Movement in allowance accounts:		
At 1 January	11,293,729	75,780
Charge for the year	2,487,184	–
Exchange differences	(114,890)	–
Written back	(50,032)	–
At 31 December	13,615,991	75,780

Receivables that are past due but not impaired

The Group has trade receivables amounting to $17,785,169 and $21,616,970 that are past due at 31 December 2017 and 1 January 2017 respectively but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	31.12.2017	1.1.2017
	$	$
Trade receivables past due but not impaired:		
Less than 30 days	1,644,677	3,166,609
30 to 60 days	525,180	2,426,493
61 to 90 days	1,226,406	2,797,466
More than 90 days	14,388,906	13,226,402
	17,785,169	21,616,970

18. Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	31.12.2017	1.1.2017
	$	$
Trade receivables – nominal amounts	11,293,729	4,449,462
Less: Allowance for impairment	(11,293,729)	(4,449,462)
	–	–

Movement in allowance accounts:

At 1 January	4,449,462
Charge for the year	6,910,582
Reversal of allowance	–
Exchange differences	(13,868)
Written off	(52,447)
At 31 December	11,293,729

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements except for an amount of $6,913,146 and $15,450,059 as at 31 December 2017 and 1 January 2017 respectively which were secured by land rigs (Note 16).

19. Other receivables and deposits

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$	$	$	$	$	$
Deposits	486,775	613,554	75,302	–	–	–
Advances to employees	34,788	57,164	56,558	–	–	–
Advances to suppliers	397,459	1,094,582	1,907,516	–	–	–
Other receivables	144,204	253,889	215,075	43,469	127,833	118,122
Less: Allowance for impairment	–	(75,780)	(70,000)	–	(70,000)	(70,000)
	1,063,226	1,943,409	2,184,451	43,469	57,833	48,122

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

20. Contract assets and contract liabilities

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

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$	$	$
Contract assets	6,597,236	6,866,818	9,197,593
Contract liabilities	(2,843,292)	(3,541,627)	(2,681,418)
	3,753,944	3,325,191	6,516,175

Included in contract liabilities are advances from customers amounting to $469,412 as at 31 December 2018 (31.12.2017: $288,016, 1.1.2017: $370,146).

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

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

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

21. Cash and cash equivalents

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$	$	$	$	$	$
Cash and bank balances	3,321,362	6,050,657	4,693,936	49,747	340,674	192,863
Short term deposit	282,582	–	–	–	–	–
	3,603,944	6,050,657	4,693,936	49,747	340,674	192,863

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposit are placed for three months and earn interest rate. The weighted average effective interest rates as at 31 December 2018 for the Group were 2.1% to 3.6%.

21. Cash and cash equivalents (cont'd)

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$	$	$
United States Dollar	1,927,945	2,646,133	3,581,327
Chinese Renminbi	99,269	328,103	48,027
Malaysian Ringgit	42,349	188,428	38,826
Euro	12,869	13,277	10,202
Indonesian Rupiah	510,728	16,505	6,541

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$	$	$
Cash and bank balances	3,321,362	6,050,657	4,693,936
Short term deposit	282,582	–	–
Cash and cash equivalents	3,603,944	6,050,657	4,693,936

22. Trade payables

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

Trade payables denominated in foreign currencies are as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$	$	$
United States Dollar	260,024	169,016	668,596
Euro	91,901	253,318	78,484
Chinese Renminbi	114,670	104,640	268,572
Malaysia Ringgit	52,115	153,936	75,663
Indonesian Rupiah	128,652	2,761	–

23. Other payables and accruals

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$	$	$	$	$	$
Accrued operating expenses	3,791,174	2,906,048	3,315,709	308,889	226,793	184,825
Accrued interest	408,961	76,909	133,199	–	–	–
Customers' deposits	6,130,958	6,110,870	6,900,932	–	–	–
Other payables	13,424,490	12,179,545	15,001,598	438,381	269,302	1,820,854
Rental deposits received	140,900	131,209	118,100	–	–	–
	23,896,483	21,404,581	25,469,538	747,270	496,095	2,005,679

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

Included in other payables are amounts of $11,364,998 (31.12.2017: $11,092,610, 1.1.2017: $12,000,804) and $778,762 (31.12.2017: $Nil, 1.1.2017: $Nil) respectivelydue to a vendor in relation to the purchase of a land rig and loan from Chairman which carry an interest at 8.0% per annum is in default as at end of reporting period. The loan carry interest at 12.0% per annum after default.

24. Due from/(to) subsidiaries (non-trade)

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

25. Finance lease obligations

	Group		
	Minimum lease payments	Interest	Present value of payments
	$	$	$
31.12.2018			
Less than 1 year	27,388	(1,698)	25,690
1 to 5 years	15,906	(533)	15,373
	43,294	(2,231)	41,063
31.12.2017			
Less than 1 year	30,941	(2,941)	28,000
1 to 5 years	43,300	(2,230)	41,070
	74,241	(5,171)	69,070
1.1.2017			
Less than 1 year	38,415	(6,215)	32,200
1 to 5 years	74,957	(5,887)	69,070
	113,372	(12,102)	101,270

25. Finance lease obligations (cont'd)

Finance lease obligations amounting to $Nil (31.12.2017: $3,546, 1.1.2017: $12,477) are secured by a charge over motor vehicles (Note 11).

Lease terms range from 1 to 5 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The average discount rate implicit in the Group's finance lease obligations is 4.92% to 5.70% (31.12.2017: 4.92% to 5.70%, 1.1.2017: 4.92% to 5.70%) per annum.

26. Loans and borrowings

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$	$	$	$	$	$
Current liabilities						
Short-term loan	43,000	646,000	1,330,000	–	–	–
Revolving loans	6,500,000	6,600,000	7,433,770	–	–	–
Current portion of long-term loans						
- Term loans (Type A)	117,081	686,523	1,108,220	160,081	1,332,523	1,991,707
- Term loans (Type B)	1,915,719	1,915,719	1,915,719	–	–	–
Related party loan	6,500,853	5,753,055	6,983,221	–	–	–
Third party loans	2,160,000	1,500,000	–	–	–	–
Bridging loan	647,739	446,958	–	–	–	–
	17,884,392	17,548,255	18,770,930	160,081	1,332,523	1,991,707
Non-current liabilities						
Non-current portion of long-term loans						
- Term loans (Type A)	–	117,082	803,604	–	117,082	803,604
- Term loans (Type B)	7,216,379	9,132,101	11,047,825	–	–	–
Third party loans	–	700,000	1,300,000	–	–	–
Bridging loan	1,665,780	1,684,480	–	–	–	–
	8,882,159	11,633,663	13,151,429	–	117,082	803,604

(i) Short-term loan carries interest at 5.10% (31.12.2017: 5.10%, 1.1.2017: 5.10%) per annum, is repayable in 2019. The loan is secured by personal guarantee from Chairman.

(ii) Revolving loans carry interest at rates ranging from 2.70% to 3.85% (31.12.2017: 2.90% to 3.25%, 1.1.2017: 2.60% to 4.27%) per annum and are repayable on demand. The loans are secured by a first legal mortgage on subsidiaries leasehold property (Note 11) and corporate guarantees from the Company.

(iii) Term loans (Type A) carry interest at rates ranging from 3.75% to 4.00% (31.12.2017: 3.50% to 3.75%, 1.1.2017: 2.85% to 3.50%) per annum and are repayable in 2019. The loans are secured by corporate guarantees from the Company.

26. Loans and borrowings (cont'd)

(iv) Term loans (Type B) carry interest at rates ranging from 1.98% to 3.40% (31.12.2017: 2.55% to 2.80%, 1.1.2017: 2.50% to 2.85%) per annum and are repayable between 2021 and 2022. The loans are secured by a first legal mortgage on a subsidiary's leasehold properties (Note 11) and by corporate guarantees from the Company.

(v) Related party loan carries interest at 5.00% (31.12.2017: 5.00%, 1.1.2017: 5.00%) per annum and is in default as at the end of the reporting period. The loan is secured by a corporate guarantee from the Company. The Group accrued an additional interest of $571,296 for the default.

(vi) Third party loans carry interest at rates ranging from 8.00% to 8.50% per annum. Third party loans amounting to $1,460,000 are in default as at the end of the reporting period with the remaining $700,000 due in January 2019. The loans are secured by corporate guarantees from the Company. The Group accrued an additional interest of $44,361 for the default.

vii) Bridging loans carry interest at 6.25% per annum and are repayable between 2019 and 2022. The loans are secured by a first legal mortgage on a subsidiary's leasehold properties (Note 11) and by corporate guarantees from the Company.

The carrying amount of loans and borrowings and redeemable exchangeable bonds (Note 28), in default at the end of the reporting period is $15,041,687.

Breach of loan covenant

As at 31 December 2018, the Group had breached a bank covenant in relation to a term loan from one of its bankers. The Group did not fulfil the requirement to maintain the Group's tangible networth of not less than $55,000,000.

Due to this breach of the covenant clause, the Bank is contractually entitled to request immediate repayment of the outstanding loans amounting to $117,081.

Subsequent to year-end, the affirmative covenants was removed by the Bank.

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

	31.12.2017	Cash flows	Non-cash changes	31.12.2018
	$	$	$	$
Loans				
- Current	17,548,255	(2,447,525)	2,783,662	17,884,392
- Non-current	11,633,663	(18,700)	(2,732,804)	8,882,159
Obligations under finance leases				
- Current	28,000	(2,310)	–	25,690
- Non-current	41,070	(25,697)	–	15,373
Redeemable exchangeable bonds				
- Current	6,303,302	–	777,532	7,080,834
	35,554,290	(2,494,232)	828,390	33,888,448

26. Loans and borrowings (cont'd)

	1.1.2017	Cash flows	Non-cash changes	31.12.2017
	$	$	$	$
Loans				
- Current	18,770,930	(6,660,275)	5,437,600	17,548,255
- Non-current	13,151,429	3,150,000	(4,667,766)	11,633,663
Obligations under finance leases				
- Current	32,200	(32,200)	28,000	28,000
- Non-current	69,070	–	(28,000)	41,070
Redeemable exchangeable bonds				
- Current	2,465,107	–	3,838,195	6,303,302
- Non-current	3,041,608	–	(3,041,608)	–
	37,530,344	(3,542,475)	1,566,421	35,554,290

The 'non-cash changes' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time and accretion of interests.

27. Derivatives

	Contract/ Notional amount	Group and Company 1.1.2017 Assets	Group and Company 1.1.2017 Liabilities
	$	$	$
Conversion option arising from redeemable exchangeable bonds (Note 28)	–	–	174,222
	–	–	174,222

28. Redeemable exchangeable bonds

Bond 1

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

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

28. Redeemable exchangeable bonds (cont'd)

Bond 2

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

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

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

Upon the occurrence of an event of default or the failure to obtain certain approvals within the prescribed periods, the Group shall pay an amount giving the investors an interest of 12% per annum on the principal amount, together with any accrued and unpaid interest. The Group has accrued interest amounting to $74,380 after default

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

As at 31 December 2018, the bonds are in default. As the final date to exercise the redemption and exchangeable options have lapsed, the bonds no longer contain option features.

The carrying amount of the liability component of the bonds at the end of the reporting period is arrived at as follows:

	Bond 1	Bond 2	Total
	$	$	$
Group			
31.12.2018			
Total face value	12,450,000	3,000,000	15,450,000
Derivative liability component	(1,712,331)	–	(1,712,331)
Liability component at initial recognition	10,737,669	3,000,000	13,737,669
Add: Accumulated amortisation of discount			
- Opening balance at 1 January	4,292,706	343,023	4,635,729
- Amortisation of discount during the financial year	182,889	290,207	473,096
- Accumulated interest	246,324	58,112	304,436
- Closing balance at 31 December	4,721,919	691,342	5,413,261
Less: Issuance of shares pursuant to conversion of bonds	(4,591,918)	–	(4,591,918)
Less: Redemption of bonds	(7,478,178)	–	(7,478,178)
Liability component at the end of the reporting period			
- Current	3,389,492	3,691,342	7,080,834

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28. Redeemable exchangeable bonds (cont'd)

Bond 2 (cont'd)

	Bond 1	Bond 2	Total
	$	$	$
Group			
31.12.2017			
Total face value	12,450,000	3,000,000	15,450,000
Derivative liability component	(1,712,331)	–	(1,712,331)
Liability component at initial recognition	10,737,669	3,000,000	13,737,669
Add: Accumulated amortisation of discount			
- Opening balance at 1 January	3,797,534	41,608	3,839,142
- Amortisation of discount during the financial year	495,172	301,415	796,587
- Closing balance at 31 December	4,292,706	343,023	4,635,729
Less: Issuance of shares pursuant to conversion of bonds	(4,591,918)	–	(4,591,918)
Less: Redemption of bonds	(7,478,178)	–	(7,478,178)
Liability component at the end of the reporting period			
- Current	2,960,279	3,343,023	6,303,302

	Bond 1	Bond 2	Total
	$	$	$
Group			
1.1.2017			
Total face value	12,450,000	3,000,000	15,450,000
Derivative liability component	(1,712,331)	–	(1,712,331)
Liability component at initial recognition	10,737,669	3,000,000	13,737,669
Add: Accumulated amortisation of discount			
- Opening balance at 1 January	2,199,897	–	2,199,897
- Amortisation of discount during the financial year	1,597,637	41,608	1,639,245
- Closing balance at 31 December	3,797,534	41,608	3,839,142
Less: Issuance of shares pursuant to conversion of bonds	(3,040,122)	–	(3,040,122)
Less: Redemption of bonds	(9,029,974)	–	(9,029,974)
Liability component at the end of the reporting period			
- Current	2,465,107	–	2,465,107
- Non-current	–	3,041,608	3,041,608

29. Share capital and treasury shares

(a) *Share capital*

	Group and Company			
	2018		2017	
	No. of shares	$	No. of shares	$
Issued and fully paid ordinary shares				
At 1 January	1,106,681,074	102,604,532	862,792,553	97,843,470
Issue of new shares:				
- Issuance of shares pursuant to conversion of redeemable exchangeable bonds (Note 28)	–	–	48,906,302	1,551,796
- Issuance of shares	–	–	194,982,219	3,509,680
Share issuance expenses	–	–	–	(300,414)
At 31 December	1,106,681,074	102,604,532	1,106,681,074	102,604,532

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

(b) *Treasury shares*

	Group and Company			
	2018		2017	
	No. of shares	$	No. of shares	$
At 1 January	(7,961,500)	(527,775)	(7,891,500)	(525,559)
Purchased during the year	–	–	(70,000)	(2,216)
At 31 December	(7,961,500)	(527,775)	(7,961,500)	(527,775)

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

The Company acquired Nil (2017: 70,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $Nil (2017: $2,216) and this was presented as a component within shareholders' equity.

30. Other reserves

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$	$	$	$	$	$
Foreign currency translation reserve (a)	(1,344,231)	(1,502,116)	–	–	–	–
Share-based payment reserve (b)	–	–	408,213	–	–	408,213
Capital reserve (c)	114,056	114,056	114,056	114,056	114,056	114,056
Total other reserves	(1,230,175)	(1,388,060)	522,269	114,056	114,056	522,269

(a) *Foreign currency translation reserve*

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

	Group	
	2018	2017
	$	$
At 1 January	(1,502,116)	1,801,994
Effects of adopting SFRS(I)	–	(1,801,994)
Net effect of exchange differences	157,885	(1,502,116)
At 31 December	(1,344,231)	(1,502,146)

(b) *Share-based payment reserve*

Share-based payment reserve represents the equity-settled share options and awards granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and awards, and is reduced by the expiry, forfeiture or exercise of the share options and awards.

	Group and Company	
	2018	2017
	$	$
At 1 January	–	408,213
Expiration of share options	–	(408,213)
At 31 December	–	–

(c) *Capital reserve*

Capital reserve relates to the gain on reissuance of treasury shares.

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
At 1 January and 31 December	114,056	114,056	114,056	114,056

31. Related party transactions

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

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$	$	$	$
Expenses				
Rental of office premise from a subsidiary	–	–	73,164	103,164
Interest on loan from a subsidiary	–	–	–	5,778

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
Loan from a related party (Note 26)	6,500,853	5,753,055	6,983,221	–	–	–
Loan from Chairman (Note 23)	778,762	–	–	–	–	–

(b) *Compensation of key management personnel*

	Group	
	2018	**2017**
	$	$
Short-term employee benefits	868,666	1,855,890
Central Provident Fund contributions	53,446	56,460
Total compensation paid to key management personnel	922,112	1,912,350
Comprise amounts paid to:		
- Directors of the Company	511,090	1,188,570
- Other key management personnel	411,022	723,780
	922,112	1,912,350

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

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32. Commitments and contingencies

(a) *Operating lease commitments – as lessee*

The Group has entered into commercial leases on certain office and industrial properties. These leases have remaining average tenures of 1 to 13 years (31.12.2017: 1 to 14 years, 1.12017: 1 to 15 years). The Group is not restricted from subleasing the property to third parties.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to $604,833 (2017: $589,274).

Future minimum lease payments payable under non-cancellable operating leases are as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$	$	$
- Not later than 1 year	291,216	276,034	2,524,614
- 1 year through 5 years	1,334,086	1,358,534	8,939,918
- Later than 5 years	3,748,778	4,109,543	4,997,464
	3,878,600	5,744,111	16,461,996

(b) *Operating lease commitments – as lessor*

The Group has entered into commercial leases on certain office property. These non-cancellable leases have remaining lease terms of between 9 months to 2 years (31.12.2017: 9 months to 3 years, 1.1.2017: 8 months to 2 years).

Minimum rental receivables recognised as an income in profit or loss for the financial year ended 31 December 2018 amounted to $1,433,101 (2017: $2,418,543).

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

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$	$	$
- Not later than 1 year	379,160	1,038,540	3,345,997
- 1 year through 5 years	302,390	554,690	9,267,563

(c) *Guarantees*

As at 31 December 2018, the Company has provided corporate guarantees totalling $23,567,548 (31.2.2017: $27,849,395,1.1.2017: $30,592,359) to financial institutions in respect of credit facilities utilised by the subsidiaries.

33. Fair value of assets and liabilities

(a) *Fair value hierarchy*

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

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

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

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

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

	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	$	$	$	$
Group				
31.12.2018				
Assets measured at fair value				
Financial assets:				
Equity securities through profit or loss				
- Quoted equity instruments (Note 15)	50,409	–	–	50,409
Financial assets as at 31 December 2018	50,409	–	–	50,409
Group				
31.12.2017				
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity instruments (Note 15)	165,796	–	–	165,796
Financial assets as at 31 December 2017	165,796	–	–	165,796

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

(b) *Assets and liabilities measured at fair value (cont'd)*

	Quoted prices in active markets for identical instruments (Level 1) $	Significant observable inputs other than quoted prices (Level 2) $	Significant unobservable inputs (Level 3) $	Total $
Group				
1.1.2017				
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets				
- Quoted equity instruments (Note 15)	271,213	–	–	271,213
Financial assets as at 1 January 2017	271,213	–	–	271,213
Liabilities measured at fair value				
Financial liabilities:				
Derivatives				
- Conversion option (Note 27)	–	174,222	–	174,222
Financial liabilities as at 1 January 2017	–	174,222	–	174,222

(c) *Level 2 fair value measurement*

The following is a description of the valuation techniques and inputs used in the fair value measurement for financial assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

<u>Derivatives (Note 27)</u>

Forward currency contracts are valued using a valuation technique (forward pricing model) with market observable inputs. This model uses present value calculations, and incorporates various inputs including foreign exchange spot and forward rates.

The valuation of conversion option is based on binomial option valuation model to estimate the fair value of the conversion option. This model incorporated various inputs including current share price, time to expiry, risk free rate, volatility, dividend yield and exchange price.

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

(d) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group					
	31.12.2018		31.12.2017		1.1.2017	
	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)
	$	$	$	$	$	$
Financial asset						
Finance lease receivables (non-current)	–	–	–	–	32,459,308	32,210,484
Financial liability						
Finance lease obligations (non-current)	(15,373)	(15,906)	(41,070)	(43,301)	(69,070)	(75,122)

Fair value of finance lease obligations (non-current) and finance lease receivables (non-current)

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rates for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

34. Classification of financial assets and liabilities

Financial assets

	Group	Company
	31.12.2018	31.12.2018
	$	$
Fair value through profit or loss		
Quoted equity investments	50,409	50,409
Amortised cost		
Trade receivables	27,271,747	–
Other receivables and deposits	630,979	43,469
Due from subsidiaries (non-trade)	–	18,226,601
Cash and cash equivalents	3,603,944	49,747
	31,506,670	18,319,817

34. Classification of financial assets and liabilities (cont'd)

Financial assets (cont'd)

	Group		Company	
	31.12.2017	1.1.2017	31.12.2017	1.1.2017
Available-for-sale financial assets				
Quoted equity investments	165,796	271,213	165,796	271,213
Loans and receivables				
Trade receivables	25,451,854	26,117,797	–	–
Other receivables and deposits	791,663	220,377	57,833	48,122
Due from subsidiaries (non-trade)	–	–	17,735,644	19,297,370
Cash and cash equivalents	6,050,657	4,693,936	340,674	192,863
	32,294,174	31,032,110	18,134,151	19,538,355
Finance lease receivables	12,385,123	36,923,545	–	–

Financial liabilities

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
Financial liabilities at amortised cost						
Trade payables	3,118,350	3,445,859	4,222,129	–	–	–
Other payables and accruals	23,896,483	21,404,581	23,917,741	747,270	496,095	453,882
Loans and borrowings	26,766,551	29,181,918	31,922,359	160,081	1,449,605	2,795,311
Due to subsidiaries (non-trade)	–	–	–	28,525,932	26,009,822	26,890,937
Redeemable exchangeable bonds	7,080,834	6,303,302	5,506,715	–	–	–
	60,862,218	60,335,660	65,568,944	29,433,283	27,955,522	30,140,130
Financial liabilities at fair value through profit or loss						
Derivatives	–	–	174,222	–	–	174,222
Finance lease obligations	41,063	69,070	101,270	–	–	69

35. Financial risk management objectives and policies

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

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

(a) *Credit risk*

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

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

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

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 60 days when they fall due, which are derived based on the Group's historical information.

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

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

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

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

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

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

- There is significant difficulty of the issuer or the borrower

- A breach of contract, such as a default or past due event

- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

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

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

<u>Trade receivables and contract assets</u>

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

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

Information regarding the gross carrying amounts and loss allowance movement of trade receivables and contract assets are disclosed in Note 18 and Note 20 respectively.

During the financial year, there are no trade receivables and contract assets written off and there are no recoveries from collections of cash flows previously written off.

<u>Excessive risk concentration</u>

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

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

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

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

Exposure to credit risk

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

- The carrying amount of each class of financial assets recognised in the balance sheets.
- A nominal amount of $23,567,548 (2017: $27,849,395) relating to corporate guarantees provided by the Group to financial institutions in respect of credit facilities utilised by the subsidiaries.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Notes 16, 18 and 19.

Credit risk concentration profile

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

	31.12.2018		**31.12.2017**		**1.1.2017**	
	$	% of total	$	% of total	$	% of total
Group						
Trade receivables						
By country:						
Singapore	4,040,914	15%	3,811,690	15%	6,771,095	26%
People's Republic of China	9,572,838	35%	7,802,178	31%	5,781,808	22%
United Kingdom	12,158,881	44%	12,463,016	49%	11,432,841	44%
Indonesia	835,226	3%	548,397	2%	603,582	2%
Malaysia	182,592	1%	376,160	1%	73,688	0%
Vietnam	8,719	*	–	–	493,420	2%
Others	472,577	2%	450,413	2%	961,363	4%
	27,271,747	100%	25,451,854	100%	26,117,797	100%

** denotes less than 1%*

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

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

	31.12.2018		31.12.2017		1.1.2017	
	$	% of total	$	% of total	$	% of total
Group						
Trade receivables						
By industry sectors:						
Corporate	255,732	1%	153,490	*	80,187	*
Offshore and marine	6,119,491	22%	6,502,006	26%	10,370,343	40%
Chartering services	20,896,524	77%	18,796,358	74%	15,667,267	60%
	27,271,747	100%	25,451,854	100%	26,117,797	100%
Finance lease receivables						
By country:						
People's Republic of China	–	–	12,385,123	100%	17,863,377	48%
United Kingdom	–	–	–	–	19,060,168	52%
	–	–	12,385,123	100%	36,923,545	100%
By industry sectors:						
Chartering services	–	–	12,385,123	100%	36,923,545	100%

** denotes less than 1%*

At the end of the reporting period, approximately:

- 80% (2017: 80%) of the Group's trade receivables were due from five (2017: five) major customers.
- 100% (2017: 100%) of the Group's finance lease receivables were due from one (2017: one) customer.

(b) *Interest rate risk*

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

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 (2017: 50) basis points lower/higher with all other variables held constant, the Group's loss before tax would have been $167,824 lower/higher (2017: $115,500 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a lower volatility as in prior years.

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

(c) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with their different bankers. At the end of the reporting period, approximately 67% (2017: 60%) of the Group's loans and borrowings (Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Revolving loans maturing within 12 months can be rolled over with existing lenders.

Analysis of financial instruments by remaining contractual maturities

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

	1 year or less	1 to 5 years	After 5 years	Total
	$	$	$	$
Group				
31.12.2018				
Financial assets:				
Quoted equity investments	–	–	50,409	50,409
Trade receivables	27,271,747	–	–	27,271,747
Other receivables and deposits	630,979	–	–	630,979
Cash and cash equivalents	3,603,944	–	–	3,603,944
Total undiscounted financial assets	31,506,670	–	50,409	31,557,079
Financial liabilities:				
Trade payables	3,118,350	–	–	3,118,350
Other payables and accruals	23,896,483	–	–	23,896,483
Finance lease obligations	27,395	15,906	–	43,301
Loans and borrowings	18,216,720	7,525,133	1,926,949	27,668,802
Redeemable exchangeable bonds	7,080,834	–	–	7,080,834
Total undiscounted financial liabilities	52,339,782	7,541,039	1,926,949	61,807,770
Total net undiscounted financial liabilities	(20,833,112)	(7,541,039)	(1,876,540)	(30,250,691)

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

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

	1 year or less $	1 to 5 years $	After 5 years $	Total $
Group				
31.12.2017				
Financial assets:				
Quoted equity investments	–	–	165,796	165,796
Trade receivables	25,451,854	–	–	25,451,854
Other receivables and deposits	791,663	–	–	791,663
Cash and cash equivalents	6,050,657	–	–	6,050,657
Finance lease receivables	14,857,415	–	–	14,857,415
Total undiscounted financial assets	47,151,589	–	165,796	47,317,385
Financial liabilities:				
Trade payables	3,445,859	–	–	3,445,859
Other payables and accruals	21,404,581	–	–	21,404,581
Finance lease obligations	30,941	43,300	–	74,241
Loans and borrowings	18,601,921	9,468,236	3,003,880	31,074,037
Redeemable exchangeable bonds	5,948,471	–	–	5,948,471
Total undiscounted financial liabilities	49,431,773	9,511,536	3,003,880	61,947,189
Total net undiscounted financial liabilities	(2,280,184)	(9,511,536)	(2,838,084)	(14,629,804)
1.1.2017				
Financial assets:				
Quoted equity investments	–	–	271,213	271,213
Trade receivables	26,117,797	–	–	26,117,797
Other receivables and deposits	220,377	–	–	220,377
Cash and cash equivalents	4,693,936	–	–	4,693,936
Finance lease receivables	8,971,683	48,338,155	–	57,309,838
Total undiscounted financial assets	40,003,793	48,338,155	271,213	88,613,161
Financial liabilities:				
Trade payables	4,222,129	–	–	4,222,129
Other payables and accruals	23,917,741	–	–	23,917,741
Finance lease obligations	38,415	74,957	–	113,372
Loans and borrowings	21,289,162	8,510,992	4,185,905	33,986,059
Redeemable exchangeable bonds	2,296,491	3,776,980	–	6,073,471
Derivatives	174,222	–	–	174,222
Total undiscounted financial liabilities	51,938,160	12,362,929	4,185,905	68,486,994
Total net undiscounted financial (liabilities)/assets	(11,934,367)	35,975,226	(3,914,692)	20,126,167

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

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

	1 year or less	1 to 5 years	After 5 years	Total
	$	$	$	$
Company				
31.12.2018				
Financial assets:				
Quoted equity investments	–	–	50,409	50,409
Other receivables and deposits	43,469	–	–	43,469
Due from subsidiaries (non-trade)	18,226,601	–	–	18,226,601
Cash and cash equivalents	49,747	–	–	49,747
Total undiscounted financial assets	18,319,817	–	50,409	18,370,226
Financial liabilities:				
Other payables	747,270	–	–	747,270
Due to subsidiaries (non-trade)	28,525,932	–	–	28,525,932
Loans and borrowings	162,698	–	–	162,698
Total undiscounted financial liabilities	29,435,900	–	–	29,435,900
Total net undiscounted financial (liabilities)/assets	(11,116,083)	–	50,409	(11,065,674)
31.12.2017				
Financial assets:				
Quoted equity investments	–	–	165,796	165,796
Other receivables and deposits	57,833	–	–	57,833
Due from subsidiaries (non-trade)	17,735,644	–	–	17,735,644
Cash and cash equivalents	340,674	–	–	340,674
Total undiscounted financial assets	18,134,151	–	165,796	18,299,947
Financial liabilities:				
Other payables	496,095	–	–	496,095
Due to subsidiaries (non-trade)	26,009,822	–	–	26,009,822
Loans and borrowings	1,523,535	–	–	1,523,535
Total undiscounted financial liabilities	28,029,452	–	–	28,029,452
Total net undiscounted financial (liabilities)/assets	(9,895,301)	–	165,796	(9,729,505)

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

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

	1 year or less $	1 to 5 years $	After 5 years $	Total $
Company				
1.1.2017				
Financial assets:				
Quoted equity investments	–	–	271,213	271,213
Other receivables and deposits	48,122	–	–	48,122
Due from subsidiaries (non-trade)	19,297,370	–	–	19,297,370
Cash and cash equivalents	192,863	–	–	192,863
Total undiscounted financial assets	19,538,355	–	271,213	19,809,568
Financial liabilities:				
Other payables	453,882	–	–	453,882
Due to subsidiaries (non-trade)	26,890,937	–	–	26,890,937
Derivatives	174,222	–	–	174,222
Loans and borrowings	2,102,586	823,513	–	2,926,099
Total undiscounted financial liabilities	29,621,627	823,513	–	30,445,140
Total net undiscounted financial (liabilities)/assets	(10,083,272)	(823,513)	271,213	(10,635,572)

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Chinese Renminbi (RMB) and Malaysian Ringgit (MYR). The foreign currencies in which these transactions are denominated are mainly United States Dollar (USD). Approximately 63% (2017: 59%) of the Group's sales are denominated in foreign currencies whilst almost 30% (2017: 63%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

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

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

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

(d) *Foreign currency risk (cont'd)*

Sensitivity analysis for foreign currency risk

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

		Group		
		31.12.2018	**31.12.2017**	**1.1.2017**
		Loss before tax	**Loss before tax**	**Loss before tax**
		$	$	$
SGD	- strengthened 5% (2017: 5%)	(682,035)	(590,554)	(618,152)
	- weakened 5% (2017: 5%)	682,035	590,554	618,152
USD	- strengthened 5% (2017: 5%)	143,426	192,517	227,283
	- weakened 5% (2017: 5%)	(143,426)	(192,517)	(227,283)
RMB	- strengthened 5% (2017: 5%)	21,009	(19,844)	32,193
	- weakened 5% (2017: 5%)	(21,009)	19,844	(32,193)
Euro	- strengthened 5% (2017: 5%)	(3,952)	(12,002)	3,414
	- weakened 5% (2017: 5%)	3,952	12,002	(3,414)
MYR	- strengthened 5% (2017: 5%)	7,252	13,259	(2,471)
	- weakened 5% (2017: 5%)	(7,252)	(13,259)	2,471

(e) *Market price risk*

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its quoted equity investments. These investments are quoted on the SGX-ST in Singapore and are classified as available-for-sale financial assets.

The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility as determined by the Board of Directors. All investments are approved by the Board of Directors.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the Straits Times Index (STI) had been 5% (2017: 5%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been $2,520 (2017: $8,290) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as fair value through profit or loss.

36. Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017. The Group is not subject to any externally imposed capital requirements.

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

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$	$	$
Total debt (Note 34)	60,862,218	60,335,660	65,568,944
Less:- Cash and cash equivalents (Note 21)	(3,603,944)	(6,050,657)	(4,693,936)
Net debt	57,258,274	54,285,003	60,875,008
Equity attributable to the owners of the Company	37,013,791	64,904,063	74,888,342
Total capital	37,013,791	64,904,063	74,888,342
Capital and net debt	94,272,065	119,189,066	135,763,350
Gearing ratio	61%	46%	45%

37. Segmental information

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

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

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

37. Segmental information (cont'd)

	Offshore and Marine 2018 $	Offshore and Marine 2017 $	Chartering Services 2018 $	Chartering Services 2017 $	Corporate 2018 $	Corporate .2017 $	Adjustments and eliminations 2018 $	Adjustments and eliminations 2017 $	Notes	Per consolidated financial statements 2018 $	Per consolidated financial statements 2017 $
Revenue:											
External customers	26,487,207	30,887,779	2,481,060	6,651900	1,177,841	1,122,440	–	–		30,146,108	38,662,119
Inter-segment	–	–	–	–	1,260,447	2,148,708	(1,260,447)	(2,148,708)	A	–	–
Total revenue	26,487,207	30,887,779	2,481,060	6,651,900	2,438,288	3,271,148	(1,260,447)	(2,148,708)		30,146,108	38,662,119
Results:											
Interest income	12,441	80,272	31	11,208	32	601	–	(83,579)		12,504	8,502
Depreciation and amortisation	377,889	484,406	–	–	1,270,463	1,290,099	472,447	476,088		2,120,799	2,250,593
Share of associate result	–	–	15,408,814	993	–	–	(5,942)	–		15,402,872	993
Impairment of non-financial assets	81,783	98,419	6,030,992	–	1,010,816	3,198,218	673,170	(2,539,956)		7,796,761	756,681
Other non-cash expenses	6,124	–	2,481,060	9,074,356	–	110,880	–	–	B	2,487,184	9,185,236
Segment (loss)/profit	(1,182,616)	(2,654,013)	(24,080,628)	(8,403,189)	(2,527,378)	(5,134,311)	(454,398)	2,704,853	C	(28,245,020)	(13,486,660)

	Offshore and Marine 31.12.2018	Offshore and Marine 31.12.2017	Offshore and Marine 1.1. 2017	Chartering Services 31.12.2018	Chartering Services 31.12.2017	Chartering Services 1.1. 2017	Corporate 31.12.2018	Corporate 31.12.2017	Corporate 1.1. 2017	Adjustments and eliminations 31.12.2018	Adjustments and eliminations 31.12.2017	Adjustments and eliminations 1.1. 2017	Notes	Per consolidated financial statements 31.12.2018	Per consolidated financial statements 31.12.2017	Per consolidated financial statements 1.1. 2017
Assets:																
Additions to non-current assets	124,152	47,547	257,215	–	–	–	2,268	17,756	57,282	–	–	–	D	126,420	65,303	314,497
Segment assets	53,592,539	55,617,384	59,664,797	54,022,401	74,142,611	80,381,065	82,155,213	94,197,939	97,822,193	(87,955,829)	(93,828,220)	(91,378,247)	E	101,814,313	130,129,714	146,489,808
Segment liabilities	(18,182,227)	(18,911,278)	(20,199,524)	(67,698,725)	(63,803,563)	(60,948,825)	(31,172,972)	(30,560,448)	(33,829,237)	52,253,402	48,049,638	43,376,120	F	(64,800,522)	(65,225,651)	(76,601,466)

37. Segmental information (cont'd)

Notes:	Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements
A	Inter-segment revenues are eliminated on consolidation.
B	Other non-cash expenses consist share-based payments, inventories written-down, provisions, and impairment of financial assets as presented in the respective notes to the financial statements.
C	The following items are deducted from segment (loss)/profit to arrive at "(loss)/profit before tax" presented in the consolidated statement of comprehensive income:

	2018 $	2017 $
Share of results of associates	(15,402,872)	(993)
Finance costs	(3,508,404)	(2,836,523)

D	Additions to non-current assets consist of additions to property, plant and equipment, intangible assets and investment in quoted and unquoted equities.
E	The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated balance sheets:

	31.12.2018 $	31.12.2017 $	1.1.2017 $
Investment in associates	–	15,402,872	15,403,865
Deferred tax assets	5,531	19,578	12,859
Inter-segment assets	(87,955,839)	(93,828,220)	(91,378,747)

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

	31.12.2018 $	31.12.2017 $	1.1.2017 $
Deferred tax liabilities	1,049,255	1,273,912	1,503,815
Income tax payable	4,694	5,382	20,000
Loans and borrowings	26,766,551	29,181,918	31,922,359
Inter-segment liabilities	(52,253,402)	(48,049,638)	(43,376,120)

37. Segmental information (cont'd)

Geographical information

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

	Revenues		Non-current assets		
	2018	**2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	$	$	$	$	$
Australia	544,252	13,735	–	–	–
Europe	401,613	1,433,337	–	–	–
Indonesia	4,958,678	1,674,223	5,035	7,277	7,981
Malaysia	1,459,012	829,686	14,208	8,878	9,133
Middle East	700,276	254,088	–	–	–
People's Republic of China	5,193,663	9,932,767	57,464	106,262	179,027
Singapore	14,995,933	22,339,097	34,769,875	36,723,471	38,842,796
Vietnam	698,358	29,702	–	–	–
Others	1,194,324	2,155,484	–	–	–
	30,146,108	38,662,119	34,846,582	36,845,888	39,038,937

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

Information about major customers

Revenue from three (2017: three) customers amounting to $7,910,286 (2017: $6,651,900) arise from project revenue by the offshore and marine project (2017: chartering services income by the Chartering Services segment).

38. Events occurring after the reporting period

On 2 May 2019, the Company was served with an application to the High Court of the Republic of Singapore by one of the Group's lenders, for a winding up order to be made against the Company. The lender had extended a loan of $800,000 to a subsidiary of the Group, Viking Asset Management Pte Ltd. As at 31 December 2018, the loan is in default. The court hearing of the winding up proceedings commenced by the lender has been scheduled on 14 June 2019 in the High Court of the Republic of Singapore.

39. Authorisation of financial statements

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 11 June 2019.

Shareholding Statistics

As at 7 June 2019

Class of shares	-	Ordinary shares
Voting rights	-	On a show of hands, one vote for each member
	-	On a poll : one vote for each ordinary share

Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	168	7.01	2,517	0.00
100 - 1,000	123	5.14	66,185	0.00
1,001 - 10,000	284	11.85	1,669,443	0.15
10,001 - 1,000,000	1,722	71.87	226,723,289	20.49
1,000,001 and above	99	4.13	878,219,640	79.36
	2,396	**100.00**	**1,106,681,074**	**100.00**

There are no subsidiary holdings held as at 7 June 2019.

Based on information available to the Company as at 7 June 2019, approximately 55.3% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited is complied with.

Top 20 Shareholders

S/No.	Name of Shareholder	No. of Shares Held	%*
1	Lim Andy	243,106,880	22.13
2	DBS Nominees Pte Ltd	94,401,052	8.59
3	DBS Vickers Securities (S) Pte Ltd	86,594,200	7.88
4	Luminor Pacific Fund 1 Ltd	50,253,656	4.57
5	Lim Chee San	39,000,000	3.55
6	Associated Leisure International Pte Ltd	29,400,000	2.68
7	Ong Choo Guan	26,480,000	2.41
8	Maybank Kim Eng Securities Pte. Ltd.	25,196,300	2.29
9	Yeo Seng Buck	23,963,100	2.18
10	Terry Tan Soon Lee @ Huiri Amita	17,166,050	1.56
11	OCBC Securities Private Ltd	14,210,647	1.29
12	Phillip Securities Pte Ltd	12,108,983	1.10
13	Tan Weiren Vincent (Chen Weiren Vincent)	9,662,000	0.88
14	United Overseas Bank Nominees Pte Ltd	7,911,650	0.72
15	Xue Chunxia	7,344,000	0.67
16	GKE Corporation Limited	6,300,000	0.57
17	Raffles Nominees (Pte) Limited	5,946,200	0.54
18	Wong Poh Hwa @ Kwai Seng	5,500,000	0.50
19	Chan Kwan Bian	5,335,400	0.49
20	UOB Kay Hian Pte Ltd	5,061,810	0.46
		714,941,928	**65.06**

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 7 June 2019 of 1,098,719,574 shares (which excludes 7,961,500 shares which are held as treasury shares representing approximately 0.72% of the total number of issued shares excluding treasury shares).

Substantial Shareholders as at 7 June 2019

Name	Number of shares registered in the name of substantial shareholders	Number of shares in which the substantial shareholder is deemed to have an interest	Total	%*
Andy Lim (1)	243,643,120	29,400,000	273,043,120	24.85
Viking Engineering Pte Ltd (2)	85,989,200	-	85,989,200	7.83
Johansson Bo Robert (3)	-	85,989,200	85,989,200	7.83
Sune Gustaf Sigvard Andersson (3)	-	85,989,200	85,989,200	7.83
Tan Boy Tee (4)	80,000,000	-	80,000,000	7.28

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 7 June 2019 of 1,098,719,574 shares (which excludes 7,961,500 shares which are held as treasury shares representing approximately 0.72% of the total number of issued shares excluding treasury shares).

Notes:

(1) Mr Andy Lim has a direct interest in 243,643,120 shares, of which 243,106,880 shares are registered in his own name and 536,240 shares are registered and held through the following Nominees:

Nominees	Shares
United Overseas Bank Nominees	536,240

Mr Andy Lim is further deemed interested in the 29,400,000 shares held by Associated Leisure International Pte Ltd whereby he holds a 99% shareholding interest.

(2) Viking Engineering Pte Ltd has a direct interest in 85,989,200 shares which are registered and held through DBS Vickers Securities (Singapore) Pte Ltd.

(3) Mr Johansson Bo Robert and Mr Sune Gustaf Sigvard Andersson are the substantial shareholders (50% each) of Viking Engineering Pte Ltd and are deemed interested in the 85,989,200 shares held by Viking Engineering Pte Ltd.

(4) Mr Tan Boy Tee has a direct interest in 80,000,000 shares which are registered and held through DBS Nominees Pte Ltd.

Warrantholding Statistics

As at 7 June 2019

WARRANTS - W220701

Warrantholding Statistics as at 7 June 2019

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 - 99	15	4.08	557	0.00
100 - 1,000	19	5.16	10,477	0.01
1,001 - 10,000	78	21.20	462,594	0.47
10,001 - 1,000,000	244	66.30	30,415,461	31.20
1,000,001 and above	12	3.26	66,602,020	68.32
	368	**100.00**	**97,491,109**	100.00

Top 20 Warrantholders

S/No.	Name of Warrantholder	No. of Warrants Held	%
1	Lim Andy	28,443,840	29.18
2	Phillip Securities Pte Ltd	10,290,280	10.55
3	Chua Eng Hong	6,882,500	7.06
4	Associated Leisure International Pte Ltd	4,200,000	4.31
5	Chan Kok Khoon	3,191,500	3.27
6	Pang Nyuk Lin	3,000,000	3.08
7	Maybank Kim Eng Securities Pte. Ltd.	2,906,000	2.98
8	Goh Jun Yi Irving (Wu Junyi Irving)	1,625,900	1.67
9	Tan Weiren Vincent (Chen Weiren Vincent)	1,612,000	1.65
10	Pwee Gin Leong	1,600,000	1.64
11	Kek Sin Hwa (Guo Xinhua)	1,450,000	1.49
12	GKE Corporation Limited	1,400,000	1.44
13	Soh Kay Meng	1,000,000	1.03
14	DBS Nominees Pte Ltd	872,696	0.89
15	Fan Baoqi	800,000	0.82
16	Chan Kwan Bian	762,200	0.78
17	Tay Yew Chong	750,000	0.77
18	Kong Kok Peng	650,000	0.67
19	Cheong Thiam Tee	620,000	0.64
20	Lee Kang Wee	600,100	0.61
		72,657,016	**74.53**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 21 Kian Teck Road, Singapore 628773 on Friday, 28 June 2019 at 9.00 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements of the Company for the year ended 31 December 2018 and the Directors' Statements and the Auditor's Report thereon. *(Please see Explanatory Note 1)*

2. (i) To re-elect the following Directors who are retiring in accordance with the provisions of the Company's Constitution:-

   (a) Mr Lee Suan Hiang (pursuant to Article 93) (Resolution 1)
   (Please see Explanatory Note 2)

   (b) Mr. Low Jooi Kok (pursuant to Article 93) (Resolution 2)
   (Please see Explanatory Note 3)

3. To approve payment of Directors' fees of $142,500 for the financial year ending 31 December 2018. (2018: $150,000) (Resolution 3)

4. To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 4)

AS SPECIAL BUSINESS

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

5. Authority to allot and issue shares

   (a) "That, pursuant to Section 161 of the Companies Act (Cap. 50), and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

   (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

   (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (Notwithstanding the authority conferred by the Shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,provided always that:

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed one hundred per cent (100%) of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to Shareholders of the Company does not exceed fifty percent (50%) of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities, or

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and

(c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." (Resolution 5)

(Please see Explanatory Note 4)

6. Authority to offer and grant options and share awards and to allot and issue shares pursuant to the Viking Offshore and Marine Limited Share Option Scheme (the "VOM Scheme") and the Viking Long Term Incentive Plan (the "VLTIP").

"That:

(a) authority be and is hereby given to the Directors of the Company to offer and grant options in accordance with the provisions the VOM Scheme and/or to grant share awards in accordance with the VLTIP; and

(b) approval be and is hereby given to the Directors to exercise full powers of the Company to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of the options under the VOM Scheme, and/or such number of shares as may be required to be allotted and issued pursuant to the award of shares under the VLTIP:

provided that the aggregate number of shares to be issued pursuant to the VOM Scheme and the VLTIP shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares in the capital of the Company from time to time." (Resolution 6)

(Please see Explanatory Note 5)

7. The Proposed Renewal of the Share Buyback Mandate

That:

(a) for the purposes of the Rules of Catalist and the Companies Act, the Directors be and are hereby authorised to exercise all the powers of the Company to purchase or acquire its issued and fully paid-up Shares representing not more than ten per cent (10%) of the total number of issued Shares of the Company at such price(s) as may be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company from time to time up to the Maximum Price (as defined below), whether by way of:

(i) an on-market purchase ("Market Purchase"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(ii) an off-market purchase ("Off-Market Purchase"), effected otherwise than on the SGX-ST pursuant to an equal access scheme in accordance with Section 76C of the Companies Act, and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the Rules of Catalist as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

(b) unless varied or revoked by the Shareholders in a general meeting, purchases or acquisitions of Shares pursuant to the proposed Share Buyback Mandate may be made, at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

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

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

(c) in this Resolution:

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, 105 per cent (105%) of the Average Closing Price (as defined below); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per cent (120%) of the Average Closing Price, where:

"Average Closing Price" means the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days period;

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution. (Resolution 7)

8. To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Lin Moi Heyang
Company Secretary

Singapore, 13 June 2019

Explanatory Notes:-

1. The audited financial statements is meant for discussion only as under the provisions of Section 201(1) of the Companies Act, Cap. 50 and Article 137 of the Company's Constitution, the audited financial statements need to be laid before the Company at its Annual General Meeting and hence, the matter will not be put forward for voting.

2. The key information of Mr. Lee Suan Hiang can be found on page 7 under the section entitled "Board Members" and on page 150 under the section entitled "Disclosure of Information on Directors Seeking Re-Election" in the Annual Report. Mr. Lee Suan Hiang will, upon re-election as a Director of the Company, remain a Member of the Audit Committee and will be considered independent for the purposes of Rule 704(7) of Section B of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual (the "Catalist Rules").

3. The key information of Mr Low Jooi Kok can be found on page 7 under the section entitled "Board Members" and on page 150 under the section entitled "Disclosure of Information on Directors Seeking Re-Election" in the Annual Report.

4. The ordinary resolution 5 in item no. 5 above is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 100 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing Shareholders shall not exceed 50 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

5. The ordinary resolution 6 in item no. 6 above is to authorise the Directors of the Company to offer and grant options under the VOM Scheme, as well as to award shares pursuant to the VLTIP, provided that the aggregate number of shares to be issued shall not exceed 15 percent of the Company's issued shares, excluding treasury shares in the capital of the Company from time to time.

NOTE:

Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.

Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, 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 two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Share Registrar, M&C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902, not later than 48 hours before the time set for the Annual General Meeting.

A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

This notice has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore branch ("Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Mr Ken Lee, Associate Director, Investment Banking. The contact particulars are 50 Raffles Place #09-01 Singapore Land Tower Singapore 048623, Telephone: +65 6337 5115.

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Definitions

In this Appendix, the following definitions apply throughout unless otherwise stated:

"AGM"	:	Annual general meeting of the Company. Unless the context otherwise requires, "AGM" shall refer to the annual general meeting to be held on 28 June 2019
"Annual Report 2018"	:	The Company's annual report for the financial year ended 31 December 2018
"Appendix"	:	This appendix to the Annual Report 2018
"associate"	:	(a) in relation to any Director, Chief Executive Officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"associated company"	:	A company in which at least 20% but not more than fifty per cent 50% of its shares are held by the Company or the Group
"Average Closing Price"	:	Has the meaning ascribed to it in Section 2.2(d) of this Appendix
"Board"	:	The board of Directors of the Company for the time being
"Catalist"	:	The sponsor-supervised listing platform of the SGX-ST
"Catalist Rules"	:	The Listing Manual, Section B: Rules of Catalist of the SGX-ST, as amended or modified from time to time
"CDP"	:	The Central Depository (Pte) Limited
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
"Company"	:	Viking Offshore and Marine Limited
"Constitution"	:	The constitution of the Company, as amended or modified from time to time

"Controlling Shareholder"	:	A person who holds directly or indirectly 15% or more of the issued Shares (excluding treasury shares) (subject to the SGX-ST determining that such a person is not a Controlling Shareholder) or a person who in fact exercises control over the Company
"Director(s)"	:	The director(s) of the Company
"EGM"	:	Extraordinary general meeting of the Company
"EPS"	:	Earnings per Share
"FY"	:	Financial year ended or ending 31 December
"Group"	:	The Company and its subsidiaries
"Independent Director"	:	An independent director of the Company
"Latest Practicable Date"	:	7 June 2019, being the latest practicable date prior to the printing of this Appendix
"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"Market Purchase"	:	Has the meaning ascribed to it in Section 2.2(c) of this Appendix
"Maximum Price"	:	Has the meaning ascribed to it in Section 2.2(d) of this Appendix
"NTA"	:	Net tangible assets
"Off-Market Purchase"	:	Has the meaning ascribed to it in Section 2.2(c) of this Appendix
"Securities Account"	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Share Buyback Mandate"	:	A general mandate given by Shareholders to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set out in the Companies Act and the Catalist Rules
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors whose Securities Accounts maintained are credited with Shares
"Shares"	:	Ordinary shares in the capital of the Company
"Sponsor"	:	CIMB Bank Berhad, Singapore Branch
"Substantial Shareholder"	:	A Shareholder who has an interest in not less than 5% of the issued Shares

Definitions

“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“VLTIP”	:	Has the meaning ascribed to it in Section 2.1(b) of this Appendix
“VOM Scheme”	:	Has the meaning ascribed to it in Section 2.1(b) of this Appendix
“30 Trading Day VWAP”	:	Has the meaning ascribed to it in Section 3.2.3(a) of this Appendix
“$” and “cents”	:	Dollars and cents respectively of the currency of Singapore
“%” or “per cent”	:	Per centum or percentage

The terms “Depositors”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them, respectively, in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore. The term “subsidiary” shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine shall, where applicable, include the feminine and neuter gender and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any reference to a time of day in this Appendix shall be a reference to Singapore time unless otherwise stated.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures that precede them.

(1) THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

1. INTRODUCTION

The purpose of this Appendix is to provide the Shareholders with information relating to, and to seek Shareholders' approval for:

(a) the proposed renewal of the Share Buyback Mandate; and

as further described in Section 2 of this Appendix.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1 Rationale

At the EGM held on 15 December 2011, the Company obtained the approval of the Shareholders for the Share Buyback Mandate. The Share Buyback Mandate was renewed at the AGMs held on 30 April 2012, 26 April 2013, 23 April 2014, 28 April 2015, 26 April 2016, 29 April 2017 and 30 April 2018.

As the Share Buyback Mandate renewed at the last AGM held on 30 April 2018 expired on 1 May 2019, the Company intends to seek the approval of the Shareholders for the renewal of the Share Buyback Mandate at the forthcoming AGM.

The renewal of the Share Buyback Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share purchases or acquisitions up to the 10% limit described in Section 2.2(a) of this Appendix at any time during the period when the Share Buyback Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:

(a) in managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of the business, share buybacks may be considered as one of the ways through which the return on equity of the Group may be enhanced;

(b) the Company has at present two (2) share-based incentive schemes for its employees, namely, the Viking Offshore and Marine Limited Share Option Scheme (the "VOM Scheme") and the Viking Offshore and Marine Limited Long Term Incentive Plan (the "VLTIP"). Share buybacks by the Company will enable the Directors to utilise the Shares which are purchased or acquired and held as treasury shares to satisfy the Company's obligation to furnish Shares to participants under the VOM Scheme and the VLTIP, thus giving the Company greater flexibility to select the method of providing Shares to its employees which would be most beneficial to the Company and its Shareholders;

(c) share buybacks by the Company will also enable the Directors to utilise the Shares which are purchased or acquired and held as treasury shares to be sold for cash or transferred as consideration for the acquisition of shares in or assets of another company or assets of a person, which may be less dilutive than if new Shares were issued for this purpose; and

(d) the Share Buyback Mandate would provide the Company with the flexibility to purchase or acquire the Shares if and when circumstances permit, during the period when the proposed Share Buyback Mandate is in force. It is an expedient, effective and cost-efficient way for the Company to return surplus cash and/or funds over and above its ordinary capital requirements, if any, which are in excess of its financial requirements, taking into account its growth and expansion plans, to its Shareholders. In addition, the Share Buyback Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure and its dividend policy.

While the Share Buyback Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit during the period referred to in Section 2.2(a) of this Appendix, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate will be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial position of the Group, or result in the Company being delisted from Catalist. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on Catalist.

2.2 Authority and limits

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:

(a) Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company as at the date of the forthcoming AGM at which the Share Buyback Mandate is renewed. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit.

For illustrative purposes only, on the basis of 1,098,719,574 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM, and that the Company does not reduce its share capital, not more than 109,871,957 Shares (representing 10% of the issued ordinary share capital of the Company as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buyback Mandate during the duration referred to in Section 2.2(b) of this Appendix.

(b) Duration of authority

Purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may be made, at any time and from time to time, on and from the date of the forthcoming AGM, at which the Share Buyback Mandate is renewed, up to:

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

(ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

The authority conferred on the Directors by the Share Buyback Mandate to purchase Shares may be renewed at the next AGM or any other general meeting of the Company. When seeking the approval of the Shareholders for the renewal of the Share Buyback Mandate, the Company is required to disclose certain information, including details pertaining to purchases or acquisitions of Shares pursuant to the Share Buyback Mandate made during the previous 12 months, including the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, the total consideration paid for the purchases or acquisitions.

(c) <u>Manner of purchases or acquisitions of Shares</u>

Purchases or acquisitions of Shares may be made by way of:

(i) an on-market purchase ("Market Purchase"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(ii) an off-market purchase ("Off-Market Purchase"), effected otherwise than on the SGX-ST pursuant to an equal access scheme in accordance with Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buyback Mandate, the Companies Act and the Catalist Rules, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of the above-mentioned persons shall be given a reasonable opportunity to accept the offers made to them; and

(iii) the terms of the offers are the same, except that there shall be disregarded:

  (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;

  (2) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and

  (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the proposed purchase or acquisition of Shares;

(iv) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;

(v) whether the purchases or acquisitions of shares, if made, would have any effect on the listing of the Shares on Catalist;

(vi) details of any purchases or acquisitions of shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for the purchases or acquisitions; and

(vii) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

(d) Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Buyback Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

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

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

(the "Maximum Price") in either case, excluding related expenses of the purchase or acquisition, where:

"Average Closing Price" means the average of the closing market prices of the Shares over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days period;

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.3 Status of purchased or acquired Shares

All Shares purchased or acquired by the Company (other than Shares held in treasury by the Company to the extent permitted under the Companies Act and the Constitution) will be automatically delisted from Catalist, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

The Company intends to hold all Shares purchased or acquired pursuant to the Share Buyback Mandate as treasury shares.

2.4 Treasury Shares

Under the Companies Act, where ordinary shares of the Company are purchased or acquired by the Company in accordance with Sections 76B to 76G of the Companies Act, the Company may hold or deal with such shares as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) Maximum holdings

The number of shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) Voting and other rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid and no other distribution of the Company's assets may be made to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

(i) sell the treasury shares for cash;

(ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the treasury shares; or

(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

2.5 Reporting requirements

Pursuant to Rule 871 of the Catalist Rules, a listed company shall announce all purchases or acquisitions of its Shares not later than 9.00 a.m.:

(a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and

(b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer for the Off-Market Purchase.

The announcement of such purchases or acquisitions of Shares shall be in such form and shall include such details as may be prescribed under the Catalist Rules. The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company, in a timely fashion, the necessary information which will enable the Company to make the relevant announcement.

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(31) of the Catalist Rules, which provides that an issuer must make an immediate announcement thereof, stating the following:

(i) date of the sale, transfer, cancellation and/or use;

(ii) purpose of such sale, transfer, cancellation and/or use;

(iii) number of treasury shares sold, transferred, cancelled and/or used;

(iv) number of Shares before and after such sale, transfer, cancellation and/or use;

(v) percentage of the number of treasury shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and

(vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.6 Sources of funds

The Company may only apply funds legally available for the purchase or acquisition of its Shares as provided in the Constitution and in accordance with the applicable laws in Singapore. The Company may not purchase or acquire its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Under the Companies Act, the Company is permitted to purchase or acquire its Shares out of capital, as well as from its distributable profits, so long as the Company is solvent (as defined in Section 76F(4) of the Companies Act).

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the Company's purchase or acquisition of the Shares pursuant to the Share Buyback Mandate. In purchasing or acquiring Shares pursuant to the Share Buyback Mandate, the Directors will principally consider the availability of internal resources. In addition, the Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions pursuant to the Share Buyback Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

2.7 Financial effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Buyback Mandate on the NTA and EPS of the Group and the Company as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The Company's total issued share capital will be diminished by the total number of the Shares purchased by the Company and which are cancelled. The NTA of the Group will be reduced by the aggregate purchase price paid by the Company for the Shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount of profits available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Buyback Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of Shares will only be effected after considering relevant factors such as the working capital requirements, the availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions.

For illustrative purposes only, the financial effects of the Share Buyback Mandate on the Group and the Company, are based on the audited financial accounts of the Group and the Company for the financial year ended 31 December 2018, and are based on the assumptions set out below:

(a) based on 1,098,719,574 Shares in issue as at the Latest Practicable Date, and assuming no further Shares are issued on or prior to the AGM and no Shares are held by the Company as treasury shares on or prior to the AGM, not more than 109,871,957 Shares (representing 10% of the issued ordinary share capital of the Company (excluding treasury shares) as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buyback Mandate;

(b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires the 109,871,957 Shares at the Maximum Price of S$0.0046 for one (1) Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 109,871,957 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S$505,411; and

(c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires the 109,871,957 Shares at the Maximum Price of S$0.0053 for one (1) Share (being the price equivalent to 20% above the Average Closing Price of the Shares on the five (5) consecutive Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 109,871,957 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S$582,321.

For illustrative purposes only and based on the assumptions set out in sub-paragraphs (a), (b) and (c) above and assuming that (i) the purchase or acquisition of Shares is financed by internal sources of funds and/or external borrowings, (ii) the Share Buyback Mandate had been effective on 1 January 2018 and (iii) the Company had purchased or acquired the 109,871,957 Shares (representing 10% of its issued ordinary share capital at the Latest Practicable Date), the financial effects of the purchase or acquisition of the 109,871,957 Shares by the Company pursuant to the Share Buyback Mandate:

(1) by way of purchases made entirely out of profits and held as treasury shares;

(2) by way of purchases made entirely out of capital and held as treasury shares;

(3) by way of purchases made entirely out of profits and cancelled; and

(4) by way of purchases made entirely out of capital and cancelled,

on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018 pursuant to the Share Buyback Mandate are as follows:

(1) Purchases made entirely out of profits and held as treasury shares

	Group			Company		
	Before Share Purchase $'000	**After Share Purchase assuming Market Purchase $'000**	**After Share Purchase assuming Off-Market Purchase $'000**	**Before Share Purchase $'000**	**After Share Purchase assuming Market Purchase $'000**	**After Share Purchase assuming Off-Market Purchase $'000**
As at 31 December 2018						
Share capital	102,605	102,605	102,605	102,605	102,605	102,605
Capital and other reserve	(1,230)	(1,230)	(1,230)	114	114	114
Retained earnings	(63,833)	(63,833)	(63,833)	(48,878)	(48,878)	(48,878)
	37,542	37,542	37,542	53,841	53,841	53,841
Treasury shares	(528)	(1,033)	(1,110)	(528)	(1,033)	(1,110)
Shareholders' funds	37,014	36,509	36,432	53,313	52,808	52,731
Net tangible assets	23,504	22,999	22,922	53,313	52,808	52,731
Minority interests	-	-	-	-	-	-
Current assets	66,912	66,407	66,330	18,356	17,851	17,774
Current liabilities	54,854	54,854	54,854	29,433	29,433	29,433
Working capital	12,058	11,553	11,476	(11,077)	(11,582)	(11,659)
Number of issued shares ('000)(net of treasury shares)	1,098,720	988,848	988,848	1,098,720	988,848	988,848
Financial ratios						
Net tangible assets/ Shares (cents)	2.1	2.3	2.3	4.9	5.3	5.3
Current ratio (times)	1.22	1.21	1.21	0.62	0.60	0.60
Earnings per Share (cents)	(2.55)	(2.84)	(2.84)	(0.22)	(0.25)	(0.25)

(2) Purchases made entirely out of capital and held as treasury shares

	Group			Company		
	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000
As at 31 December 2018						
Share capital	102,605	102,605	102,605	102,605	102,605	102,605
Capital and other reserve	(1,230)	(1,230)	(1,230)	114	114	114
Retained earnings	(63,833)	(63,833)	(63,833)	(48,878)	(48,878)	(48,878)
	37,542	37,542	37,542	53,841	53,841	53,841
Treasury shares	(528)	(1,033)	(1,110)	(528)	(1,033)	(1,110)
Shareholders' funds	37,014	36,509	36,432	53,313	52,808	52,731
Net tangible assets	23,504	22,999	22,922	53,313	52,808	52,731
Minority interests	-	-	-	-	-	-
Current assets	66,912	66,407	66,330	18,356	17,851	17,774
Current liabilities	54,854	54,854	54,854	29,433	29,433	29,433
Working capital	12,058	11,553	11,476	(11,077)	(11,582)	(11,659)
Number of issued shares ('000)(net of treasury shares)	1,098,720	988,848	988,848	1,098,720	988,848	988,848
Financial ratios						
Net tangible assets/ Shares (cents)	2.1	2.3	2.3	4.9	5.3	5.3
Current ratio (times)	1.22	1.21	1.21	0.62	0.60	0.60
Earnings per Share (cents)	(2.55)	(2.84)	(2.84)	(0.22)	(0.25)	(0.25)

(3) Purchases made entirely out of profits and cancelled

	Group			Company		
	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000
As at 31 December 2018						
Share capital	102,605	102,605	102,605	102,605	102,605	102,605
Capital and other reserve	(1,230)	(1,230)	(1,230)	114	114	114
Retained earnings	(63,833)	(63,328)	(64,415)	(48,878)	(49,383)	(49,460)
	37,542	37,037	36,960	53,841	53,336	53,259
Treasury shares	(528)	(528)	(528)	(528)	(528)	(528)
Shareholders' funds	37,014	36,509	36,432	53,313	52,808	52,731
Net tangible assets	23,504	22,999	22,922	53,313	52,808	52,731
Minority interests	-	-	-	-	-	-
Current assets	66,912	66,407	66,330	18,356	17,851	17,774
Current liabilities	54,854	54,854	54,854	29,433	29,433	29,433
Working capital	12,058	11,553	11,476	(11,077)	(11,582)	(11,659)
Number of issued shares ('000)(net of treasury shares)	1,098,720	988,848	988,848	1,098,720	988,848	988,848
Financial ratios						
Net tangible assets/ Shares (cents)	2.1	2.3	2.3	4.9	5.3	5.3
Current ratio (times)	1.22	1.21	1.21	0.62	0.60	0.60
Earnings per Share (cents)	(2.55)	(2.84)	(2.84)	(0.22)	(0.25)	(0.25)

(4) Purchases made entirely out of capital and cancelled

	Group			Company		
	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000	Before Share Purchase $'000	After Share Purchase assuming Market Purchase $'000	After Share Purchase assuming Off-Market Purchase $'000
As at 31 December 2018						
Share capital	102,605	102,100	102,023	102,605	102,100	102,023
Capital and other reserve	(1,230)	(1,230)	(1,230)	114	114	114
Retained earnings	(63,833)	(63,833)	(63,833)	(48,878)	(48,878)	(48,878)
	37,542	37,037	36,960	53,841	53,336	53,259
Treasury shares	(528)	(528)	(528)	(528)	(528)	(528)
Shareholders' funds	37,014	36,509	36,432	53,313	52,808	52,731
Net tangible assets	23,504	22,999	22,922	53,313	52,808	52,731
Minority interests	-	-	-	-	-	-
Current assets	66,912	66,407	66,330	18,356	17,851	17,774
Current liabilities	54,854	54,854	54,854	29,433	29,433	29,433
Working capital	12,058	11,553	11,476	(11,077)	(11,582)	(11,659)
Number of issued shares ('000)(net of treasury shares)	1,098,720	988,848	988,848	1,098,720	988,848	988,848
Financial ratios						
Net tangible assets/ Shares (cents)	2.1	2.3	2.3	4.9	5.3	5.3
Current ratio (times)	1.22	1.21	1.21	0.62	0.61	0.61
Earnings per Share (cents)	(2.55)	(2.84)	(2.84)	(0.22)	(0.25)	(0.25)

Shareholders should note that the financial effects set out above are purely for illustrative purposes and based only on the above-mentioned assumptions. In particular, it is important to note that the above financial analysis is based on the Group's and the Company's historical numbers for the financial year ended 31 December 2018, and is not necessarily representative of the future financial performance of the Group and the Company. The Company will take into account both financial and non-financial factors (for example, equity market conditions and the performance of the Shares) in assessing the relative impact of a share purchase or acquisition before execution. Although the proposed Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the total number of its issued Shares (excluding treasury shares), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total number of its issued Shares (excluding treasury shares). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

2.8 Catalist Rules

While the Catalist Rules do not expressly prohibit purchases of shares by a Catalist company during any particular time or times, a Catalist company would be considered an "insider" in relation to any proposed purchase or acquisition of its issued shares. In this regard, the Company will not purchase any Shares pursuant to the Share Buyback Mandate after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as such price-sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealing issued by the SGX-ST, the Company will not purchase or acquire any Shares through Market Purchases during the period of:

(a) one (1) month immediately preceding the announcement of the Company's full-year results; and

(b) two (2) weeks immediately preceding the announcement of the Company's first three (3) quarterly results.

The Company is required under Rule 723 of the Catalist Rules to ensure that at least 10% of its Shares (excluding preference shares, convertible equity securities and treasury shares) are in the hands of the public. The "public", as defined under the Catalist Rules, are persons other than the Directors, Chief Executive Officer, Substantial Shareholders or Controlling Shareholders of the Group, as well as the associates of such persons.

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, 597,743,598 Shares, representing approximately 54% of the issued Shares (excluding treasury shares), are in the hands of the public. Assuming that the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Buyback Mandate, and there is no other change to the capital structure of the Company and no change to the Shares held by the Directors and the Substantial Shareholders, the number of Shares in the hands of the public would be reduced to 487,871,641 Shares, representing approximately 49% of the reduced issued share capital of the Company. If the Shares in the hands of the public falls below 10% of the reduced issued share capital of the Company, the SGX-ST may suspend trading of the Shares.

Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10% pursuant to the proposed Share Buyback Mandate without affecting the listing status of the Shares on Catalist, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity. In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on Catalist, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.9 Take-over Code implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

(a) Obligation to make a take-over offer

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting rights of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

(b) Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert:

(i) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights;

(ii) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

(iii) a company with any of its pension funds and employee share schemes;

(iv) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total ten per cent (10%) or more of the client's equity share capital;

(vi) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a *bona fide* offer for their company may be imminent;

(vii) partners; and

(viii) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 to the Take-over Code.

(c) Effect of Rule 14 and Appendix 2 to the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 to the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring Shares:

(i) the voting rights of such Directors and persons acting in concert with them would increase to 30% or more; or

(ii) in the event that such Directors and persons acting in concert with them hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and persons acting in concert with them would increase by more than 1% in any period of six (6) months (commonly referred to as the "1% creeper rule").

In calculating the percentages of voting rights of such Directors and persons acting in concert with them, treasury shares shall be excluded.

Under Appendix 2 to the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares:

(i) the voting rights of such Shareholder would increase to 30% or more; or

(ii) if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months.

Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buyback Mandate.

Based on the information in the Company's register of members as at the Latest Practicable Date, none of the Directors or Substantial Shareholders are obliged to make a general offer to other Shareholders under Rule 14 and Appendix 2 to the Take-over Code as a result of a purchase or acquisition of Shares by the Company pursuant to the proposed Share Buyback Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

2.10 Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications arising from the Share Buyback Mandate or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

2.11 Previous Share buybacks

For the period of 12 months immediately preceding the Latest Practicable Date, the Company had purchased or acquired a total of NIL Shares by way of Market Purchases pursuant to the Share Buyback Mandate, and the NIL Shares were kept as treasury shares. The details of such share purchases and acquisitions are as follows:

Number of Shares purchased	Highest price paid	Lowest price paid	Total consideration paid (excluding transaction costs)
-	-	-	-

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares, based on the registers of Directors' interests in Shares and Substantial Shareholders' interests in Shares, respectively, are as follows:

	Number of Shares			
Directors	**Direct Interest**	**%**	**Deemed Interest**	**%**
Andy Lim[(1)]	243,643,120	22.18	29,400,000	2.68
Low Jooi Kok	1,700,000	0.15	-	-
Ng Yeau Chong	1,540,000	0.14	-	-
Lee Suan Hiang	3,570,000	0.32	-	-
Kelvin Tan Wee Peng	2,000,000	0.18	-	-
Substantial Shareholders (other than Directors)				
Tan Boy Tee[(4)]	80,000,000	7.28	-	-
Viking Engineering Pte Ltd[(2)]	85,989,200	7.83	-	-
Johansson Bo Robert[(3)]	-	-	85,989,200	7.83
Sune Gustaf Sigvard Andersson[(3)]	-	-	85,989,200	7.83

Notes:

(1) Mr Andy Lim has a direct interest in 243,643,120 Shares, of which 243,106,880 Shares are registered in his own name and 536,240 Shares are registered and held through the following nominees:

Nominees	Shares
United Overseas Bank Nominees	536,240

He also has a 99% shareholding interest in Associate Leisure International Pte Ltd, and is deemed interested in 29,400,000 Shares held by Associated Leisure International Pte Ltd.

(2) Viking Engineering Pte Ltd has a direct interest in 85,989,200 shares which are registered and held through DBS Vickers Securities (Singapore) Pte Ltd.

(3) Mr Johansson Bo Robert and Mr Sune Gustaf Sigvard Andersson are the substantial shareholders (50% each) of Viking Engineering Pte Ltd and are deemed interested in the 85,989,200 shares held by Viking Engineering Pte Ltd.

(4) Mr Tan Boy Tee has a direct interest in 80,000,000 shares which are registered and held through DBS Nominees Pte Ltd.

The interests of the Directors and Substantial Shareholders in the Shares, based on the registers of Directors' interests in Shares and Substantial Shareholders' interests in Shares, respectively, as at the Latest Practicable Date, are set out in Section 3.5 of this Appendix.

4. DIRECTORS' RECOMMENDATIONS

4.1 The Directors, having considered, *inter alia*, the terms, rationale and benefits of the proposed renewal of the Share Buyback Mandate, are of the opinion that the proposed renewal of the Share Buyback Mandate is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed renewal of the Share Buyback Mandate, at the forthcoming AGM.

4.2 The Directors, having considered, *inter alia*, the terms, rationale and benefits of the proposed Share Issuance, are of the opinion that the proposed Share Issuance is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of the ordinary resolution relating to the proposed Share Issuance, at the forthcoming AGM.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buyback Mandate, the proposed Share Issuance, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Constitution may be inspected by Shareholders at the registered office of the Company at 21 Kian Teck Road, Singapore 628773 during normal business hours from the date of this Appendix up to and including the date of the AGM.

Yours faithfully,

For and on behalf of the Board of Directors
Viking Offshore and Marine Limited

Mr Ng Yeau Chong
Chief Executive Officer and Executive Director

Disclosure of Information on Directors Seeking Re-Election

Mr Lee Suan Hiang and Mr Low Jooi Kok are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 28 June 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7F of the Catalist Rules of the SGX-ST:

	MR LEE SUAN HIANG	MR LOW JOOI KOK
Date of Appointment	16 April 2010	26 April 2016
Date of last re-appointment	26 April 2016	27 April 2017
Age	68	55
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Lee Suan Hiang for re-appointment as Independent Director of the Company. The Board have reviewed and concluded that Mr Lee Suan Hiang possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Low Jooi Kok for re-appointment as Executive Director of the Company. The Board have reviewed and concluded that Mr Low Jooi Kok possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive Mr Low Jooi Kok focuses on the corporate restructuring and investor related matters.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director, Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee	Executive Director

Disclosure of Information on Directors Seeking Re-Election

	MR LEE SUAN HIANG	MR LOW JOOI KOK
Professional qualifications	BA (Hons) Industrial Design (Engineering) Fellow of the Singapore Institute of Directors Fellow of the Chartered Management Institute, UK Fellow of the Chartered Institute of Marketing, UK	BA (Hons) Accounting Master of Business Administration Certified Public Accountant
Working experience and occupation(s) during the past 10 years	PSB Corporation - Chairman International Federation of Arts Councils and Cultural Agencies - Deputy Chairman International Standards Organisation - Council Member Real Estate Developers' Association of Singapore - Chief Executive Officer (2011 to 2016).	Viking Offshore and Marine Limited - Chief Executive Officer IBM Singapore - Director of Business Partner Sales (1996 to 2009)
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 3,570,000 ordinary shares and 510,000 warrants in the listed issuer.	Direct interest: 1,700,000 ordinary shares and 275,000 warrants in the listed issuer.
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	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7F) under Rule 720(5) has been submitted to the listed issuer	Yes	Yes

Disclosure of Information on Directors Seeking Re-Election

	MR LEE SUAN HIANG	MR LOW JOOI KOK
Other Principal Commitments Including Directorships	Memstar Technology Ltd Advance SCT Ltd	Viking Capital Pte Ltd
Past (for the last 5 years) Present	CITIC Envirotech Ltd Anacle Systems Ltd Perennial Real Estate Holdings Ltd United Engineers Ltd MindChamps Preschool Ltd EDB Society SLF Leisure Enterprises Pte Ltd Pasir Ris Resort Pte Ltd LASALLE College of the Arts Global Business Advisers Pte Ltd The Singapore Lyric Opera Ltd Global Cultural Alliance Ltd Singapore Institute of Directors	Viking Asset Management Pte Ltd Viking Facilities Management and Operations Pte Ltd Viking HVAC Pte Ltd Viking Offshore Global Pte Ltd Promoter Hydraulics Pte Ltd Viking Airtech Pte Ltd Viking LR1 Pte Ltd Viking LR2 Pte Ltd Marshal Systems Private Limited

Disclosure of Information on Directors Seeking Re-Election

		MR LEE SUAN HIANG	MR LOW JOOI KOK
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
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	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	No
c)	Whether there is any unsatisfied judgment against him?	No	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	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	No

Disclosure of Information on Directors Seeking Re-Election

	MR LEE SUAN HIANG	MR LOW JOOI KOK
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	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	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	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	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 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	No

Disclosure of Information on Directors Seeking Re-Election

	MR LEE SUAN HIANG	MR LOW JOOI KOK
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 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, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
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?	In May 2015, he received a supervisory warning by the MAS in respect of his failure to notify a listed corporation(of which he was a director) of changes in his interest in the securities of the corporation within two business days of his acquisition of an interest, as required under section 133 of the SFA. In the letter issued by the MAS, the MAS indicated its position not to take further regulatory action in respect of this matter.	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

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VIKING OFFSHORE AND MARINE LIMITED
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Annual General Meeting.

PROXY FORM

I/We, ____

of ____

being *a member/members of VIKING OFFSHORE AND MARINE LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

or failing whom, the Chairman of the Meeting, as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held on Friday, 28 June 2019 at 21 Kian Teck Road, Singapore 628773 at 9.00 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	Re-election of Mr Lee Suan Hiang as Director		
2.	Re-election of Mr Low Jooi Kok as Director		
3.	Approval of Directors' fees		
4.	Re-appointment of auditors		
5.	Authority to allot and issue shares		
6.	Authority to grant options and share awards and to issue shares pursuant to the Viking Offshore and Marine Limited Share Option Scheme and the Viking Long Term Incentive Plan		
7.	Approval of the proposed Renewal of the Share Buyback Mandate		

Dated this _____ day of ______________ 2019

Total Number of Shares Held

____

Signature(s) of Member(s)/Common Seal

* Delete accordingly

IMPORTANT: Please read notes overleaf

Notes:-

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company,

2. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, 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 two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Share Registrar, M&C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902, not later than 48 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.

VIKING OFFSHORE AND MARINE LIMITED

The Share Registrar
Viking Offshore and Marine Limited
c/o M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

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